

Results for
the 6 months to
30 June 2006

Building value for shareholders

Rod Aldridge
Chairman

Business highlights

- Excellent organic growth
- Further margin improvement
- Strong operating cashflow
- £245m returned to shareholders in 2006
- Core markets very active
- Bid pipeline building steadily

Agenda

- Financial results
- Business performance
- Developing Capita

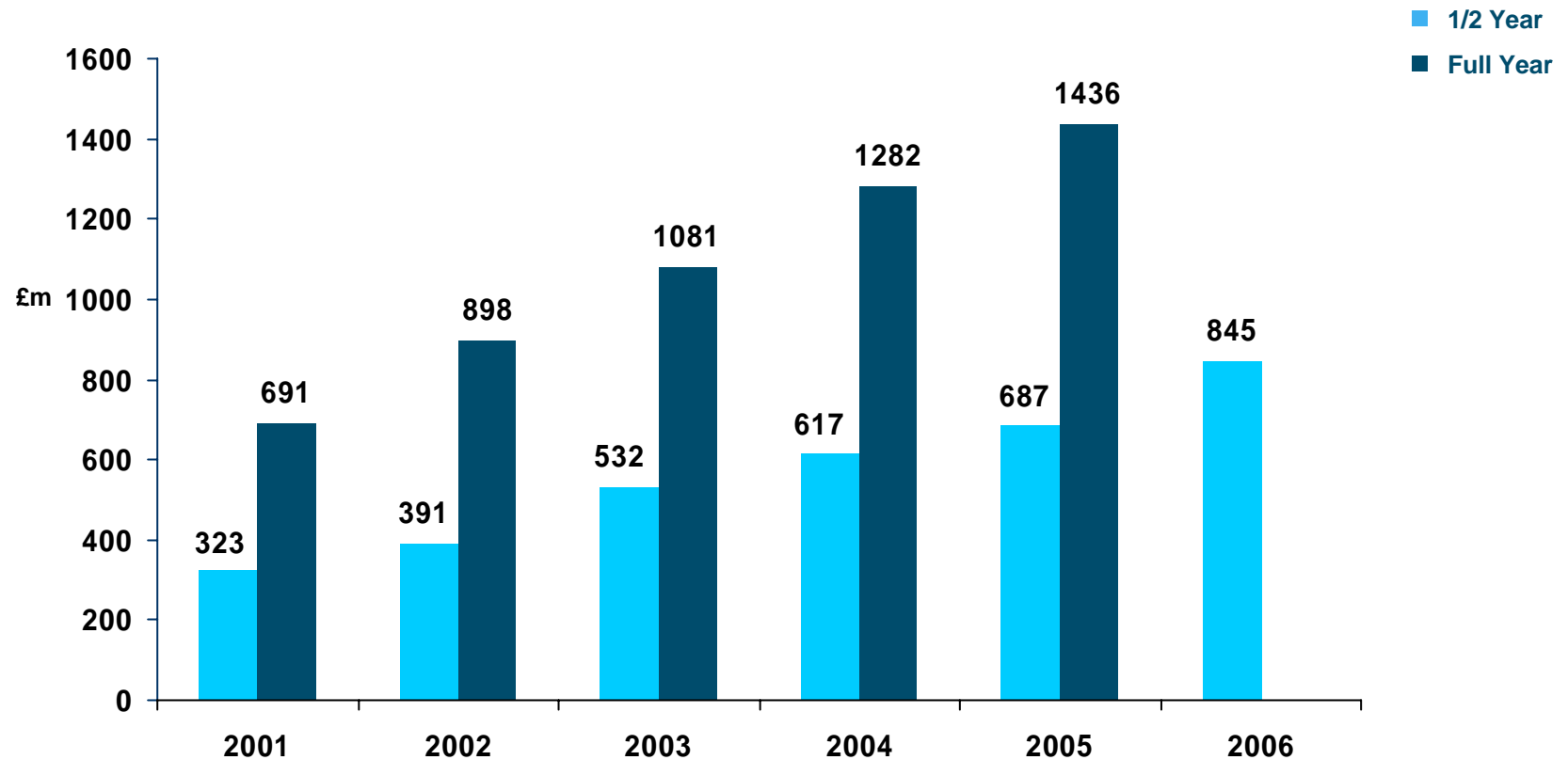
Financial results

Gordon Hurst

Group Finance Director

Financial performance – turnover (continuing operations)

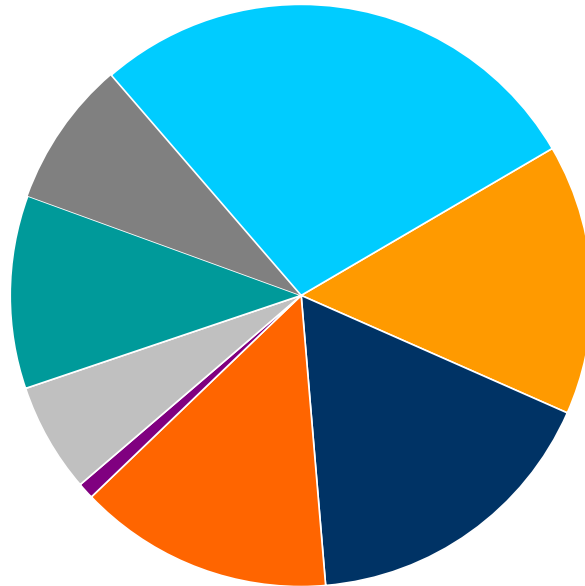
Comparative growth 23%



Financial performance – turnover by market

Public sector 53% (53%)

Private sector 47% (47%)



- Central government 15% (16%)
- Local government 17% (15%)
- Education 14% (14%)
- Health 1% (1%)
- Transport 6% (7%)
- Insurance 11% (12%)
- Life & pensions 8% (6%)
- Private sector & other financial services 28% (29%)

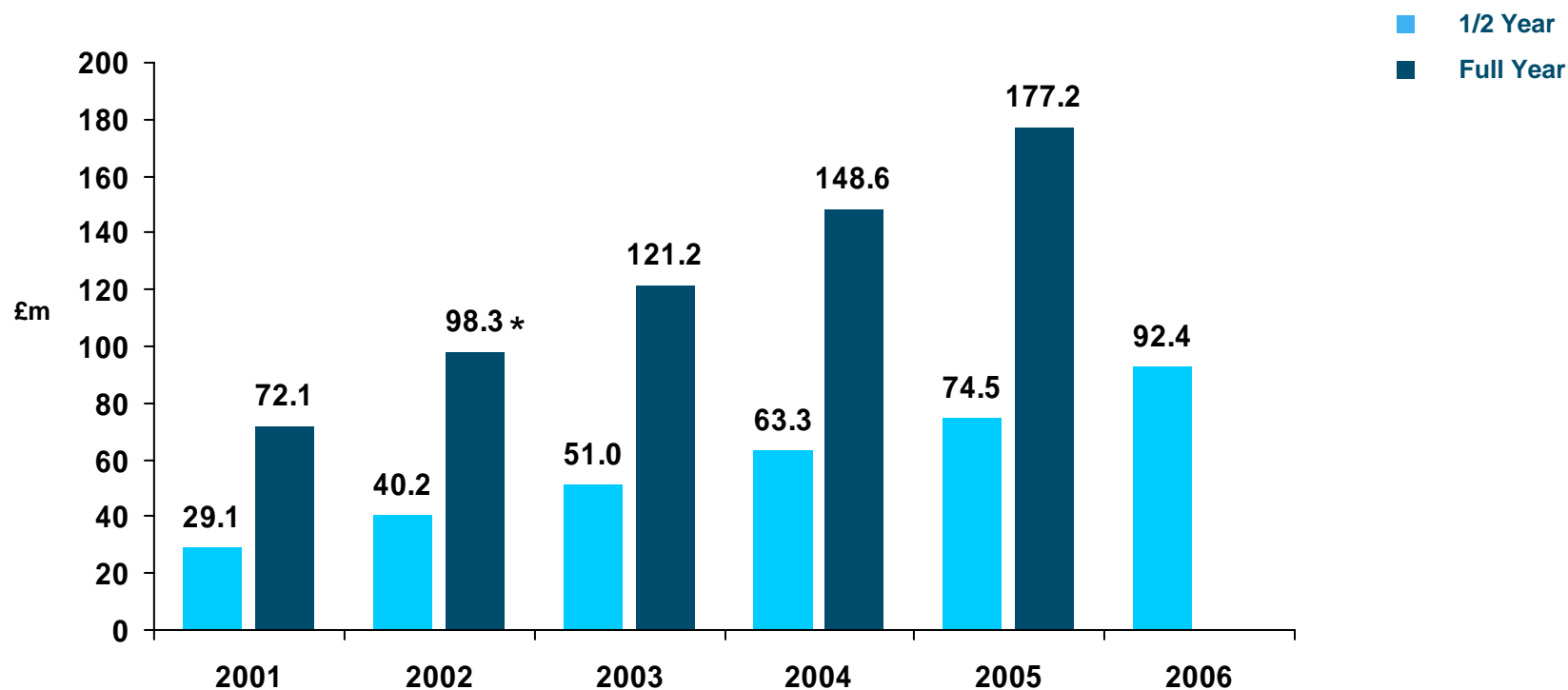
2006 interim (2005 year end)

