

Results for the year ended 31 December 2009

CAPITA

Highlights

Paul Pindar
Chief Executive

CAPITA

Highlights

- Excellent profit growth
- Continued margin progression
- Strong free cash flow
- 17% dividend increase
- Increasing market leadership
- Active markets – £3.7bn bid pipeline
- Strongly positioned for 2010

Financial results

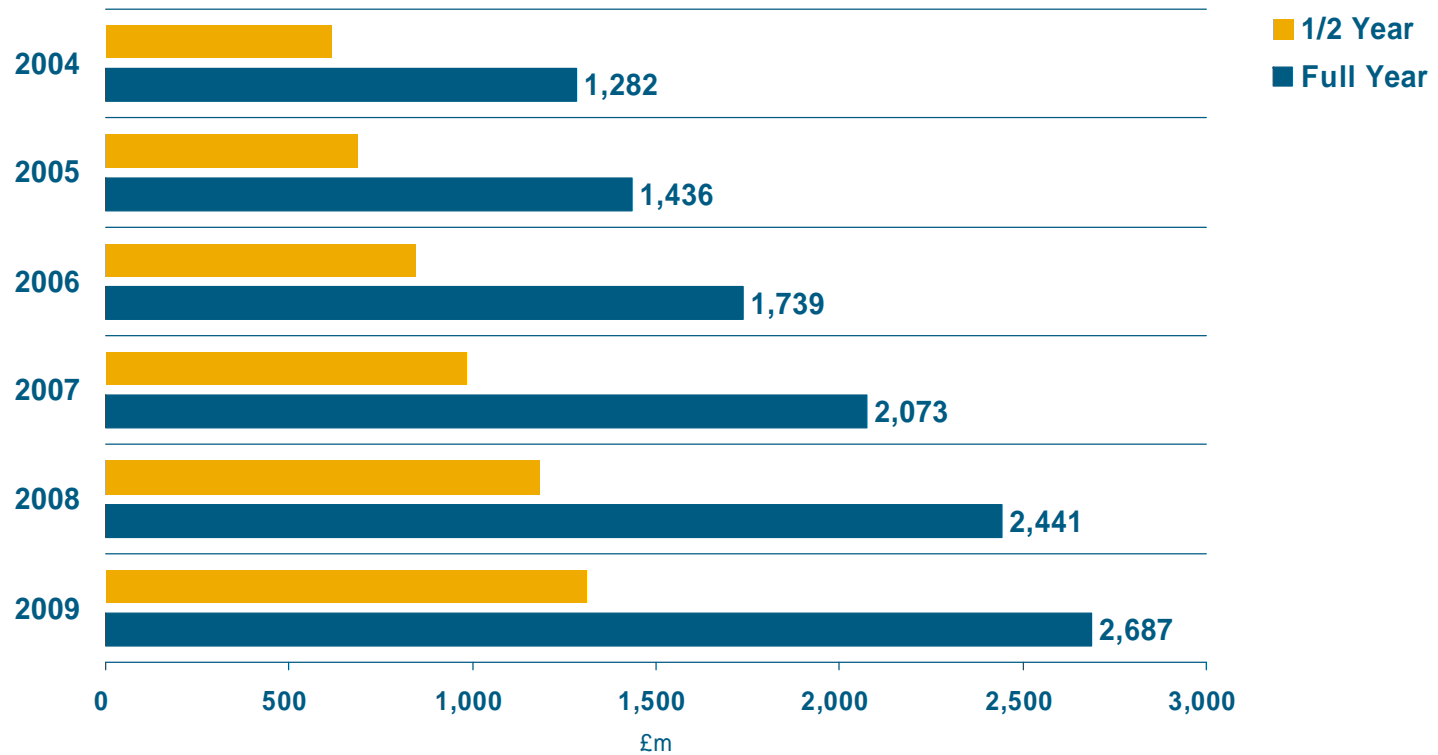
Gordon Hurst

Group Finance Director

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Financial results - turnover

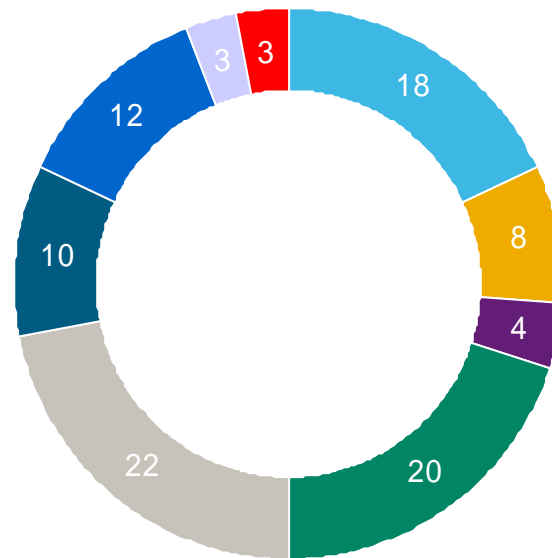
Annual growth 10%
5 year compound growth 16%



Financial results – turnover by market

Private sector 50% (2008: 52%)

Public sector 50% (2008: 48%)



- Life and pensions 18% (16%)
- Insurance 8% (8%)
- Financial services 4% (5%)
- Other corporates 20% (23%)
- Local government 22% (20%)
- Central government 10% (10%)
- Education 12% (11%)
- Transport 3% (5%)
- Health 3% (2%)

2009 year end (2008 year end)

Financial results – organic growth

	£m 2009	£m 2008	Growth %
Turnover	2687	2441	10%
2009 acquisitions	(79)	-	(3%)
2008 acquisitions	(40)	-	(2%)
Organic	2568	2441	5%

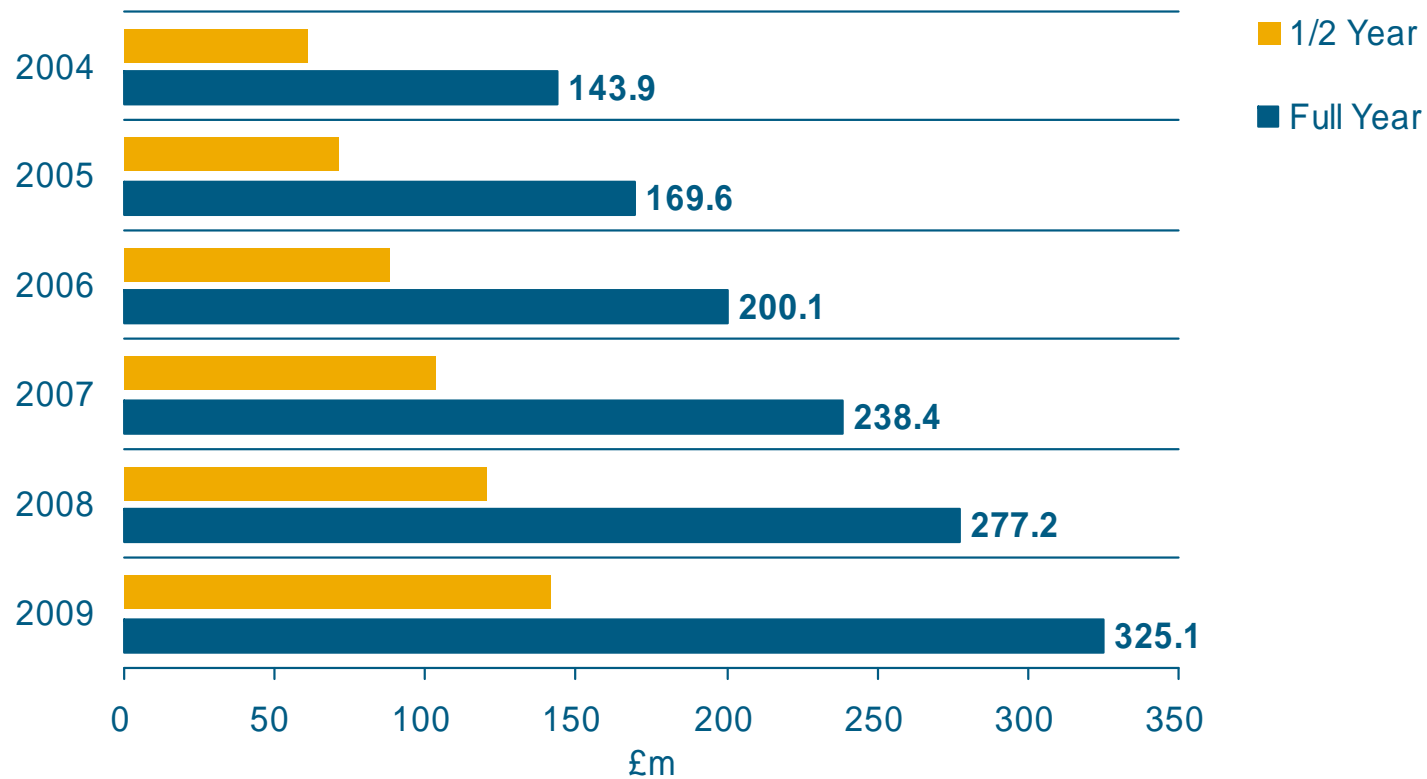
Financial results – revenue attrition

	<u>2009 (£m)</u>	<u>2010 (£m)</u>
London Congestion Charging	17	48
Taken in-house	32	31
DTI Miners Claims run-off	25	20
Project completions	-	55
Business disposals	-	39
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	74	193

