

QINETIQ

FY26 Full Year Results – 21 May 2026

Record order intake and £4.8bn¹ backlog provide strong visibility for FY27 revenue growth and beyond
Free cash flow of >£550m over FY27-29 driving increased shareholder returns
Dividend increased 24%; £200m share buyback extension

Steve Wadey, Group Chief Executive Officer, said: “We have delivered a resilient performance in more challenging markets, with organic revenue growth, margin expansion and strong cash generation driven by disciplined execution and restructuring. Our record order intake and £4.8bn¹ backlog provide clear visibility of sustainable growth and strong multi-year cash flows. Aligned to structural growth in global defence investment, we are a trusted partner delivering mission-critical capabilities, well positioned to drive higher-quality earnings and attractive, sustainable shareholder returns.”

FY26 results £ million	Underlying*			Statutory	
	FY26	FY25	Change	FY26	FY25
Order intake ²	3,573	1,955	+83%		
Funded order backlog	4,421	2,845	+55%		
Revenue	1,923	1,932	0%	1,923	1,932
Operating profit (loss) ³	218	185	+18%	170	(91)
Operating profit margin ³	11.3%	9.6%	+170bps	8.8%	(4.6%)
Profit (loss) before tax ³	230	199	+16%	155	(106)
Basic earnings per share	31.5p	26.1p	+21%	20.1p	(33.0p)
Free cash flow	159	113	+41%		
Net debt	159	133	+20%		
Dividend per share	11.00p	8.85p	+24%		
Share buyback spend	135	103	+31%		
Return on capital employed	34%	22%	+12ppts		

Resilient financial performance in challenging markets

- Record order intake of £3,573m² (book-to-bill 1.14x⁴) and record year-end backlog of £4.8bn¹
- Revenue increased 1.3% on an organic basis driven by a good UK performance
- Underlying operating profit* grew 18% to £218m benefiting from focused execution and right-sizing actions
- Margin 11.3% (+170bps), returned to the target range
- EPS grew 21% to 31.5p, strong free cash flow of £159m (+41%), leverage 0.5x (net debt/EBITDA) unchanged
- 24% increase in full year dividend; new payout ratio target of 35-40% of underlying earnings per share
- £200m share buyback extension of £100m p.a. through FY29

Foundations set for sustainable growth

- £1.7bn LTPA extension to 2033, transforming the UK's defence testing capabilities for future warfare
- £205m five-year contract delivering critical engineering services for Typhoon
- US business stabilised; driving organic growth and assessing strategic fit; all options under active review

FY27 outlook

- Revenue growth 3-5% and operating margin 11.0-11.5%
- EPS growth 8-10% with cash conversion >90%
- >£550m of free cash flow targeted over FY27-29

The preliminary results for the year ended 31 March 2026 have been submitted in full unedited text to the Financial Conduct Authority's National Storage Mechanism and will be available shortly for inspection at

<https://data.fca.org.uk/#/nsm/nationalstoragemechanism>.

Analyst presentation

Management will host a presentation at 09:30 hours BST on Thursday 21 May 2026. To register to join the live webcast, please see details on our website here: www.qinetiq.com/en/investors/results-reports-and-presentations/fy26-prelim-results

Dividend declaration

The Board proposes a final FY26 dividend per share of 8.00p (FY25: 6.05p) making the full-year dividend 11.00p (FY25: 8.85p). Subject to approval at the Annual General Meeting, the final FY26 dividend will be paid on 20 August 2026 to shareholders on the register on 24 July 2026. The ex-dividend date is 23 July 2026.

The dividend is conditional upon the Directors not having determined (at their discretion) to cancel the dividend at any point prior to its payment.

This announcement contains regulated information as per Disclosure Guidance and Transparency Rule (DTR) 6.3.

Share buyback programme

We will return further value to shareholders through an additional £200 million extension to our existing share buyback programme, over 2 years commencing in March 2027, when we complete our current buyback commitment. The £200 million extension is in addition to our existing share buyback programme, which commenced in February 2024 and which totals £250 million up to March 2027, comprised of our original £100 million share buyback that we announced in January 2024, the subsequent £50 million extension announced in November 2024, and the further £200 million extension announced in March 2025 which we are in the process of executing. Since the commencement of the buyback programme in February 2024 we have purchased c.61 million shares in total, with an aggregate purchase price of c.£268.1 million, up to 18 May 2026. We will complete the remaining c.£81.9 million of the current buyback commitment by the end of our FY27 financial year and then commence the additional £200 million announced today.

About QinetiQ

QinetiQ is a leading provider of mission-critical defence and security solutions to the UK and its allies, protecting lives by supporting national security priorities. Our innovative research and development, specialist engineering expertise, unique test and training facilities and mission support and operations capabilities deliver sustained warfighting readiness and operational advantage. QinetiQ employs c.7,500 highly skilled people.

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* Definitions of the Group's 'Alternative Performance Measures' can be found in the glossary

¹ Includes funded and unfunded backlog

² Order intake here includes the LTPA extension award of £1,543m plus £166m relating to current investments. Order intake excluding the LTPA was £1,860m

³ Underlying operating profit, operating profit margin and profit (loss) before tax refer to profit from segments and exclude 'specific adjusting items'. See note 2

⁴ Book-to-bill ratio is orders won divided by revenue recognized, excluding LTPA orders of £1,709m (FY25 £0m) and LTPA revenue of £294m (FY25 £270m)

Basis of preparation:

Throughout this presentation, certain measures are used to describe the Group's financial performance, which are not recognised under IFRS or other generally accepted accounting principles (GAAP). The Group's Directors and management assess financial performance based on underlying measures of performance, which are adjusted to exclude certain 'specific adjusting items'. In the judgement of the Directors, the use of alternative performance measures (APMs) such as underlying operating profit and underlying earnings per share are more representative of ongoing trading, facilitate meaningful year-to-year comparison and, therefore, allow the reader to obtain a fuller understanding of the financial information. The adjusted measures used by QinetiQ may differ from adjusted measures used by other companies. Details of QinetiQ's APMs are set out in the glossary to the presentation.

Year references (FY26, FY25, 2026, 2025) refer to the year ended 31 March.

Disclaimer:

This document contains certain forward-looking statements relating to the business, strategy, financial performance and results of the Company and/or the industry in which it operates. Actual results, levels of activity, performance, achievements and events are most likely to vary materially from those implied by the forward-looking statements. The forward-looking statements concern future circumstances and results and other statements that are not historical facts, sometimes identified by the words 'believes', 'expects', 'predicts', 'intends', 'projects', 'plans', 'estimates', 'aims', 'foresees', 'anticipates', 'targets', 'goals', 'due', 'could', 'may', 'should', 'potential', 'likely' and similar expressions, although these words are not the exclusive means of doing so. These forward-looking statements include, without limitation, statements regarding the Company's future financial position, income growth, impairment charges, business strategy, projected levels of growth in the relevant markets, projected costs, estimates of capital expenditures, and plans and objectives for future operations. Forward-looking statements contained in this announcement regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Nothing in this document should be regarded as a profit forecast. The forward-looking statements, including assumptions, opinions and views of the Company or cited from third party sources, contained in this announcement are solely opinions and forecasts which are uncertain and subject to risks. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to be correct. Actual results may differ materially from those expressed or implied by these forward-looking statements. A number of factors could cause actual events to differ significantly and these are set out in the principal risks and uncertainties section of this document. 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 applicable 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. All subsequent written and oral forward-looking statements attributable to either QinetiQ Group plc or to persons acting on its behalf are expressly qualified in their entirety by the cautionary statements referred to in this disclaimer and contained elsewhere in this document. QinetiQ Group plc and its directors accept no liability to third parties in respect of this document save as would arise under English law. Accordingly, any liability to a person who has demonstrated reliance on any untrue or misleading statement or omission shall be determined in accordance with Schedule 10A of the Financial Services and Markets Act 2000. It should be noted that Schedule 10A and Section 463 of the Companies Act 2006 contain limits on the liability of the directors of QinetiQ Group plc so that their liability is solely to QinetiQ Group plc.

Group Chief Executive's Review

Overview

This has been a year of significant change for QinetiQ. We have taken decisive action to strengthen the Group and have set the foundations for sustainable growth. I would like to thank our highly skilled employees for their dedication and hard work throughout the year, and our customers and partners for their continued support.

Against a more challenging market backdrop, we delivered a resilient financial performance while undertaking substantial restructuring. Revenue was £1.9 billion, with operating profit of £218 million and improved margins of more than 11%. We also delivered significantly stronger cash generation, with free cash flow of £159 million, reflecting strong cash conversion and improved operational discipline.

During the year, we executed a comprehensive restructuring programme, reducing costs, reshaping the portfolio and simplifying operations, particularly in the US. As a result, we finished the year as a higher-quality business, with a lower cost base, an improved contract mix, stronger cash generation and greater predictability of earnings.

We also continued to build commercial momentum and forward visibility. Record order intake of £3.6 billion and a year-end backlog of £4.8 billion, up more than 40%, provide clear multi-year revenue visibility and underpin improved earnings quality. With our mission critical capabilities aligned to the structural trends of modern warfare, we're confident of delivering growth over the coming years.

We entered the new financial year with a simpler, more focused platform and strong foundations for sustainable growth and increased shareholder returns.

Reflecting this confidence in our outlook, we will continue to invest for organic growth while targeting more than £550 million of free cash flow over FY27–29, supporting a significant increase in our dividend payout ratio to 35–40% and announced a £200 million extension of our share buyback programme. In total, we expect to return around £0.5 billion of cash to shareholders over the next three years.

Aligned to the major trends shaping defence and security

Our strategy is strongly aligned to the structural trends defining modern defence and security. In an era of renewed great-power competition, customers are prioritising sovereign, mission-critical solutions that deliver operational advantage and decision superiority. QinetiQ's heritage in science, test and evaluation positions us at the centre of this demand.

The threat environment continues to intensify, spanning advanced weapons, drones, cyber and electronic warfare. Customers are investing to deter and defeat increasingly sophisticated threats, with a growing emphasis on rapid innovation, resilience and adaptability. We support this through our ability to anticipate emerging risks, test responses and assure performance in contested environments.

At the same time, autonomy is proliferating across domains. Demand for uncrewed and autonomous systems is accelerating, alongside the need to deploy these capabilities safely, at pace and at scale. We enable customers to de-risk, integrate and assure autonomous solutions, supporting faster adoption while maintaining safety, interoperability and operational effectiveness.

Digital technologies are also transforming defence. Advances in artificial intelligence, data exploitation and synthetic environments are reshaping how forces train, test and operate. We continue to invest in these capabilities, helping customers build readiness, reduce cost, compress development timelines and scale.

Together, these trends are driving increased demand for new platforms and technologies in the near term, alongside growing demand for engineering, test, mission assurance and the adoption of new technologies. Customers are also placing greater emphasis on interoperability across domains and nations.

These dynamics are driving sustained demand for our capabilities, anchored in long-term programmes and national security priorities, providing resilience and visibility.

What QinetiQ does and why it matters

QinetiQ is a unique, integrated defence and technology services provider, playing a critical role in the modernisation of defence platforms and technologies. We are not a platform or hardware manufacturer. Our role is different, we are a strategic partner to our customers working across the capability lifecycle, supporting customers in developing, integrating, testing and supporting defence systems across all domains.

We provide high-value engineering, supporting programmes from early design through to acquisition, integration, and sustainment. Our work spans air, land, sea, cyber and space domains, ensuring that critical capabilities are designed, integrated and ready for deployment within demanding operational environments. These capabilities are embedded in mission-critical programmes aligned to long-term defence priorities.

Test and evaluation is central to QinetiQ's proposition. We operate nationally significant ranges and specialist infrastructure across live and synthetic environments, enabling the certification and assurance of defence systems under realistic conditions. These nationally significant assets are increasingly critical to assuring defence capabilities as systems become more complex and integrated.

