

Results for the 6 months to 30 June 2008

Agenda

- **Introduction:** Paul Pindar, Chief Executive
- **Financial results:** Gordon Hurst, Group Finance Director
- **Fuelling growth:** Paul Pindar, Chief Executive
- **Operational performance:** Simon Pilling, Joint Chief Operating Officer
- **Prospects:** Paul Pindar, Chief Executive

Highlights

- Excellent organic growth
- Strong sustainable margins
- Consistent, strong operating cash flow
- Sales wins at £813m in first 7 months
- Buoyant, growing bid pipeline
- Highly active market place

“A consistent strategy, consistently applied”

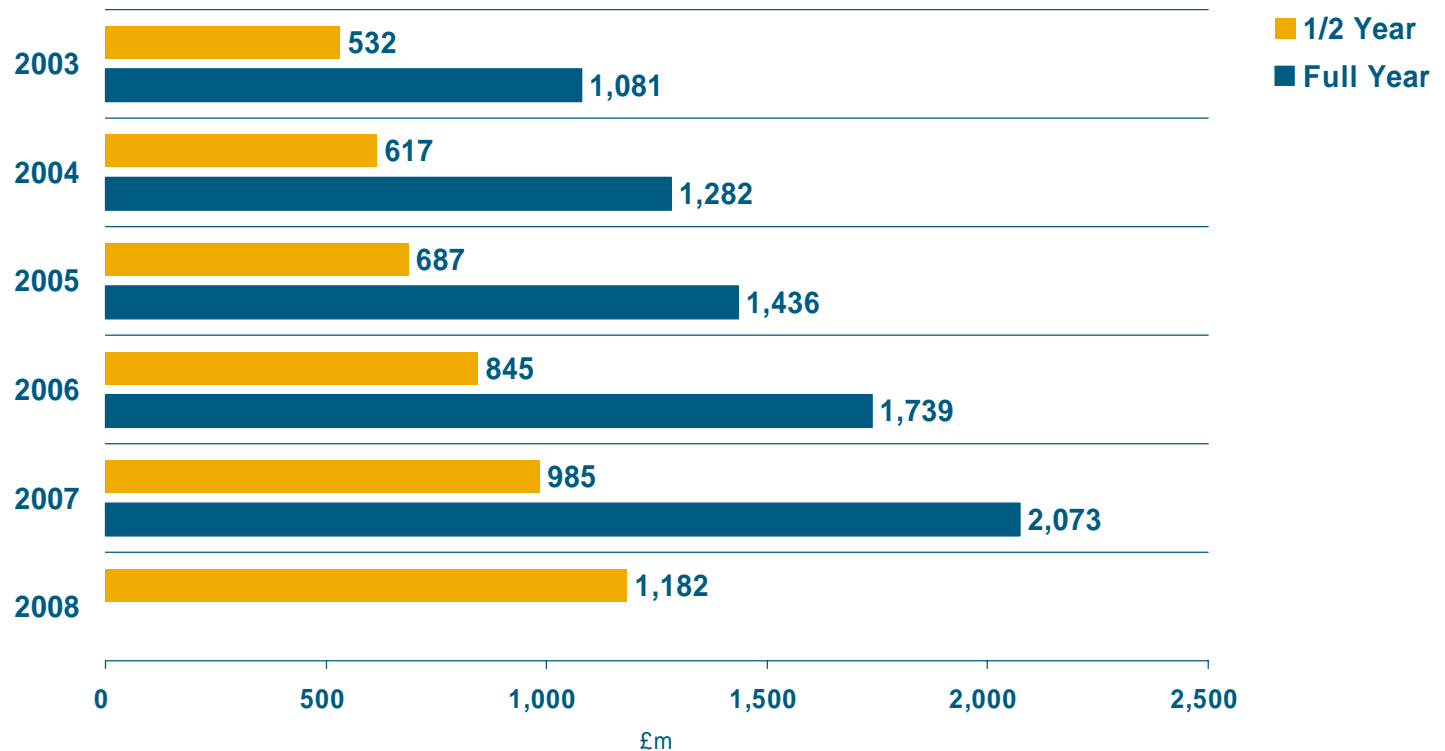
Financial results

Gordon Hurst

Group Finance Director

Financial results - turnover

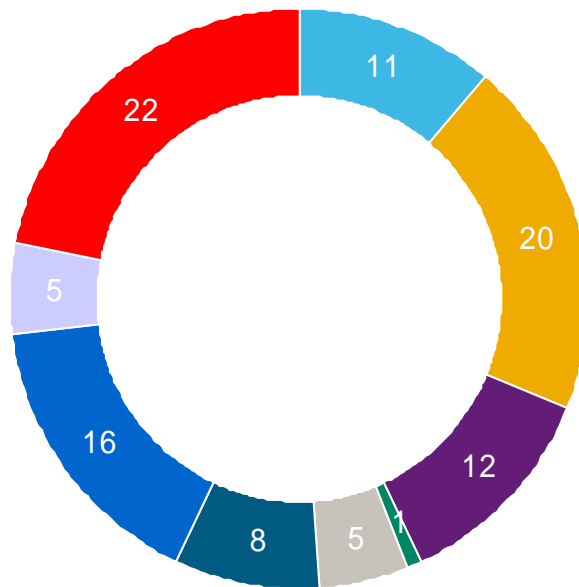
Comparative growth 20%



Financial results - turnover by market

Public sector 49% (2007: 52%)

Private sector 51% (2007: 48%)



■ Central government 11% (12%)

■ Local government 20% (20%)

■ Education 12% (13%)

■ Health 1% (1%)

■ Transport 5% (6%)

■ Insurance 8% (10%)

■ Life & pensions 16% (11%)

■ Financial services 5% (4%)

■ Corporate 22% (23%)

2008 half year (2007 year end)