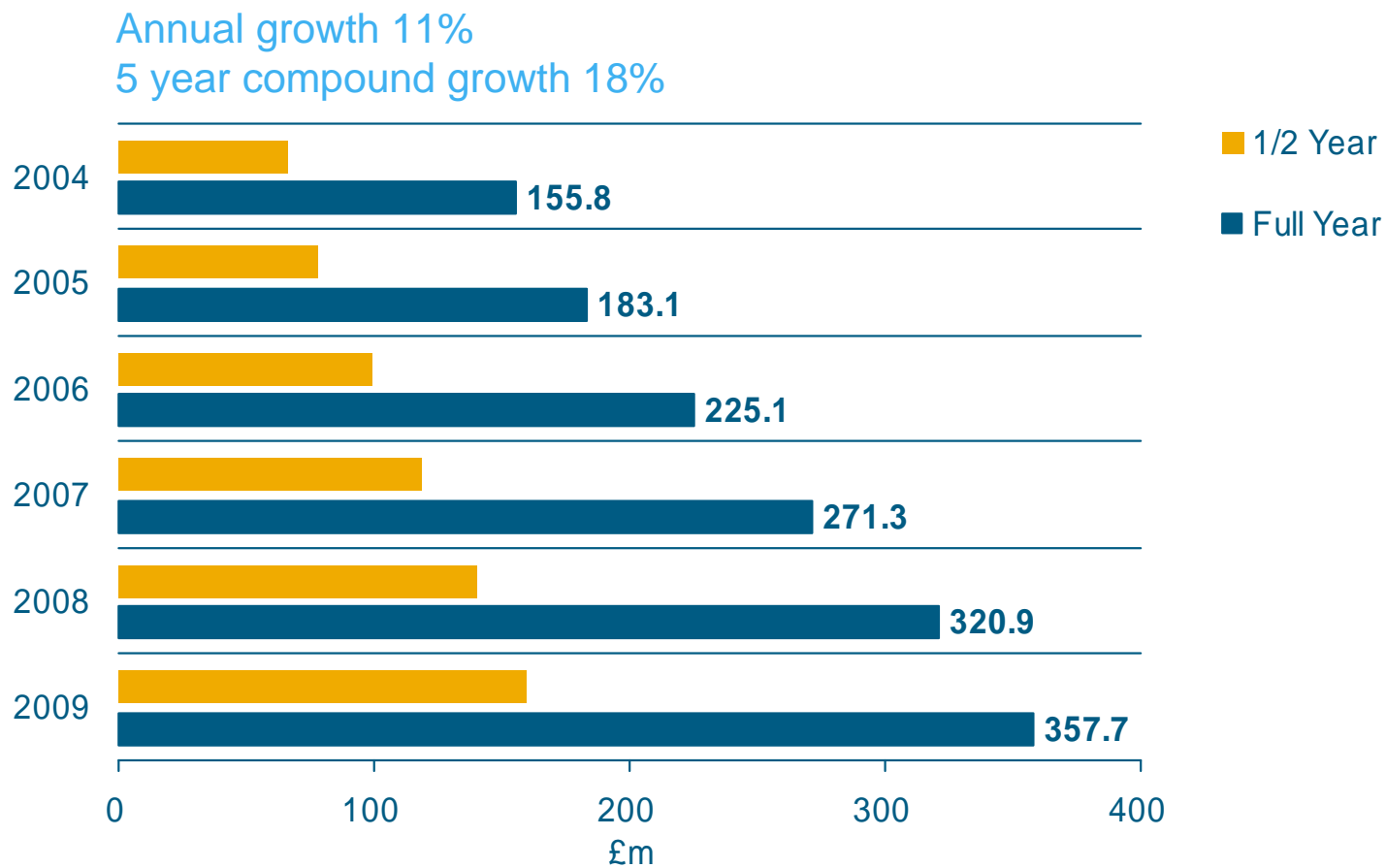
Financial results – underlying profit before tax*