QinetiQ also supports live defence operations, working alongside customers in mission environments to ensure that capabilities perform effectively in service. Through the provision of mission data, embedded expertise and secure communications, we enhance operational readiness, resilience and decision-making in a heightened threat environment.

Sustained investment in research and development underpins long-term innovation in advanced technologies, including autonomy, data, sensing, electronic warfare, cyber and directed energy. This ensures our customers are equipped to meet evolving and next-generation threats.

What differentiates QinetiQ is the combination of these capabilities. We are embedded across programmes from concept through to in-service support, helping customers manage increasing technical complexity. As a result, our work is mission-critical, high-barrier to entry and closely aligned to long-term defence priorities, positioning us as a trusted partner in delivering capabilities that are effective, integrated and ready for use.

Our "right to win"

QinetiQ's "right to win" is centred on capabilities embedded in long-term programmes, underpinned by clear competitive advantages, strong customer positioning and a focused approach to market opportunities.

Our competitive advantage is built on critical and unique national infrastructure, deep technical skills and expertise across domains, and our position as a trusted authority with governments and industry. These attributes create significant barriers to entry and support differentiated delivery in complex, mission-critical environments.

QinetiQ's customer positioning is strengthened by our ability to reduce customer risk through integrating delivery across the programme lifecycle. We are a proven collaborator, working in partnership to build capability at pace, and we benefit from enduring relationships developed over decades. This combination supports consistent delivery and reinforces our role at the heart of customers' most important missions.

Growth is focused on markets where we are best positioned to win. In existing markets, particularly the UK, we are focused on deepening our position through market penetration and expanding the scope of work with established customers. At the same time, we are developing our offerings, including in areas such as the Engineering Delivery Partner (EDP) programme, and pursuing targeted market development in priority regions such as Europe. This approach ensures growth is aligned to customer demand and leverages existing strengths.

Together, these factors create defensible positions in markets where QinetiQ can win, supporting repeat awards and opportunities to expand the scope of work, and providing strong long-term visibility. In turn, this underpins sustainable margins, attractive returns and strong cash generation.

Driving sustainable growth

QinetiQ is embedded in long-term, high-priority programmes across the UK and allied markets, providing strong multi-year revenue visibility and a clear foundation for growth.

The portfolio combines programmes that deliver recurring, growing revenue and those that will drive faster growth. Examples of faster growing programmes include mission data, persistent surveillance and next-generation weapon technologies such as lasers. Investment in our major programmes will continue to drive good revenue growth. The LTPA will be driven by the transformation of testing and evaluation capabilities and increased utilisation by UK and NATO allies. The EDP and Space Development Agency (SDA) programmes will be driven by the introduction of new platforms and advanced technologies.

Together, these programmes provide strong visibility over future revenues, with opportunities to expand scope and deepen customer relationships, supporting both near-term delivery and longer-term growth.

Significant defence customer contract awards and extensions

During the year, we secured a number of significant customer contract awards and extensions across our defence portfolio. In the UK, a £1.7 billion contract extension of the LTPA through to 2033 was signed, strengthening our long-standing partnership with the Ministry of Defence (MOD) and supporting continued investment in UK sovereign capabilities. The MOD also awarded a five-year, £205 million contract extension for critical engineering services in support of the RAF's Typhoon fleet.

Further customer activity included a £67 million contract from MBDA to support the production and delivery of the UK's first laser-directed energy weapons (DragonFire) for the Royal Navy, and a £70 million two-year OpNet contract with the UK's Defence Digital to support the transformation of deployed IT capability. Internationally, an MoU between the UK and Belgium supports plans for a new joint programme to establish a sovereign mission data capability in Belgium.

In Australia, work continued with defence customers on the development of laser-directed energy weapon capability, combining DragonFire technology with an established local partnership with the Defence Science and Technology Group.

Investing in strategic capabilities aligned to customer demand

During the year, we continued to invest selectively in strategically important capabilities, aligned closely to long-term customer demand. This included ongoing investment in the LTPA, advanced technologies such as directed energy weapons, and digital and mission data capabilities supporting operational effectiveness.

We also continued to invest in next-generation target systems, supporting the development of more advanced and representative training environments, alongside investment in resilient navigation capabilities to address increasing requirements for assured positioning, navigation and timing. In addition, we are expanding our capabilities in artificial intelligence, with investment focused on enhancing decision advantage, autonomy and data-driven operational insights across customer missions.

We also made targeted investments to support growth into Europe, while maintaining a disciplined approach to capital allocation.

US business

The US defence services market remained challenging during the year, reflecting a combination of budgetary pressures, a shift in customer spending towards platform and hardware programmes and slower contract awards. These factors impacted performance across the market.

In response, we acted early and decisively to reshape and stabilise the business. Key actions included the disposal of the Fed IT business, a significant reduction in the cost base and the exit of non-core and lower-return contracts. At the same time, we repositioned the business to align more closely with evolving US national security priorities and to be better positioned to pursue organic growth.

The US business is now a smaller, better business, aligned to market demand with current annual revenue approximately \$385 million. However, we recognise the need to deliver enhanced value for shareholders and are actively assessing the strategic fit of the US business within the Group, including a review of all options.

Capital allocation and shareholder returns

Shareholder returns remain a clear priority. We spent £134m on share buybacks in FY26, and the Board has approved a £200 million share buyback programme extension through FY29, reflecting confidence in the Group's cash-generative capabilities and

outlook. In addition, the Board is proposing a 24% increase in the full-year dividend, underlining its confidence in the Group's medium-term prospects. This increase reflects the introduction of a new dividend policy, targeting a 35–40% payout ratio, while maintaining balance sheet strength and financial flexibility.

Investment case – positioned for sustainable growth and strong shareholder returns

QinetiQ is well positioned to deliver sustainable growth and attractive shareholder returns, supported by exposure to structural defence investment growth and increasing readiness requirements. It holds market-leading positions in critical defence capabilities, with differentiated roles across engineering, test and evaluation, and mission support embedded at the heart of national defence programmes.

Our resilient business model delivers strong margins, returns on capital employed and cash generation. In addition, we have a clear capital allocation framework that balances investment for growth with predictable, strong returns to shareholders.

FY27 outlook and summary

- Revenue growth 3–5% and operating margin 11.0–11.5%
- EPS growth 8–10% with cash conversion >90%
- >£550m of free cash flow targeted over FY27-29

The fundamentals of the Group remain strong, with a clear strategy to create value across the business, positioning QinetiQ at the centre of defence innovation for future warfare. We benefit from a strong order backlog and a well-developed pipeline of opportunities. This, combined with the alignment of our mission-critical capabilities to evolving customer needs, provides confidence and visibility in delivering sustainable growth and compelling value creation for shareholders.

Group Chief Financial Officer's Review

Overview of full-year results

The Group has delivered a resilient and improved financial performance against the backdrop of near-term geopolitical and market challenges. Funded order backlog closed at £4.4bn following the LTPA extension in H1, and we delivered organic revenue growth at an underlying operating profit margin of 11.3%. Consistently strong cash generation of 100% has contributed to net debt to EBITDA remaining consistent at 0.5x (FY25: 0.4x) and enabled us to continue and extend our share buyback programme, enhancing returns to shareholders. We have also continued to grow the dividend to 11.0p per share (FY25: 8.85p). The year end has seen a significant increase as we changed the dividend policy to a payout ratio.

The Group achieved a strong order intake totalling £3,573.2m (FY25: £1,954.8m), including the LTPA five-year extension order intake of £1.7bn, with particularly strong performance in EMEA Services, where the prior year included the 10-year NGGATS contract in Germany. The book-to-bill was again strong, at 1.1x excluding LTPA non-tasking revenue. We have secured major orders across both of our operating segments. Within EMEA Services we secured £1,469.6m (FY25: £1441.7m) of orders, representing organic growth of 2%. Within Global Solutions, FY26 orders were £394.4m (FY25: £513.1m), representing a book-to-bill of 1.0x and an 18% decrease on an organic basis after adjusting for foreign exchange and the disposal of the US Federal IT business.

Funded order backlog has risen to a record high of £4.4bn, or £4.8bn including US unfunded orders, providing good visibility going forward:

- In EMEA Services the total funded order backlog was £4.1bn (FY25: £2.5bn), with the increase driven by the five-year LTPA contract extension to 2033. This is a large multi-year contract and as we deliver, this will naturally reduce the LTPA order backlog.
- In Global Solutions the total funded order backlog was £279.1m (FY25: £374.6m). US unfunded order backlog reduced from £529.0m to £342.1m as orders were booked and traded in-year.

On 31 March 2026, approximately 67% (£1.3bn) of the Group's FY27 expected revenue was under contract, compared to 70% (£1.4bn) of the forecast FY26 revenue at the same point last year.

We delivered organic revenue growth of 1% to £1,922.6m (FY25: £1,931.6m) in challenging near-term market conditions. Reported revenue growth, which includes the impacts of foreign exchange and the US Federal IT disposal, was flat. We saw a 4% organic revenue increase to £1,529.2m (FY25: £1,477.7m) in EMEA Services, primarily due to good growth on UK Defence sector framework contracts. Global Solutions revenue reduced 7% on an organic basis to £393.4m (FY25: £453.9m), primarily in the US as we exited some non-core business lines and were impacted by market conditions in particular government services lines of work.

Operating profit from segments of £217.9m (FY25: £185.4m) was up 18%. This represents an 11.3% operating margin (FY25: 9.6%), consistent with historical levels following the one-off profit impacts in FY25. EMEA Services delivered a strong operating margin of 11.9% (FY25: 11.4%) as we effectively executed on our order backlog and controlled costs.

Operating margins in Global Solutions increased from 3.6% in FY25 to 9.0% in FY26, driven by an increase in profitability in the US and the absence of one-off charges.

The statutory operating result was a profit of £169.8m (FY25: loss of £90.5m), including the impact of specific adjusting items and recurring income on Research and Development Expenditure Credits (RDEC), which was £29.3m (FY25: £30.0m).

Underlying profit before tax increased 14% to £229.6m (FY25: £198.6m), in line with the increase in underlying operating profit, with underlying net finance expense in line with the prior year at £17.6m (FY25: £16.8m).

Specific adjusting items

The total impact of specific adjusting items (which are excluded from underlying performance due to their distorting nature) on operating profit was a cost of £77.4m (FY25: cost of £305.9m). The improved position reflects that FY25 included the goodwill impairment charge of £143.9m relating to the US Sector and acquisition, disposal and integration costs of £14.9m associated with integrating the Avatus and Air Affairs acquisitions into their respective sectors, while this year there are no charges against these line items.

In FY26 the non-recurring cost of the discrete digital investment programme is £23.6m (FY25: £20.8m). We continue to roll out this project to modernise the IT infrastructure to support our future growth ambitions. The non-recurring costs are reported as specific adjusting items in the P&L, with ongoing recurring operating costs (such as licence costs and overheads) remaining within underlying operating costs. This year is expected to be the final year of digital investment.

Restructuring costs and other impacts were £30.2m (FY25: £64.5m). This includes the costs of efficiency activity in UK and Australia operations which is nearing completion, as well as the further non-cash charges in the US. The majority of these costs were reported within the first half of FY26 and were a consequence of continued refinement of the market-facing strategy and ongoing restructuring of the US Sector against challenging market conditions.

Also included within specific adjusting items are net finance income from pensions of £2.4m (FY25: £1.0m), amortisation of acquisition intangibles of £23.1m (FY25: £24.2m) and the £0.5m gain on disposal of the Federal IT business in the US, which completed during the first half of the year.

Tax

The total tax charge was £47.6m (FY25: £79.4m). The underlying tax charge was £61.1m (FY25: £51.6m), on a higher underlying profit before tax, with an underlying effective tax rate of 26.6% for the year ending 31 March 2026 (FY25: 26.0%). The underlying effective tax rate is above the UK statutory rate of 25% (FY25: 25%) primarily as a result of unrecognised tax deductions and prior year adjustments to returns.