Financial performance – half year organic growth (continuing operations)

	£m 2006	£m 2005	Growth %
Turnover	845	687	23%
2006 acquisitions	(7)	-	-
2005 acquisitions	(36)	-	-
Organic	802	687	17%

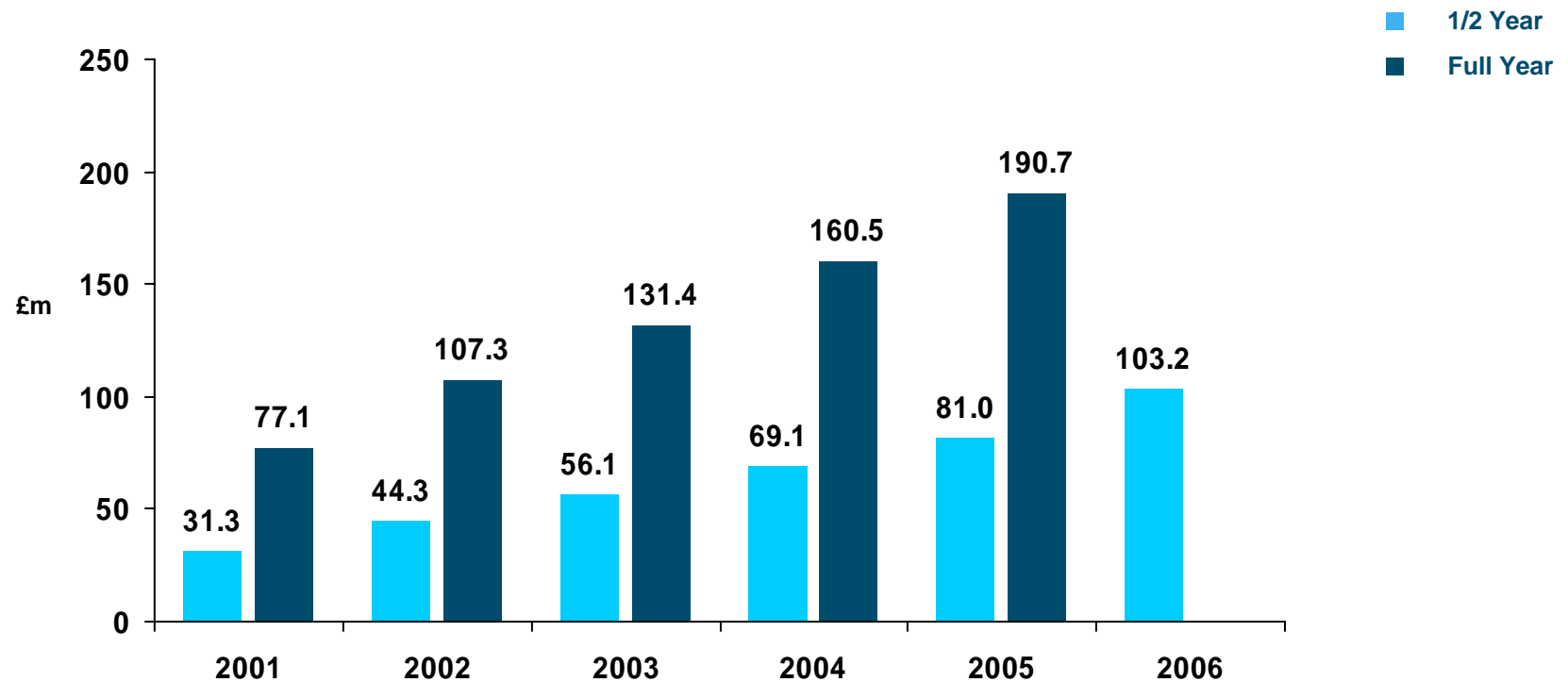
Financial performance – profit from continuing operations before tax, amortisation and share based payment charge