Annual growth 17%

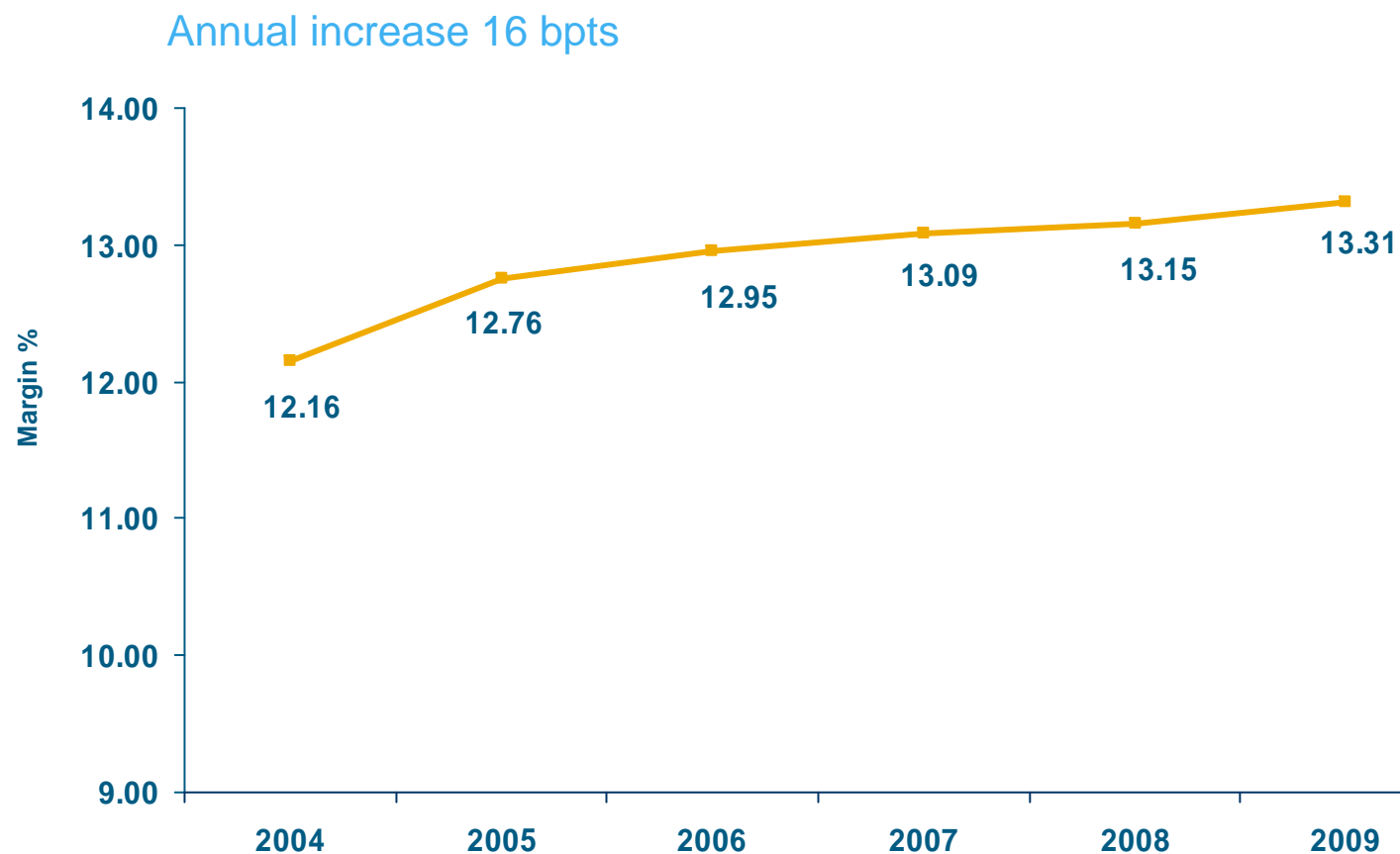
5 year compound growth 18%



Financial results – underlying operating profit*



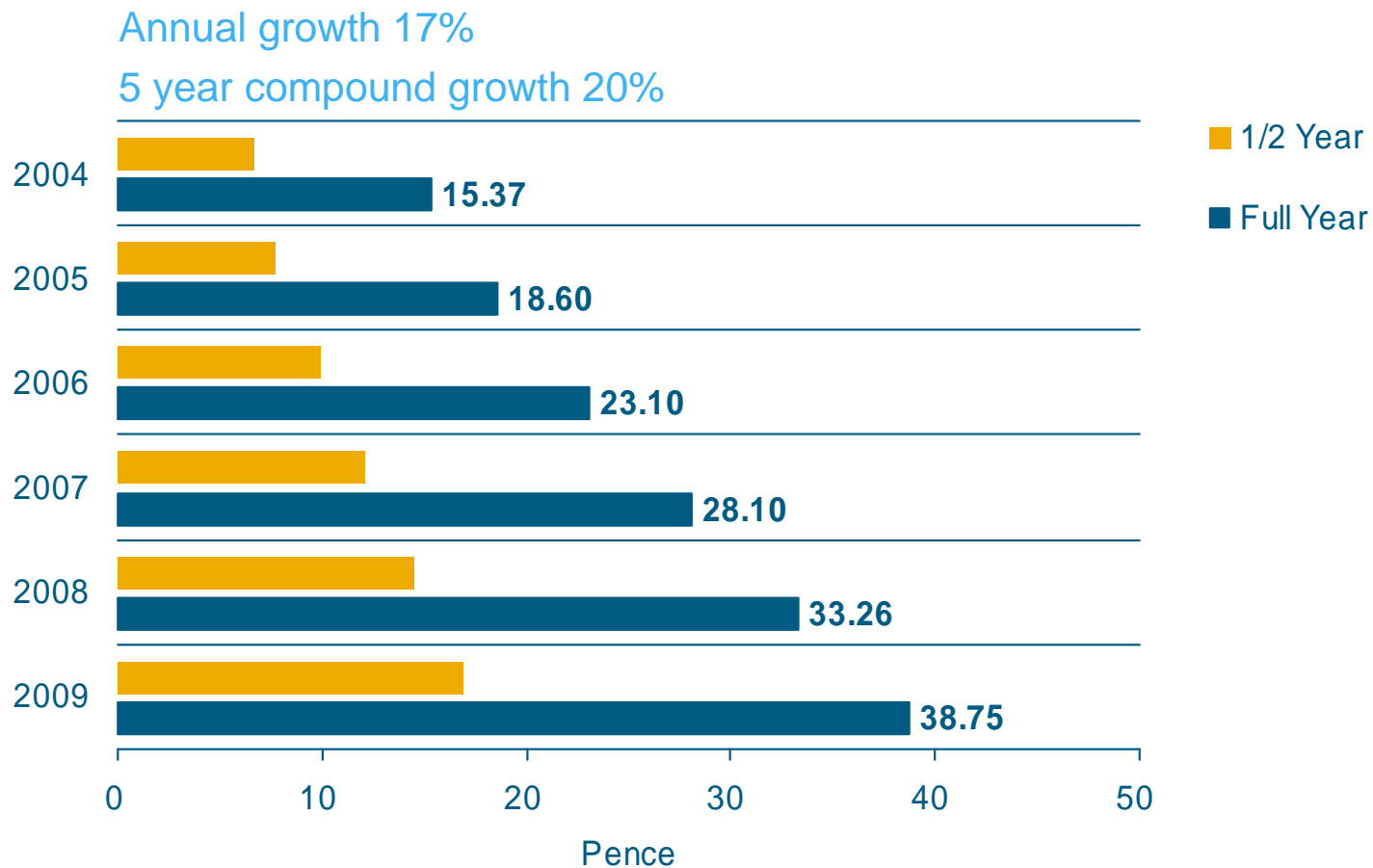
Financial results – underlying operating margin*



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* excluding intangible amortisation, non-cash impact of mark to market movement on financial instruments, loss on disposal of business and exceptional costs relating to the Arch cru funds

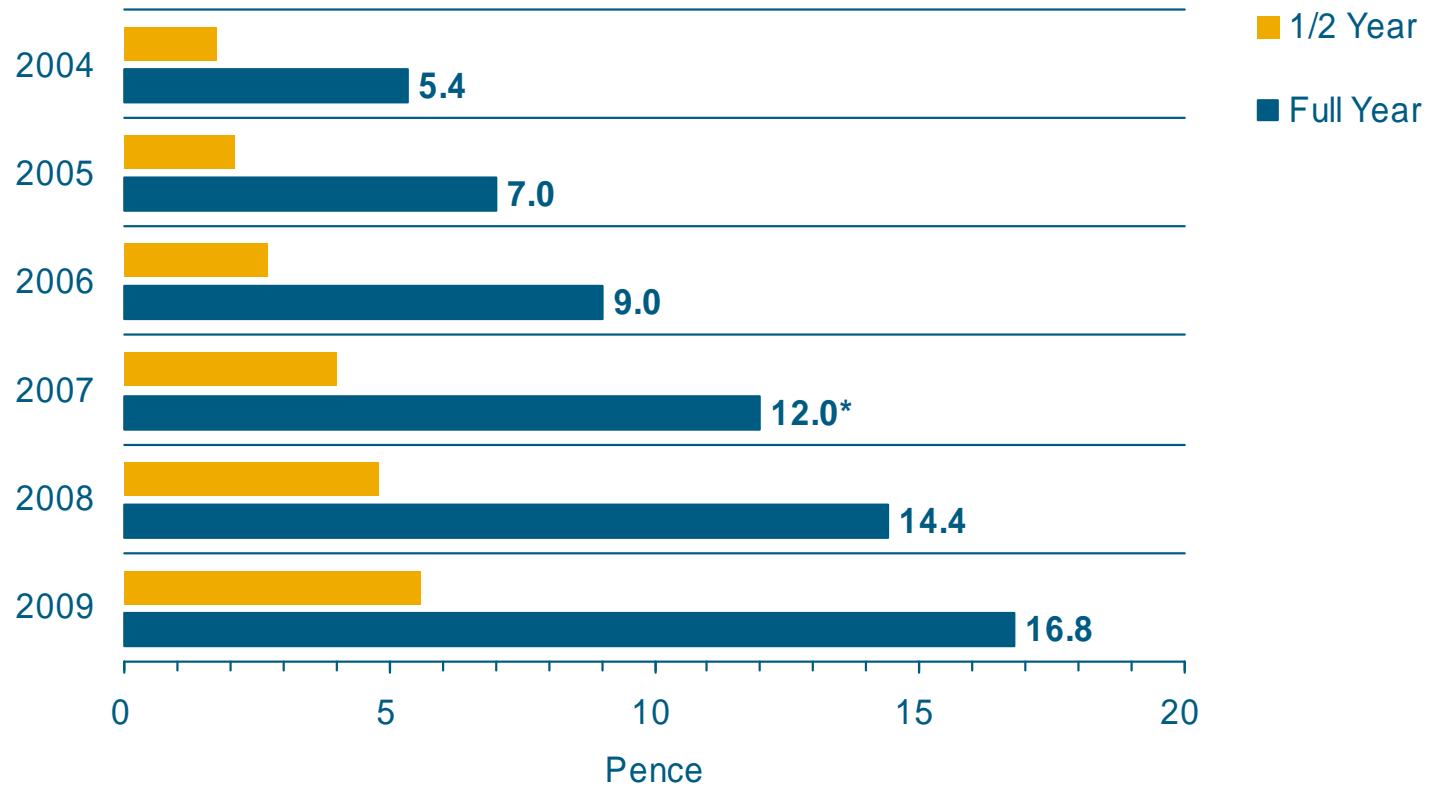
Financial results – underlying earnings per share*



