

Results for the year ended 31 December 2008

CAPITA

Highlights

Paul Pindar
Chief Executive

Highlights

- Excellent organic growth
- Continued margin progression
- Strong free cash flow
- High volume of contract wins
- Active markets – £3.1bn bid pipeline
- 20% dividend increase
- Well positioned for 2009

Financial results

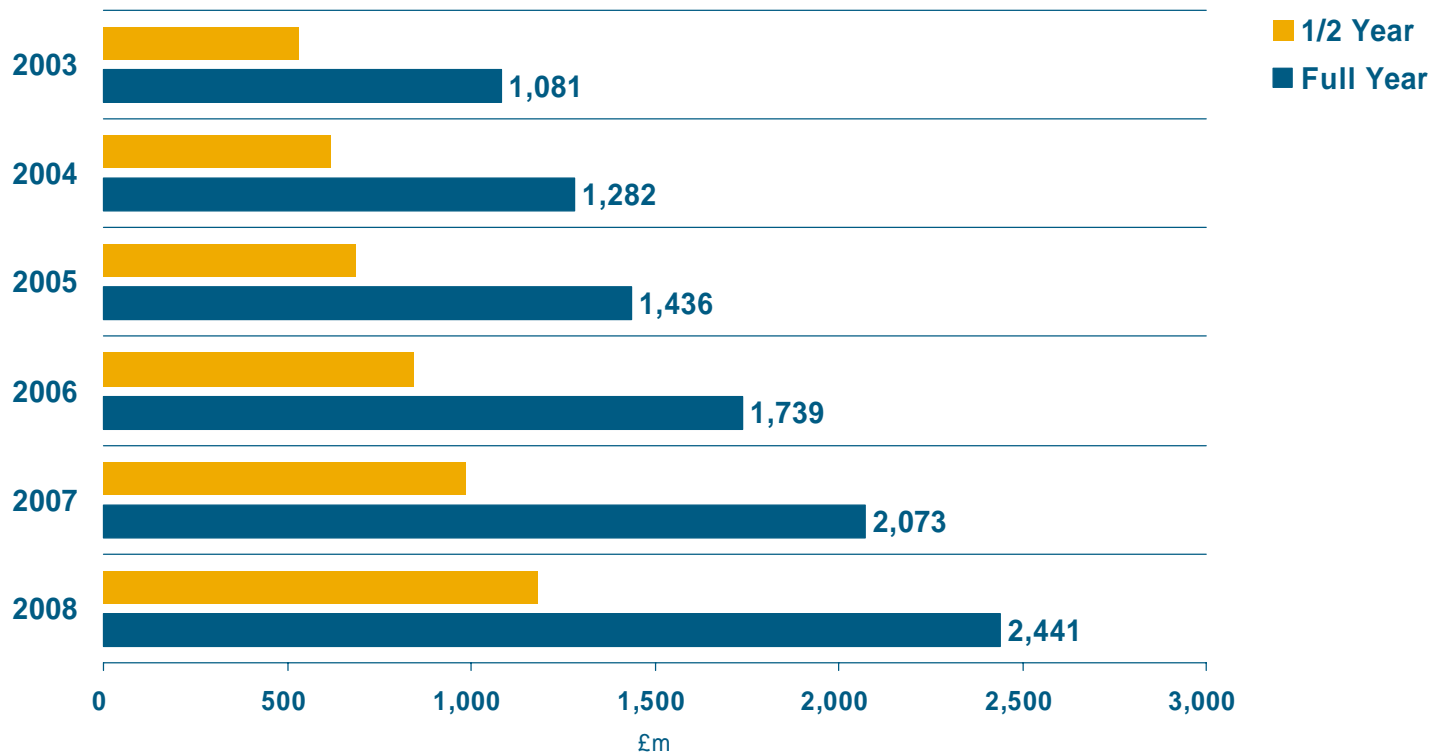
Gordon Hurst

Group Finance Director

Financial results - turnover

Annual growth 18%

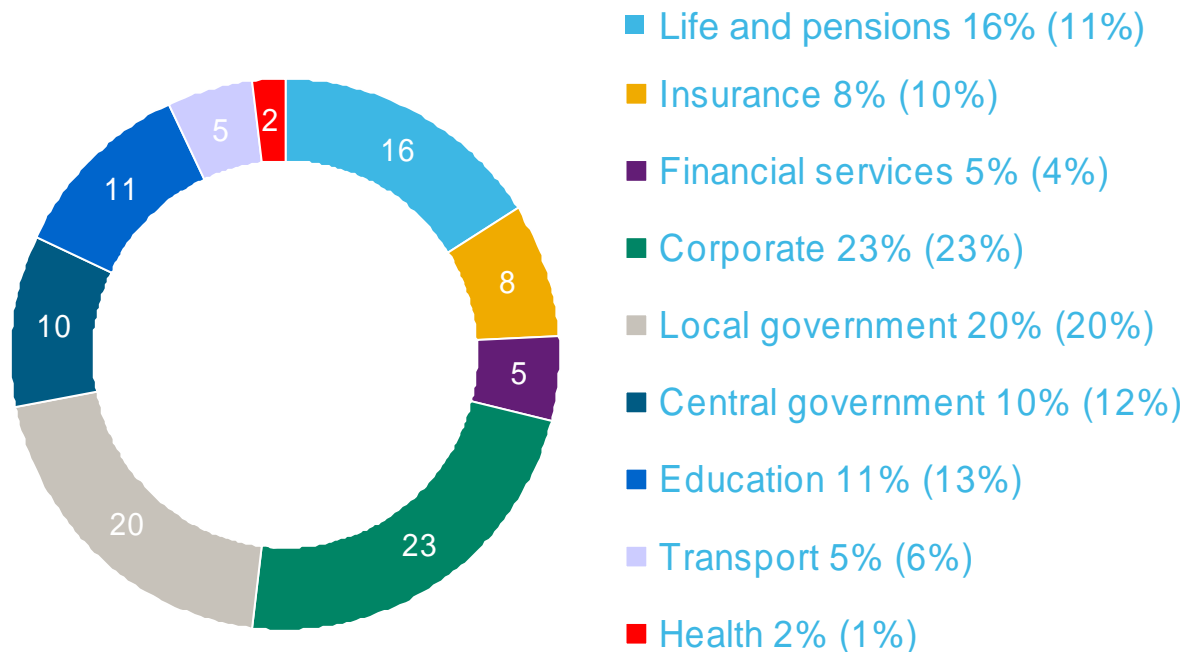
5 year compound growth 18%



Financial results – turnover by market

Private sector 52% (2007: 48%)

Public sector 48% (2007: 52%)



2008 year end (2007 year end)