The underlying effective tax rate is expected to remain marginally above the UK statutory rate, subject to the impact of any tax legislation changes and the geographic mix of profits. The Group has engaged with advisers to assess any potential impact on the tax charge by the UK's enactment of the OECD's Global Anti-Base Erosion Model Rules (Pillar Two). The Group performed an assessment of the potential exposure to Pillar Two income taxes based on current period data. The Group believes it qualifies for one of the transitional safe harbours provided in the rules in all territories in which it operates. The Group has not accrued a Pillar Two top-up tax charge for FY26. The Group has applied the temporary exemption issued by the International Accounting Standards Board from the accounting for deferred taxes under IAS 12 and neither recognises nor discloses information about deferred taxes related to Pillar Two income taxes. The Group does not anticipate a material quantitative impact from Pillar Two legislation; however, there are expected to be significant compliance obligations.

Cash management and capital allocation policy

Working capital management and overall cash performance have remained strong. Underlying net cash flow from operations was £343.2m (FY25: £316.2m). Our cash conversion definition reflects our pre-capital expenditure cash flows as a proportion of EBITDA to demonstrate how we convert our profit (excluding interest, tax, depreciation and amortisation) into cash flow. We achieved good underlying cash conversion of 100% (FY25: 105%).

As at 31 March 2026, the Group had £159.1m net debt, increased from £133.2m as at 31 March 2025, as the strong operating cash conversion during the year and the proceeds from the sale of the US Federal IT business, allowed for record shareholder returns through £48.7m of dividends and £146.9m of purchases of own shares (including c.£12.3m for company share incentive schemes). Leverage remains consistent at 0.5x (31 March 2025: 0.4x).

Through FY26 we have demonstrated our capital allocation policy in action:

- Invested in our organic growth – net capital expenditure of £72.5m (FY25: £108.4m, which included one-off spend on aircraft in Germany), focused on contractual commitments (51% relating to customer funded contracts, including £37m into the LTPA), sustainment of the portfolio and investment to support future growth
- Provided a progressive dividend to shareholders and changed the dividend policy to a pay-out ratio – year-on-year growth rate of 24%
- Completed sale of the US Federal IT business, with proceeds of £17.9m, and returned the cash to shareholders through accelerating the buyback programme in year
- Return of excess cash to shareholders – c.£135m share buyback completed during the year. Approximately half of the £200m share buyback extension announced in March 2025 had been completed as at 31 March 2026

The Group is not subject to any externally imposed capital requirements.

Committed facilities

The Group has a £333.6m Term Loan split into two tranches: GBP Term Loan £273m (Tranche A); and, USD Term Loan \$80m (Tranche B), which will mature on 27 September 2027. Participating banks have lent on a two-tier basis, three banks at £67m and four banks at £35m. In line with Group policy, £270m (c.80%) of the floating rate debt has been fixed using SONIA interest rate swaps at a weighted average rate of 3.46%, maturing on 27 September 2027.

The Group has a £290m bank revolving credit facility with an 'accordion' facility to increase the limit up to £400m. The facility, which will mature on 22 April 2029, was undrawn at 31 March 2026.

We adopt a strict policy on managing counterparty risk through a combination of diversification of investments and regular reviews of counterparty limits using credit rating assessments. Our debt sits with our key relationship banks, who have strong credit ratings and diverse portfolios. The banks have been selected for their capabilities in our home countries to support our business.

Return on Capital Employed (ROCE)

ROCE at a group level uses the calculation of: operating profit from segments less underlying amortisation / (average capital employed less net pension asset), where average capital employed is defined as shareholders' equity plus net debt (or minus net cash).

FY26 ROCE was 34% (FY25: 22%) due to the stronger profitability and the impact of the right-sizing and restructuring activities across the Group. As we continue to invest in the business to drive our organic growth strategy and maintain the disciplined capital allocation agenda, ROCE is expected to remain high, at or above the 25-30% range.

Earnings per share

Underlying basic earnings per share increased by 21% to 31.5p (FY25: 26.1p), driven by the higher underlying profit after tax and acceleration of the share buyback programme. Basic earnings per share for the total Group (including specific adjusting items) were 20.1p (FY25: loss of 33.0p). The improvement is driven by FY25 including the impairment of goodwill relating to the US, and higher restructuring costs and other related items.

The average number of shares in issue during the year, net of treasury shares and as used in the basic earnings per share calculations, was 535.4m (FY25: 563.4m). There were 522.1m shares in issue as at 31 March 2026, net of treasury shares, reduced due to the ongoing share buyback.

Dividend

The Board proposes a final FY26 dividend per share of 8.0p (FY25: 6.05p), making the full-year dividend 11.0p (FY25: 8.85p). The full-year dividend represents growth of 24%, with the dividend policy being revised on a payout ratio basis of c.35%-40% of basic underlying EPS.

Subject to approval at the Annual General Meeting, the final FY26 dividend will be paid on 20 August 2026 to shareholders on the register at 24 July 2026.

Pensions

The net pension asset under IAS 19, before adjusting for deferred tax, was £54.4m (31 March 2025: £39.4m). The key driver for the increase in the net pension asset during the year relates to the net actuarial gain on the net scheme assets.

The key assumptions used in the IAS 19 valuation of the Scheme are set out in note 14.

Net finance income and expense

The underlying net finance expense was £17.6m (FY25: £16.8m), increased due to a higher expense relating to leases following completion of the sale and leaseback transaction during the prior year. Net finance income of £2.4m (FY25: £1.0m) in respect of the defined benefit pension net surplus reduced due to the higher opening net asset and is reported within specific adjusting items.

Foreign exchange

The Group's income and expenditure is largely settled in the functional currency of the relevant Group entity, mainly Sterling, US Dollar or Australian Dollar. The Group has a policy to hedge all material transaction exposure at the point of commitment to the underlying transaction. Uncommitted future transactions are not routinely hedged. The Group does not hedge its exposure to translation of the income statement.

The principal exchange rates affecting the Group were the Sterling to US Dollar and Sterling to Australian Dollar exchange rates.

	FY26	FY25
£/US\$ - opening	1.29	1.26
£/US\$ - average	1.34	1.28
£/US\$ - closing	1.32	1.29
£/A\$ - opening	2.07	1.94
£/A\$ - average	2.03	1.96
£/A\$ - closing	1.92	2.07

Foreign exchange translation has provided a modest headwind to revenue and operating profit in the year. Most significantly, the US Dollar has strengthened, with the average exchange rate to Sterling increasing from 1.28 to 1.34. In FY26, 15% of our total Group revenue was generated in the US. As a result of the strengthening US Dollar and other FX movements in year, revenue decreased by £17.8m and operating profit decreased by £0.6m. For every 1 cent move in the USD FX rate, this would impact Group revenue by c.£3m.

Operating Review

EMEA Services

	FY26	FY25
	£m	£m
Orders	1,469.6	1,441.7
Orders including LTPA extension	3,179.0	1,441.7
Revenue	1,529.2	1,477.7
Underlying operating profit	182.3	169.0
Underlying operating margin	11.9%	11.4%
Book-to-bill ratio ¹	1.2x	1.2x
Total funded order backlog	4,142.3	2,470.6

¹ Book-to-bill (B2B) ratio is orders won divided by revenue recognised, excluding the LTPA non-tasking services revenue of £294m (FY25: £270m)

Overview

EMEA (Europe, Middle East and Australasia) Services combines world-leading expertise with unique facilities to generate and assure capability. We do this through capability integration, operational readiness and threat representation, underpinned by long-term contracts that provide good revenue visibility and cash generation.

Financial performance

Total orders of £3,179.0m include the LTPA extension to 2033 which was announced in May 2025. Excluding the LTPA extension, orders increased by 2%. EDP orders increased by 20% to over £550m and included the £205m Typhoon contract. The funded order backlog, excluding LTPA, ended the year at £1.8bn, with a book-to-bill ratio of 1.2x (FY25: 1.2x).

Revenue increased by 3% to £1,529.2m (FY25: £1,477.7m), on both a reported and organic basis, as a result of good growth in the UK Defence sector, where growth was driven by new contracts and growth in core contracts, including the LTPA and EDP.

As at 31 March 2026, we had £1.1bn of EMEA Services' FY27 revenue under contract, the same level as for the FY26 revenue at the equivalent point last year.

Underlying operating profit grew by 8% to £182.3m (FY25: £169.0m) driven by both the revenue growth and cost efficiencies driving an improved operating margin of 11.9% (FY25: 11.4%).

Approximately 68% of EMEA Services revenue is derived from single-source contracts (FY25: approximately 66%). By investing in our core contracts and extending their duration, the high proportion of single-source revenue contracted on a long-term basis provides visibility and highlights the unique capabilities that we bring and the quality of earnings within the backlog.

Global Solutions

	FY26	FY25
	£m	£m
Orders	394.4	513.1
Revenue	393.4	453.9
Underlying operating profit	35.6	16.4
Underlying operating margin	9.0%	3.6%
Book-to-bill ratio ¹	1.0x	1.1x
Total funded order backlog	279.1	374.6
Total US unfunded order backlog ²	342.1	529.0

¹ Book-to-bill (B2B) ratio is orders won divided by revenue recognised

² Unfunded orders represents the value of contract awards for which funding has not yet been appropriated or authorised

Overview

Global Solutions combines our world-leading technology-based products and services. Our strategy is to focus the portfolio of solutions in the US to win larger, longer-term programmes providing good visibility of revenue and cash flows, and to grow our product offerings in a number of targeted fields.

Financial performance

Orders of £394.4m (FY25: £513.1m) reflected a book to bill of 1.0x. In a challenging US defence services market and against the backdrop of US restructuring this was a 23% decrease or 18% organically after adjusting for foreign exchange and the impact of the US Federal IT disposal.

Revenue reduced 13% on a reported basis to £393.4m (FY25: £453.9m). On an organic basis, revenue declined 7%, primarily in the US, as we restructured the business and exited some low-margin lines of business. Revenue in our Targets business grew 6% on a constant currency basis.

As at 31 March 2026, we have 59% of Global Solutions' FY27 revenue under contract, compared to 67% (of the FY26 revenue) at the same point last year.

Underlying operating profit increased to £35.6m (FY25: £16.4m), with an increased underlying operating profit margin of 9.0% (FY25: 3.6%). The US business has delivered a major restructuring programme and experienced a more stable year in FY26, which has contributed to the improved operating result of the Global Solutions segment. The second half of the year saw no more material charges in the US operations.

Sector Reviews

UK Defence

Overview

UK Defence delivered a year of strong operational progress, characterised by major programme wins, delivery against strategic priorities and continued momentum in our transformation agenda. The business strengthened its position as a trusted partner to the UK Ministry of Defence (MOD) and international customers, supporting national security at a time of increasing geopolitical tension and evolving threats.

During the year, we advanced our role in high-power laser systems, accelerated innovation in Test & Evaluation (T&E), deepened collaborations with industry partners and demonstrated the increasing value of our synthetic, digital and autonomous capabilities. Our operational achievements reflect both the breadth of our technical expertise and our ability to integrate complex technologies into mission-ready defence solutions.

At the same time, UK Defence made significant strides in enabling new models of delivery, such as rapid additive manufacturing, crewed–uncrewed teaming, and synthetic mission rehearsal environments. These capabilities are becoming essential across all domains of modern warfare, and our contributions have helped shape customer thinking on force structure, readiness and affordability.