Comparative growth 24%

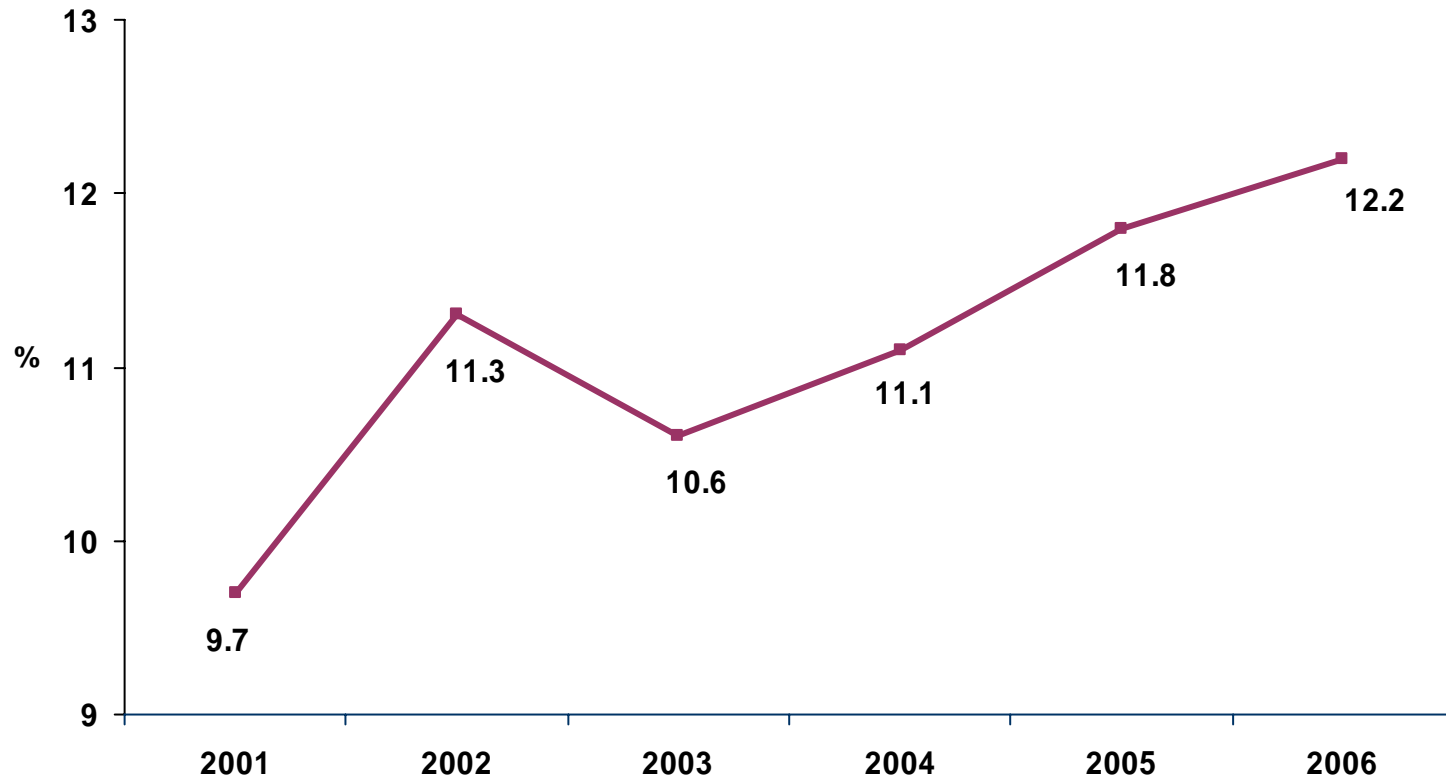


Financial performance – operating profit from continuing operations before amortisation and share based payment charge

Comparative growth 27%



Half year operating margin

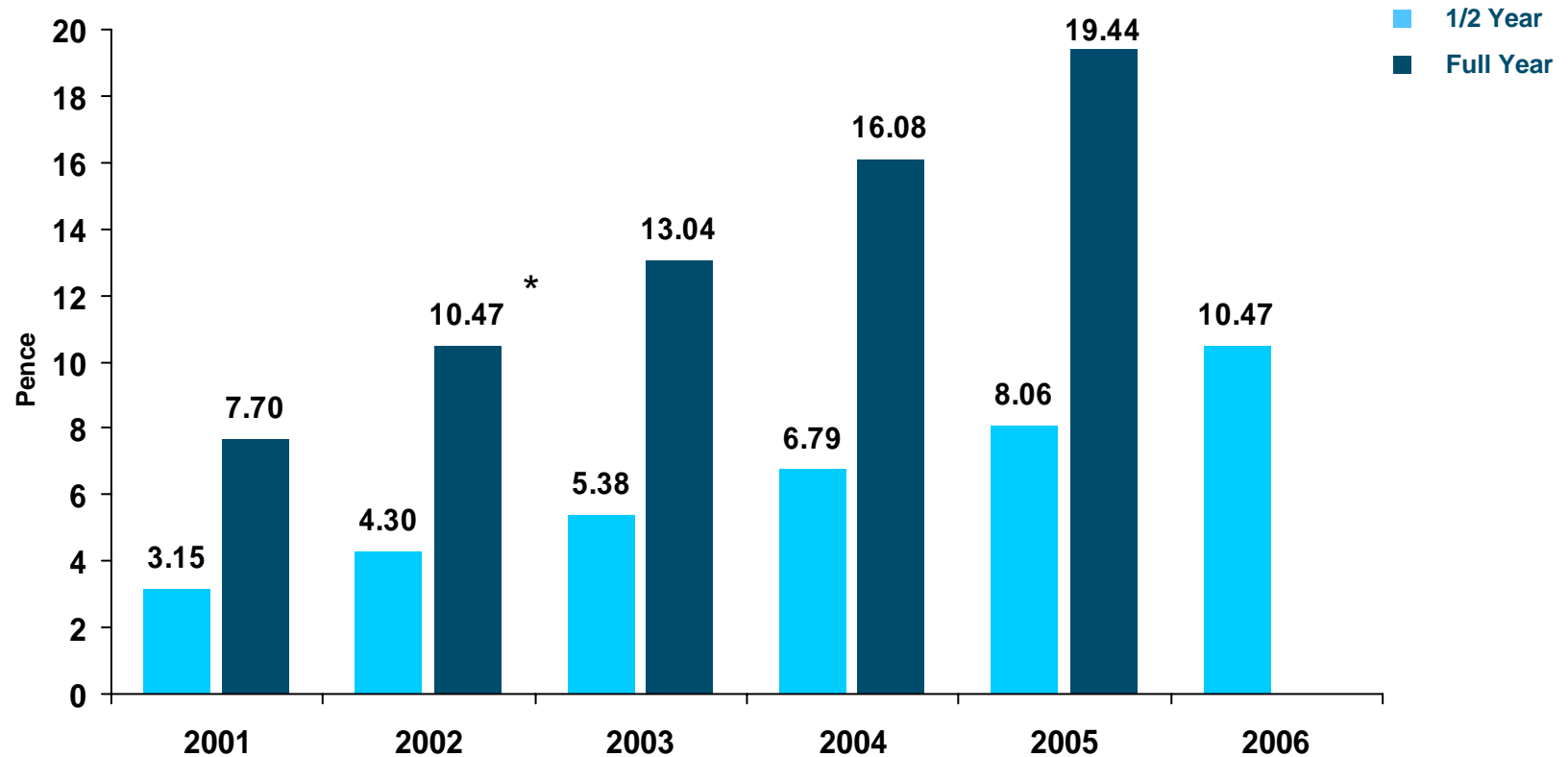


Operating margin – drivers behind widening margin

- Selecting opportunities which focus on innovation, not price
- Identifying ways of enhancing customer's P & L
- Ever increasing economies of scale
- Increased utilisation of business centres
- Offshoring back office to India
- Improved purchasing power
- Unremitting focus on cost base