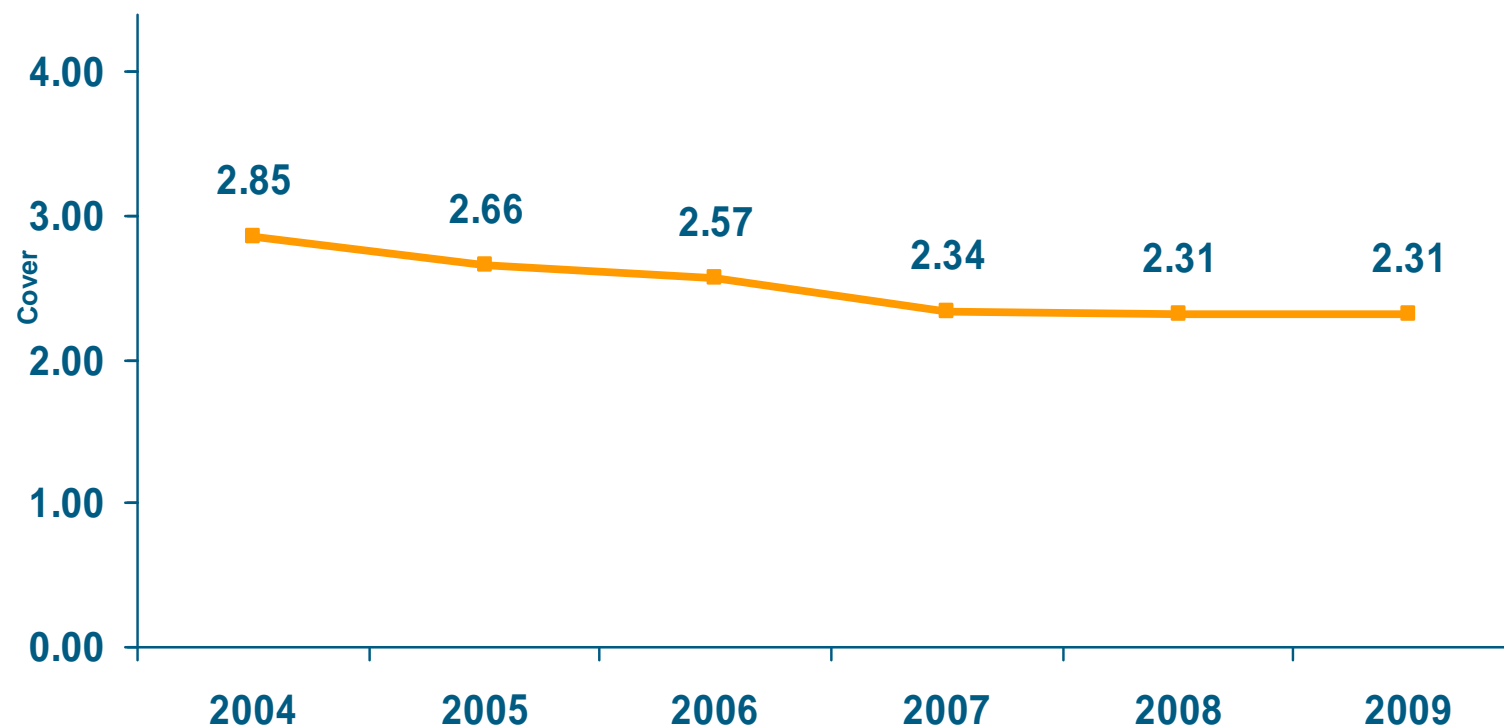
Financial results – dividends

Annual growth 17%
Dividend cover 2.31

5 year compound growth 25%



Financial results – dividend cover*



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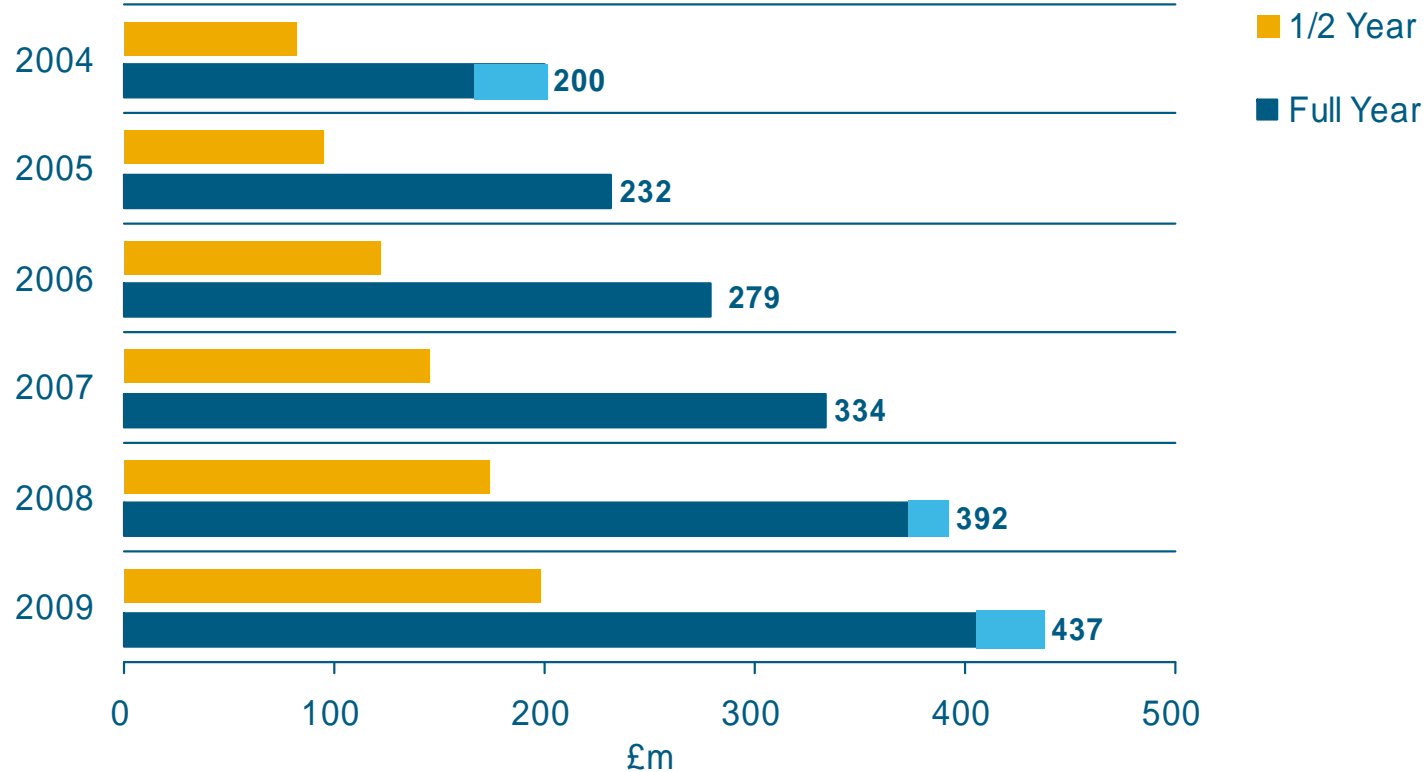
* EPS used is excluding intangible amortisation, non-cash impact of mark to market movement on financial instruments loss on disposal of business and exceptional costs relating to the Arch cru funds

Financial results – cash flow statement

	£m 2009	£m 2008
Cash flow from operating activities*	437	392
Net interest paid	(31)	(38)
Taxation paid	(58)	(49)
Capital expenditure	(68)	(86)
Free cash flow	280	219
Exceptional pension payment	(40)	(10)
Acquisitions	(173)	(180)
Disposals	8	-
Equity dividends paid	(93)	(78)
Share buybacks	-	(69)
Investments in insurance captive	2	23
Bond (repayment) issue	(100)	200
Share option proceeds	25	36
Bank finance raised	200	-
Other financing	(14)	(9)
Increase in cash in the period	95	132

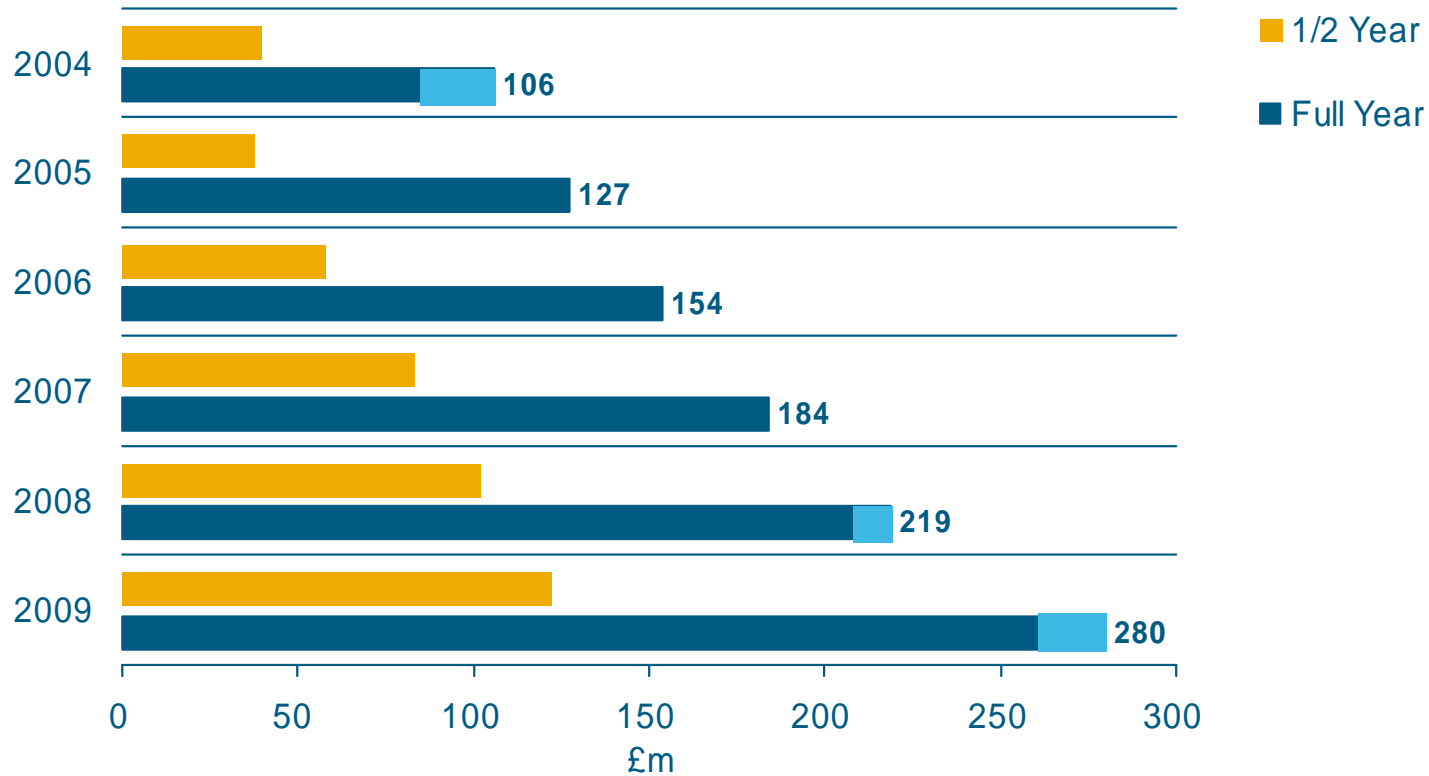
Financial results – cash flow from operating activities