Operational and order highlights

- **Long-Term Partnering Agreement (LTPA):** The £1.7bn five-year extension to the LTPA contract was signed in H1 and secures our position of partnership with the MOD and provides a firm foundation to invest in the transformation of UK sovereign Test, Trials, Training & Evaluation (T3E) capabilities.
- **Extension of Typhoon engineering services:** We secured a five-year, £205m contract extension to deliver engineering services for the RAF's Typhoon fleet.
- **DroneWorks:** Establishment of a sovereign T3E Capability designed to support UK MOD and industrial partners accelerate development of uncrewed aerial systems at wartime pace. DroneWorks will establish QinetiQ as a key partner to UK industry for uncrewed systems.
- **T&E Innovation Gateway:** The launch of the Testing & Evaluation Innovation Gateway created a new entry point for small and medium-sized enterprises into our test facilities, reducing access costs and increasing uptake.
- **Advancing laser directed energy weapons:** A major highlight of the year was the award of a £67m contract from MBDA to support the production and delivery of the UK's first laser directed energy weapons (DragonFire) for the Royal Navy.
- **Royal Navy synthetic training:** We won a £25m contract to deliver the Maritime Command and Staff Trainer, an immersive synthetic environment replicating complex naval operations.

Outlook

UK Defence activity continues to be influenced in the near term by uncertainty around levels of the UK MoD budget. Whilst this affects the timing of some new programme commitments, defence spending remains directed towards operational requirements, with sustained activity across priority capability areas and continued emphasis on readiness, resilience and integration and we see good growth again in FY27.

Over the medium term, UK Government policy supports higher defence investment along with leveraging capability into Europe. Within this environment, UK Defence is targeting good, sustained levels of growth in the medium term, reflecting exposure to areas of sustained priority and ongoing programme activity.

UK Intelligence

Overview

UK Intelligence delivered a year of solid operational performance in FY26, underpinned by strong order intake, sustained delivery across critical programmes, and continued progress in aligning the business to the UK Government's digital modernisation

agenda. The sector supports defence, national security and homeland security customers through advanced C5ISTAR integration, digital platforms, cyber resilience and mission-critical science and technology.

During the year, UK Intelligence secured c.£530m of orders across its distinctive portfolio, reflecting continued customer demand for capabilities that enable resilient digital infrastructure, data-driven decision-making and multi-domain integration. The business continued to benefit from its strong positioning with key UK customers, including Defence Equipment & Support, Defence Digital, Defence Intelligence and Defence Science and Technology Laboratory (DSTL), supporting long-term transformation programmes alongside the delivery of frontline operational capability.

FY26 also saw further progress in building scale and coherence across the portfolio, with strengthened collaboration across the Group – particularly with UK Defence – enabling delivery of complex, integrated solutions. Continued investment in priority areas, such as resilient position, navigation and timing capabilities – ensuring assured navigation in contested environments – alongside mission data, quantum technologies, digital intelligence and cyber assurance, reinforces UK Intelligence’s role as a trusted partner for secure digital change at pace.

Operational and order highlights

- **Sustained performance across Defence Mission Systems:** UK Intelligence delivered strongly across core Defence Mission Systems programmes, securing multi-year orders that underpin the delivery of critical frontline capability. This included a £70m two-year OpNet contract to transform Defence Digital’s deployed IT capability, alongside a further five-year extension to support the Typhoon programme, providing integrated avionics, sensing, software, training and simulation services essential to operational effectiveness.
- **Growth in next-generation capability areas:** The sector continued to build capability in priority growth areas, including multi-million-pound Future Combat Air System support and progress in quantum technologies, marked by delivery of a first large-scale vessel-based trial.
- **Resilient Position, Navigation and Timing:** A key milestone was the award of the £6m Urgent Compass contract. Continued development of micro receivers supported future growth across defence, security and critical national infrastructure markets.
- **Expansion of digital and data-intelligence services:** Digital Intelligence performed well, supported by a £34m enterprise service management platform award and solid programme delivery. Naimuri also delivered strong performance, driven by continued demand across defence, national security and law enforcement.
- **Mission data, laser and sensing innovation:** UK Intelligence sustained momentum in mission data services with UK and export customers and achieved record order intake for multi-function laser technologies supporting communications, sensing and battle-damage assessment.
- **Mission cyber and homeland security delivery:** The sector expanded its mission cyber role through delivery of the Emergency Services Mobile Communications Programme device-certification service, supporting the Home Office, alongside continued progress in operational technology delivery at the mission edge.

Outlook

Sector demand continues to be underpinned by enduring national security priorities, ongoing digital modernisation and the need for assured, integrated capability. While procurement processes are likely to remain competitive and subject to affordability discipline, customers are anticipated to continue to favour partners with a proven track record of delivery, security and long term support.

Over the medium term, increasing operational complexity and data intensity are likely to sustain requirements across intelligence, security and defence domains.

In this context, UK Intelligence is well positioned to support priority programmes and is aiming to deliver higher year on year growth in FY27 and improvement thereafter, while remaining mindful of policy, funding and execution uncertainties inherent in the market.

Australia

Overview

Our Australia sector comprises our specialist advisory and engineering business and our threat representation business operating in the Australian market. The sector operates as two business units; Mission Support, Research and Development, which includes flight operations and threat representation, and Engineering Services, which includes our training capabilities.

FY26 was a year of transition and strategic evolution for our Australian business. We remained focused on deepening customer intimacy while ensuring our operations are aligned to evolving Government priorities and budget environments. This included continued changes to our operating model to better match customer ways of working and to reduce overheads, supporting more agile and responsive delivery.

Operational and order highlights

- **Progress on MSP:** We are actively shaping the customer's approach to the next phase of the Major Service Provider (MSP) programme – set to operate under a new model – drawing on our strong experience of the UK Engineering Delivery Partner (EDP) programme and deep customer engagement. Delivery of current contracts continues under the existing model.
- **Advancement of laser weapon capability:** Ongoing development of our laser directed energy weapon capability, leveraging the UK's DragonFire technology alongside our established local laser development partnership with the Defence Science and Technology Group. This work strengthens our position in delivering advanced directed-energy solutions for future defence requirements.
- **JATTS contract extension:** QinetiQ was awarded a two-year extension to the Joint Adversarial Test and Training contract (JATTS). This was a major business-winning achievement that directly reflects customer confidence in QinetiQ's threat-representation capability.
- **Improved delivery model:** Enhanced operational alignment with customer ways of working, refining engagement models and delivery processes to strengthen responsiveness and support evolving customer requirements.
- **Readiness for major programmes:** Built operational readiness for a substantial pipeline of FY27 defence programmes, preparing capability and delivery teams to support customer priorities across engineering services, directed energy, makerspace infrastructure and threat-representation solutions.

Outlook

Australia's defence sector is expected to remain in a period of adjustment as government investment priorities, processes and delivery timelines continue to evolve. Changes associated with the National Defence Strategy, workforce reforms and procurement system updates support longer-term demand, but may also contribute to near-term variability in project phasing and awards.

The Australia business is focusing on transitioning from a subcontractor to a prime contractor and the speed of that and associated growth will depend on the timing of customer decisions and execution risk across major programs.

United States

Overview

Our US sector provides specialist engineering, systems integration and mission operations support to defence and homeland security customers across the United States, operating across priority mission areas including space and missile defence, maritime systems, persistent surveillance, sensing and autonomy.

FY26 was a year of transition for the US business. The sector strengthened its position as a mid-tier provider of differentiated, mission-critical capability, while taking action to sharpen its portfolio and operating model to support improved operational focus, financial discipline and closer alignment with enduring US national security priorities.

Operational and order highlights

- **Support to space and missile defence priorities:** QinetiQ US continued to scale its support to the Space Development Agency (SDA). In September 2025, the Agency successfully launched 21 data-transport satellites for Tranche 1 of the US

Space Force's Proliferated Warfighter Space Architecture, supporting the development of a resilient space-based threat detection capability.

- **Improved delivery in Defence Services:** The Defence Services business delivered stronger operational performance, underpinned by improved delivery discipline.
- **Growth in solutions and sensor modernisation:** The solutions business secured and delivered the first phase of a multi-year acquisition supporting a significant sensor modernisation programme.
- **Expansion in homeland security and border surveillance:** QinetiQ US expanded its persistent surveillance footprint through the integration of two additional sites along US borders.
- **Naval capability and autonomy:** The sector secured key naval studies focused on next-generation surface and sub-surface capabilities and submitted a long-term support plan for the future of US Navy aircraft carriers.
- **Portfolio focus and discipline:** As part of a comprehensive portfolio review, QinetiQ US reduced exposure to lower-margin and more volatile activities, including the disposal of its Federal IT portfolio for approximately \$31m in September 2025.

Outlook

Demand for mission-critical capability across the US defence and homeland security market is expected to remain supported by enduring national priorities and long-term modernisation programmes and elevated US Department of War budgets.

Spending is anticipated to remain aligned with our core focus areas of space and missile defence, maritime systems, persistent surveillance, sensing and autonomy. While near-term outcomes remain subject to competitive wins, phasing and disciplined delivery on existing programmes and a selective approach to new opportunities which support QinetiQ US's positioning across priority areas over the medium-term.

Principal risks

There are a number of risks which management continue to identify, assess and mitigate to minimise their potential impact on performance. An explanation of risks and their mitigations, together with details of our risk management framework can be found in the 2026 Annual Report and Accounts (on pages 65 to 68) which will be available for download at: <https://www.qinetiq.com/investors>.

Having considered recent geopolitical and macroeconomic events, the Group believes the principal risks for FY26 are included in the 2026 Annual Report and Accounts. The Group's principal risks at 31 March 2026 related to the following areas: Markets, competition, business winning, capability, business platform, environment, delivery, safety and security, culture, and acquisition and business integration.

Consolidated income statement for the year ended 31 March

All figures in £ million	Note	FY26			FY25		
		Underlying*	Specific adjusting items*	Total	Underlying*	Specific adjusting items*	Total
Revenue	1,2	1,922.6	-	1,922.6	1,931.6	-	1,931.6
Operating costs excluding depreciation and amortisation		(1,609.0)	(53.8)	(1,662.8)	(1,669.1)	(136.8)	(1,805.9)
Other income		30.1	-	30.1	39.2	-	39.2
EBITDA (earnings before interest, tax, depreciation and amortisation)		343.7	(53.8)	289.9	301.7	(136.8)	164.9
Depreciation and impairment of property, plant and equipment		(76.6)	(0.5)	(77.1)	(70.6)	(1.0)	(71.6)
Impairment of goodwill		-	-	-	-	(143.9)	(143.9)
Amortisation and impairment of intangible assets		(19.9)	(23.1)	(43.0)	(15.7)	(24.2)	(39.9)
Operating profit/(loss)	2	247.2	(77.4)	169.8	215.4	(305.9)	(90.5)
Finance income	4	5.2	2.4	7.6	6.6	1.0	7.6
Finance expense	4	(22.8)	-	(22.8)	(23.4)	-	(23.4)
Gain on business divestment	9	-	0.5	0.5	-	-	-
Profit/(loss) before tax		229.6	(74.5)	155.1	198.6	(304.9)	(106.3)
Taxation (expense)/income	6	(61.1)	13.5	(47.6)	(51.6)	(27.8)	(79.4)
Profit/(loss) for the year		168.5	(61.0)	107.5	147.0	(332.7)	(185.7)

Earnings/(loss) per share for profit attributable to the owners of the parent company

All figures in pence	Note	FY26		FY25	
		Underlying*	Total	Underlying*	Total
Basic	7	31.5	20.1	26.1	(33.0)
Diluted	7	31.0	19.8	25.8	(33.0)

* Alternative performance measures are used to supplement the statutory figures. These are additional financial indicators used by management internally to assess the underlying performance of the Group. Definitions can be found in the glossary. Also refer to note 3 for details of 'specific adjusting items'.