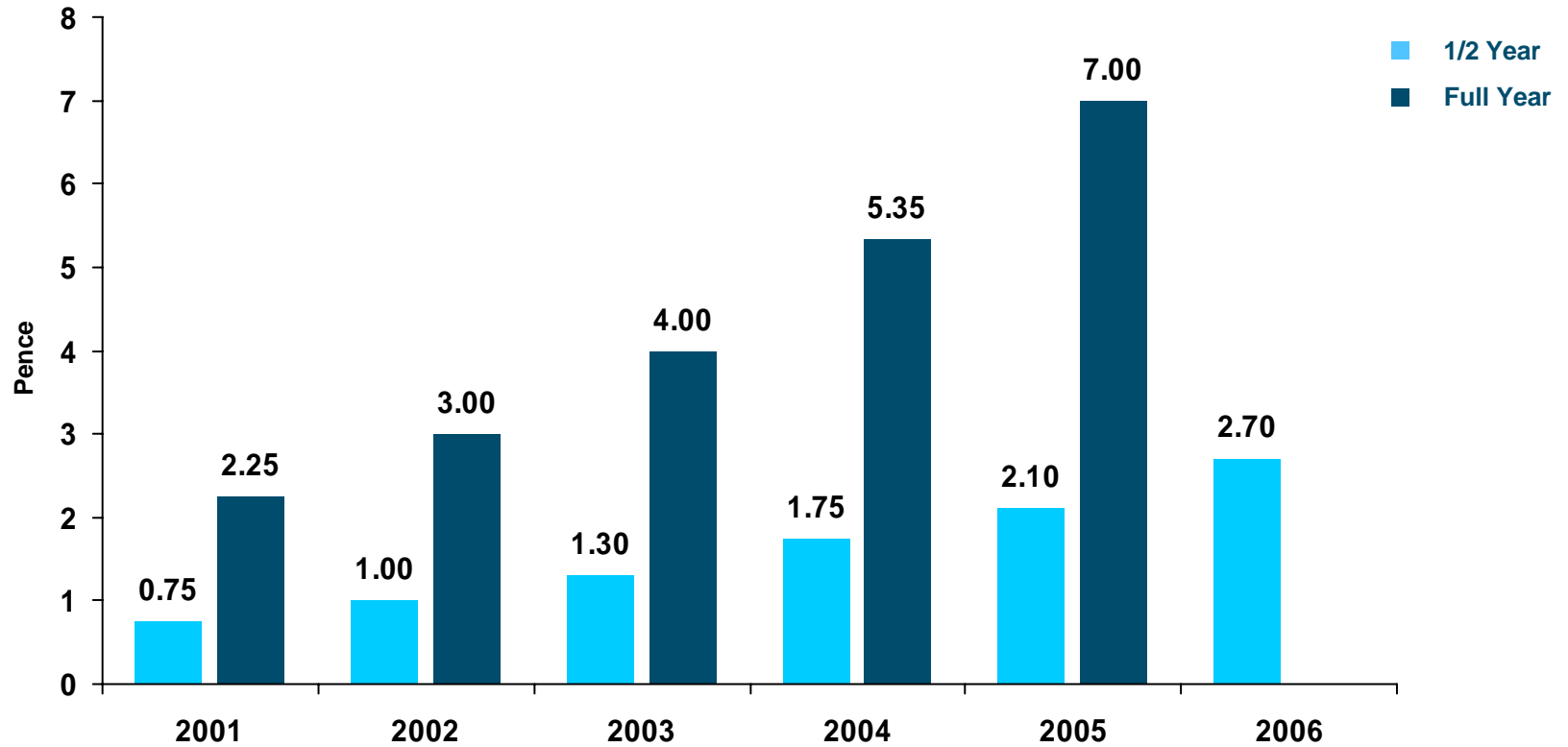
Financial performance — earnings per share from continuing operations before amortisation and share based payment charge

Comparative growth 30%



Financial performance – dividends

Comparative growth 29%

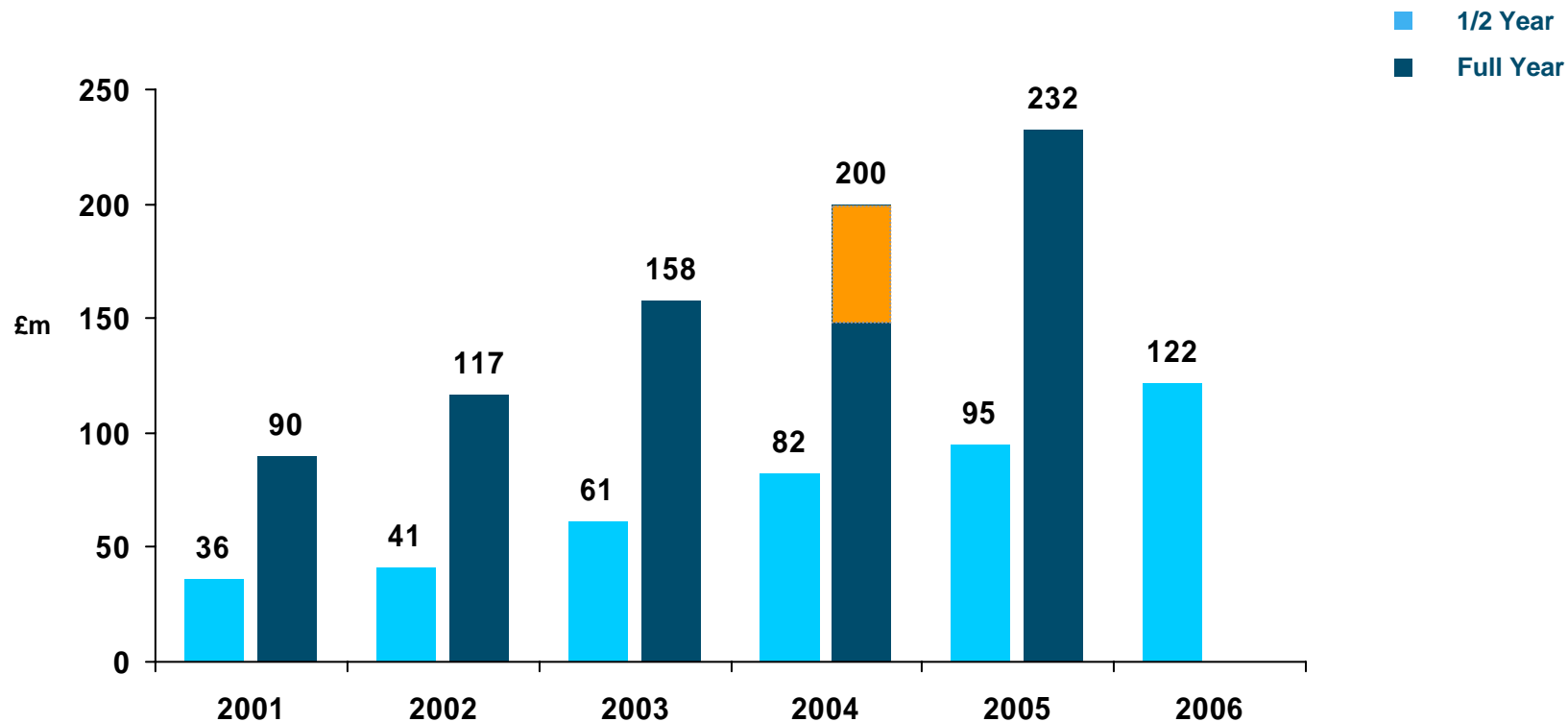


Financial performance – cash flow statement

	£m 6 months to 30 June 2006	£m 6 months to 30 June 2005
Underlying cash flow from operating activities	122	95
Net interest paid	(11)	(7)
Taxation paid	(20)	(22)
Capital expenditure	(33)	(28)
Underlying free cash flow	58	38
Acquisitions and investments	(27)	(22)
Equity dividends paid	(32)	(24)
Share buyback (including stamp duty)	(215)	(13)
Investments in insurance captive	(5)	-
Bond issue	103	-
Other financing	10	(1)
Decrease in cash in the period	(108)	(22)