Financial results - half year organic growth

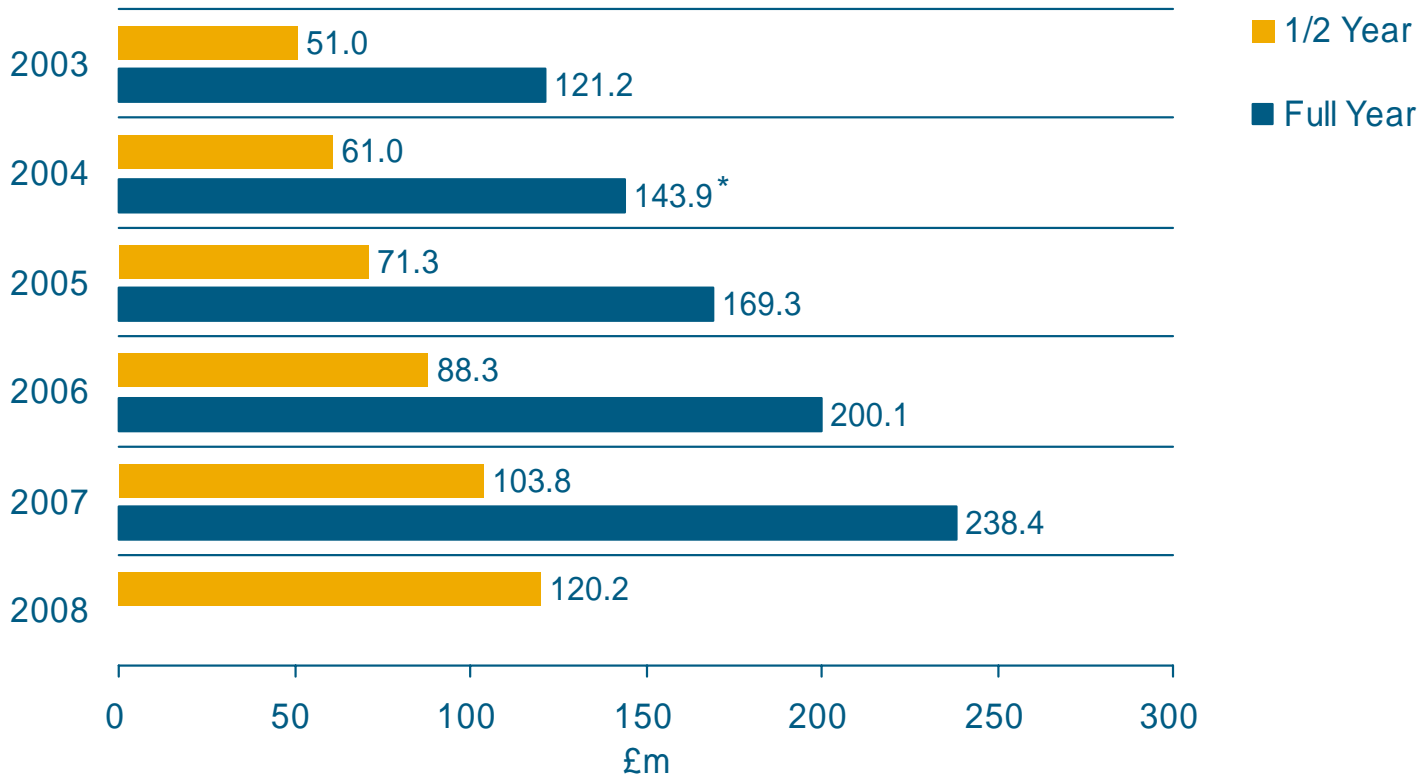
	£m 6 months to 30 June 2008	£m 6 months to 30 June 2007	Growth
Turnover	1182	985	20%
2008 acquisitions	(29)	-	(3%)
2007 acquisitions	(32)	-	(3%)
Organic	1121	985	14%

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 and recurring revenues
- No dominant clients – a good spread of clients across our 9 chosen markets
- Only one major contract rebid in next 4 years

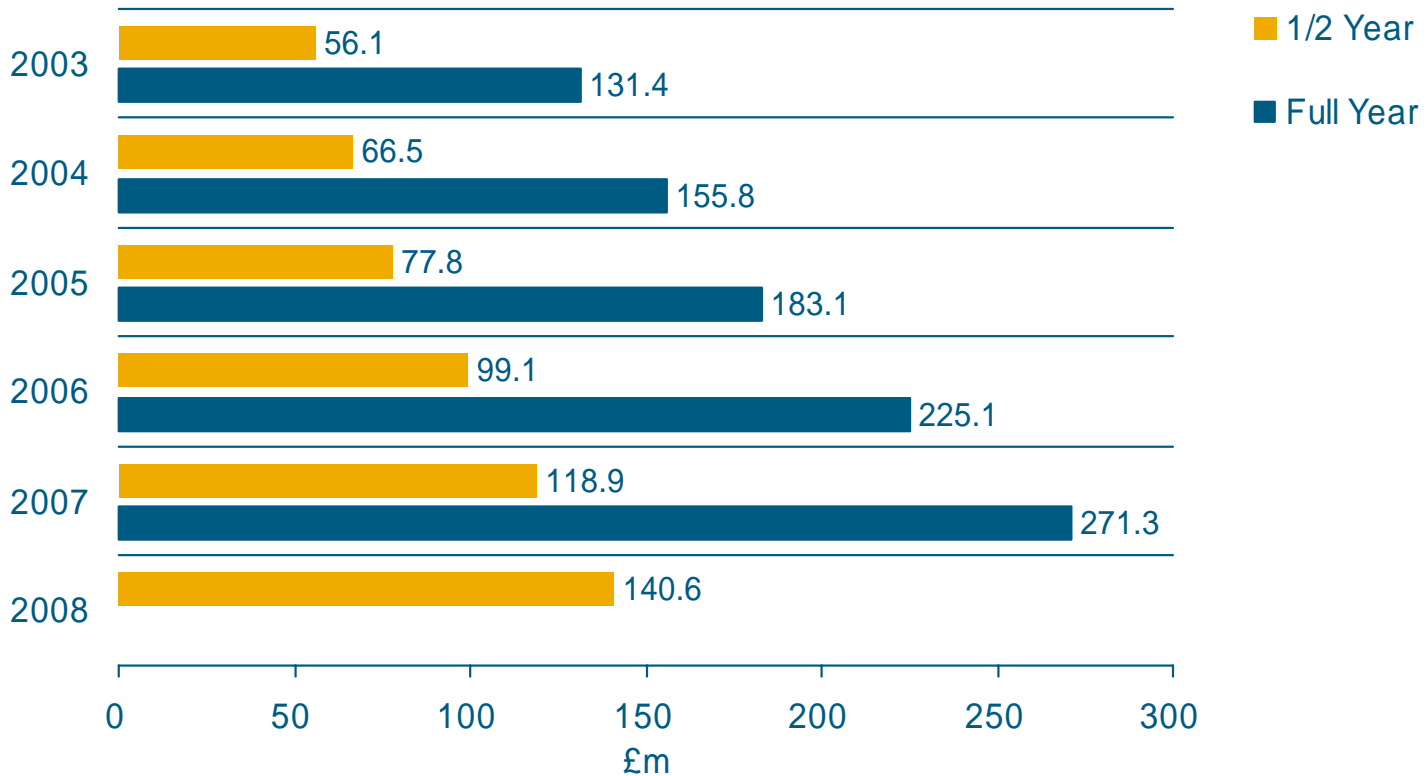
Financial results - profit before tax and amortisation