Consolidated statement of comprehensive income for the year ended 31 March

All figures in £ million	FY26	FY25
Profit/(loss) for the year	107.5	(185.7)
<i>Items that will not be reclassified to profit and loss:</i>		
Actuarial gain recognised in defined benefit pension schemes	10.2	17.7
Tax on items that will not be reclassified to profit and loss	(2.6)	(4.4)
Total items that will not be reclassified to profit and loss	7.6	13.3
<i>Items that may be reclassified to profit and loss:</i>		
Foreign currency translation losses on foreign operations	(5.4)	(11.6)
Movement in deferred tax on foreign currency translation	0.2	0.7
Increase/(decrease) in the fair value of hedging derivatives	0.7	(4.3)
Movement in deferred tax on hedging derivatives	(0.2)	1.1
Total items that may be reclassified to profit and loss	(4.7)	(14.1)
Other comprehensive income/(expense) for the year, net of tax	2.9	(0.8)
Total comprehensive income/(expense) for the year	110.4	(186.5)

Consolidated statement of changes in equity for the year ended 31 March

All figures in £ million	Share capital	Capital redemption reserve	Share premium	Hedge reserve	Translation reserve	Retained earnings	Total
At 1 April 2025	5.5	41.0	147.6	3.2	(27.6)	456.8	626.5
<i>Total comprehensive income</i>							
Profit for the year	-	-	-	-	-	107.5	107.5
Other comprehensive income/(expense) for the year, net of tax	-	-	-	0.5	(5.2)	7.6	2.9
Total comprehensive expense	-	-	-	0.5	(5.2)	115.1	110.4
Purchase of own shares	(0.3)	0.3	-	-	-	(146.9)	(146.9)
Share-based payments	-	-	-	-	-	11.0	11.0
Tax on share-based payments	-	-	-	-	-	0.7	0.7
Dividends	-	-	-	-	-	(48.7)	(48.7)
At 31 March 2026	5.2	41.3	147.6	3.7	(32.8)	388.0	553.0

At 1 April 2024	5.7	40.8	147.6	6.4	(16.7)	742.3	926.1
<i>Total comprehensive income/(expense)</i>							
Loss for the year	-	-	-	-	-	(185.7)	(185.7)
Other comprehensive income/(expense) for the year, net of tax	-	-	-	(3.2)	(10.9)	13.3	(0.8)
Total comprehensive income/(expense)	-	-	-	(3.2)	(10.9)	(172.4)	(186.5)
Purchase of own shares	(0.2)	0.2	-	-	-	(74.9)	(74.9)
Share-based payments	-	-	-	-	-	8.9	8.9
Tax on share-based payments	-	-	-	-	-	0.8	0.8
Dividends	-	-	-	-	-	(47.9)	(47.9)
At 31 March 2025	5.5	41.0	147.6	3.2	(27.6)	456.8	626.5

Consolidated balance sheet as at 31 March

All figures in £ million	Note	31 March 2026	31 March 2025
Non-current assets			
Goodwill	10	236.9	249.8
Intangible assets		249.4	293.9
Property, plant and equipment		444.6	473.3
Other financial assets	12	2.3	3.0
Equity accounted investments		1.1	2.1
Net pension asset	14	54.4	39.4
Deferred tax asset		18.2	10.7
		1,006.9	1,072.2
Current assets			
Inventories		73.7	70.7
Other financial assets	12	3.3	4.9
Trade and other receivables		394.9	388.4
Current tax asset		0.4	1.6
Cash and cash equivalents	12	259.2	290.6
		731.5	756.2
Total assets		1,738.4	1,828.4
Current liabilities			
Trade and other payables		(585.6)	(597.5)
Current tax payable		(13.4)	(3.6)
Provisions		(34.1)	(56.2)
Other financial liabilities	12	(13.5)	(15.1)
		(646.6)	(672.4)
Non-current liabilities			
Deferred tax liability		(102.2)	(101.0)
Provisions		(16.6)	(3.5)
Borrowings and other financial liabilities	12	(410.4)	(416.6)
Other payables		(9.6)	(8.4)
		(538.8)	(529.5)
Total liabilities		(1,185.4)	(1,201.9)
Net assets		553.0	626.5
Equity			
Ordinary shares		5.2	5.5
Capital redemption reserve		41.3	41.0
Share premium account		147.6	147.6
Hedging reserve		3.7	3.2
Translation reserve		(32.8)	(27.6)
Retained earnings		388.0	456.8
Total Equity		553.0	626.5

Consolidated cash flow statement for year ended 31 March

All figures in £ million	Note	FY26	FY25
Underlying net cash inflow from operations	11	343.2	316.2
Less: specific adjusting items	11	(51.6)	(29.5)
Net cash inflow from operations	11	291.6	286.7
Tax paid		(44.4)	(48.6)
Interest received		6.2	6.6
Interest paid		(21.6)	(23.4)
Net cash inflow from operating activities		231.8	221.3
Purchases of intangible assets		(12.9)	(12.7)
Purchases of property, plant and equipment		(59.6)	(96.1)
Proceeds from sale of property		-	108.5
Proceeds from sale of plant and equipment		-	0.4
Dividends from joint ventures and associates		-	0.3
Disposal of businesses	9	17.9	-
Net cash (outflow)/inflow from investing activities		(54.6)	0.4
Purchase of own shares		(146.9)	(108.9)
Dividends paid to shareholders		(48.7)	(47.9)
Capital element of lease payments		(12.6)	(10.8)
Cash flow relating to intercompany loan hedges		-	9.2
Net cash outflow from financing activities		(208.2)	(158.4)
(Decrease)/increase in cash and cash equivalents		(31.0)	63.3
Effect of foreign exchange changes on cash and cash equivalents		(0.4)	(3.7)
Cash and cash equivalents at beginning of year		290.6	231.0
Cash and cash equivalents at end of year		259.2	290.6

Reconciliation of movement in net debt for the year ended 31 March

All figures in £ million	Note	FY26	FY25
(Decrease)/increase in cash and cash equivalents in the year		(31.0)	63.3
Add back net cash flows not impacting net debt		12.9	12.4
Movement in net debt resulting from cash flows		(18.1)	75.7
Net increase in lease obligations		(7.3)	(50.8)
Net movement in derivative financial instruments		0.1	(4.7)
Other movements including foreign exchange		(0.6)	(2.2)
Movement in net debt as defined by the Group		(25.9)	18.0
Net debt as defined by the Group at beginning of the year		(133.2)	(151.2)
Net debt as defined by the Group at end of the year	12	(159.1)	(133.2)
Less: borrowings	12	333.6	335.0
Less: total net derivative financial instruments, capitalised borrowing costs and lease liabilities		84.7	88.8
Total cash and cash equivalents	12	259.2	290.6

Notes to the financial statements

1. Revenue from contracts with customers and other income

Revenue by category

All figures in £ million	FY26	FY25
Service contracts with customers	1,842.3	1,810.9
Sale of goods contracts with customers	78.6	110.6
Royalties and licences	1.7	10.1
Total revenue	1,922.6	1,931.6
Adjust for disposed businesses	(9.7)	(25.8)
Adjust to constant prior year exchange rates	18.8	-
Total revenue on an organic, constant currency basis*	1,931.7	1,905.8
<i>Organic revenue growth at constant currency*</i>	<i>1%</i>	<i>2%</i>

* Alternative performance measures are used to supplement the statutory figures. These are additional financial indicators used by management internally to assess the underlying performance of the Group. See Glossary.

Other income

All figures in £ million	FY26	FY25
Share of joint ventures' (loss)/profit after tax	(1.0)	0.3
Research and development expenditure credits (RDEC)	29.3	30.0
Other income	1.8	8.9
Total other income	30.1	39.2

Revenue by customer geographical location

All figures in £ million	FY26	FY25
United Kingdom (UK)	1,416.4	1,311.0
United States of America (US)	288.0	348.4
Australia	93.5	147.9
Home countries	1,797.9	1,807.3
Europe	61.6	64.7
Rest of World	63.1	59.6
Total revenue	1,922.6	1,931.6
<i>Home countries revenue %</i>	<i>94%</i>	<i>94%</i>
<i>International (non-UK) revenue %</i>	<i>26%</i>	<i>32%</i>

Revenue by major customer type

All figures in £ million	FY26	FY25
UK government	1,290.4	1,205.3
US government	248.8	338.1
Other*	383.4	388.2
Total revenue	1,922.6	1,931.6

* 'Other' does not contain any customers with revenue in excess of 10% of total Group revenue.

2. Segmental analysis

Operating segments

All figures in £ million	FY26		FY25	
	Revenue from external customers	Underlying operating profit*	Revenue from external customers	Underlying operating profit*
EMEA Services	1,529.2	182.3	1,477.7	169.0
Global Solutions	393.4	35.6	453.9	16.4
Revenue/operating profit from segments	1,922.6	217.9	1,931.6	185.4
Research and development expenditure credits (RDEC)		29.3		30.0
Underlying operating profit		247.2		215.4
<i>Operating profit margin from segments*</i>		<i>11.3%</i>		<i>9.6%</i>

Reconciliation of segmental results to total profit/(loss)

All figures in £ million	Note	FY26	FY25
Underlying operating profit from segments*		217.9	185.4
Research and development expenditure credits (RDEC)		29.3	30.0
Underlying operating profit*		247.2	215.4
Specific adjusting items loss	3	(77.4)	(305.9)
Operating profit/(loss)		169.8	(90.5)
Net finance income	4	(15.2)	(15.8)
Gain on business divestment		0.5	-
Profit/(loss) before tax		155.1	(106.3)
Taxation expense	6	(47.6)	(79.4)
Profit/(loss) for the year		107.5	(185.7)

* Definitions of the Group's 'Alternative Performance Measures' can be found in the glossary.

3. Specific adjusting items

In the income statement, the Group presents specific adjusting items separately. In the judgement of the Directors, for the reader to obtain a proper understanding of the financial information, specific adjusting items need to be disclosed separately because of their size and nature. Underlying measures of performance exclude specific adjusting items. The following specific adjusting items have been (charged)/credited in the consolidated income statement:

All figures in £ million	Note	FY26	FY25
One-off period of digital investment		(23.6)	(20.8)
Restructuring costs and associated impacts		(30.2)	(64.5)
Acquisition and disposal related costs		-	(14.9)
Loss on sale of property		-	(36.6)
Specific adjusting items loss before interest, tax, depreciation and amortisation		(53.8)	(136.8)
Impairment of property		(0.5)	(1.0)
Impairment of goodwill	10	-	(143.9)
Amortisation of intangible assets arising from acquisitions		(23.1)	(24.2)
Specific adjusting items operating loss		(77.4)	(305.9)
Defined benefit pension scheme net finance income	14	2.4	1.0
Gain on business divestment		0.5	-
Specific adjusting items loss before tax		(74.5)	(304.9)
Tax impact of the above specific adjusting items	6	13.5	17.2
De-recognition of US deferred tax asset	6	-	(45.0)
Total specific adjusting items loss after tax		(61.0)	(332.7)

Reconciliation of underlying profit for the year to total (loss)/profit for the year

All figures in £ million	FY26	FY25
Underlying profit after tax	168.5	147.0
Total specific adjusting items loss after tax	(61.0)	(332.7)
Total profit/(loss) for the year	107.5	(185.7)

The total impact of specific adjusting items (which are excluded from underlying performance due to their distorting nature) on operating profit was a cost of £77.4m (FY25: cost of £305.9m). The improved position reflects that FY25 included the goodwill impairment charge of £143.9m relating to the US Sector and acquisition, disposal and integration costs of £14.9m associated with integrating the Avantus and Air Affairs acquisitions into their respective sectors, while this year there are no charges against these line items.

In FY26 the non-recurring cost of the discrete digital investment programme is £23.6m (FY25: £20.8m). We continue to roll out this project to modernise the IT infrastructure to support our future growth ambitions. The non-recurring costs are reported as specific adjusting items in the P&L, with ongoing recurring operating costs (such as licence costs and overheads) remaining within underlying operating costs. This year is expected to be the final year of digital investment.

Restructuring costs and other impacts were £30.2m (FY25: £64.5m). This includes the costs of efficiency activity in UK and Australia operations which is nearing completion, as well as the further non-cash charges in the US. The majority of these costs were reported within H1 FY26 and were a consequence of continued refinement of the market-facing strategy and ongoing restructuring of the US Sector against challenging market conditions.