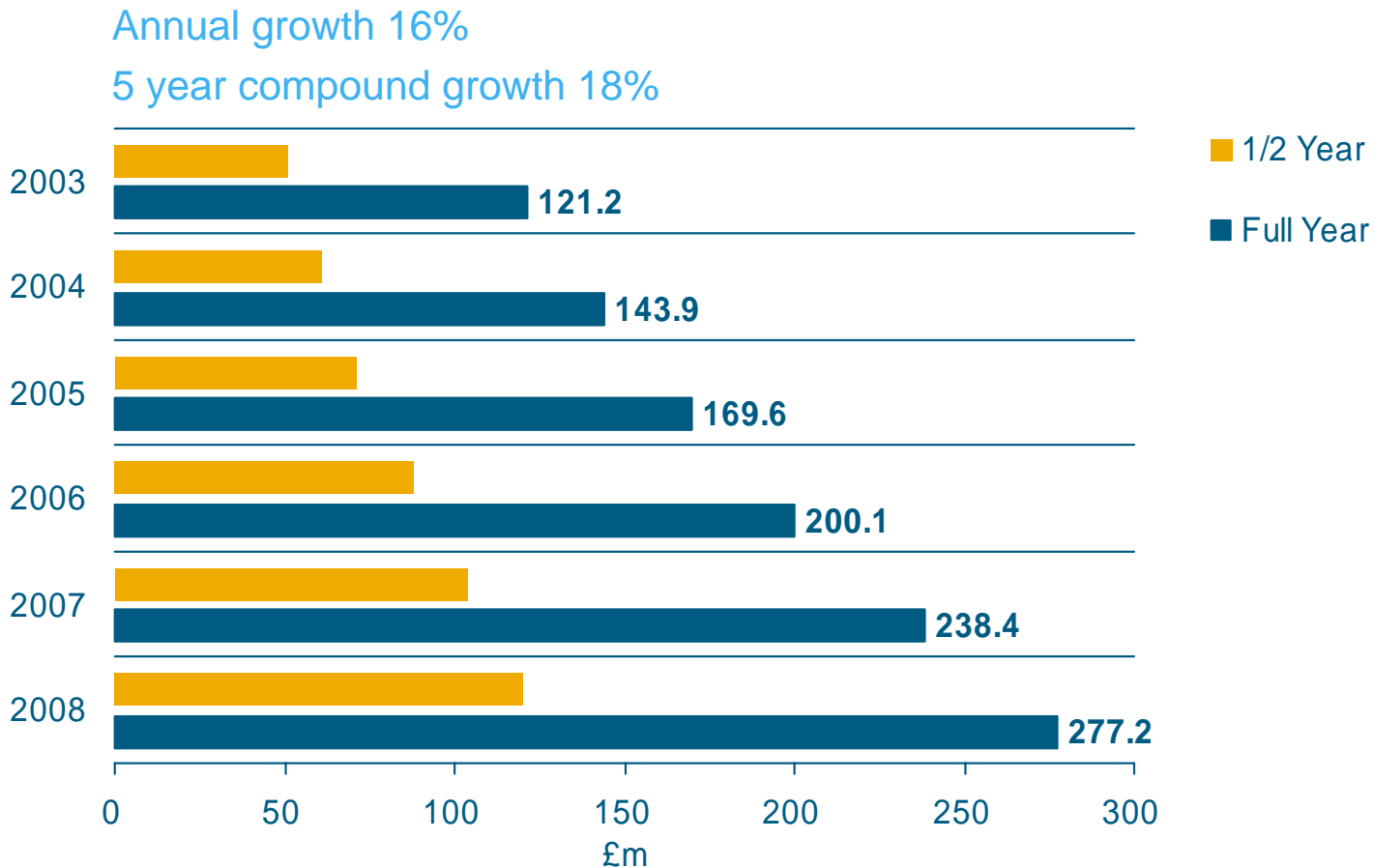
Financial results – organic growth

	£m 2008	£m 2007	Growth %
Turnover	2441	2073	18%
2008 acquisitions	(84)	-	(4%)
2007 acquisitions	(38)	-	(2%)
Organic	2319	2073	12%

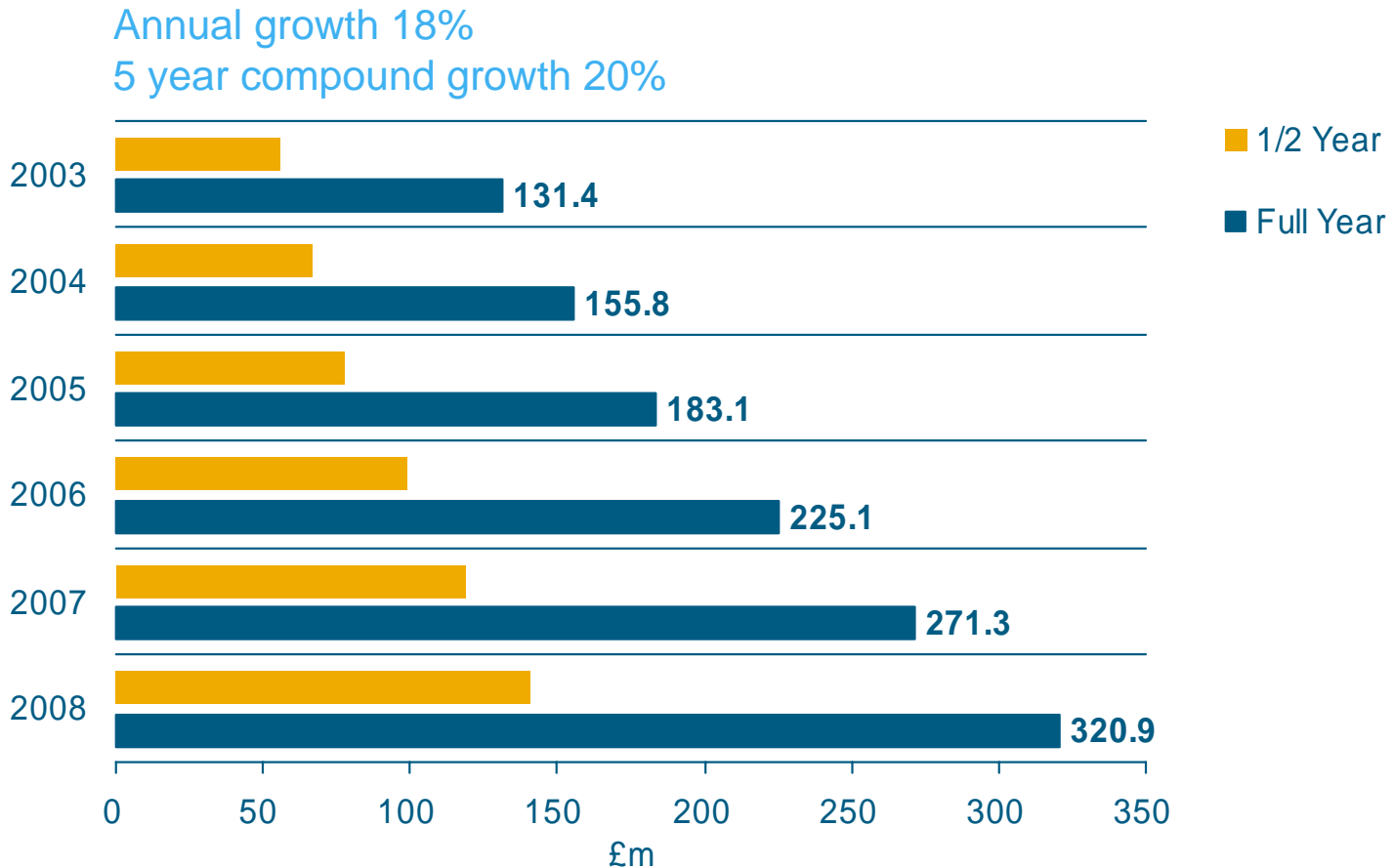
Financial results – resilient income streams

- Provision of essential services across both public and private sectors
- Non discretionary areas of spend
- Existing revenues resilient in current economic climate
- Revenues substantially underpinned by long term contracts
- No dominant clients – a good spread of clients across our 9 chosen markets
- Only 1 major contract rebid in next 3 years

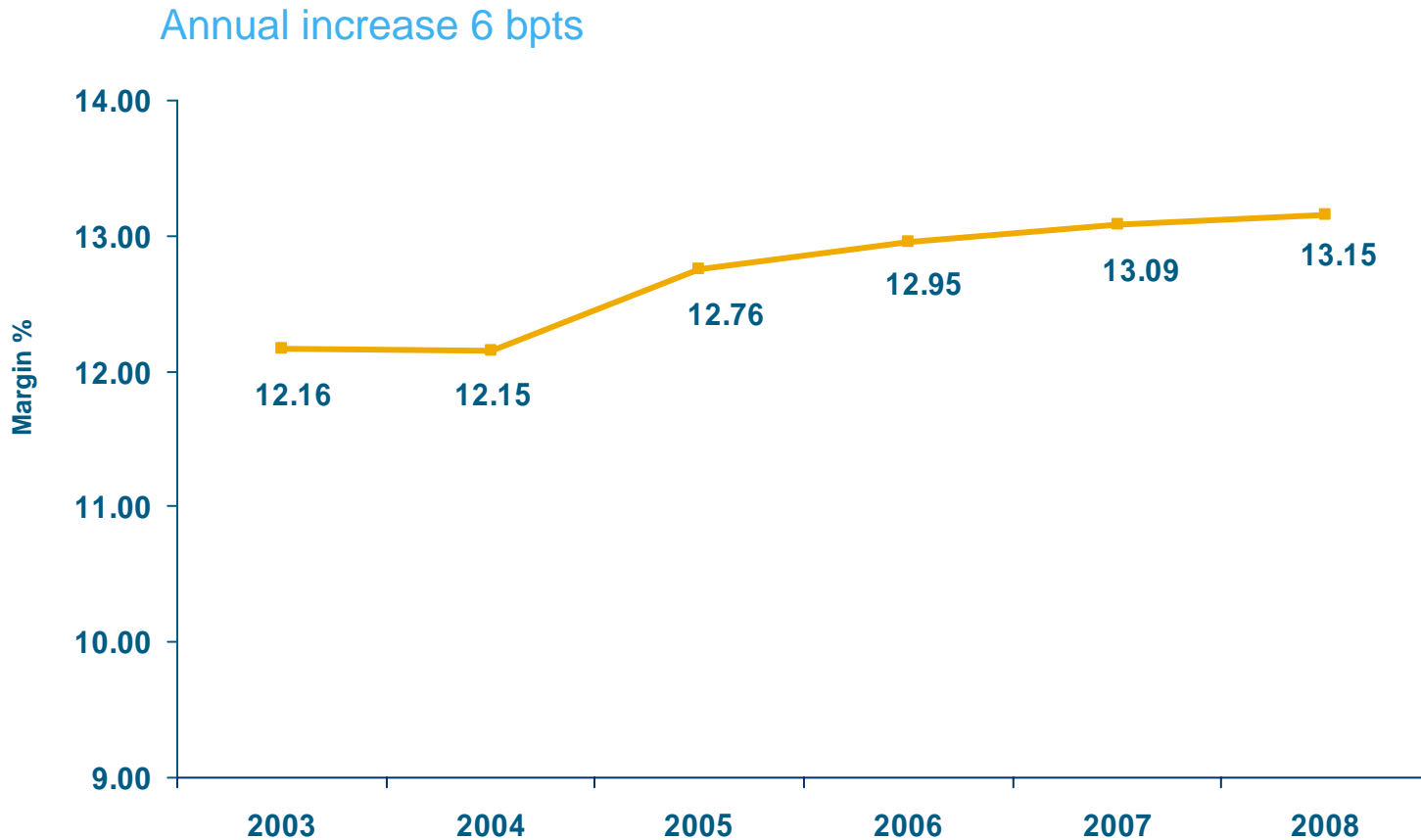
Financial results – underlying profit before tax*