Annual growth 11%
5 year compound growth 17%

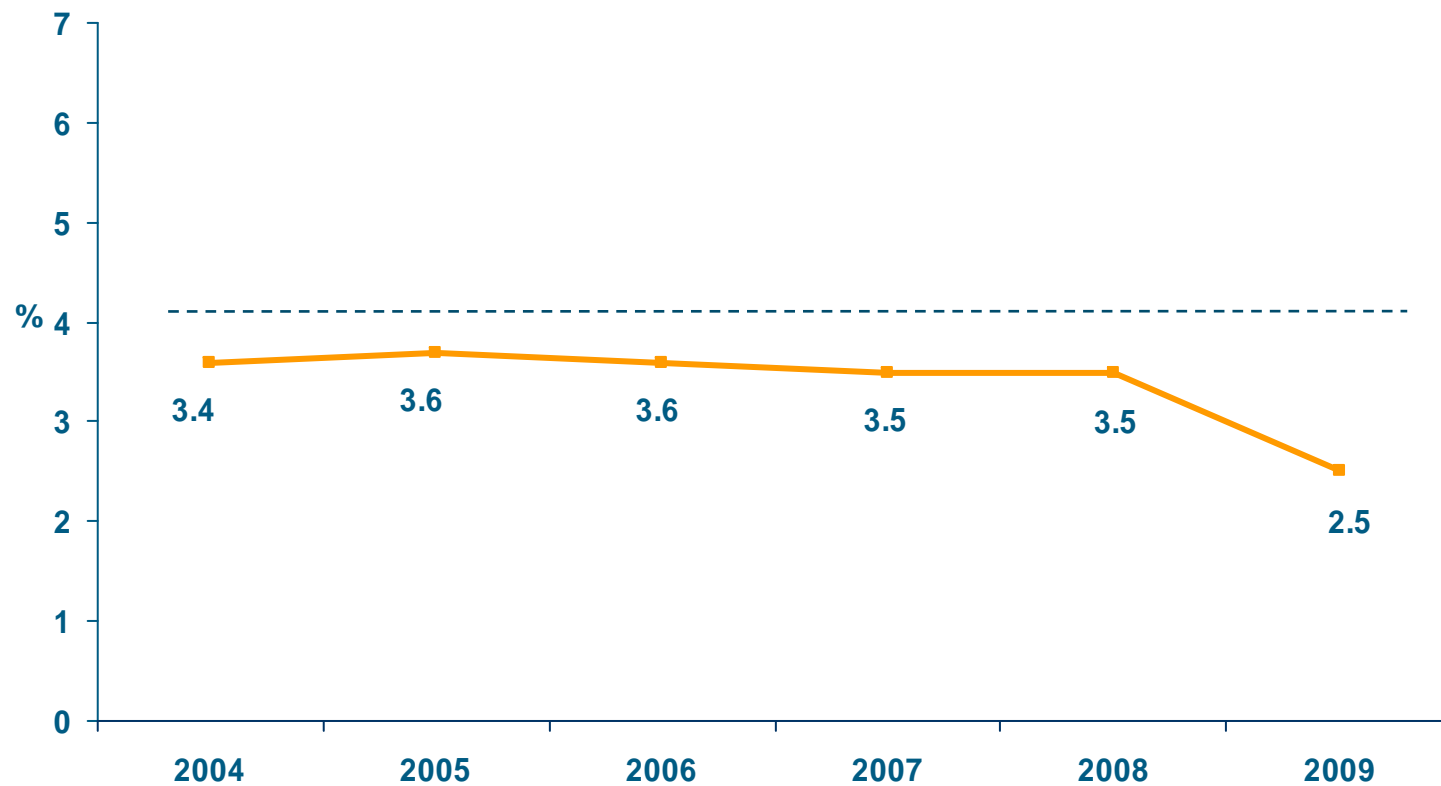


Financial results – free cash flow

Annual growth 28%
5 year compound growth 21%

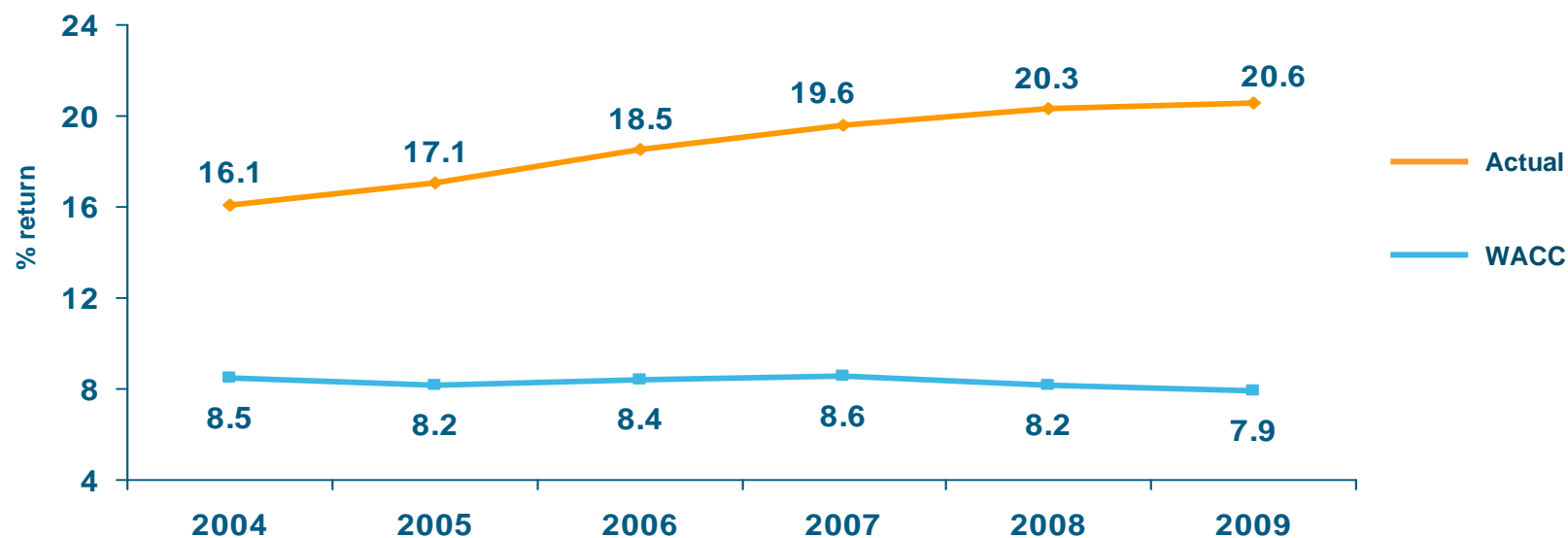


Financial results – capex as % turnover



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Financial results – underlying net return on capital*