Also included within specific adjusting items are net finance income from pensions of £2.4m (FY25: £1.0m), amortisation of acquisition intangibles of £23.1m (FY25: £24.2m) and the £0.5m gain on disposal of the Federal IT business in the US, which completed during the first half of the year.

4. Finance income and expense

All figures in £ million	FY26	FY25
Bank interest receivable	5.2	6.6
Finance income before specific adjusting items	5.2	6.6
Amortisation of deferred financing costs	(1.2)	(1.4)
Bank interest and commitment fees	(16.2)	(17.8)
Lease expense	(5.4)	(4.2)
Finance expense	(22.8)	(23.4)
Underlying net finance expense	(17.6)	(16.8)
Specific adjusting items – defined benefit pension scheme net finance income	2.4	1.0
Net finance expense	(15.2)	(15.8)

5. Profit/(loss) before tax

The following items have been charged in arriving at profit/(loss) before tax for continuing operations:

All figures in £ million	FY26	FY25
Cost of inventories expensed - underlying	43.5	53.8
Cost of inventories written down – specific adjusting item	-	18.5
Owned assets: depreciation	59.7	57.2
Leases assets: depreciation	11.6	10.9
Foreign exchange (gain)/loss	(0.6)	0.4
Research and development expenditure - customer funded contracts	330.6	332.9
Research and development expenditure - Group funded	10.6	12.0

6. Taxation

All figures in £ million	FY26			FY25		
	Underlying	Specific adjusting items	Total	Underlying	Specific adjusting items	Total
Profit/(loss) before tax	229.6	(74.5)	155.1	198.6	(304.9)	(106.3)
Taxation (expense)/income	(61.1)	13.5	(47.6)	(51.6)	(27.8)	(79.4)
Profit/(loss) for the year	168.5	(61.0)	107.5	147.0	(332.7)	(185.7)
Effective tax rate	26.6%		30.7%	26.0%		(74.7)%

The total tax charge was £47.6m (FY25: £79.4m). The underlying tax charge was £61.1m (FY25: £51.6m), on a higher underlying profit before tax, with an underlying effective tax rate of 26.6% for the year ending 31 March 2026 (FY25: 26.0%). The underlying effective tax rate is above the UK statutory rate of 25% (FY25: 25%), primarily as a result of unrecognised tax deductions and prior year adjustments to returns.

Tax on specific adjusting items

The total specific adjusting items tax credit was £13.5m (FY25 charge: £27.8m). The tax credit arises primarily due to the deductible restructuring and digital investment costs, amortisation of acquired intangibles and offset by a prior year adjustment to the non-deductible loss on sale of Cody Technology Park.

Factors affecting future tax charges

The underlying effective tax rate is expected to remain marginally above the UK statutory rate, subject to the impact of any tax legislation changes and the geographic mix of profits. The Group has engaged with advisers to assess any potential impact on the tax charge by the UK's enactment of the OECD's Global Anti-Base Erosion Model Rules (Pillar Two). The Group performed an assessment of the potential exposure to Pillar Two income taxes based on current period data. The Group believes it qualifies for one of the transitional safe harbours provided in the rules in all territories in which it operates. The Group has not accrued a Pillar Two top-up tax charge for FY26. The Group has applied the temporary exemption issued by the International Accounting Standards Board from the accounting for deferred taxes under IAS 12 and neither recognises nor discloses information about deferred taxes related to Pillar Two income taxes. The Group does not expect a material quantitative impact from Pillar Two legislation; however, there are expected to be significant compliance obligations.

Tax losses

During FY25, with our US operations performing below expectations, the change in the Administration and the change in US Sector CEO, re-alignment of strategy and required restructuring, there was a material impact on the future projections of the US business. As a result, the Group derecognised the deferred tax assets previously recognised in respect of net operating losses in FY25. There is continued derecognition in FY26 due to the uncertainty over future taxable profits for the US business. No deferred tax asset is recognised in respect of £236.8m (2025: £183.8m) of US net operating losses and £86.2m (2025: £85.9m) of US excess interest. There is also no deferred tax asset recognised in respect of £9.5m (2025: £8.8m) of UK capital losses due to uncertainty over the timing and extent of their utilisation. Full recognition of the US and UK losses would increase the deferred tax asset by £92.4m. Of the £236.8m (2025: £183.8m) of US net operating losses, £30.3m (2025: £31.1m) are time-limited of which £21.4m will expire in 2035 and £8.9m in 2036.

Deferred tax assets in respect of losses and excess interest are recognised on the balance sheet of £14.6m (2025: £6.9m), being £3.6m in respect of £15.7m of Canadian net operating losses and excess interest, £7.2m in respect of £22.3m of German trade losses and excess interest, and £3.8m in respect of £12.7m of Australian trade losses and excess interest.

The Group made overseas losses in the period ended 31 March 2026 and recognition of deferred tax assets is dependent on future forecast taxable profits. The Group has reviewed the latest forecasts for these businesses which incorporate the unsystematic risks of operating in the defence business. In the period beyond the five-year forecast we have reviewed the terminal period profits and, based on these and our expectations for these businesses, we believe it is probable the losses, with the exception of the US and UK, will be fully utilised over the next 3–10 years. A 10% change in the forecast profits would alter the utilisation period by 2 years.

7. Earnings/(loss) per share

Basic earnings/(loss) per share (EPS) is calculated by dividing the profit attributable to equity shareholders by the weighted average number of ordinary shares in issue during the year. The weighted average number of shares used excludes those shares bought by the Group and held as own shares. For diluted earnings (but not losses) per share the weighted average number of shares in issue is adjusted to assume conversion of all potentially dilutive ordinary shares arising from unvested share-based awards including share options.

		FY26	FY25
Weighted average number of shares	Million	535.4	563.4
Effect of dilutive securities	Million	7.9	7.4
Diluted number of shares	Million	543.3	570.8

Underlying basic earnings per share figures are presented below, in addition to the basic and diluted earnings per share, because the Directors consider this gives a more relevant indication of underlying business performance and reflects the adjustments to basic earnings per share for the impact of specific adjusting items (see note 3) and tax thereon.

Underlying EPS

		FY26	FY25
Profit/(loss) attributable to the owners of the Company	£ million	107.5	(185.7)
Remove loss after tax in respect of specific adjusting items	£ million	61.0	332.7
Underlying profit after taxation	£ million	168.5	147.0
Weighted average number of shares	Million	535.4	563.4
Underlying basic EPS	Pence	31.5	26.1
Diluted number of shares	Million	543.3	570.8
Underlying diluted EPS	Pence	31.0	25.8

Basic and diluted EPS

		FY26	FY25
Profit/(loss) attributable to the owners of the Company	£ million	107.5	(185.7)
Weighted average number of shares	Million	535.4	563.4
Basic EPS	Pence	20.1	(33.0)
Diluted number of shares	Million	543.3	563.4
Diluted EPS	Pence	19.8	(33.0)

8. Dividends

An analysis of the dividends paid and proposed in respect of the years ended 31 March 2026 and 31 March 2025 is provided below:

	Pence per share	£m	Date paid/payable
Interim 2026	3.00	15.9	Feb 2026*
Final 2026 (proposed)	8.00	40.7	Aug 2026
Total for the year ended 31 March 2026	11.00	56.6	
Interim 2025	2.80	15.7	Feb 2025
Final 2025	6.05	32.8	Aug 2025*
Total for the year ended 31 March 2025	8.85	48.5	

* Total cash paid in the year to 31 March 2026 was £48.7m (FY25: £47.9m).

The proposed final dividend in respect of the year ending 31 March 2026 will be paid on 20 August 2026. The ex-dividend date is 23 July 2026 and the record date is 24 July 2026.

9. Business divestment

The gain on business divestment of £0.5m (FY25: £nil) relates to the disposal of the non-core Federal IT Services business, as part of the US restructuring programme, in the first half of the year. Proceeds received in the period, net of transaction related costs of £2.5m, were £17.9m. The carrying value of the business was £17.4m. All consideration received was in cash and there is no deferred or contingent consideration.

10. Goodwill

All figures in £ million	31 March 2026	31 March 2025
Cost		
At 1 April	541.0	551.7
Disposals	(22.3)	-
Foreign exchange	(7.4)	(10.7)
At 31 March	511.3	541.0
Accumulated impairment		
At 1 April	(291.2)	(150.3)
Disposals	12.9	-
Impairment charge	-	(143.9)
Foreign exchange	3.9	3.0
At 31 March	(274.4)	(291.2)
Net book value at 31 March	236.9	249.8

Goodwill analysed by cash-generating unit (CGU)

Goodwill is allocated across five cash generating units within the EMEA Services segment and two CGUs within the Global Solutions segment. The full list of CGUs that have goodwill allocated to them is as follows:

All figures in £ million	Primary reporting segment	31 March 2026	31 March 2025
US Sector	Global Solutions	167.5	181.1
Target Systems	Global Solutions	24.0	24.0
Naimuri	EMEA services	14.8	14.8
Inzpire	EMEA services	11.7	11.7
Australia Sector (previously QinetiQ Australia PTY and Air Affairs)	EMEA Services	8.4	7.8
QinetiQ Training & Simulation	EMEA services	7.8	7.8
Germany	EMEA services	2.7	2.6
Net book value at 31 March		236.9	249.8

During the year, the Group determined that the Australia CGU is more appropriately defined at the Sector level. This avoids the need to allocate goodwill on an increasingly arbitrary basis and represents the lowest level at which business performance is now monitored by management. This followed the completion of the Air Affairs post-acquisition integration activities and the cash inflows no longer being independently generated.

Goodwill is attributable to the excess of consideration over the fair value of net assets acquired and includes expected synergies, future growth prospects and employee knowledge, expertise and security clearances. The Group tests each CGU for impairment annually, or more frequently if there are indications that goodwill might be impaired. Impairment testing is dependent on management's estimates and judgements, particularly as they relate to the forecasting of future cash flows, the discount rates selected and expected long-term growth rates.

During the prior year an impairment charge was recognised in respect of the combined US Sector CGU. Given that this reset the amount of headroom to nil, the headroom remains tight and downward revisions to the key assumptions (which would be reasonably possible) could result in a further impairment. There are no likely variations in the key assumptions used for any of the other CGUs which would lead to an impairment being recognised.

Key assumptions

Cash flows

The value-in-use and fair value less costs to dispose calculations use discounted future cash flows based on financial plans approved by the Board covering a five-year period (aligned with the Group's Integrated Strategic Plan process and the longer-term viability assessment period). These are 'bottom-up' forecasts based on detailed analysis by contract for the revenue under contract and by opportunity for the pipeline, or with growth rates assumed based on market benchmarks. Pipeline opportunities are categorised as 'base case' and 'high case' by management and only 'base case' opportunities are included in the financial plans used for the value-in-use calculations.

Cash flows beyond these periods are extrapolated based on the last year of the plans, with a terminal growth-rate assumption applied. Whilst the Group will likely be impacted by climate change in the future to an extent, the impacts on future cash flows used in the value-in-use calculations are not considered to be material.

Terminal growth rates and discount rates

The specific plans for each of the CGUs have been extrapolated using the terminal growth rates as detailed in the following table. Growth rates are based on management's estimates which take into consideration the long-term nature of the industry in which the CGUs operate and external forecasts as to the likely growth of the industry in the longer term. The discount rates used are calculated based on the weighted average cost of capital of a portfolio of comparable companies, adjusted for risks specific to the market characteristics of each CGU, and converted to a pre-tax basis where relevant. This is considered an appropriate estimate of a market participant discount rate.

All figures % 31 March 2026: (2025)	US Sector*	Target Systems	Inzpire	Australia Sector	QinetiQ Germany	QinetiQ Training & Simulation	Naimuri
Terminal growth rate	2.5 (2.3)	2.3 (2.3)	2.3 (2.3)	2.5 (2.4)	2.0 (2.1)	2.3 (2.3)	2.3 (2.3)
Discount rate*	9.5 (9.4)	11.9 (12.2)	11.7 (12.1)	12.4 (13.8)	10.3 (9.4)	11.8 (12.2)	11.7 (12.1)

*All discount rates stated are on a pre-tax basis, except for the US which is on a post-tax basis per the fair value less costs to dispose calculation.