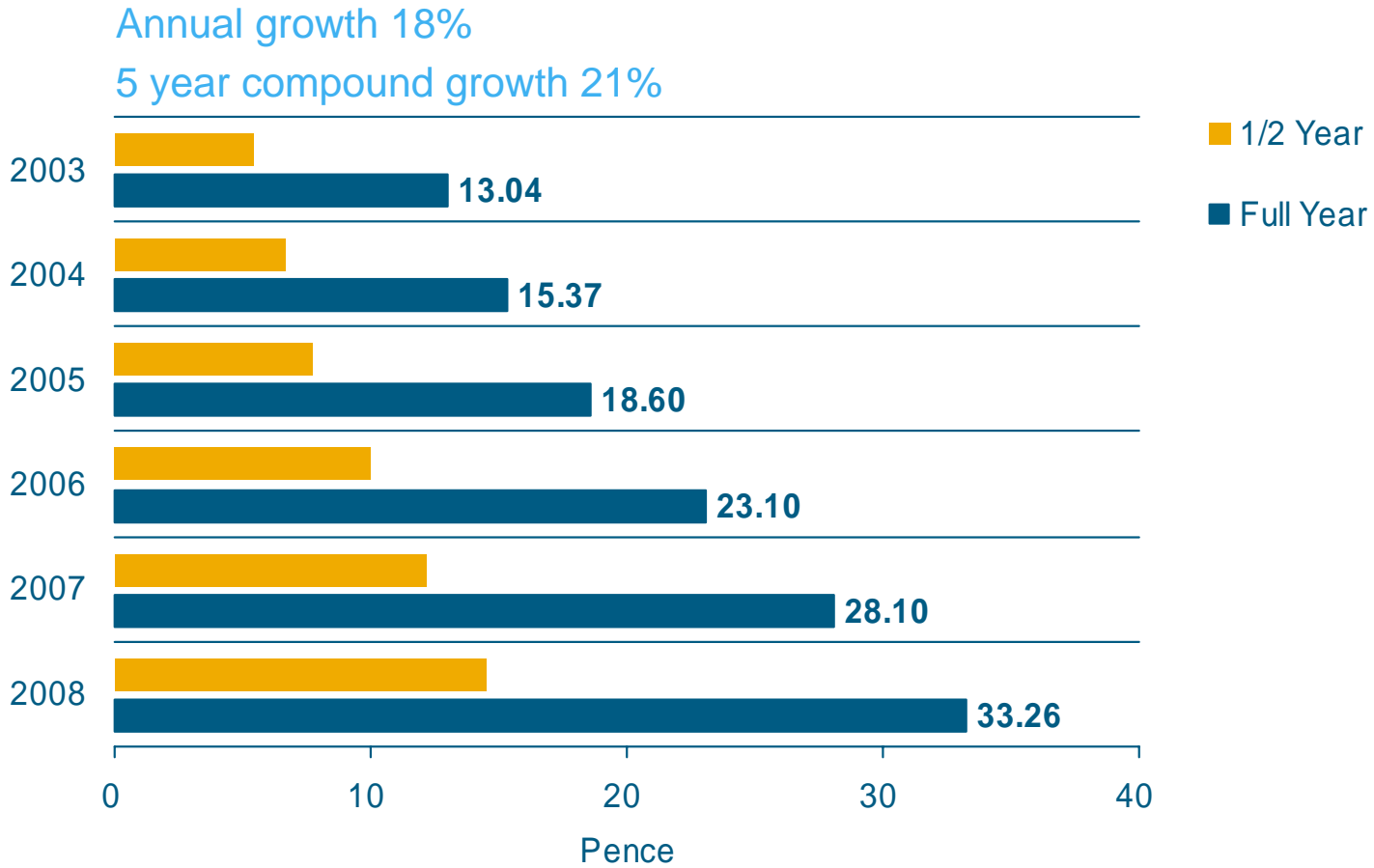
Financial results – underlying operating profit*



Financial results – underlying operating margin*



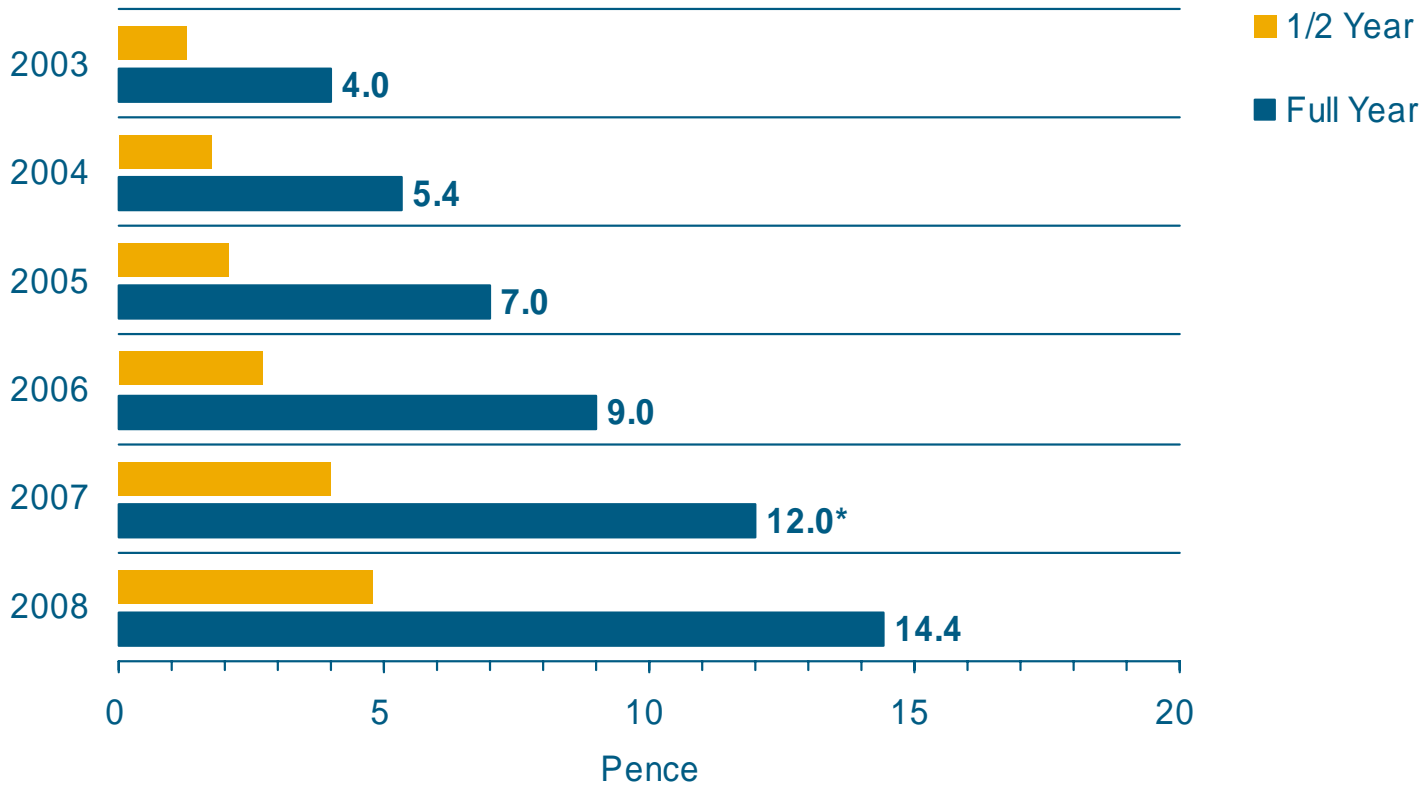
Financial results – underlying earnings per share*