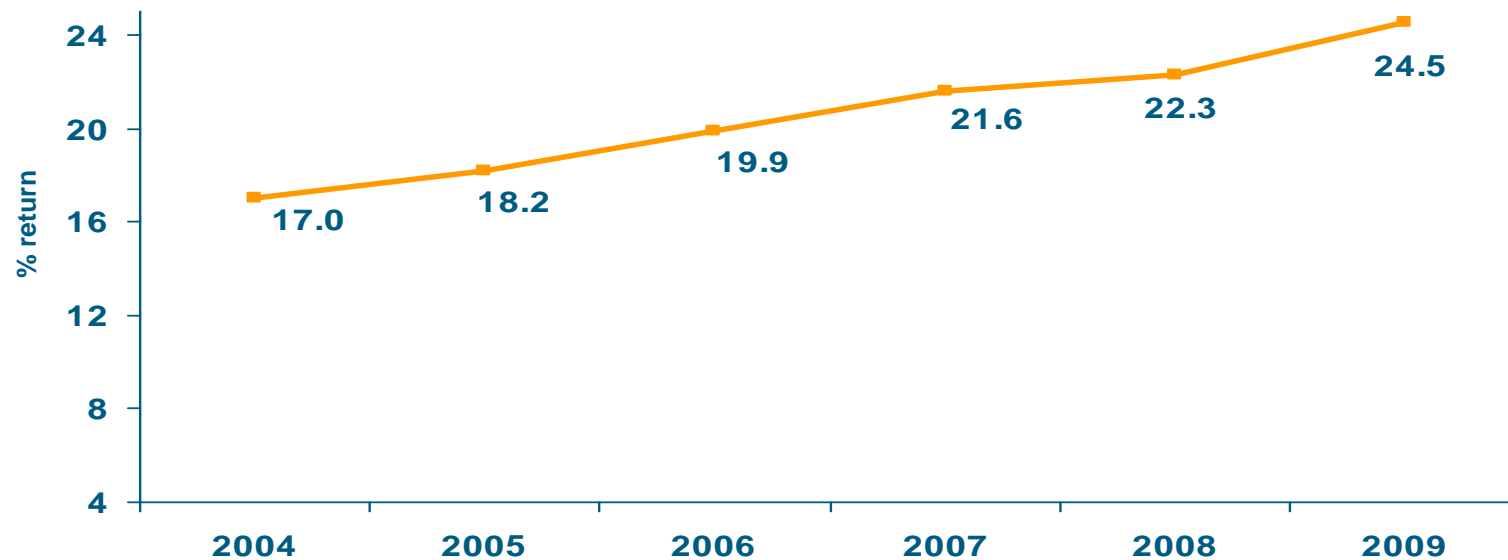


	2004	2005	2006	2007	2008	2009
PBIT	156	183	225	271	321	358
Avg capital (£m)	696	776	880	998	1155	1271
Tax (%)	28.1	27.7	27.7	27.7	27.0	26.8

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* excluding intangible amortisation, non-cash impact of mark to market movement on financial instruments, loss on disposal of business and exceptional costs relating to the Arch cru funds

Financial results – free cash flow return on capital*



	2004	2005	2006	2007	2008	2009
FCF (pre interest)	118*	141	176	216	257*	311*
Avg capital (£m)	696	776	880	998	1155	1271

Financial results – balance sheet gearing

	£m 2009	£m 2008
Net debt		
Bond debt †	582	679
Bank facilities drawn / (deposit)	(182)	(87)
Loan notes	3	4
Bank term loan	200	-
Other	2	-
Total net debt	605	596
Interest cover	10.9x	7.4x
Net debt to EBITDA	1.5	1.6

Financial results – Arch cru funds

- Capita Financial Managers (CFM) predominantly provides administration services, but also acts as the Authorised Corporate Director (ACD) to some investment funds
- CFM is ACD to 2 UK OEICs – the Arch cru funds
- Investment Manager was Arch Financial Products LLP, funds marketed by Arch and distributed by Cru Investment Management
- Funds suspended on 13 March 2009 due to lack of liquidity in unprecedented market conditions
- UK Funds value at 13 March 2009 £363m, current estimated value of £215m (at 31 December 2009)
- Funds in orderly wind down in order to distribute cash back to investors
- Capita working closely with the FSA and other parties to investigate investor detriment, causes and potential remedies
- Estimated costs of £30m
- Strategic review of CFM business undertaken

Fuelling growth through contract wins and acquisitions

Paul Pindar
Chief Executive

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Fuelling growth – contracts won in 2009

Client	Contract type	Value (£m)	Duration
AXA Sun Life	New contract	523	15 years
Learning and Skills Council (LSC)	New contract	68	4 years
Office for National Statistics (ONS)	New contract	25	2.5 years
DCSF: National Strategies	Extension	64	1 year
BBC Audience Services	New contract	c.45	9 years
NHS BSA	New contract	100	7 years
Becta	New contract	16	17 months
Contracts £10m - £50m	8 deals	Aggregate value: £159m	

15 major contracts secured in 2009: £1bn (2008: 17 contracts totalling £1.24bn)

Fuelling growth – AXA Sun Life update

£523m over 15 years

- To administer 3.2m mature life and pensions policies and provide customer service, policy administration, claims activity and related IT support
- Service commencement: June 2009. 1,150 employees transferred in UK
- New office opened in Bangalore in September 2009 with 550 employees transferring in India
- Policies comprise both a closed traditional book and growing portfolio of direct business
- We have already delivered a step change in service levels

Fuelling growth – NHS BSA

£100m over 7 years

- To provide processing and payments of 40m dental claims (DCSS), made annually in England and Wales, and a managed IT service (MITI) to support the Authority
- MITI to transform and manage IT infrastructure to support NHS BSA and its activities including Dental Services, Prescription Payments and Counter Fraud
- 150 employees to transfer from the Authority and current suppliers
- Service commencement: July 2010

Fuelling growth – contracts secured in 2010

Client	Type
Aviva International in Ireland	New
AXA (insurance administration services)	New
DWP Records Management	Extension
Constructionline	Extension
Building Schools for the Future – a number of contracts	New
Nottinghamshire County Council	New

Total value of 9 contracts secured to date in 2010: £195m

Fuelling growth – rebid of existing major contracts

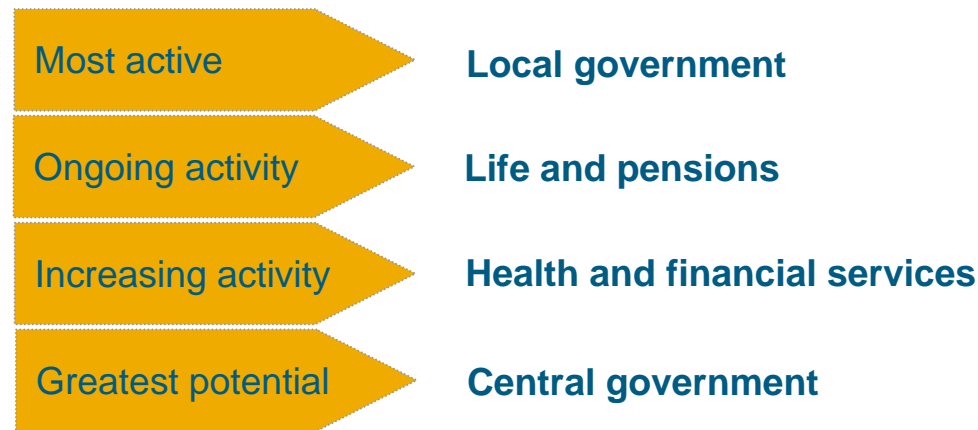
Year	Contract	Value per annum (£m)
2010	None	
2011	None	
2012	TV Licensing*	50
	CRB*	40
2013	None	
2014	None	

Criteria: more than 1% of 2009 turnover
***Revenues based on original contract value**

National Strategies contract due to end 31 March 2011 and will not be re-tendered

Fuelling growth – bid activity

Our markets



- Bid pipeline* of £3.7bn comprising 26 bids (Feb 2009: £3.1bn; 23 bids)
- Current win rate down from 1:2 to 1:3. But gained important insight into new markets
- Prospect and suspect lists encouraging
- Our financial stability is a key competitive advantage
- Market leader with 27% market share

Fuelling growth – acquisitions

- In 2009, assessed over 100 opportunities and completed 12 acquisitions
- We continue to acquire small to medium sized companies that:
 - strengthen existing market positions
 - create new market opportunities
 - create further economies of scale
 - generate sustainable, quality revenue
- Healthy pipeline of opportunities, particularly in financial, property services and IT
- Current climate favourable for volume and valuation of opportunities
- Remain disciplined and ensure thorough due diligence when assessing opportunities

Fuelling growth – 2009 major acquisitions

Acquisition	Business area	Value (£m)	
FMS	Trust administration	2.0	+ 1.1
CHKS	Health services	11.6	
Hero Insurance Services	Insurance	15.0	
NHS Membership Services	Financial services	2.0	
MMB	Property services	4.9	
Capmark Services Europe	Financial services	10.0	
Andrew Martin Associates	Property services	2.3	+ 4
Carillion IT Services	IT services	36.0	
Gissings	Pensions administration	9.0	
Fidei	Trust administration	5.3	+ 5.7
Multi-Tech	Property services	4.4	+ 4.75
Synetrix*	IT services	75.0	

Total spent on 12 acquisitions in 2009: £177.5m (12 acquisitions in 2008: £147.4m)

Fuelling growth – 2010 year to date acquisitions

Acquisition	Business area	Value (£m)	
Inventures	Property services	6.8	+ 5
NB Real Estate	Property services	10.0	+10