Sensitivity analysis shows that the value of the terminal year cash flow, the discount rate and the terminal growth rates have a significant impact on the value of the discounted cash flows.

US Sector

The carrying value of the goodwill for the US Sector CGU as at 31 March 2026 was £167.5m (2025: £181.1m). The recoverable amount of this CGU as at 31 March 2026 is based on a fair value less costs to dispose calculation which is derived from the latest cash flow projections. This better reflects the transaction structure and tax treatment of the historical acquisitions and hence gives a higher value than the equivalent value in use calculation. The calculation uses the assumptions noted above and is higher than the carrying value of the net operating assets (of £395.0m). Our US operations have had a more stable year and successfully completed a major restructuring programme.

The key assumption underpinning the recoverable amount is the revenue growth applied over the period of the calculation which is required to achieve the terminal year cash flows. The growth is based on market growth rates for the high growth segments in which the business operates, as well as reflecting the expectation of securing a number of key contract renewals and significant pipeline opportunities. In the event that assumed contract renewals and significant pipeline opportunities are not secured in line with the plan, this will result in a future significant impairment charge. A 400 basis point reduction in the compound annual revenue growth rate or a 100 basis point reduction in operating margins over the plan period, which are considered reasonably possible changes, would reduce the recoverable amount and result in an impairment of £47.9m and £30.6m respectively. A decrease in the terminal growth rate of 0.5% would not result in an impairment however an increase in the discount rate of 1%, which is considered a reasonably possible change, would cause an impairment of £28.5m.

11. Cash flows from operations

All figures in £ million	FY26	FY25
Profit/(loss) after tax for the year	107.5	(185.7)
<i>Adjustments for:</i>		
Taxation expense	47.6	79.4
Net finance expense	15.2	15.8
Impairment of goodwill	-	143.9
Gain on business divestment	(0.5)	-
Loss on sale of property	-	36.6
Loss on disposal of plant and equipment	8.4	4.6
Loss on disposal of intangibles	7.7	4.2
Impairment of property	0.5	1.0
Amortisation of purchased or internally developed intangible assets	19.9	15.7
Amortisation of intangible assets arising from acquisitions	23.1	24.2
Depreciation of property, plant and equipment	76.6	70.6
Share of post-tax loss/(profit) of equity accounted entities	1.0	(0.3)
Share-based payments charge	11.5	9.8
Retirement benefit contributions in excess of income statement expense	(2.4)	(2.3)
Net movement in provisions	(9.0)	19.4
	307.1	236.9
(Increase)/decrease in inventories	(3.2)	16.5
(Increase)/decrease in receivables	(4.9)	56.3
Decrease in payables	(7.4)	(23.0)
Changes in working capital	(15.5)	49.8
Net cash flow from operations	291.6	286.7

Reconciliation of net cash flow from operations to underlying net cash flow from operations

All figures in £ million	FY26	FY25
Net cash flow from operations	291.6	286.7
Add back specific adjusting item: digital investment	23.6	20.8
Add back specific adjusting item: restructuring costs	24.8	3.4
Add back specific adjusting item: acquisition and disposal costs	2.2	5.3
Add back specific adjusting item: sale and leaseback obligations	1.0	-
Total specific adjusting items	51.6	29.5
Underlying net cash flow from operations*	343.2	316.2

Reconciliation of net cash flow from operations to free cash flow*

All figures in £ million	FY26	FY25 [^]
Net cash flow from operations	291.6	286.7
Less: tax and net interest payments	(59.8)	(65.4)
Less: net purchases of intangible assets and property, plant and equipment	(72.5)	(108.4)
Free cash flow*	159.3	112.9

Underlying cash conversion ratio*

	FY26	FY25
Underlying EBITDA - £ million	343.7	301.7
Underlying net cash flow from operations - £ million	343.2	316.2
Underlying cash conversion ratio - %	100%	105%

* Definitions of the Group's 'Alternative performance measures' can be found in the glossary.

[^] The free cash flow definition has been revised to include the cash flow impact of specific adjusting items within operating profit. The prior year comparative has been restated accordingly.

12. Net debt

All figures in £ million	31 March 2026	31 March 2025
<i>Current financial assets/(liabilities)</i>		
Deferred financing costs	1.2	1.3
Derivative financial assets	2.1	3.6
Lease liabilities	(12.4)	(13.3)
Derivative financial liabilities	(1.1)	(1.8)
Total current net financial liabilities	(10.2)	(10.2)
<i>Non-current financial assets/(liabilities)</i>		
Deferred financing costs	0.3	1.0
Derivative financial assets	2.0	2.0
Lease liabilities	(76.7)	(80.6)
Borrowings – Term loan	(333.6)	(335.0)
Derivative financial liabilities	(0.1)	(1.0)
Total non-current net financial liabilities	(408.1)	(413.6)
Total net financial liabilities	(418.3)	(423.8)
Total cash and cash equivalents	259.2	290.6
Total net debt as defined by the Group	(159.1)	(133.2)

13. Financial risk management

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 – measured using quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – measured using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Level 2 derivatives comprise forward foreign exchange contracts which have been fair valued using forward exchange rates that are quoted in an active market; and interest rate swaps which have been fair valued using interest rates that are quoted in an active market

Level 3 – measured using inputs for the assets or liability that are not based on observable market data (i.e. unobservable inputs).

The following table presents the Group's assets and liabilities that are measured at fair value through the P&L as at 31 March 2026:

All figures in £ million	Level 1	Level 2	Level 3	Total
Assets:				
Current derivative financial instruments	-	2.1	-	2.1
Cash equivalents	-	167.4	-	167.4
Non-current derivative financial instruments	-	2.0	-	2.0
Liabilities:				
Current derivative financial instruments	-	(1.1)	-	(1.1)
Non-current derivative financial instruments	-	(0.1)	-	(0.1)
Total	-	170.3	-	170.3

The following table presents the Group's assets and liabilities that are measured at fair value through the P&L as at 31 March 2025:

All figures in £ million	Level 1	Level 2 [^]	Level 3	Total [^]
Assets:				
Current derivative financial instruments	-	3.6	-	3.6
Cash equivalents	-	170.4	-	170.4
Non-current derivative financial instruments	-	2.0	-	2.0
Liabilities:				
Current derivative financial instruments	-	(1.8)	-	(1.8)
Non-current derivative financial instruments	-	(1.0)	-	(1.0)
Total	-	173.2	-	173.2

[^] Restated to include cash equivalent balances which relate to money market fund investments which are held at fair value through the profit and loss account.

For cash and cash equivalents, trade and other receivables and bank and current borrowings, the fair value of the financial instruments approximate to their carrying value as a result of the short maturity periods of these financial instruments. For trade and other receivables, allowances are made within the carrying value for credit risk. For other financial instruments, the fair value is based on market value, where available. Where market values are not available, the fair values have been calculated by discounting cash flows to net present value using prevailing market-based interest rates translated at the year-end rates. There have been no transfers between levels.

14. Post-retirement benefits

In the UK the Group operates the QinetiQ Pension Scheme ('the Scheme') for approximately 10% of its UK employees. The Scheme closed to future accrual on 31 October 2013 and there is no on-going service cost. After this date, defined active benefit members transferred to a defined contribution section of the Scheme. The Scheme is a final salary plan, which provides benefits to members in the form of a guaranteed level of pension payable for life. The Scheme is in a net asset position with the market value of assets in excess of the present value of Scheme liabilities. These have the values set out below as at 31 March of each year end.

All figures in £ million	FY26	FY25
Total market value of assets – see following table for analysis by category of asset	1,208.0	1,176.7
Present value of Scheme liabilities	(1,153.6)	(1,137.3)
Net pension asset before deferred tax	54.4	39.4
Deferred tax liability	(17.9)	(14.6)
Net pension asset after deferred tax	36.5	24.8

The balance sheet net pension asset is a snapshot view which can be significantly influenced by short-term market factors. The calculation of the net asset depends on factors which are beyond the control of the Group – principally the value of the various categories of assets in which the Scheme has invested and long-term interest rates and inflation rates used to value the Scheme's liabilities. This is particularly pertinent at times when markets are volatile.

The key driver for the increase in the net pension asset since 31 March 2025 was a net actuarial gain on the net pension asset.

Total net income/(expense) recognised in the income statement

All figures in £ million	FY26	FY25
Net finance income	2.4	1.0
Administrative expenses	(1.2)	(1.2)
Total net income/(expense) recognised in the income statement (excluding tax)	1.2	(0.2)

Movement in the net pension asset

The movement in the net pension asset (before deferred tax) is set out below:

All figures in £ million	FY26	FY25
Opening net pension asset	39.4	18.4
Net finance income	2.4	1.0
Net actuarial gain and asset re-measurement gain/(loss)	10.2	17.7

Administration expenses		(1.2)	(1.2)
Contributions by the employer		3.6	3.5
Closing net pension asset		54.4	39.4

The fair value of the Scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, were:

All figures in £ million	31 March 2026			31 March 2025 [^]		
	Quoted	Not quoted in an active market	Total	Quoted	Not quoted in an active market	Total
Equities	-	7.5	7.5	-	11.2	11.2
Liability Driven Investment	223.3	-	223.3	351.1	-	351.1
Asset backed securities	118.4	-	118.4	75.0	-	75.0
Alternative bonds	-	185.4	185.4	-	228.1	228.1
Corporate bonds	135.7	73.1	208.8	-	98.6	98.6
Cash and cash equivalents	9.8	-	9.8	46.1	-	46.1
Equity derivative financial instruments	-	-	-	(0.9)	-	(0.9)
Corporate credit derivative financial instruments	(1.0)	-	(1.0)	1.8	-	1.8
Other derivatives (forward FX contracts)	(1.4)	-	(1.4)	10.0	-	10.0
Insurance buy-in policies	-	457.2	457.2	-	450.7	450.7
Borrowings	-	-	-	-	(95.0)	(95.0)
Total market value of assets	484.8	723.2	1,208.0	483.1	693.6	1,176.7

[^] The comparative cash and cash equivalents balance has been presented as quoted, to reflect the observable nature of its fair value.

Per the Scheme rules the Company has an unconditional right to a refund of any surplus, assuming gradual settlement of all liabilities over time. Such surplus may arise on cessation of the Scheme in the context of IFRIC 14 paragraphs 11(b) and 12 and therefore the full net pension asset can be recognised on the Group's balance sheet and the Group's minimum funding commitments to the Scheme do not give rise to an additional balance sheet liability.

Assumptions

The major assumptions used in the IAS 19 valuations of the Scheme were:

	31 March 2026		31 March 2025	
	Insured members	Uninsured members	Insured members	Uninsured members
Discount rate applied to Scheme liabilities	5.85%	6.15%	5.70%	5.75%
CPI inflation assumption	2.80%	2.80%	2.45%	2.50%
Net rate (discount rate less inflation)	3.05%	3.35%	3.25%	3.25%
Assumed life expectancies in years:				
At 60 for males currently aged 40	n/a	28.2	n/a	27.8
At 60 for females currently aged 40	n/a	30.5	n/a	30.3
At 60 for males currently aged 60	n/a	26.9	n/a	26.5
At 60 for females currently aged 60	n/a	29.2	n/a	28.9
At 65 for males currently aged 65	22.6	n/a	22.1	n/a
At 65 for females currently aged 65	24.9	n/a	24.6	n/a

The sensitivity of the gross Scheme liabilities to each of the key assumptions is shown in the following table:

Key assumptions	Indicative impact on Scheme assets	Indicative impact on Scheme liabilities	Indicative impact on net pension asset
Decrease discount rate by 0.25%	Increase by £10.6m	Increase by £34.5m	Decrease by £23.9m
Increase rate of inflation by 0.25%	Increase by £9.7m	Increase by £32.7m	Decrease by £23.0m
Increase life expectancy by one year	Increase by £14.0m	Increase by £24.8m	Decrease by £10.8m

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 2026 this portfolio hedged against approximately 100% of the interest rate and also approximately 100% of the inflation rate risk, as measured on the actuarial funding valuation basis.