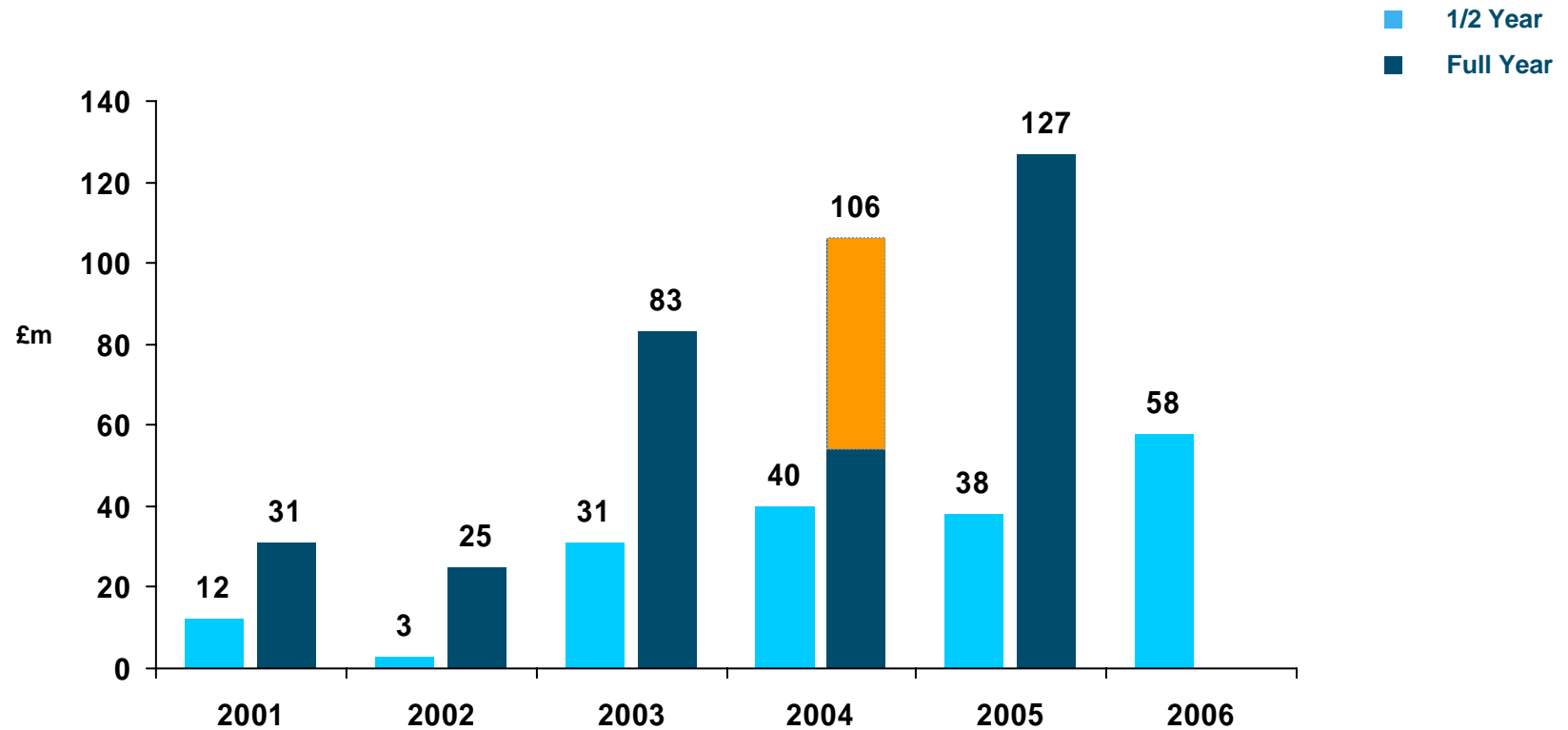
Financial performance – cash flow from operating activities