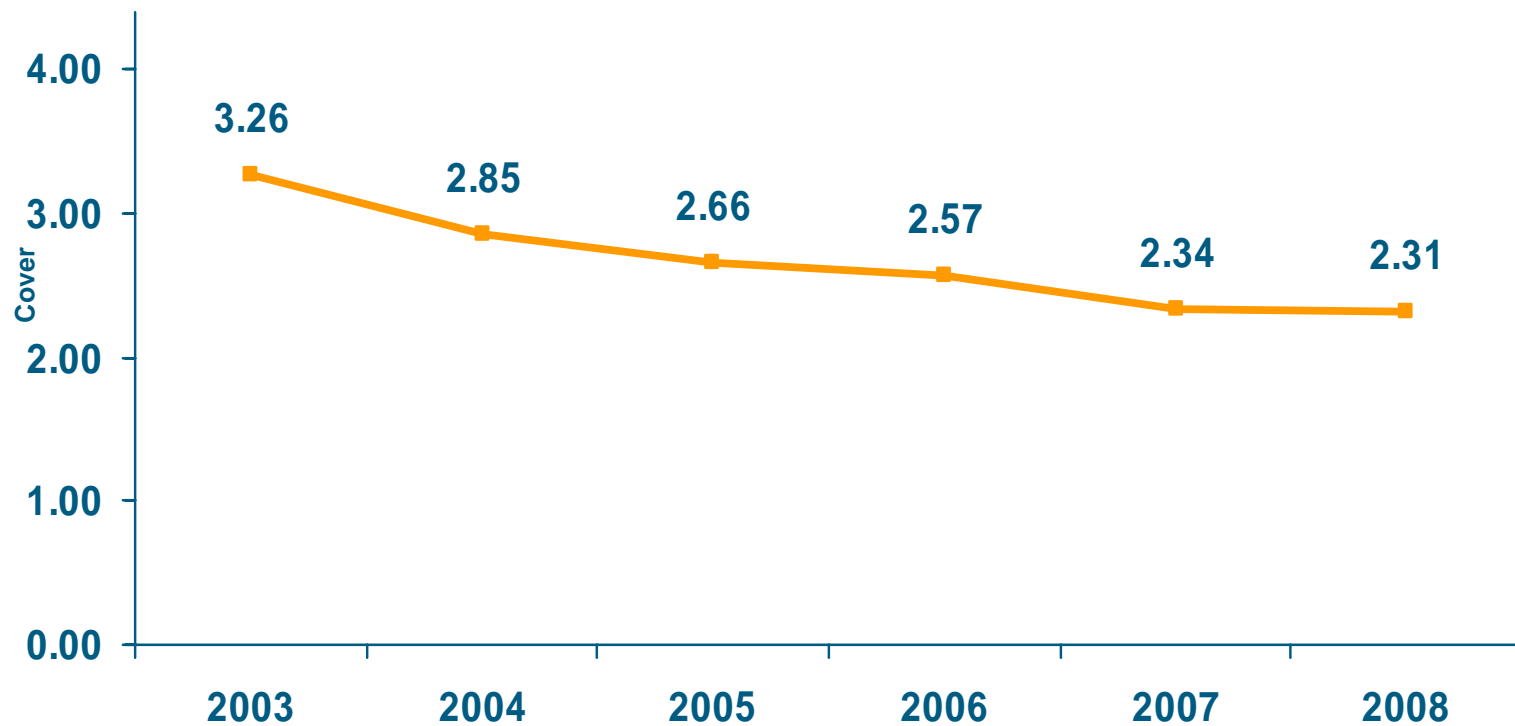
Financial results – dividends

Annual growth 20%
Dividend cover 2.31

5 year compound growth 29%



Financial performance – dividend cover*



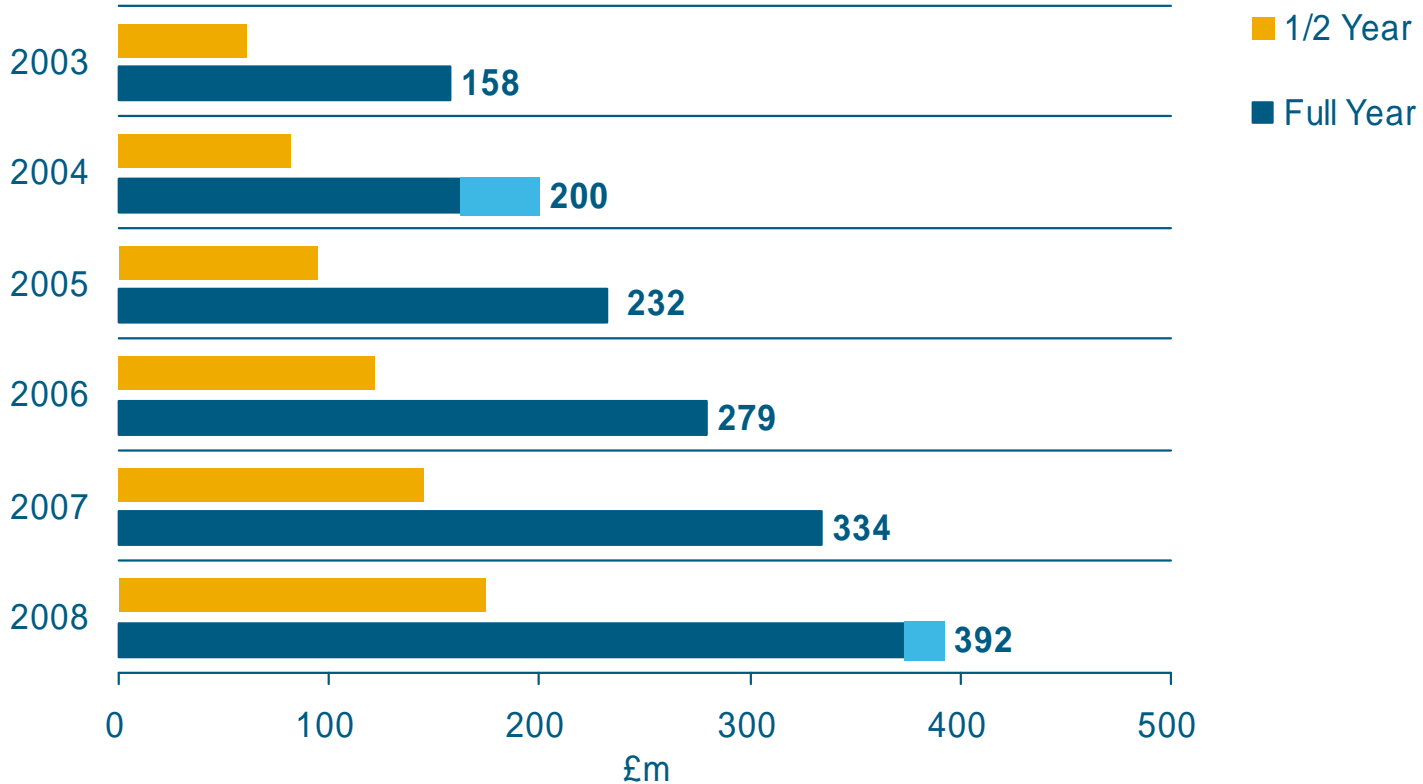
Financial results – cash flow statement

	£m 2008	£m 2007
Underlying cash flow from operating activities*	392	334
Net interest paid	(38)	(32)
Taxation paid	(49)	(46)
Capital expenditure	(86)	(72)
Underlying free cash flow	219	184
Exceptional pension payment	(10)	-
Acquisitions and disposals	(180)	(90)
Investment loan	(6)	(17)
Equity dividends paid	(78)	(219)
Share buybacks	(69)	(44)
Investments in insurance captive	23	(5)
Bond issue	200	101
Share option proceeds	36	67
Repayment of loan notes	(3)	(34)
Other financing	-	2
Increase / (Decrease) in cash in the period	132	(55)