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (projected unit credit method) has been applied as when calculating the pension liability recognised within the statement of financial position. The methods and types of assumption did not change.

In addition to the sensitivity of the liability side of the net pension asset (which will impact the value of the net pension surplus) the net pension asset is also exposed to significant variation due to changes in the fair value of Scheme assets. A specific sensitivity on assets has not been included in the above table but any change in valuation of assets flows straight through to the value of the net pension asset e.g. if equities fall by £10m then the net pension asset reduces by £10m. The values of unquoted assets assume that an available buyer is willing to purchase those assets at that value. For the Group's portfolio of assets, the unquoted alternative bonds of £185.4m; the unquoted corporate bonds of £73.1m and the unquoted equities of £7.5m are the assets with most uncertainty as to valuation as at 31 March 2026.

The accounting assumptions noted are used to calculate the year end net pension asset in accordance with the relevant accounting standard, IAS 19 (revised) 'Employee Benefits'. Changes in these assumptions have no impact on the Group's cash payments into the scheme. The payments into the scheme are reassessed after every triennial valuation. The triennial valuations are calculated on a funding basis and use a different set of assumptions, as agreed with the pension Trustees. The key assumption that varies between the two methods of valuation is the discount rate. The funding basis valuation uses the risk-free rate from UK gilts as the base for calculating the discount rate, whilst the IAS 19 accounting basis valuation uses corporate bond yields as the base.

The most recent completed full actuarial valuation of the Scheme was undertaken as at 30 June 2023 and resulted in an actuarially assessed surplus of £11.4m (relative to the technical provisions i.e. the level of assets agreed by the Trustee and the Company as being appropriate to meet member benefits, assuming the Scheme continues as a going concern). The next triennial valuation will be performed as at 30 June 2026. Under the new schedule of contributions agreed at the conclusion of the recent triennial valuation, and reflecting the Scheme being in surplus, there are no employer contributions required. Separately to the schedule of contributions the Company does have a cash commitment to the Scheme in respect of an asset-backed funding arrangement established in 2012. The annual distribution in the year to 31 March 2027 will be £3.7m, which will increase thereafter, indexed by reference to CPI, until 2032.

Risks

Through its defined benefit pension plan, the Group is exposed to a number of risks in respect to the valuation of the Scheme, the most significant of which are detailed below:

Volatility in market conditions

Results under IAS 19 can change dramatically depending on market conditions. The present value of Scheme liabilities is linked to yields on corporate bonds, while many of the assets of the Scheme are invested in various forms of assets subject to fluctuating valuations. Changing markets in conjunction with discount rate volatility will lead to volatility in the net pension asset on the Group's balance sheet and in other comprehensive income. To a lesser extent this will also lead to volatility in the IAS 19 pension net finance income in the Group's income statement.

Choice of accounting assumptions

The calculation of the present value of Scheme liabilities involves projecting future cash flows from the Scheme many years into the future. This means that the assumptions used can have a material impact on the balance sheet position and profit and loss charge. In practice future experience within the Scheme may not be in line with the assumptions adopted. For example, members could live longer than foreseen or inflation could be higher or lower than allowed for in the calculation of the liabilities.

15. Own shares and share-based awards

Own shares represent shares in the Company that are held by independent trusts and include treasury shares and shares held by the employee share ownership plan. Included in retained earnings at 31 March 2026 are 4,315,670 shares (2025: 3,442,435 shares). In the year ended 31 March 2026 the Group granted/awarded 6.0m new share-based awards to employees (FY25: 7.0m).

16. Contingent liabilities and assets

Subsidiary undertakings within the Group have given unsecured guarantees of £53.7m at 31 March 2026 (2025: £49.7m) in the ordinary course of business, typically in respect of performance bonds and rental guarantees. The Company has on occasion been required to take legal action to protect its intellectual property rights, to enforce commercial contracts or otherwise and similarly to defend itself against proceedings brought by other parties, including in respect of environmental and regulatory issues. Provisions are made for the expected costs associated with such matters, based on past experience of similar items and other known factors, taking into account professional advice received, and represent management's best estimate of the likely outcome. The timing of utilisation of these provisions is uncertain pending the outcome of various court proceedings, ongoing investigations and negotiations. However, no provision is made for proceedings which have been or might be brought by other parties unless management, taking into account professional advice received, assesses that it is more likely than not that such proceedings may be successful. Contingent liabilities associated with such proceedings have been identified but the Directors are of the opinion that any associated claims that might be brought can be resisted successfully and therefore the possibility of any outflow in settlement is assessed as remote.

17. Related parties

During the year ended 31 March 2026 there were sales to joint ventures of nil (FY25: £0.2m). At the year-end there were outstanding receivables from joint ventures of nil (31 March 2025: £0.2m).

18. Capital commitments

The Group had the following capital commitments for which no provision has been made:

All figures in £ million	31 March 2026	31 March 2025
Total contracted	30.2	51.3

Capital commitments at 31 March 2026 include £26.7m (2025: £47.2m) in relation to property, plant and equipment that will be wholly funded by a third party customer under long-term contract arrangements. These primarily relate to investments under the LTPA contract.

19. Significant accounting policies

Basis of preparation

QinetiQ Group plc is a public limited company, which is listed on the London Stock Exchange and is incorporated and domiciled in the United Kingdom.

The financial information, which was approved by the board on 21 May 2026, comprises the Consolidated income statement, Consolidated statement of comprehensive income, Consolidated statement of changes in equity, Consolidated balance sheet, Consolidated cash flow statement and related notes, is derived from the audited Group consolidated financial statements for the year ended 31 March 2026, prepared in accordance with UK-adopted International Accounting Standards ('IASs') in conformity with the requirements of the Companies Act 2006 and the applicable legal requirements of the Companies Act 2006.

QinetiQ Group plc's 2026 Annual Report will be published in June 2026. The financial information set herein does not constitute the Company's statutory accounts for the year ended 31 March 2026 but is derived from those accounts and the accompanying directors' report. Statutory accounts for 2026 will be delivered to the Registrar of the Companies in due course. The auditors have reported in those accounts; their report was unqualified and did not contain statements under section 498 sections (2) and (3) of the Companies Act 2006.

The comparative figures for the year ended 31 March 2025 are not the Company's statutory accounts for the financial year but are derived from those accounts which have been reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain statements under section 498 sections (2) and (3) of the Companies Act 2006.

Specific adjusting items

In the income statement, the Group presents specific adjusting items separately. In the judgement of the Directors, for the reader to obtain a proper understanding of the financial information, specific adjusting items need to be disclosed separately because of their size and nature. Underlying measures of performance exclude specific adjusting items. Specific adjusting items include:

Item	Distorting due to irregular nature year on year	Distorting due to fluctuating nature (size and sign)	Does not reflect in-year operational performance of continuing business
Amortisation of intangible assets arising from acquisitions			
Pension net finance income			
Gains/losses on disposal of businesses, property and investments			
Transaction and integration costs in respect of business acquisitions and disposals			
Impairment of property and goodwill			
One-off period of digital investment			
Costs and other impacts of group-wide restructuring programmes			
The tax impact of the above			
Other significant non-recurring tax and RDEC movements			

All items treated as a specific adjusting item in the current and prior year are detailed in note 3. These 'specific adjusting items' are of a 'non-operational' nature and do not include all significant, irregular items that are of an operational nature, for example contract risk provisions and gains/losses on disposal of plant and equipment. Such 'non-recurring trading items' are referred to in the business performance narrative to aid readers from a 'quality of earnings perspective'. They are considered by the Directors to be irregular but still part of our businesses' normal 'operating' performance and are included within the KPIs used to measure those business units (and total Group performance for remuneration purposes).

Going concern basis

The Group meets its day-to-day working capital requirements through its available cash funds and its bank facilities. The Group enters the new financial year with a healthy balance sheet and leverage position, and a strong order backlog and pipeline. After making enquiries, the Directors believe that the Group is well positioned to manage its overall business risks successfully and have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going-concern basis in preparing its financial statements.

The Group is exposed to various risks and uncertainties, the principal ones being summarised in the 'Principal risks and uncertainties' section. Crystallisation of such risks, to the extent not fully mitigated, would lead to a negative impact on the Group's financial results but none are deemed sufficiently material to prevent the Group from continuing as a going concern for the period to 30 September 2027. This period is considered an appropriate timeframe to assess going concern as it considers the Group's short and medium-term cash flow forecasts and available liquidity, including the upcoming refinancing of its term loan.

Glossary

CPI	Consumer Price Index
EBITDA	Earnings before interest, tax, depreciation and amortisation
EBITA	Earnings before interest, tax and amortisation
EPS	Earnings per share
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
LTPA	Long Term Partnering Agreement: 25 year contract to manage the MOD's test and evaluation ranges
MOD	UK Ministry of Defence
SSRO	Single Source Regulations Office

Alternative performance measures ('APM's)

The Group uses various non-statutory measures of performance, or APMs. Such APMs are used by management internally to monitor and manage the Group's performance and also allow the reader to obtain a proper understanding of performance (in conjunction with statutory financial measures of performance). The APMs used by QinetiQ are set out below:

Measure	Explanation	Note reference
Organic 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	Note 2
Underlying operating profit from segments	Total operating profit from segments which excludes 'specific adjusting items' and research and development expenditure credits ('RDEC')	Note 2
Underlying operating profit margin from segments	Operating profit from segments expressed as a percentage of revenue	Note 2
Underlying operating profit	Operating profit as adjusted to exclude 'specific adjusting items'	Note 2
Underlying operating margin	Underlying operating profit expressed as a percentage of revenue	Note 2
Underlying net finance income/expense	Net finance income/expense as adjusted to exclude 'specific adjusting items'	Note 4
Underlying profit before/after tax	Profit before/after tax as adjusted to exclude 'specific adjusting items'	Note 3
Underlying effective tax rate	The tax charge for the year excluding the tax impact of 'specific adjusting items' expressed as a percentage of underlying profit before tax	Note 6
Underlying basic and diluted EPS	Basic and diluted earnings per share as adjusted to exclude 'specific adjusting items'	Note 7
Orders	The level of new orders (and amendments to existing orders) booked in the year	N/A
Backlog, funded backlog or order book	The expected future value of revenue from contractually committed and funded customer orders	N/A
Book-to-bill ratio	Ratio of funded orders received in the year to revenue for the year, adjusted to exclude revenue from the 25 year LTPA contract due to significant size and timing differences of LTPA order and revenue recognition which distort the ratio calculation	N/A
Underlying net cash flow from operations	Net cash flow from operations before cash flows of specific adjusting items	Note 11
Underlying operating cash conversion or cash conversion ratio	The ratio of underlying net cash from operations to underlying EBITDA.	Note 11
Free cash flow	Net cash flow from operations, including exceptional operating cash flows, less net tax and interest payments less purchases of intangible assets and property, plant and equipment plus proceeds from disposals of plant and equipment	Note 11
Net debt	Net debt as defined by the Group combines cash and cash equivalents with borrowings and other financial assets and liabilities, primarily deferred financing costs, derivative financial instruments and lease liabilities.	Note 12
Return on capital employed	Calculated as: Underlying EBITA / (average capital employed less net pension asset), where average capital employed is defined as shareholders equity plus net debt (or minus net cash)	CFO Review
Specific adjusting items	Amortisation of intangible assets arising from acquisitions; impairment of property and goodwill; gains/losses on disposal of property, investments and businesses; net pension finance income; transaction and integration costs in respect of business acquisitions and disposals; digital investment; costs and associated impacts of group-wide restructuring programmes; tax impact of the preceding items and significant non-recurring tax and RDEC movements	Note 3