Comparative growth 28%

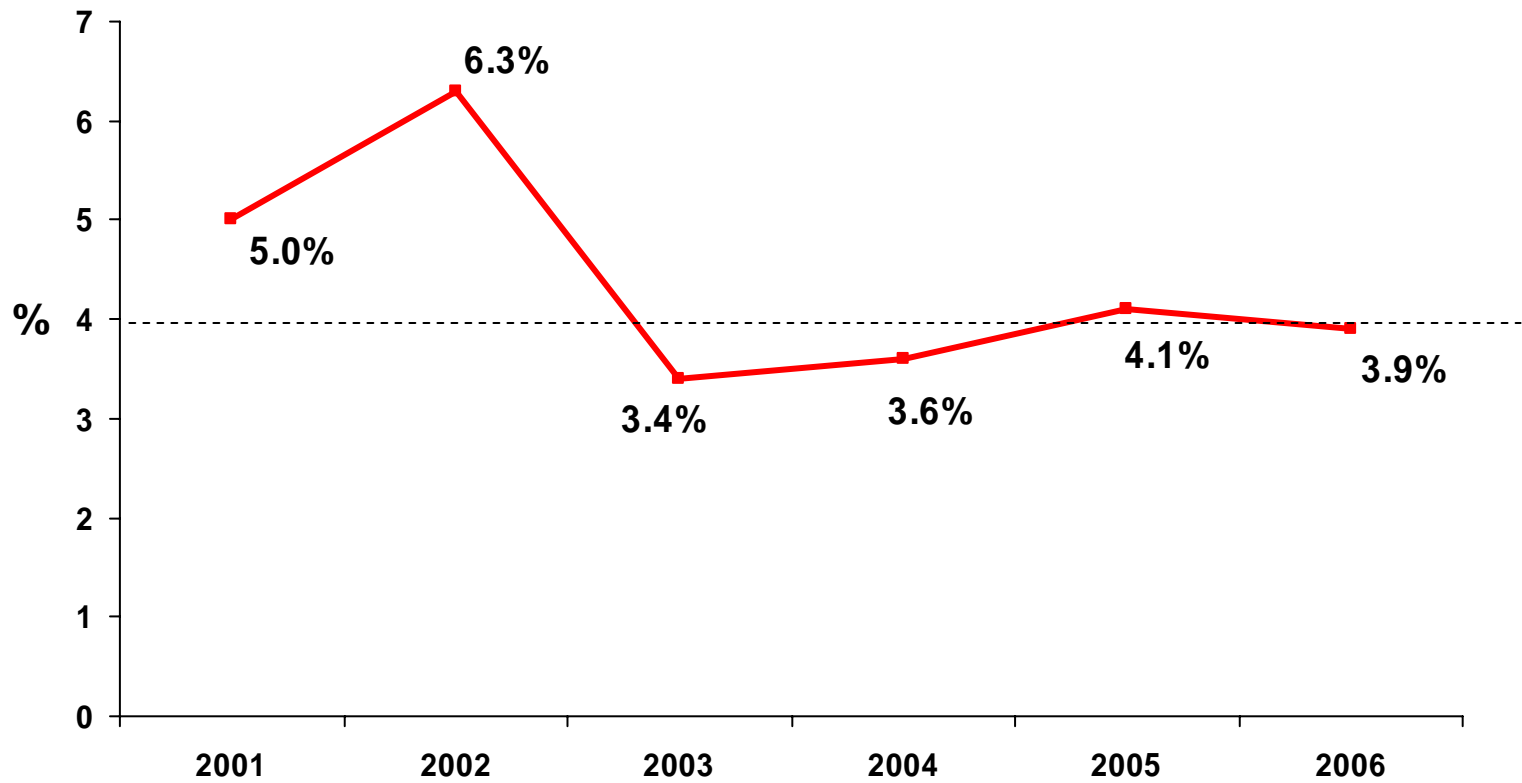


Financial performance – free cash flow

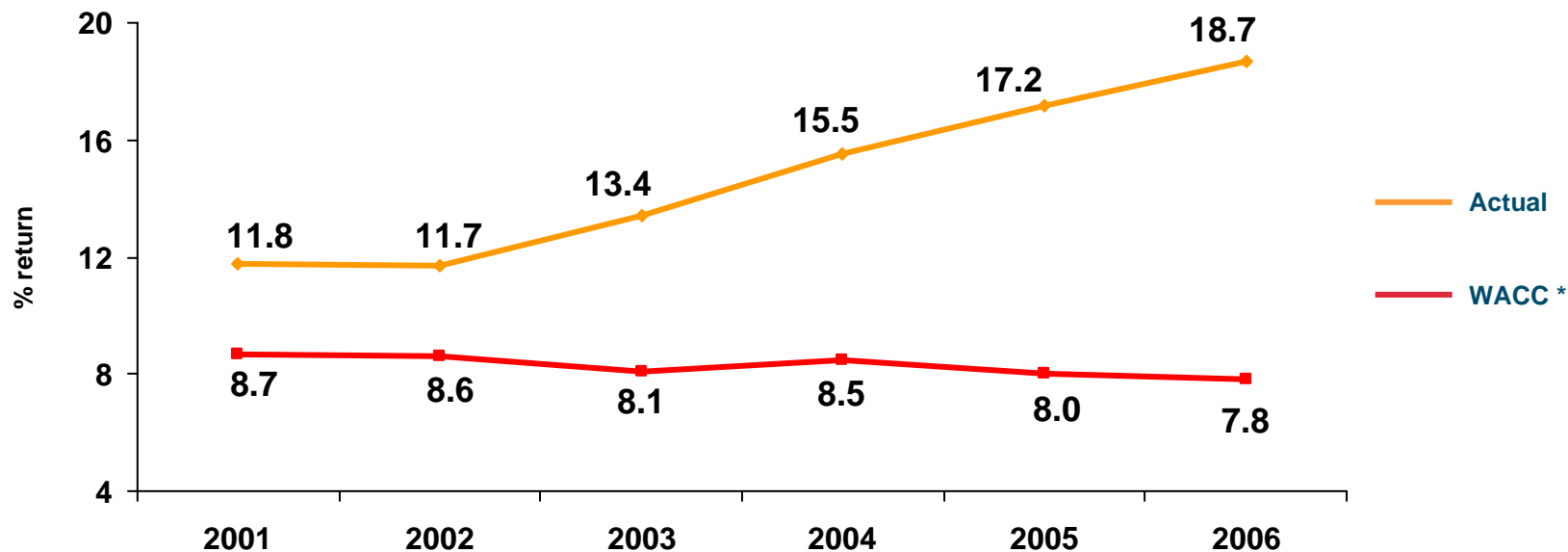
Comparative growth 53%



Capex as % of turnover



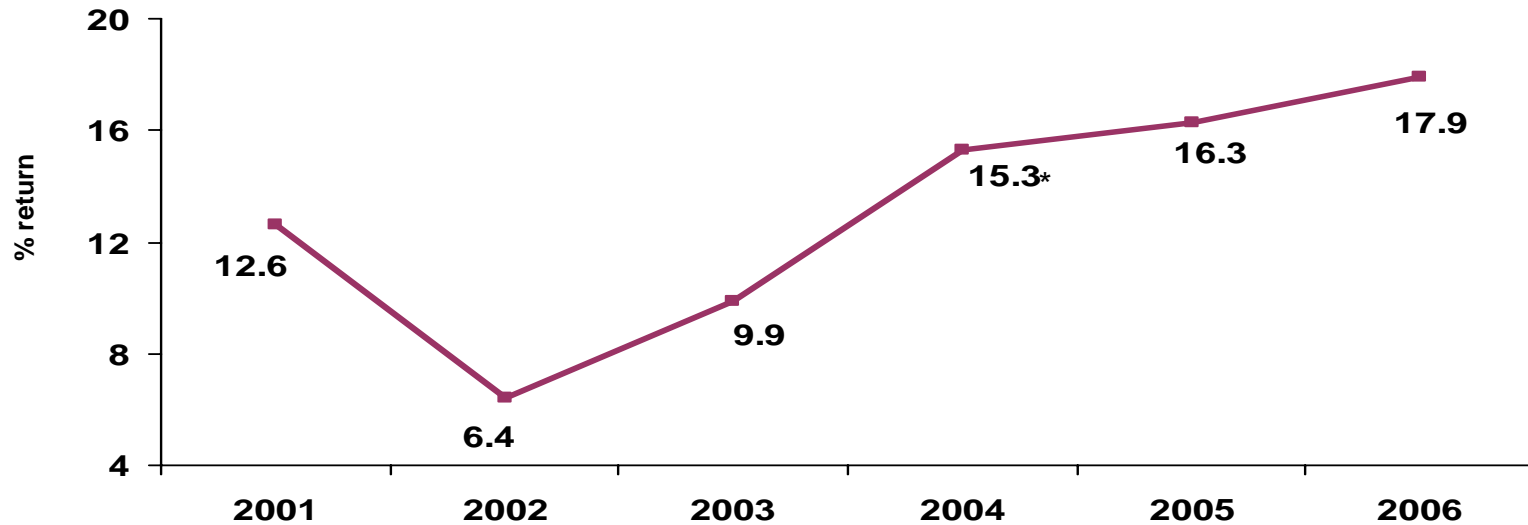
% Net return on capital (debt plus equity) – 12 months to 30 June 2006



	2001	2002	2003	2004	2005	2006
PBIT (normalised)	65	90	119	146	172	213
Avg Capital (£m)	390	542	634	674	719	823
Tax (%)	29.4	29.5	28.6	28.2	28.1	27.7

* figures restated to reflect the average risk free interest rate for the year

% Free cash flow return on capital (debt plus equity) – 12 months to 30 June 2006



	2001	2002	2003	2004	2005	2006
FCF (pre interest)	49	35	63	103*	117	147
Avg Capital (£m)	390	542	634	674	719	823

* excluding exceptional pension payment £50m

Share buybacks

2006

- 47m shares (7.2% of share capital) cancelled at average of £4.53
- Cost £215m (including stamp duty)
- Shares in issue at 30.06.06 – 611m
- Estimated full year weighted shares - 628m
- Including dividends, £245m returned to shareholders

Cumulative

- 75m shares (10.9% of share capital) bought back at average of £4.09
- Cost £304m

Balance sheet gearing

	30 June 2006 (£m)	30 June 2005 (£m)
Net debt		
Bond debt	(302)	(123)
Bank facilities drawn	(127)	(48)
Loan notes	(23)	(23)
Total net debt	(452)	(194)
Interest cover	10x	12x
Net debt to EBITDA	1.8	1.0

Business performance

Paul Pindar
Chief Executive

Business performance

- Business developments
- Operational update

Contract wins announced in 2006

S. Oxfordshire + Vale of W.H	BBC HR	DTI	DSG international
New contract £20m 7 years	New contract £132m 10 years	Re-award £120m 3 years	New contract £120m 7 years
Birmingham City Council	Northern Ireland CS	SIPPs	SMMT
Updated value +£51m New total £475m 10 years	New contract £100m 15 years	New contracts £100m 5 years	Re-award £12m 5.5 years

Total major contract wins & extensions already announced in 2006: £655m

Contract wins announced today

Birmingham City Council	Rossendale BC	Westminster City Council
New contract £88m 3 years	New contract * £13m 10 years	Re-award * £50m 7 years

Wins announced today: £151m

Total major contract wins & extensions to date in 2006: £806m

Early exit from contract

Dubai Rapid
Link
Consortium

Sept 2005

£30m over 4
years

- Swift exit achieved
- £3.5m provision in full in 1st half

Business development – rebid of existing major contracts

2006	2007	2008
None	DWP: Office Services £25m p.a	TfL: Congestion Charge (central) £56m p.a
2009	2010	2011
DSG international (Sheffield) £18m p.a	DfES: National Strategies £35m p.a	None

Criteria: more than 1% of 2005 turnover

Business development – bid activity

- Current bid pipeline – £2.8bn*
- Comprises 21 bids
- Encouraging prospect pipeline and suspect list
- Focus on 2007

2006 major contract update: Zurich

- UK's largest outsourcing partnership to provide open book life & pensions administration
- £300m over 10 years, commencing Feb 2006
- 1,200 staff successfully transferred
- Improvements in service delivery in first 5 months
- Business transformation underway to simplify business processes and accelerate technological performance

“The transition has been seamless and service performance has stepped up a gear – great work...thank you”