Comparative growth 16%

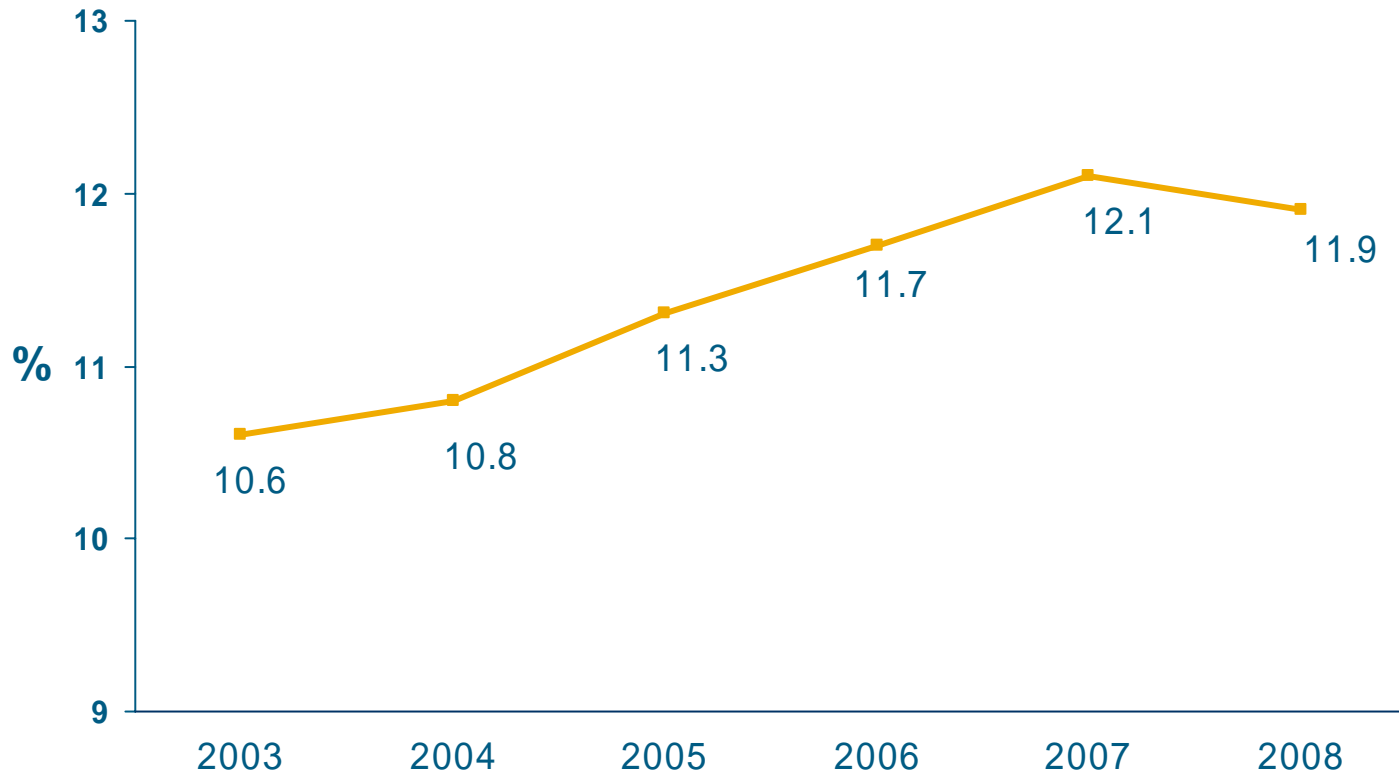


Financial results - operating profit before amortisation

Comparative growth 18%



Financial results - half year operating margin after share based payment

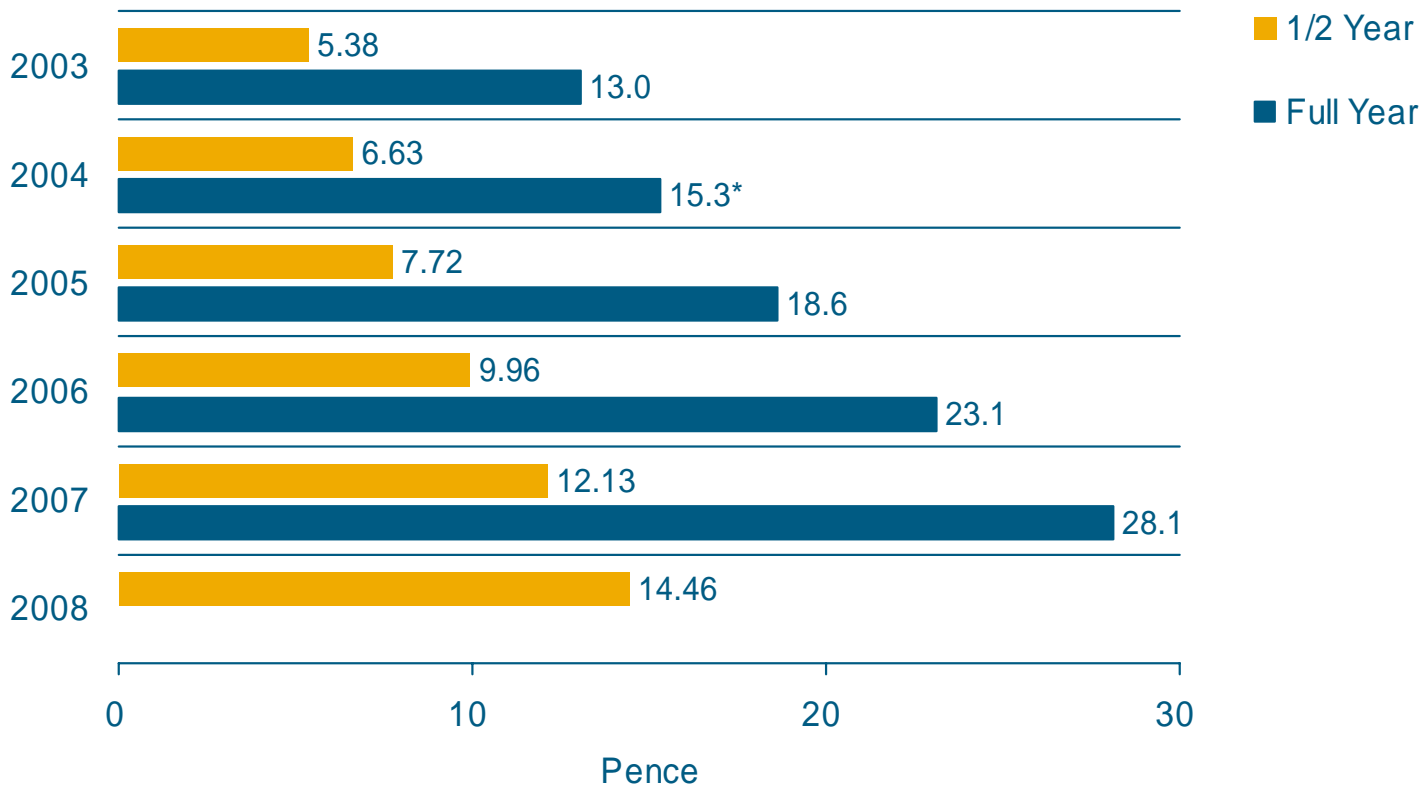


Financial results - sustaining our margins

- Current year decrease due to implementation costs of large life and pensions contracts and lower margin in ComputerLand acquisition
- Underlying trend still for margin to widen