Total spent on 2 acquisitions in 2010: £16.8m

Fuelling growth – NB Real Estate

Rationale: adds further services, clients and expertise to Capita Symonds, our property consultancy business

- Commercial property management specialists
- Capita Symonds + NB Real Estate = full service proposition across the real estate lifecycle. Front end advisory and acquisition, and ongoing property and estates management expertise
- 5 business streams: consultancy, property management, environment, facilities management, markets (deal brokerage, estate sales and leases etc)
- Well placed to help public and private organisations with innovative and efficient ways to manage their property assets
- Clients include Aegon, AXA, Henderson Group, RBS Group, Royal Mail and LaSalle Investment Management

Operational update

Simon Pilling

Chief Operating Officer

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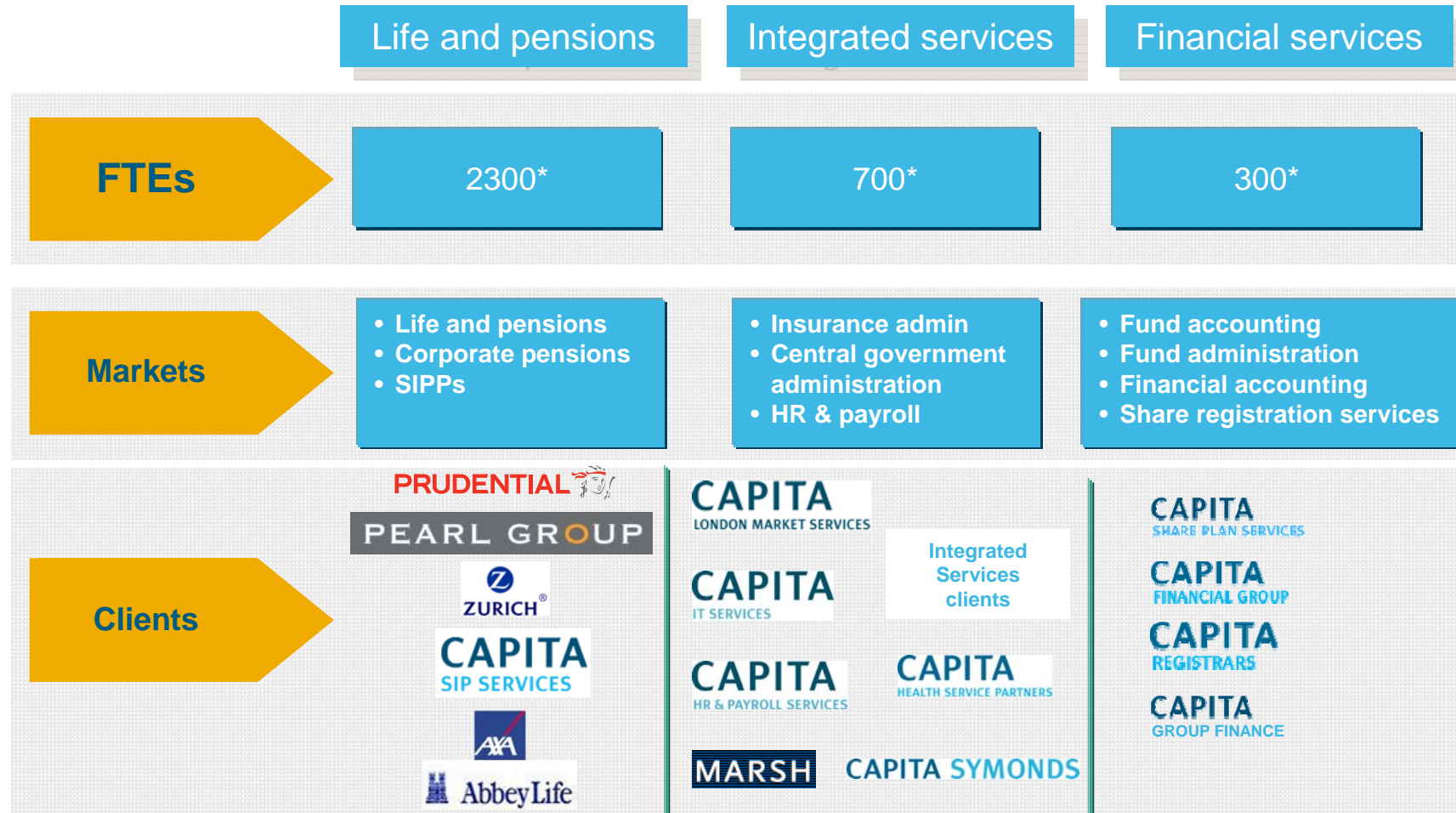
Operational update – optimising operational efficiency and resources

- We optimise our infrastructure by:
 - migrating and integrating systems
 - sharing resources
 - rationalising premises
- In 2009, significant steps forward particularly across our Life & Pensions business:
 - consolidation of call centre in Craigforth, Scotland for AXA and Prudential contracts
 - migration of IT onto common platforms progressing
 - client accounting moving to India
 - better utilisation of employees
- At end 2009, 60 business centres onshore in the UK, nearshore in Ireland and the Channel Islands, and offshore in India
- 36,800 employees across Capita

Operational update – Capita India

- 5 sites in India: 3 in Mumbai, 1 in Pune, 1 in Bangalore
- 3,800 people in India, 10% of overall headcount
- New site in Bangalore opened September 2009 – transfer of operations and 550 employees for AXA contract
- Same values, technical infrastructure and operating model as other Capita businesses
- Offers services to multiple clients and multiple services to one client
- Capita regarded as first class employer in India – ensuring availability of high quality workforce
- Expanded service and expertise offering
- Delivered significant growth in profits in 2009

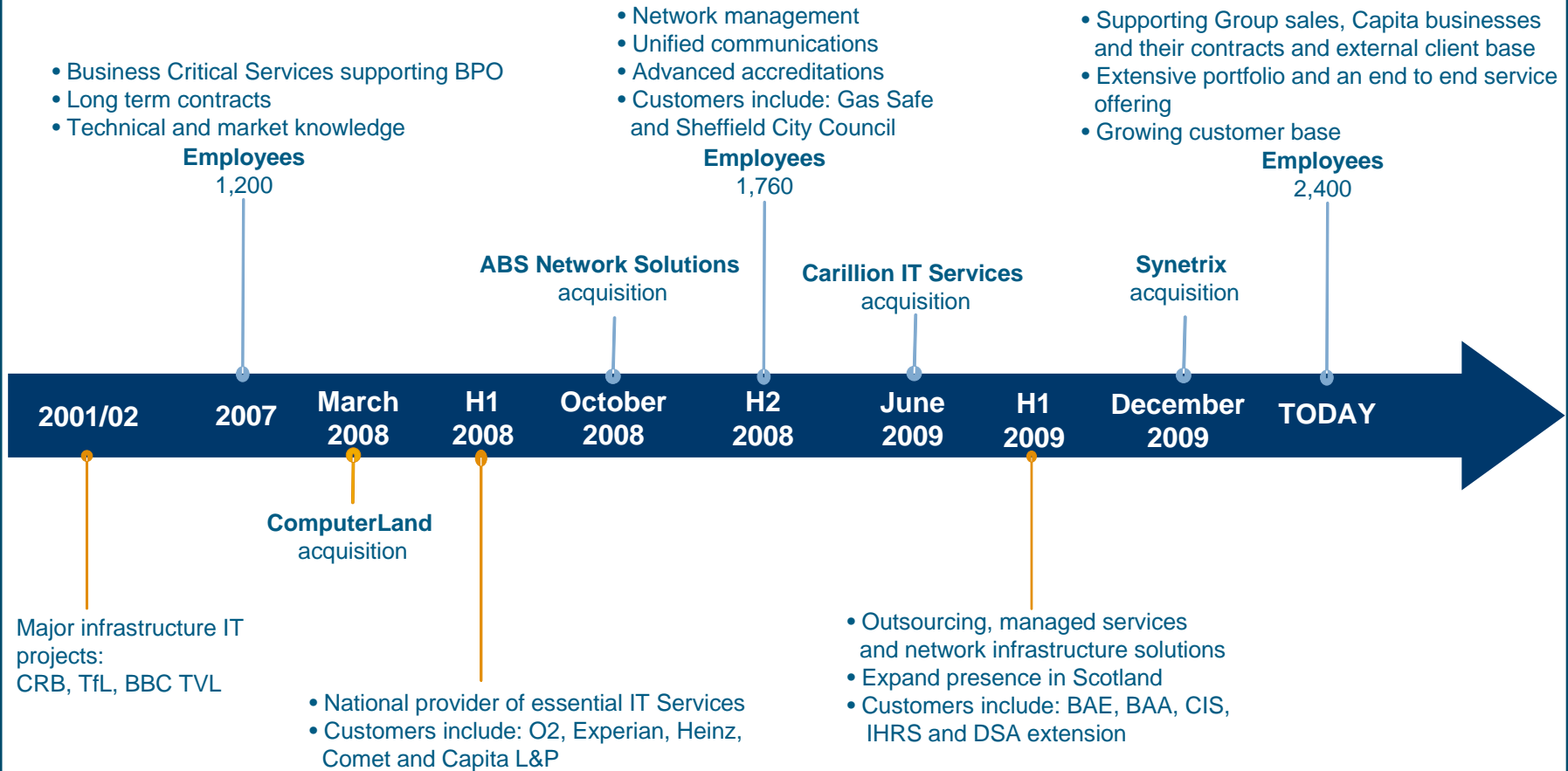
Operational update – Capita India's service capabilities