Financial results – cash flow from operating activities

Annual growth 17%

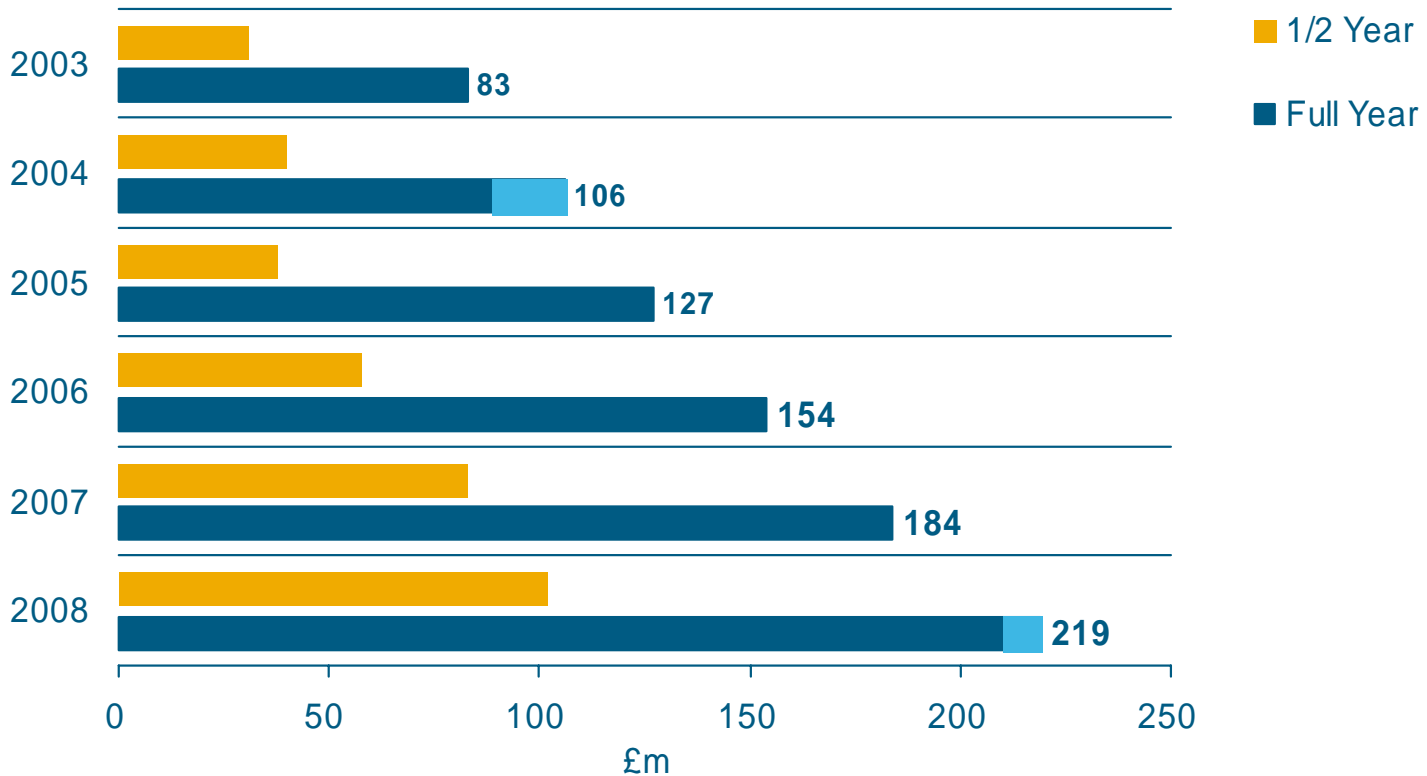
5 year compound growth 20%



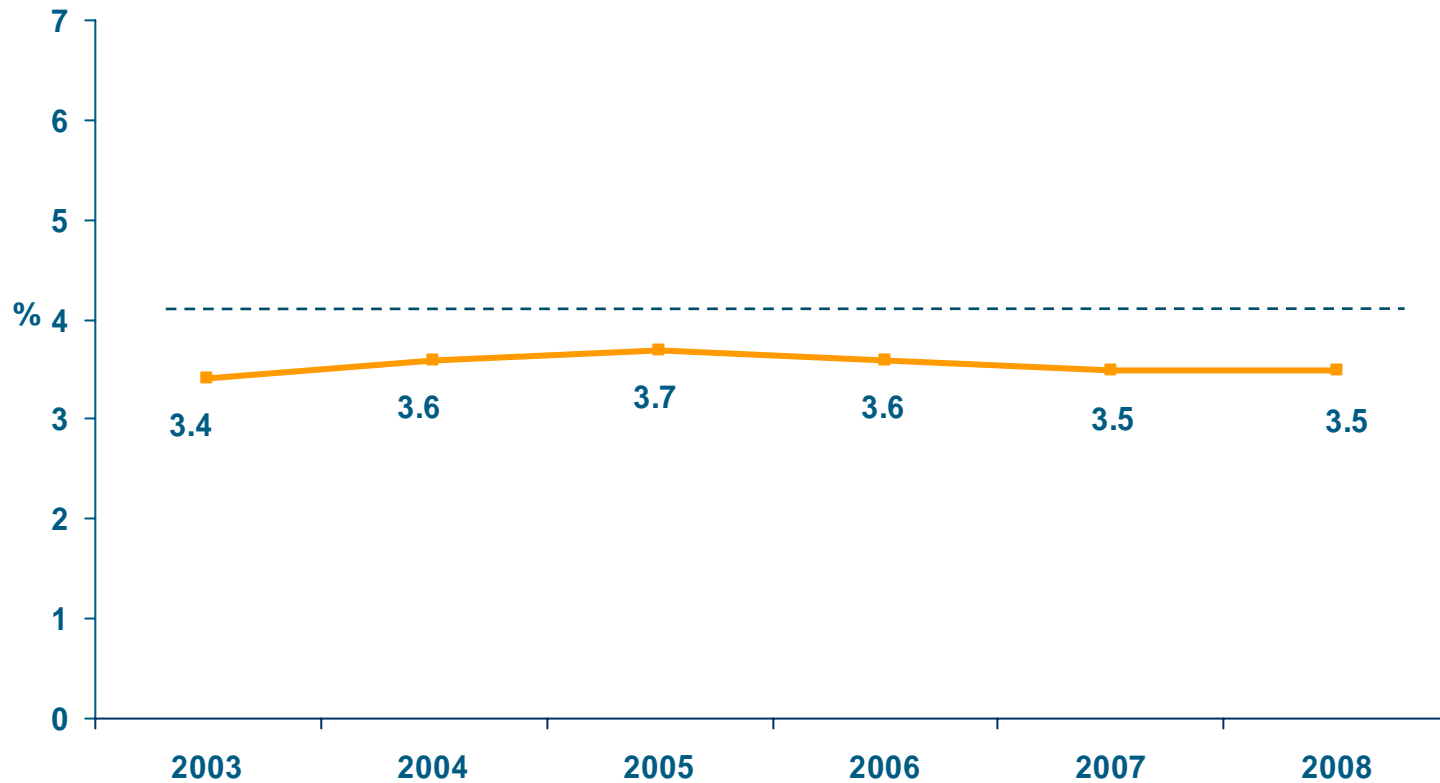
Financial results – free cash flow

Annual growth 19%

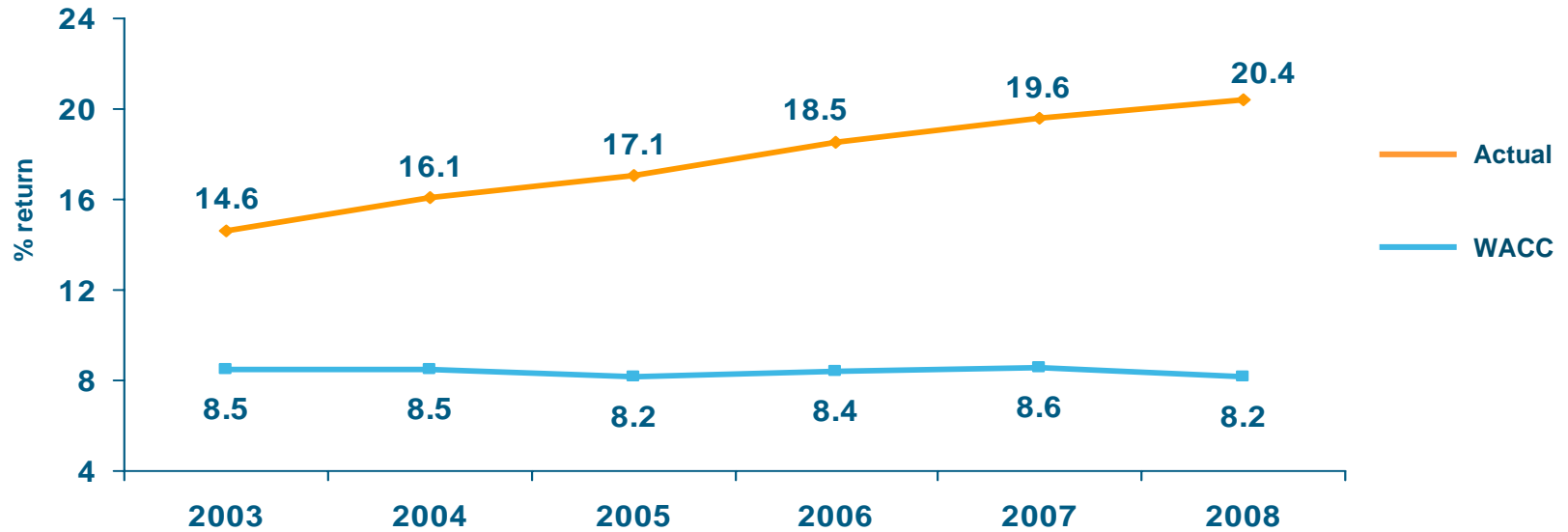
5 year compound growth 21%



Financial results – capex as % turnover

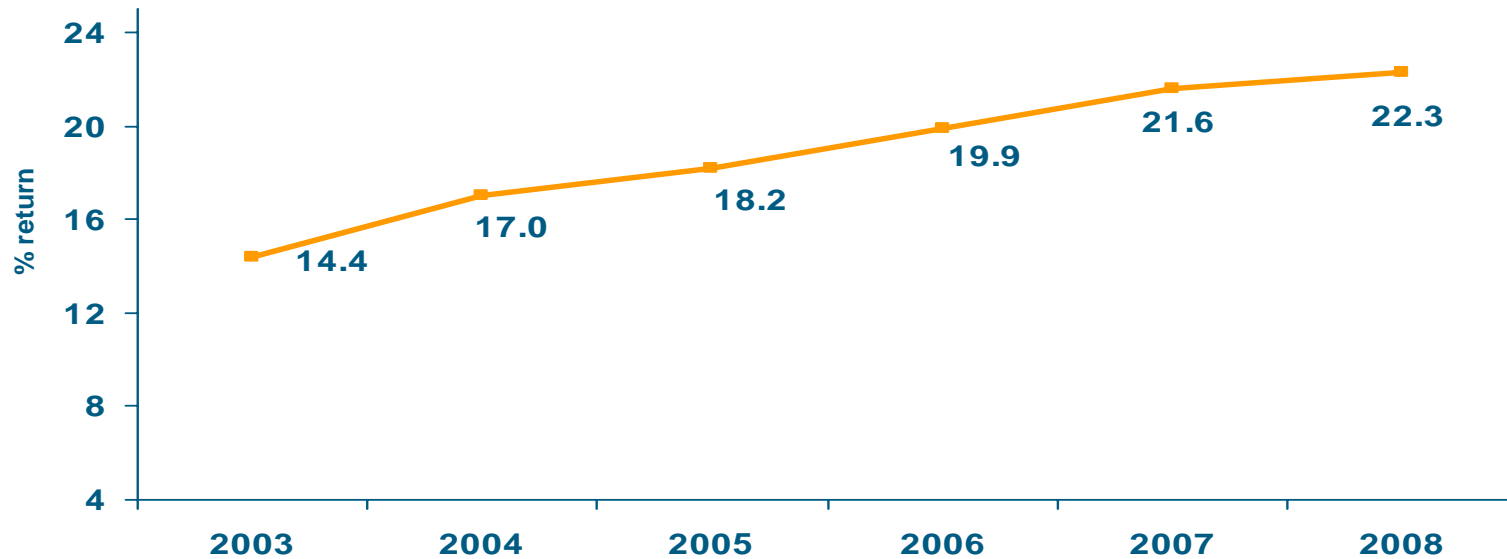


Financial results – underlying net return on capital*



	2003	2004	2005	2006	2007	2008
PBIT	131	156	183	225	271	321
Avg capital (£m)	645	696	776	880	998	1150
Tax (%)	28.1	28.1	27.7	27.7	27.7	27.0

Financial results – underlying free cash flow return on capital*



	2003	2004	2005	2006	2007	2008
FCF (pre interest)	93	118*	141	176	216	257*
Avg capital (£m)	645	696	776	880	998	1150

* excluding additional pension contribution £50m (2004), £10m (2008)

Financial results – balance sheet gearing

	£m 2008	£m 2007
Net debt		
Bond debt	679 [†]	479
Bank facilities drawn / (deposit)	(87)	45
Loan notes	4	2
Total net debt	596	526
Interest cover	7.4x	8x
Net debt to EBITDA	1.6	1.7

Financial results – Group debt facilities profile

	Debt £m	Maturity	Interest profile
Bond	100 [†]	June 2009	Fixed*
Club facility	245	Dec 2011	Variable
Bond	25 [†]	June 2012	Fixed callable swap*
Bond	354 [†]	June 2013 to 2017	Fixed callable swap*
Bond	200 [†]	June 2015 to 2018	Variable
Total facilities	924	-	-

- Mixture of fixed and floating rate debt
- Can repay June 2009 maturity from existing facilities
- *Negative mark to market value of £32m at 31 December 2008
 - will reverse to zero as swaps approach maturity
 - non-cash accounting loss

Financial results - pension funding

- Tri-annual funding valuation – deficit at 6 April 2008: £26m

- Estimated change since 6 April 2008:
 - Fall in assets: £50m
 - Increased liabilities due to interest rate fall: £24m

- Estimated deficit at 31 December 2008: £100m

- £50m special payment:
 - December 2008: £10m
 - January 2009: £40m

Financial results - returns to shareholders in respect of 2008

- 10.4m shares (1.7% of share capital) cancelled at average of 659p
 - Cost £69m (including stamp duty)
- Shares in issue at 31 December 2008 – 611m
- Including proposed final dividend, £156m returned to shareholders in respect of 2008
- £900m returned to shareholders over last 5 years

Fuelling growth through contract wins and acquisitions

Paul Pindar
Chief Executive

Fuelling growth – contracts won in 2008

Marsh Ltd	Principle Insurance Holdings*	Sefton MBC	Capita Glamorgan Consultancy**	Service Birmingham
New contract	New contract	New contract	New contract	Additional contract
£187m 10 years	Over £80m 8 years	£70m 10 years	£75m 15 years	£110m 8 years
Health and Safety Executive	NHS Choices	Abbey Life	Sheffield City Council	Contracts £10m - £50m
New contract	New contract	New contract	New contract	8 deals
£140m 10 years	£60m 3 years	£137m 10 years	Over £200m 7 years	£154m

17 major contracts secured in 2008: £1.24bn (2007: 8 contracts totalling £1.89bn)

Fuelling growth – Abbey Life

£137m over 10 years