- Adding value to our clients' business
 - selecting opportunities which focus on innovation, not price
 - identifying ways of enhancing customer's P & L
- Benefits of scale
 - ever increasing economies of scale and use of technology
 - increased utilisation of business centres
 - offshoring back office to India
 - improved purchasing power
- Financial discipline
 - unremitting focus on cost base

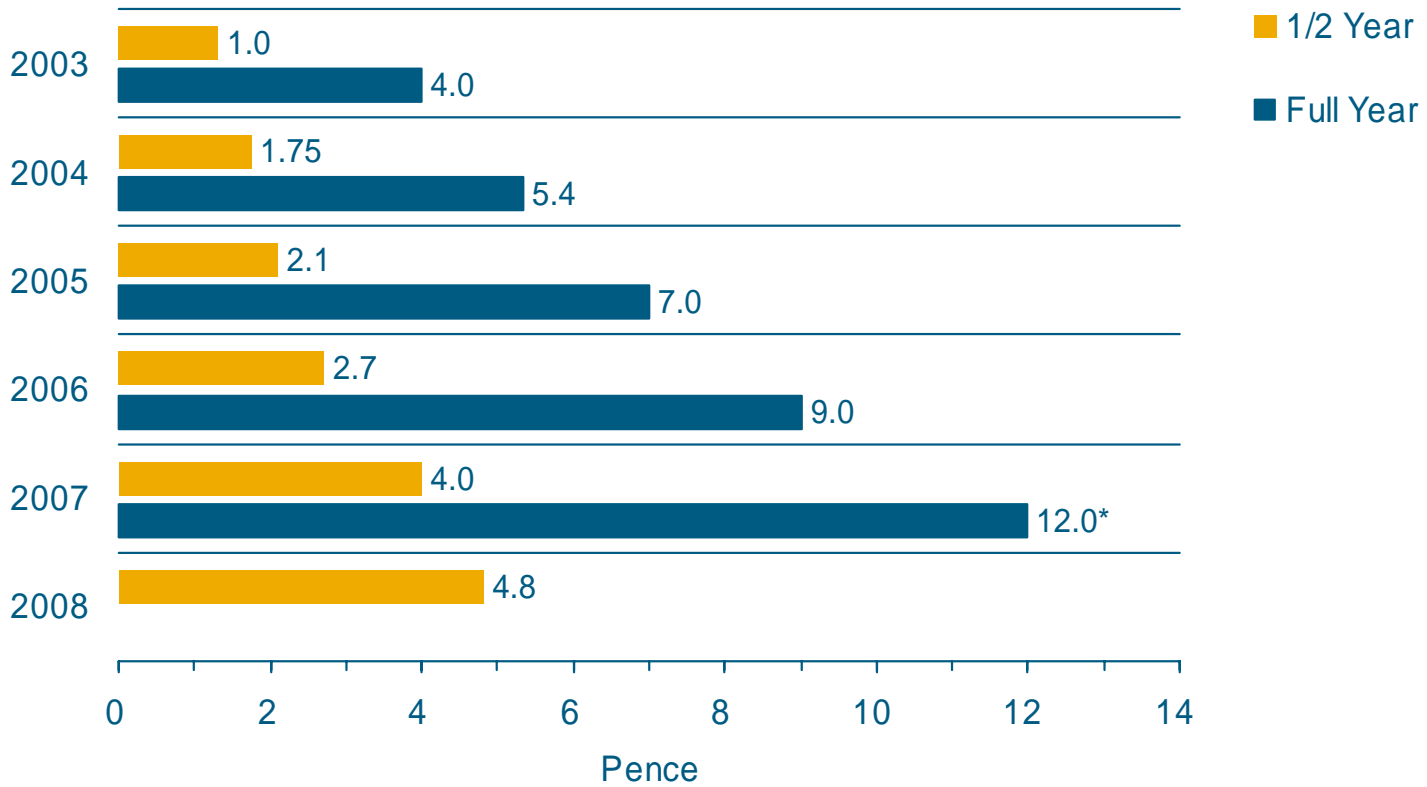
Financial results - earnings per share before amortisation