David Etherington, Chief Operating Officer, Zurich UK Life

2006 major contract update - Service Birmingham

- £475m over 10 years (originally announced at £424m)
- Delivery of ICT requirements of Council's transformation programme
- 12 KPIs across ICT systems/service
- 11 out of 12 KPIs show a marked improvement in service:
 - call abandonment reduced from 20% to 2.5%
 - calls answered within 20 seconds increased from 40% to 80%
- Email infrastructure replaced to improve stability and speed
- Governance arrangements in place for additional business transformation programmes
- 1st programme approved – Corporate Services: £88m over 3 years

2006 major contract update – DSG international

Nottingham centre

- Delivery of customer technical support services
- £120m over 7 years, commenced March 2006
- Transformation plan on schedule
- All enhanced SLAs and KPIs already exceeded including:
 - > 95% of calls answered
 - all qualitative technical targets achieved
- Significant change to traditional shift patterns introduced
- Introduced simplified skills based call routing, enabling consistent customer experience
- IT projects including automatic speech recognition and a new workflow management system
- Successful implementation of constant stream of new products

2006 major contract update – Northern Ireland Civil Service (NICS)

- Support Fujitsu's e-HR contract to modernise the delivery of personnel administration
- Part of the private sector team with PricewaterhouseCoopers LLP and Oracle
- £100m over 15 years
- Implementation commenced in April 2006 with services starting in mid 2007 and fully operational during 2008
- Capita will provide all HR, payroll and recruitment services from shared HR service centre in Belfast

2006 major contract news - BBC HR

- Delivery of HR services including recruitment, payroll and HR admin and occupational health
- £132m over 10 years, commenced in April 2006
- Good progress on re-engineering processes in first 4 months
- Shared HR service centre in Belfast - on target to go-live from Sept
- Introduction of new systems to support BBC's e-enablement of HR services
- Gradual migration of staff & 100 jobs created in Belfast

Building operational scale - offshore

- CRB image scanning and data capture project (200 FTE) now fully operational with all SLAs being surpassed
- Additional 50,000 sq ft leased giving us a total capacity of up to 2,000 staff working on multiple shifts
- Capita's blended onshore/offshore service delivery model is attracting significant interest for existing and future business
 - Pipeline of work representing workload of 1,000+ people sourced from existing and new clients and expected to be transferred by end 2007
- Growing offshore customer base
 - 5 new clients due to be operational by the end of the year

2006 acquisitions & investments

■ acquisition
■ investment

Webline	AON Claims Management	Two Ten	
<i>software</i>	<i>insurance admin</i>	<i>response management</i>	
£3m + £3m	£0.25m + £0.75m	£7m	
.ict	Ruddle Wilkinson	Sinclair Henderson *	DLA Direct
<i>IT support</i>	<i>architects</i>	<i>investment fund admin</i>	<i>legal services admin</i>
£1.75m	£1.2m + £0.6m	£10.5m + £1.5m	£12.5m

Total spent on acquisitions and investments in 2006 to date: £36.2m

Building on competitive advantage in a growth market

Rod Aldridge
Chairman

Building on competitive advantage

- Our business model
- Our service record
- Our marketplace
- Our prospects

Market positioning of Capita

- Overall leading BPO company in UK
- No 1 in local government
- No 1 in central government
- No 1 in finance (including insurance)
- No 1 in insurance
- No 1 in other services

Our business model - business centres

Onshore - UK

42 business centres

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

Nearshore – Ireland

3 business centres

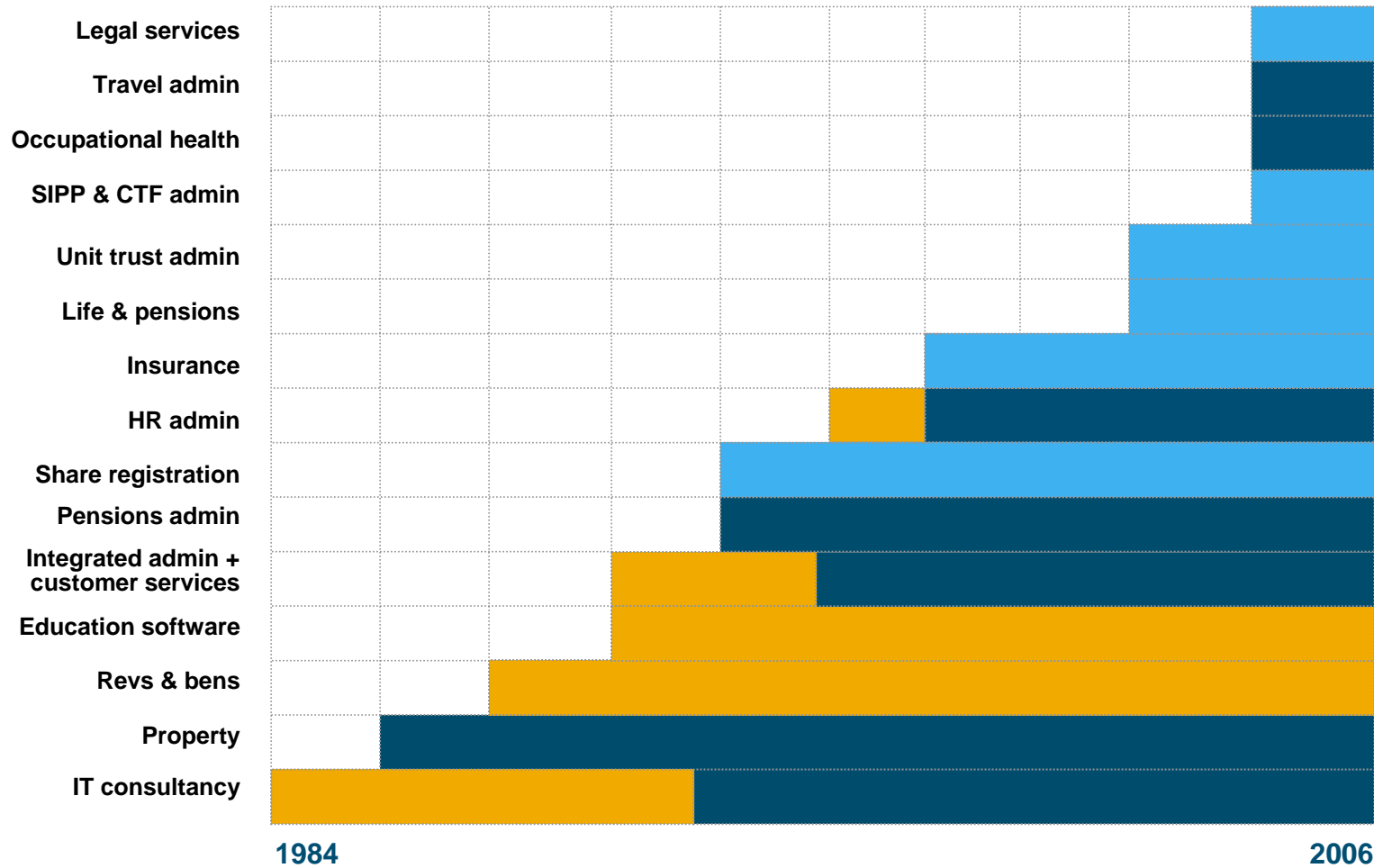
- Back office administration
- Customer services
- Life & pensions admin
- Financial & corporate registrars services
- HR admin