- To provide administrative services for 1.1m Abbey Life life and pensions policies
- 300 employees based in Bournemouth to transfer under TUPE
- Capita will deliver a business transformation programme and provide a robust, modern technology platform along with ongoing improvements in cost effective service delivery
- Service expected to commence March 2009

Fuelling growth – Sheffield City Council

Over £200m, over 7 years

- Strategic partnership to improve services and help drive business transformation for the benefit of everyone in the City
- Second generation outsourcing - won contract from incumbent
- Over 500 employees transferred under TUPE
- Service commenced January 2009
- First 2 major transformation initiatives are likely to be Customer Services and Workstyle (flexible/mobile) working
- Focus on environment as Council aims to reduce carbon footprint

Fuelling growth – contracts secured in 2009

AXA Sun Life	Contracts £10m - £50m
Preferred partner £500m 15 years	4 deals Aggregate value: £110m

Total value of contracts secured to date in 2009: £610m

Fuelling growth – AXA Sun Life

£500m over 15 years

- Preferred partner to administer 3.2m mature life and pensions policies
- To provide customer service, policy administration, claims activity and related IT support
- Approx 1,900 employees will join Capita:
 - 1,300 in the UK
 - 400 in Bangalore
 - 200 in Pune
- Strengthens our position as leader in L&P outsourcing market – we will be responsible for administering 26m policies
- Service due to commence May 2009

Fuelling growth – rebid of existing major contracts

2009	2010	2011
None	DCSF*: National Strategies £35m p.a.	None
	2012	2013
	TV Licensing £50m p.a. CRB £40m p.a.	None

Criteria: more than 1% of 2008 turnover – revenues p.a. based on original contract value

Fuelling growth – bid activity

- Bid pipeline* of £3.1bn comprising 23 bids (Feb 2008: £2.5bn; 25 bids)
- Most active markets: life and pensions and local government with central government gaining momentum
- Health market – well positioned for development following NHS Choices contract win
- Current win rate remains 1:2
- Prospect and suspect lists encouraging
- Our financial strength and stability is a key competitive advantage
- Pace of decision making unchanged

Fuelling growth – acquisitions

- In 2008, 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 services and IT
- Current climate favourable for volume and valuation of opportunities

Fuelling growth – 2008 major acquisitions

ComputerLand UK	Lancaster Insurance Services	IBS OPENSystems	ABS Network Solutions
IT services £27.8m*	Insurance admin £16.5m*	Software services £69.6m*	IT services £13.6m*

Acquisitions below
£10m

8 acquisitions

Aggregate value:
£19.9m

Total spent on 12 acquisitions in 2008: £147.4m
(12 acquisitions in 2007: £114m)

Fuelling growth – 2009 year to date acquisitions

FMS	CHKS
Trust administration £2m (+ £1.1m)	Health services £11.6m

Total spent on 2 acquisitions in 2009: £13.6m

Fuelling growth – CHKS

Rationale: adding depth and breadth of expertise to our existing services for the health market