Comparative growth 19%



Financial results - dividends

Comparative growth 20%

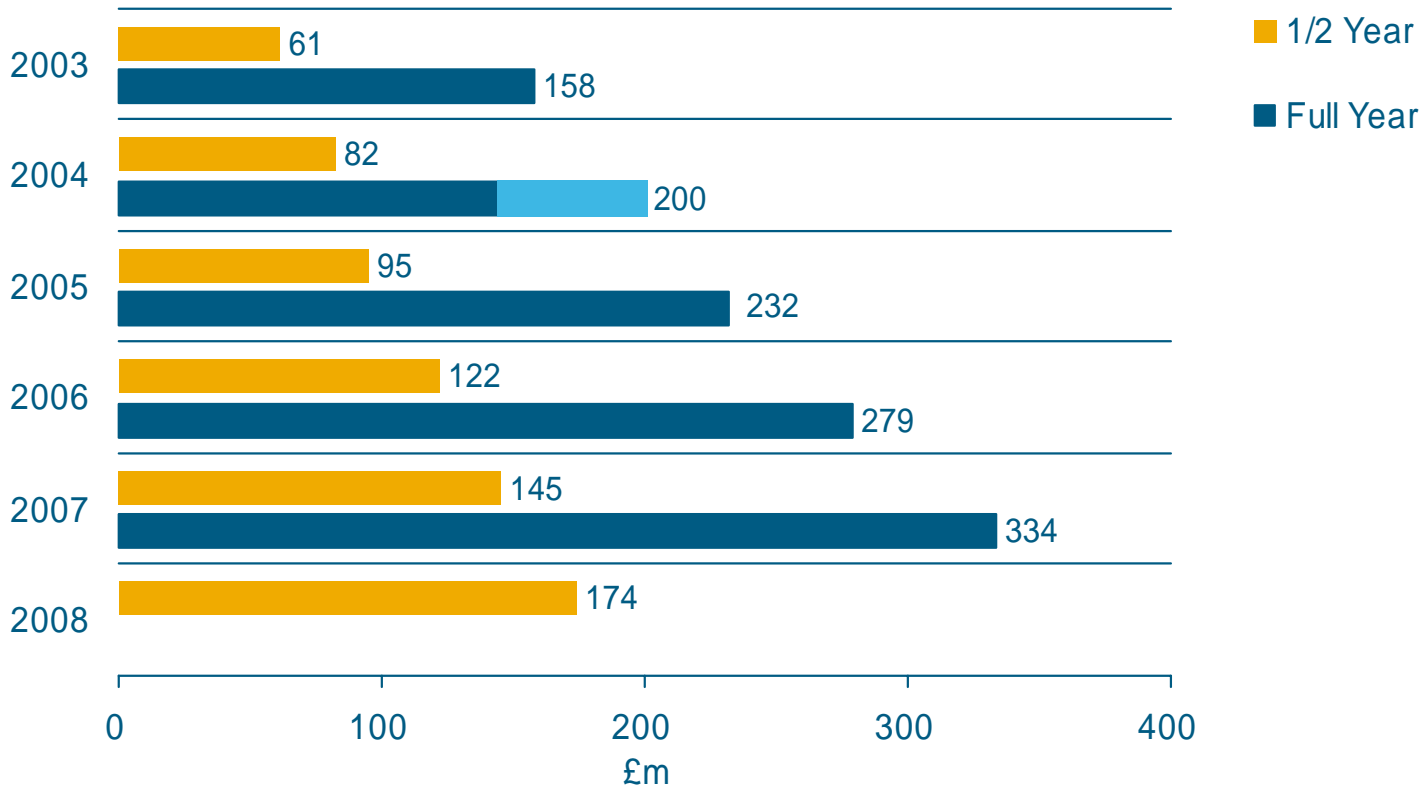


Financial results - cash flow statement

	£m 6 months to 30 June 2008	£m 6 months to 30 June 2007
Cash flow from operating activities	174	145
Net interest paid	(20)	(15)
Taxation paid	(19)	(15)
Capital expenditure	(33)	(32)
Free cash flow	102	83
Acquisitions and disposals	(55)	(52)
Equity dividends paid	(49)	(39)
Share buybacks	(66)	(29)
Investments in insurance captive	-	(5)
Share option proceeds	17	27
Loan notes repaid	-	(33)
Other financing	-	8
Decrease in cash in the period	(51)	(40)

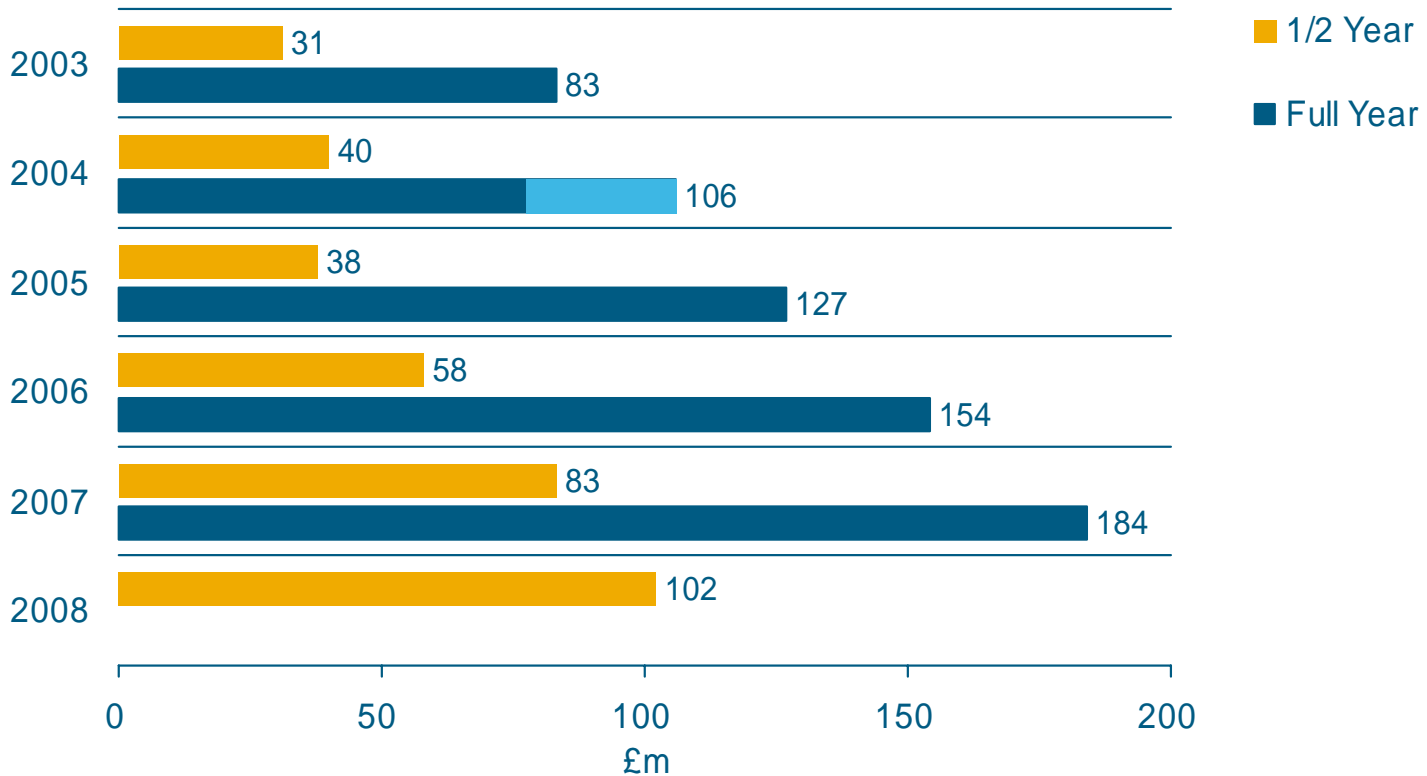
Financial results - cash flow from operating activities