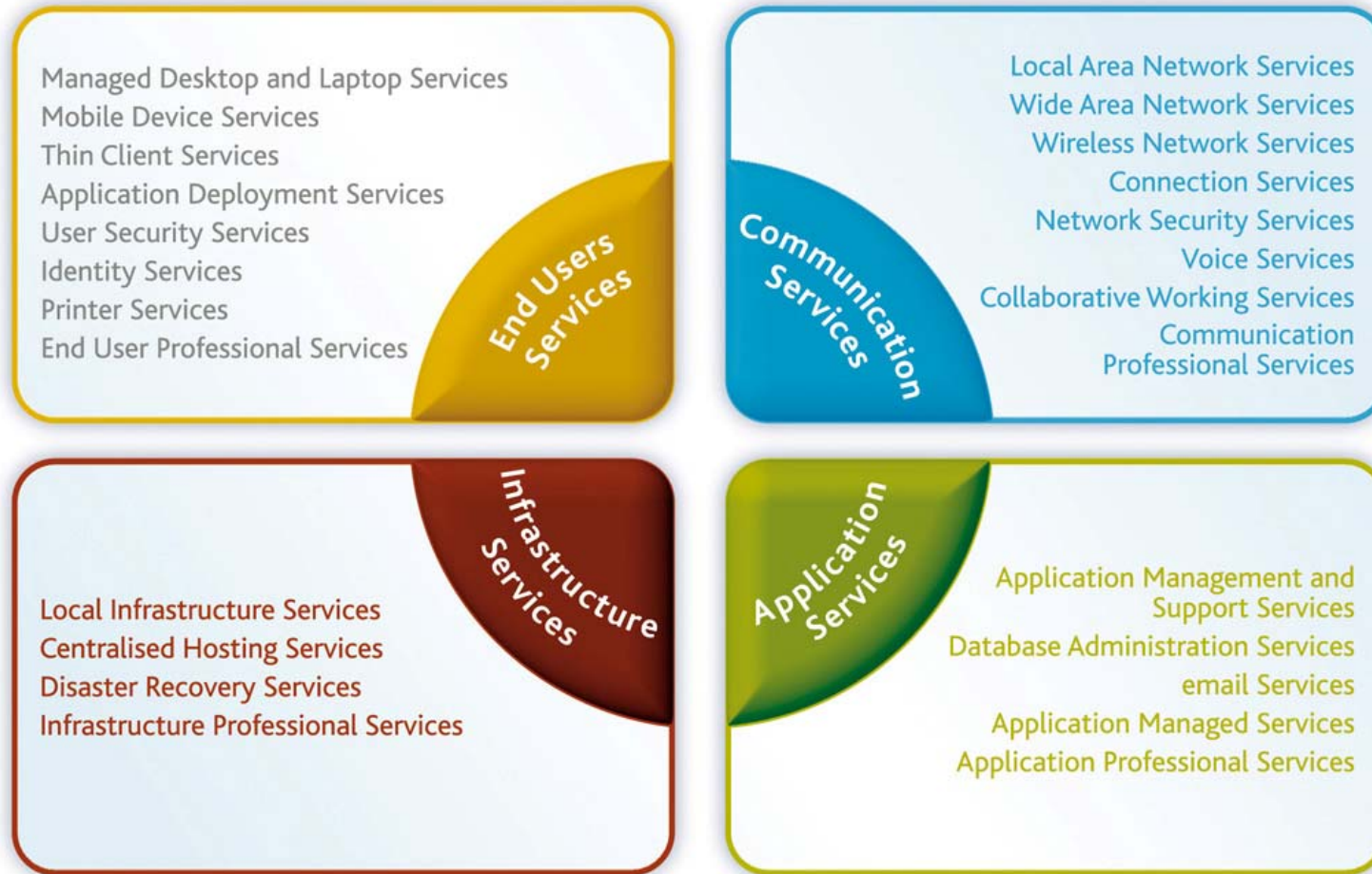
Operational update – building an end to end service in IT Services

- Capita IT Services revenues generated in 2 ways:
 - Capita businesses and contracts 70%
 - Contracts won externally 30%
- Acquired businesses with niche skills to build end to end service capability
 - design, build and operate across infrastructure and applications
- Scale benefits for existing and potential clients

Operational update – building an end to end service in IT Services



Operational update – scope of our IT capabilities



Operational update – enhancement of our IT capabilities

June 2009: Carillion IT Services (CITS)

- Enhances ability to secure Building Schools for the Future (BSF) contracts: Durham BSF, Rochdale BSF, Wolverhampton BSF (preferred supplier)
- Increases our UK and market coverage
- Awarded Cisco Customer Satisfaction Excellence Award and Cisco Scottish Partner of the year

December 2009: Synetrix

- Major clients: London Grid for Learning supporting 33 local authorities, East Midlands Broadband Consortium supporting 2,100 schools for 8 local authorities
- Ability to enhance offering to BSF contracts. Ability to win significant integrated applications and communications contracts – e.g. Nottinghamshire County Council, £30m

Market update – public sector

Our markets

- Central government
- Local government
- Education
- Health
- Transport

Growing interest in:

- Defence

Drivers for outsourcing

- Increased pressure on public spending
- Requirement to deliver quality frontline services at reduced levels of funding
- Increased demand for services and value for money
- Continuing requirement to make public infrastructure suitable for future needs, e.g. transport and BSF

Benefits of working with Capita

- Experienced service provider and solid track record delivering public sector contracts
- Scale benefits and use of shared infrastructure
- Access to skills and technology that can guarantee savings upfront

Market update – public sector BPO opportunities

Central government

- BPO acknowledged as key lever in Whitehall cost reduction
- Approximately 125,000 of 490,000 civil servants employed in transactional and administrative work
- Departments with the greatest administrative spend: DWP, HMRC, MoD, Home Office, DoH and DCSF. £16.8bn in 2009/10

Wider public sector

- Significant pressure on local government and health to share backoffice activities to generate savings
- Administrative burden on all social services driving demand for transformation
- New performance measures for local government driving focus on better service for citizens at lower cost

Market update – private sector

Our markets

- Life and pensions
- Insurance
- Financial services
- Other corporates

With growing interest in:

- Banking
- Utilities

Drivers for outsourcing

- Increased pressure to drive down operational costs without compromising customer service
- Requirement to remain competitive and enhance service quality
- Increased requirement to bring new products to market faster
- Demand to create more flexible operating models

Benefits of working with Capita

- Experienced service provider delivering higher productivity and enhanced operational and advisory capabilities
- Scale benefits and use of shared infrastructure
- Benefits of blended onshore/offshore service delivery

Market update – private sector BPO opportunities

Life and pensions and Insurance

- Twin pressures of speed of new product launch delivered at low cost still prevail

Utilities

- Acute regulatory pressure on reducing costs, and improving service for consumers, is driving demand for new solutions

Banking

- Increased regulatory burden adding more than 30% costs to clients' mortgage processing activities. Processes are highly similar to life and pensions administration

Operational update – key achievements and recognition

- Partnership with Prudential awarded Outsourcing Partnership of the Year at the 2009 National Outsourcing Association Awards
- Prudential and Zurich awarded five star status at the 2009 Financial Adviser Service awards
- Contact Centre Provider 2009: Capita/Pearl partnership
- Central e-Government Excellence Award: Leadership and Professionalism for the new National Strategies web area
- Harrow Council Business Transformation Partnership: Innovation in Strategy at 2009 e-Government National Awards
- 2009 DBA Design Effectiveness Awards: Gas Safe Register wins Gold in brand development
- 2009 Guardian Public Services Awards: NHS Choices for its dedicated service to carers

Won or shortlisted for over 50 awards in 2009

Prospects

Paul Pindar
Chief Executive

CAPITA

Prospects – ingredients for continued growth

- Strong trading across the Group
- Continued healthy demand for outsourcing
- High level of sales activity
- Optimisation of infrastructure and growth of offshore capability

Strongly positioned for 2010 and beyond

Results for the year ended 31 December 2009

CAPITA