- Healthcare intelligence and quality improvement services to healthcare professionals
- Clients: 90 NHS trusts
- Services include data and performance management, benchmarking, accreditation, quality assurance, health economics and predictive modelling
- 80 staff in Alcester, Cardiff and London
- Complements our recent acquisition of Management Membership Online (MMO), a web-based service providing membership management services to NHS trusts
- Expands our offering to the health market

Operational update

Simon Pilling
Chief Operating Officer

Business centre infrastructure – February 2009

Offshore - India

Quality service delivery operation

4 business centres

- Data validation & entry
- Claims & policy admin
- Fund management admin
- Accounting & finance processing

Nearshore – Ireland, Channel Islands, Gibraltar

Additional tax jurisdictions to support clients' products

4 business centres

- Customer services
- Life & pensions admin
- Financial services
- Corporate registrars

Onshore - UK

Core client marketplace

54 business centres

- Back office admin
- Life & pensions
- Resourcing & training
- Property consultancy
- Claims & policy admin
- HR admin
- Customer services
- IT & software
- Share registration
- Electronic document processing

Offshore – Capita India

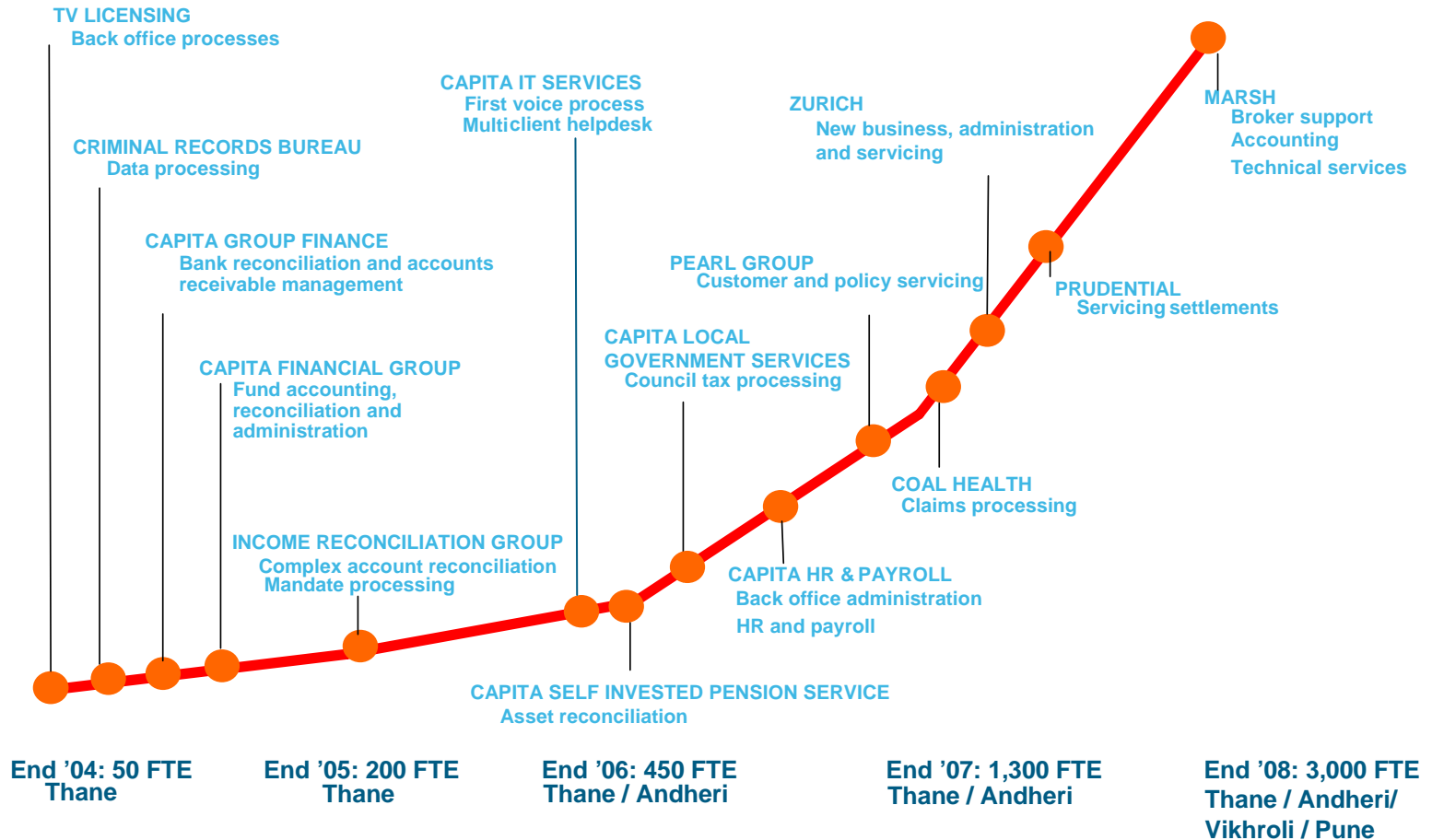
Operations in India

- Largest Capita multi-client centre. Clients include BBC, CRB, Prudential, Marsh, Pearl and Zurich
- Established scale and capability – 8.3m back office transactions undertaken annually

People in India

- 3,600 employees in India by end May 2009
- 30% of staff have been working for us for 3 years or more
- Low staff attrition rate of 22% and falling
- Reducing wage pressures

Offshore – year on year growth



Current climate – resilient position

- Fuels demand for outsourcing:
 - clients looking to cut cost base and gain flexible resources
- Business areas potentially sensitive <10% of Capita revenues, including:
 - fund administration
 - elements of our recruitment businesses and property consultancy
- Growth outlook underpinned by:
 - long term contracts or recurring revenues
 - high proportion of essential and public services
 - flexible cost bases
- Continual focus on cost base and robust business planning process

Market update – life and pensions

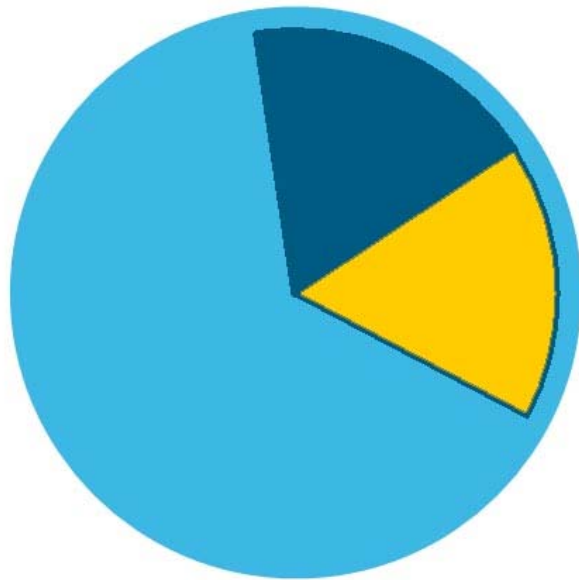
- A clear leader administering approx 26m policies in total*
- Key attributes: Our scale, focus on customer service, investment in specialist technology and depth of expertise and resource
- The market is highly active and continues to offer strong new contract opportunities

Drivers for outsourcing include:

- Need to increase effectiveness of operations and cut operating costs
- Reducing clients' exposure to risks, e.g. those associated with administering closed books of business
- Pressure to improve customer service, retain customers and bring new products to market faster
- Increasing demands of regulation

* Including proposed AXA contract

Life & pensions – market size & share



■ Total market

Estimated UK policies in force (excluding group schemes and CTF): circa **113m**

■ Outsourced market

Number of policies outsourced to date estimated to be **39m – 44m** (c.35% of market)