Comparative growth 20%

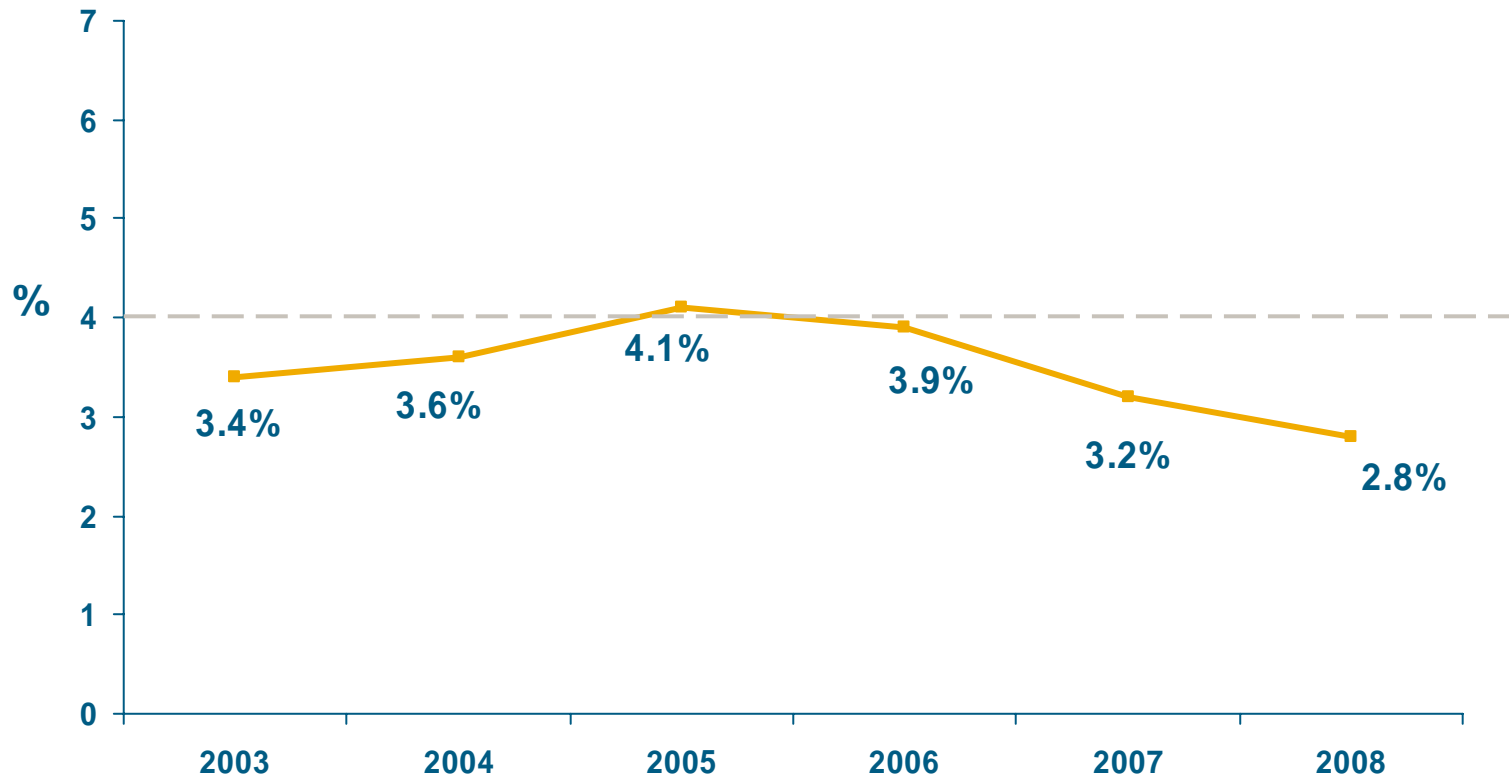


Financial results - free cash flow

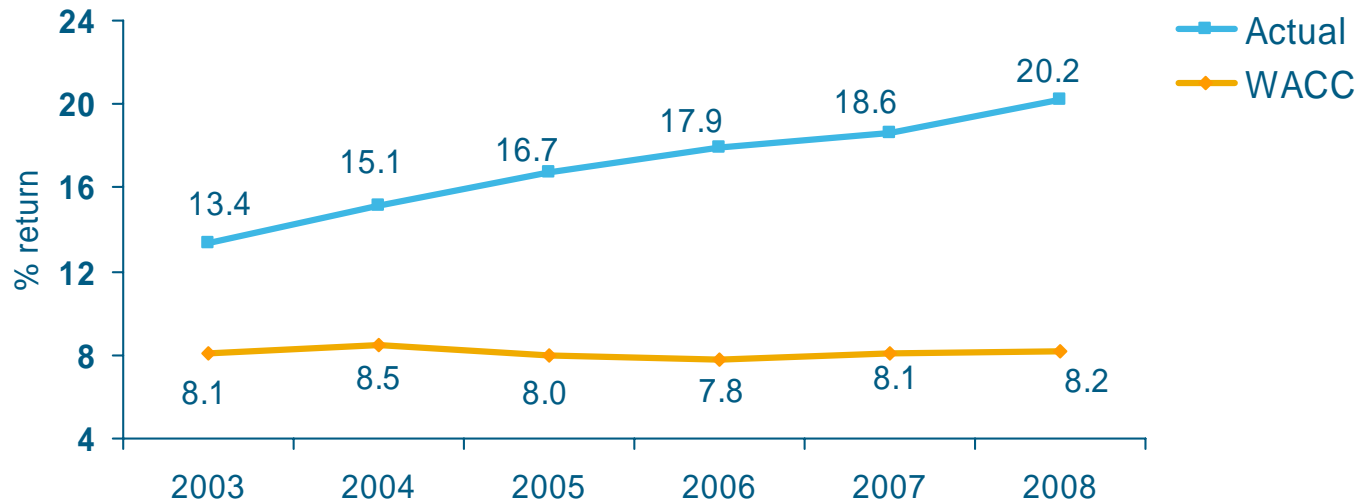
Comparative growth 23%



Financial results - half year capex as % of turnover

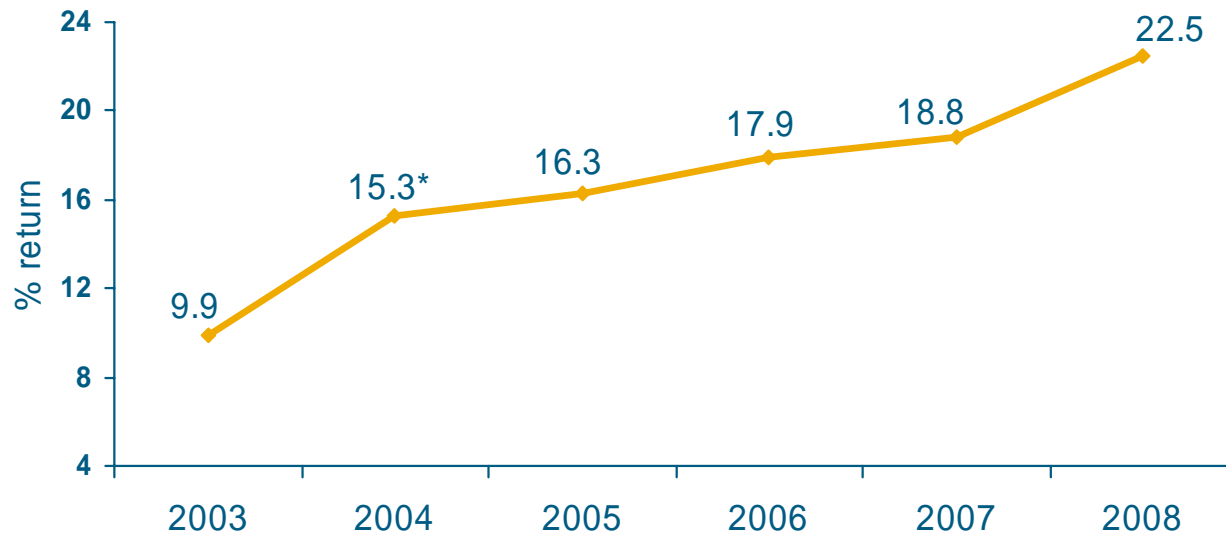


Financial results - % net return on capital (debt plus equity) – 12 months to 30 June 2008



	2003	2004	2005	2006	2007	2008
PBIT (normalised)	119	142	167	204	245	293
Avg capital (£m)	634	674	719	823	954	1061
Tax (%)	28.6	28.2	28.1	27.7	27.7	27.0

Financial results - % free cash flow return on capital (debt plus equity) – 12 months to 30 June 2008



	2003	2004	2005	2006	2007	2008
FCF (pre interest)	63	103*	117	147	179	239
Avg capital (£m)	634	674	719	823	954	1061

* Exceptional pension payment

Financial results - balance sheet gearing

	£m 30 June 2008	£m 30 June 2007
Net debt		
Bond debt	479	379
Bank facilities drawn	97	31
Loan notes	6	6
Total net debt	582	416
Interest cover	7.5x	8x
Net debt to EBITDA	1.7	1.4

Financial results - share buybacks

- We undertake opportunistic share buybacks where market conditions allow
- **2008 update:**
 - 10m shares (1.6% of share capital) bought back at average of £6.62
 - cost £66m (including stamp duty)
 - shares in issue at 30.06.08 – 605m

Fuelling growth through contract wins and acquisitions

Paul Pindar
Chief Executive

Fuelling growth - contracts secured in first 6 months of 2008

Marsh Ltd	Principle Insurance Holdings*	Sefton MBC	Teachers' Pension Scheme
New contract £187m 10 years	New contract £87m 8 years	Preferred bidder £70m 10 years	Extension £10m 1 year
eircom	3 Welsh Councils**	Service Birmingham	Health and Safety Executive
New contract £17m 5 years	Preferred bidder £75m 15 years	Additional contract £110m 8 years	New contract £70m 5 years

Total value of contracts secured in first 6 months of 2008: £626m

Fuelling growth - contracts secured in July 2008

NHS Choices	Contracts £10m - £50m
Preferred partner £60m 3 years	6 deals Aggregate value: £127m

Total value of contracts secured in July 2008: £187m
Total value of contracts secured to date in 2008: £813m

Fuelling growth - rebid of existing major contracts

2008	2009	2010
None	None	DCSF*: National Strategies £35m p.a.
2011	2012	
None	TV Licensing £50m p.a. CRB £40m p.a.	