Offshore - India

2 business centres

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

Our business model - growing services in growth markets



Our top 10 contracts by value

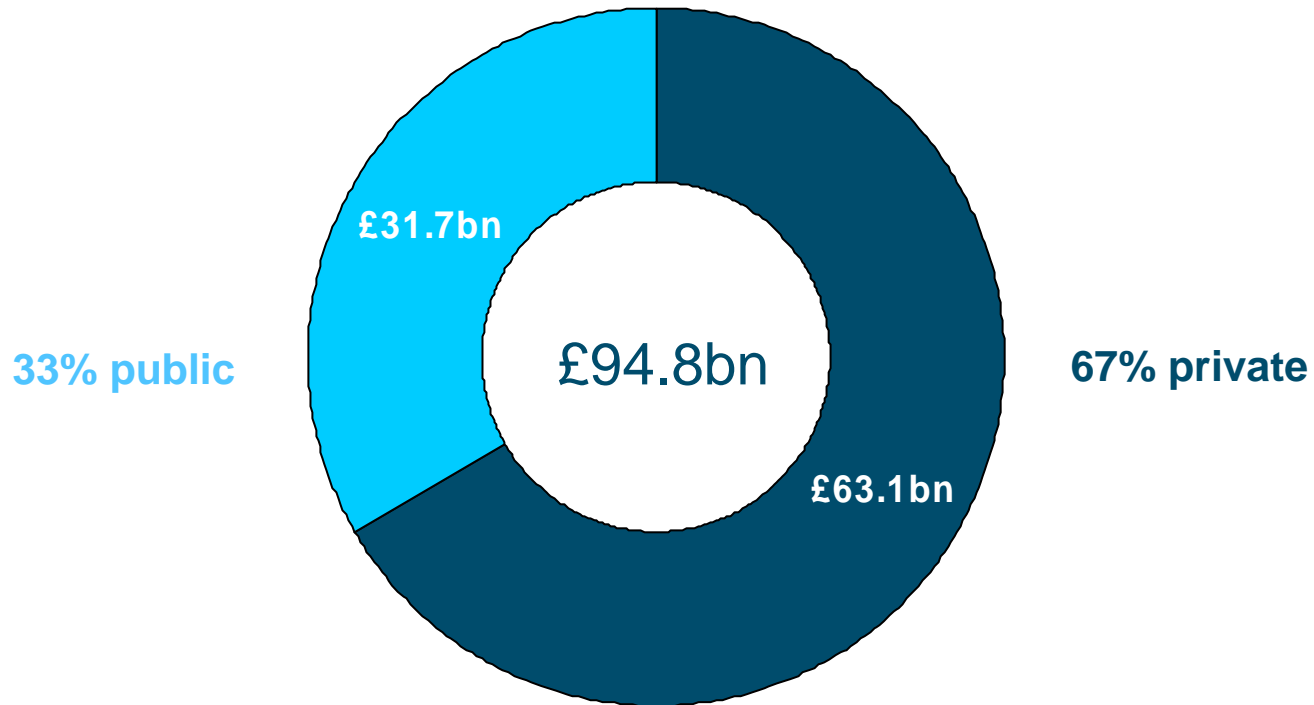


32% of consensus analyst forecast revenue

Our service record

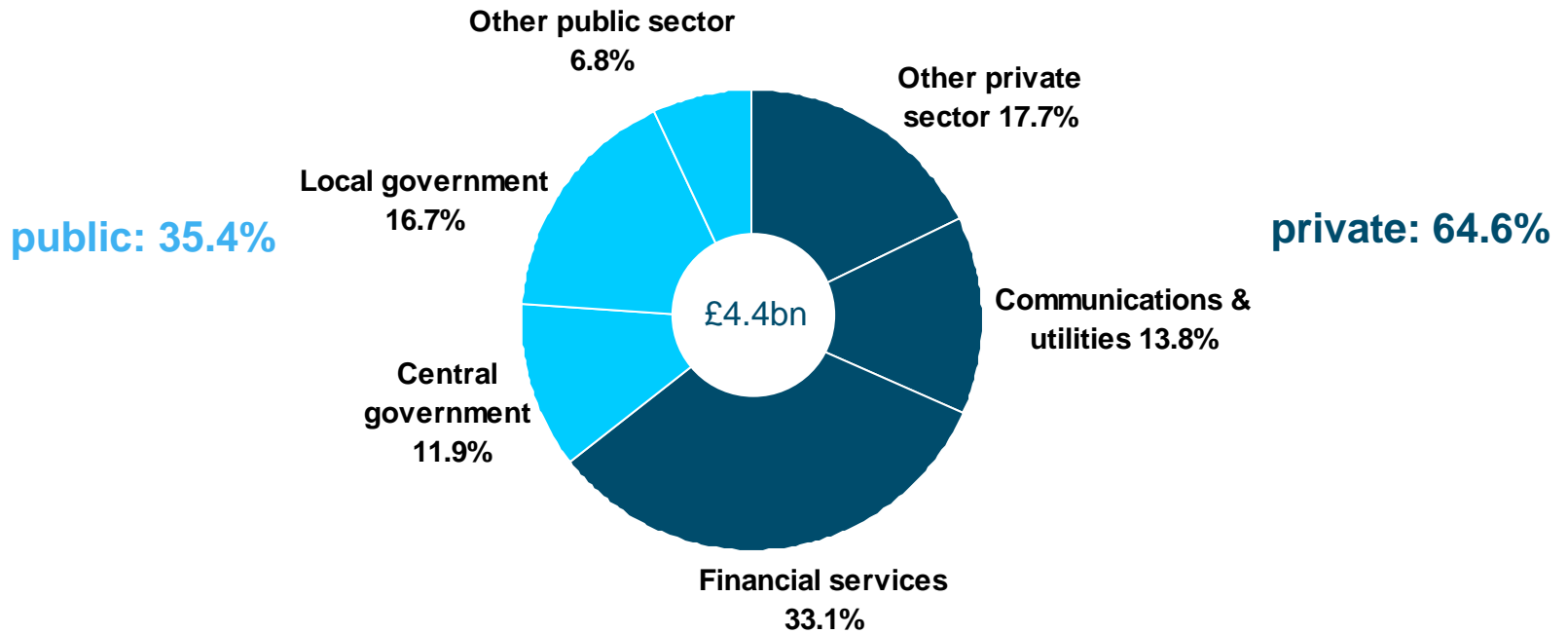
- Operational delivery is valued most highly by clients
- It is the major reason for customer retention
- Only one material contract lost in 17 years as a public company
- Manifests itself in debtor days, client satisfaction surveys and awards received
- Direct link to margin enhancement
- Major differentiator between Capita and its competitors

Our marketplace - current potential



Total potential UK BPO market per annum

Our marketplace - sector split



2005 Total UK BPO market revenues

Our marketplace – public sector drivers

- Comprehensive Spending Review 2007 – Chancellor recently announced target of 20% cuts in real terms over 5 years and 80,000 job losses across 4 departments
- Government drive to deliver personalised services as outlined in ‘Transformational Government – Enabled by Technology’
- Need to improve productivity through process redesign and management of absenteeism
- Lyons Review - relocation of public sector functions requires the rationalisation and improved HR and ICT systems to link offices
- The focus on shared services across Whitehall and in local government covering HR, ICT, financial administration and contact centres
- Cross-party consensus

Our marketplace – private sector drivers

- Pressure to reduce operating costs whilst improving performance and customer retention
- Need for effective administration processes due to increasingly complex regulatory issues/initiatives
- Providers need to swiftly introduce new products to market to meet changes in legislation and customer requirements
- Product providers concentrating on effective distribution and now more disposed to outsource back office
- Strength across financial markets – higher levels of M&A, IPO and retail investor activity
- Regulatory change abroad driving business to London

Our prospects

- Good visibility for 2006 financial performance
- Businesses in superb shape to deliver incremental growth
- BPO market continues to be extremely active
- Continuously developing opportunities in new sectors
- Board anticipates delivering strong growth in 2007

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the 6 months to
30 June 2006