■ Capita

Current contracts – **26m** policies
Circa 23% of the total market

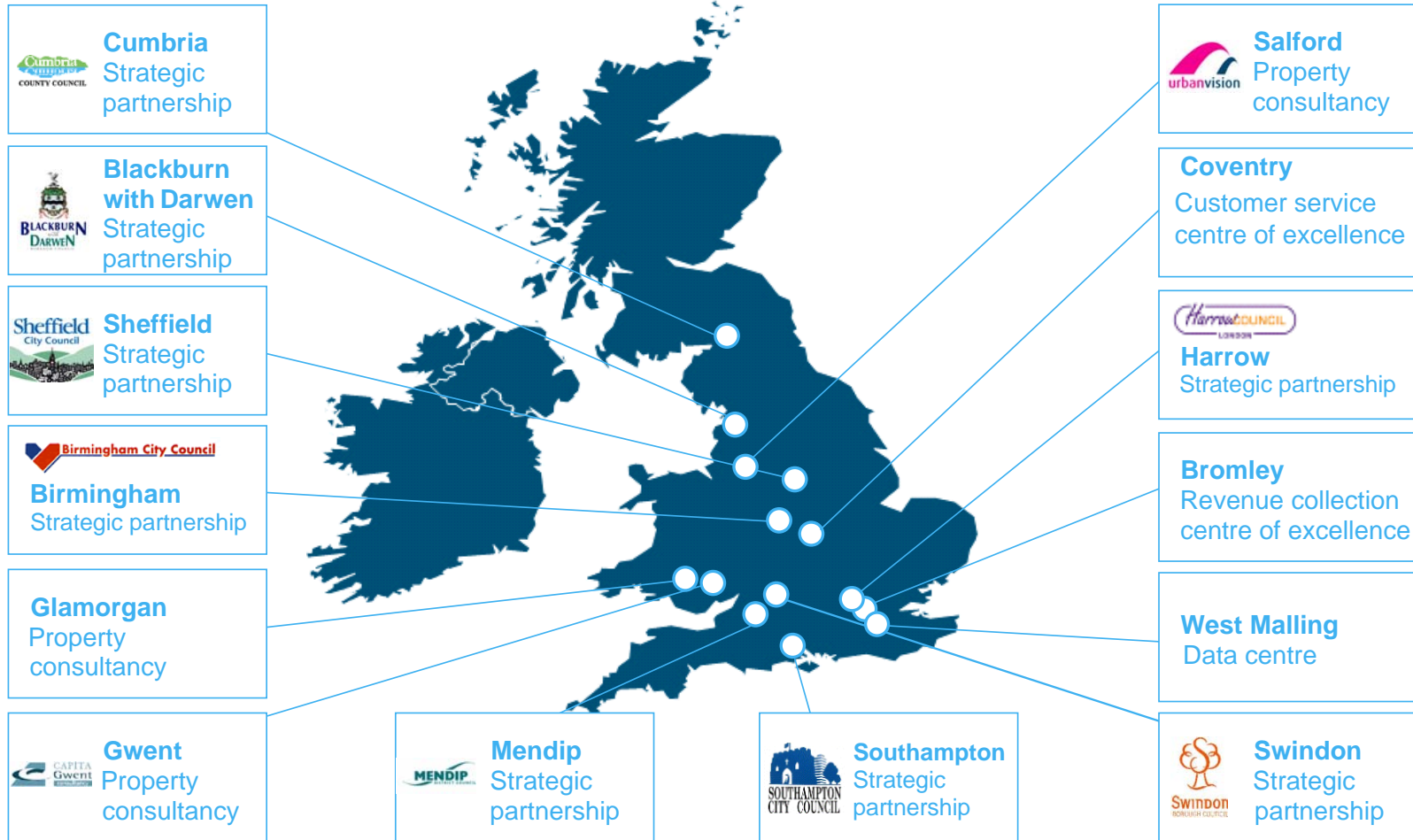
Market update – local government

- Relationships established with majority of 468 UK local authorities
- Leading market position with 10 strategic partnerships and over 40 other BPO contracts
- Key attributes: Extensive breadth of services and understanding of market alongside key transformation skills

Drivers for outsourcing include:

- Increased pressure to deliver efficiencies and value for money within tight budgets
- Need to deliver more flexible, inclusive public services
- Requirement to respond to issues such as ageing communities in areas with low revenue collection
- Requirement to report progress against targets more transparently

Market update – Capita in local government



Market update – central government

- Increasingly favourable market conditions for BPO – market gaining momentum
- 2008 – 2 major contract wins in central government
- Pendulum swinging from “investment” to “cost managed” led public sector reform
- HM Treasury’s Operational Efficiency Programme to identify priorities and likely new BPO areas (e.g. shared services)
- Ranked and recognised by Office of Government Commerce as “strategic supplier”
- Increased focus attached to building dialogue with key audiences in Whitehall and sharing knowledge of BPO benefits

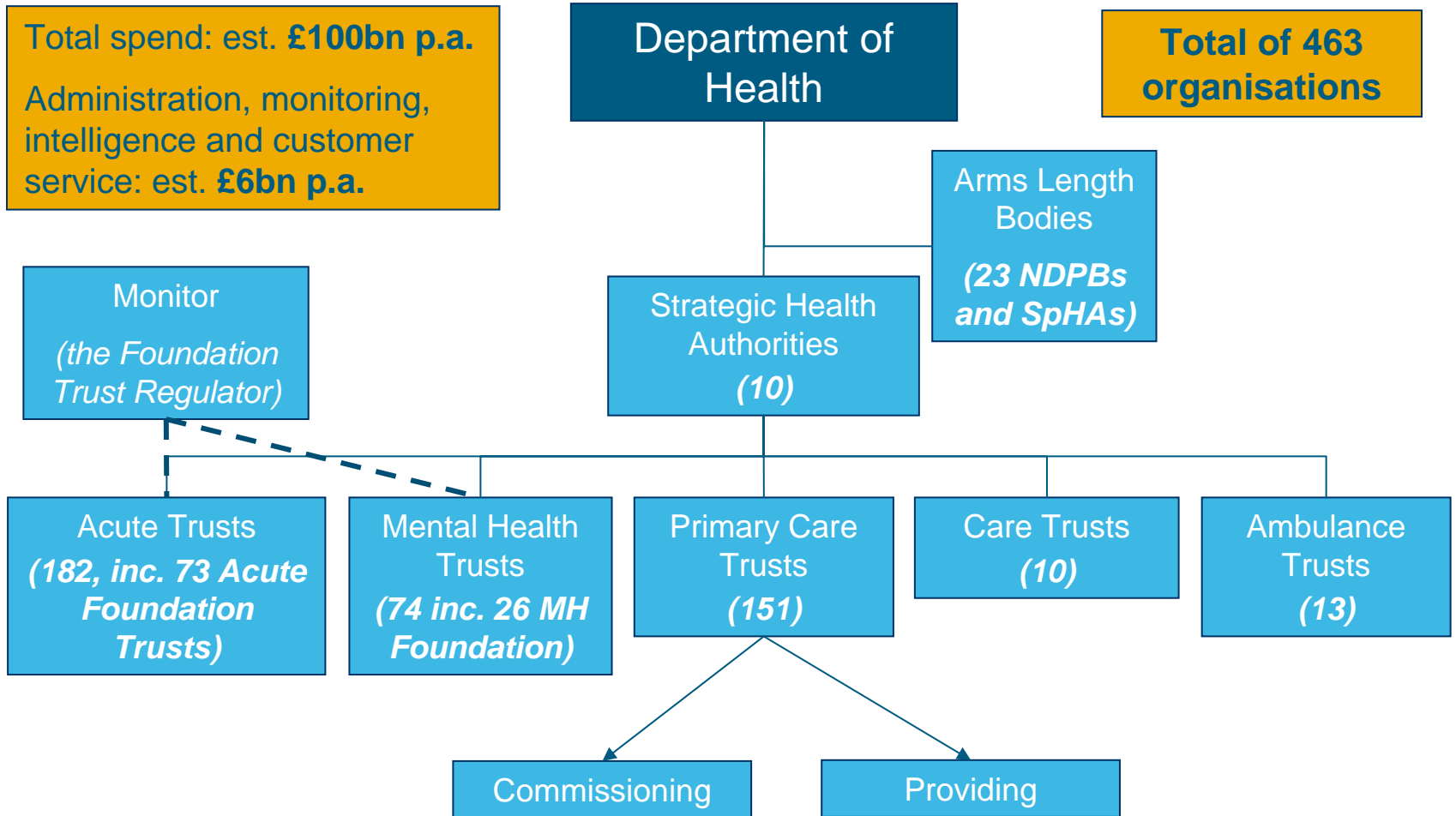
Market update – health

- Footprint in the health market – contracts: NHS Choices and existing relationships. Acquisitions: MMO and CHKS
- Key attributes: experience and capacity in key non-clinical services – administration, technology and customer focused expertise
- Focused on delivering the transformation of the health sector demanded by Government and public alike









Drivers for outsourcing include:

- Need to transform and modernise both support and front office services to enhance clinical delivery, drive efficiency and improve the patient experience
- Financial pressure from central government over the next 3 years
- Structural changes in the way NHS funded are resulting in a more commercial approach

Market update – structure of the health market



Capita people – breadth and depth of capability

	Life & Pensions	Insurance	Financial Services	Health	Central Govt	Local Govt	Education	STAFF
			Administration & Claims Management					10,000
			Business Process Re-engineering					1,000
			Finance & Accounting					2,000
			Customer Service					8,500
			Document Services					3,000
				HR				3,000
				Property				3,700
				IT				3,500

Prospects

Paul Pindar
Chief Executive

Prospects – ingredients for continued growth

- Solid trading progress across the Group
- Current economic climate increasing focus on outsourcing
- Our big ticket and business sales teams are very active

Well positioned for 2009 and beyond

Results for the year ended 31 December 2008

CAPITA