Criteria: more than 1% of 2007 turnover

Fuelling growth - bid activity

- Bid pipeline* of £3bn comprising 24 bids (Feb 2008: £2.5bn; 25 bids)
- Current win rate remains 1:2
- Most active markets: life and pensions and local government
- Lengthening list of suspects and prospects: Current economic climate focusing minds on differing business models to deliver cost efficiencies and service flexibility

Fuelling growth - Sefton Metropolitan Borough Council

£70m over 10 years

- Strategic partnership to deliver property and highways services
- Delivered by Capita's property and infrastructure consultancy, Capita Symonds
- 150 Council employees to transfer under TUPE to Capita Symonds on 1 October 2008
- Further negotiations progressing – an option to extend for a further 5 years
- Capita Symonds growing market share in local government and playing key role in Capita's strategic partnerships

Fuelling growth - Capita Glamorgan Consultancy

£75m over 15 years

- Joint venture between Capita Symonds and Bridgend County BC, Merthyr County BC and Rhondda Cynon Taf County BC
- Strategic partnership to deliver a range of highways, transportation, associated environmental management, and other related services
- Reinforces position as leading property and infrastructure consultancy in Wales
- Aims to create 100 jobs over next 5 years
- Partnership replaces GEC* with 76 employees transferring under TUPE
- Platform for long term sustainable growth and improved services in the area and will deliver substantial savings to the local authorities
- Service to commence 1 September 2008

Fuelling growth - Health and Safety Executive

£70m over 5 years

- To operate a new gas installer registration scheme in GB, replacing the CORGI scheme, and to renew focus on gas safety
- Purpose will be to carry out gas installer registration, inspection and raise awareness of gas safety issues amongst gas consumers
- New, highly targeted and effective registration scheme to reduce administration and cost burden on registered installers
- Close collaboration with other industry bodies
- Around 250 CORGI employees will transfer under TUPE to the new scheme
- Operation of the scheme to start on 1 April 2009

Fuelling growth – Department of Health: NHS Choices

£60m over 3 years

- Selected to develop and deliver NHS Choices, the digital channel connecting citizens and intermediaries with the NHS
- Responsible for hosting, technical and content development of online and related digital services
- Supporting services: interconnected marketing and promotion of online presence and information campaigns
- Draws on expertise of Capita businesses and benefits from channels to market through clients and their communities
- At heart of UK's health service strategy and a key platform for Capita and its businesses to extend their work across the health market
- Contract is subject to finalisation, with service commencement expected September 2008

Fuelling growth - acquisitions

- We continue to acquire small to medium sized companies that:
 - strengthen existing market positions
 - build economies of scale
 - generate sustainable, quality revenues
 - bring complementary skills and services
 - create new market opportunities
 - access a new customer base
 - help us to grow organically

“Very healthy flow of opportunities”

Fuelling growth - 2008 acquisitions

ComputerLand UK	Lancaster Insurance Services	IBS OPENSsystems
IT Services £27.8m*	Insurance £16.5m	Software Services £69.6m*
	Acquisitions below £10m	
	5 acquisitions	
	Aggregate value: £14.9m	

Total spent on 8 acquisitions in 2008: £128.8m

Fuelling growth - ComputerLand UK

Acquired for £27.8m

- Provides IT and managed IT services to the public and private sectors
- Sits alongside Capita's existing capabilities in managed IT services
- Enables Capita to direct IT expenditure by Capita businesses and clients to ComputerLand, retaining spend within the Group
- Enables Capita to offer enhanced propositions to existing and new clients
- Healthy pipeline of cross-selling opportunities identified and discussions initiated
- Trading is in line with expectations

Fuelling growth - Lancaster Insurance Services

Acquired for £16.5m

- Specialises in broking insurance for classic cars
- Adds new, specialist expertise and cost synergies to Capita's personal insurance intermediary and administration business
- New economies of scale enhance position for future negotiations with insurers and increases product offer to existing customers
- Transfer into the Group has gone smoothly and trading is in line with expectations

Fuelling growth - IBS OPENSystems

Acquired for £69.6m

- Software systems and related services for the management of social housing and local authority revenues and benefits in the UK
- Adds to the breadth of Capita's existing capabilities, particularly in housing systems for local authorities and housing associations
- Strengthens offering and enlarges customer base
- Opportunities for significant synergies

Maintaining operational performance

Simon Pilling

Joint Chief Operating Officer

Maintaining operational performance - KPIs

- Managing resources well:
 - maintain high retention rate for senior managers – 89%
 - maintain employee retention rate at or above industry average – 82%
- Building scale and capacity:
 - continue to grow our infrastructure of business centres to meet the needs of our growing business – 56 business centres
- Create successful supplier relationships:
 - audit 50% of suppliers against Capita standards of business – 41% audited
- Socially responsible business practice:
 - reduce our impact on the environment through measuring and assessing our carbon footprint – 58,523 tonnes

Maintaining operational performance – scale of operations

- We administer over 22m life, savings and pensions policies
- We administer over £14bn of insurance claims liabilities
- We handle 25m customer contacts through our 22 centres
- We manage shareholder communications to over 6m shareholders
- We provide benefits services to over 100 local authorities
- Our council tax software issues over 12m bills and collects over £6.5bn in council tax each year
- We provide management information software to 22,000 schools, managing information relating to 10m pupils
- We produce 9.7m payslips each year
- We process 500,000 travel bookings each year
- We scan in excess of 200m images on behalf of our clients per annum

Maintaining operational performance - expanding capabilities: Business Centres October 2008

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 market place

48 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

Maintaining operational performance - expanding capabilities: Capita India

- Quality service delivery operation:
 - supports Group businesses and clients
 - valued processes across BPO and KPO
 - highly productive, quality operation
- Aim to become leading business process operator for UK market in India
- Over 3,000 people by end 2008, staff numbers expected to grow more rapidly than rest of Group

Maintaining operational performance - our offshore strategy is to deliver a fully integrated operation



Our India centres operate like any other Capita business ...

Same operating model

Same HR & training programmes

'Capita Values'

Same technical infrastructure

Maintaining operational performance - integration of Capita and PPMS

Capita

- 1,350 staff
- 2 facilities in Mumbai, 1 in Pune
- Strong management team
- Broad range of services across a variety of clients
- Industry leading 20% attrition

PPMS (in-scope)

- 1,350 staff
- 1 facility in Mumbai
- Management team hired from leading outsourcing companies in India
- Largest UK life and pensions service provider in India
- Made shortlist of top 40 - Hewitt's "Best Employer" survey in India

CAPITA

- 2,700 staff
- 4 facilities, 3 in Mumbai and 1 in Pune
- Combined management team with diverse experience and exposure
- Identifying best practices of both businesses and bringing them together
- Strongest UK life and pension offshore platform for additional growth

Maintaining operational performance - strong operational track record

- Busy period of major contract starts, transferred services including large element of offshoring
- Smoothly transitioned 5,800 people over last 10 months
- Tried and tested transition process but resource hungry
- Invested in management teams to support future growth
- Strong operational track record creates valuable pool of referees

Maintaining operational performance – contract example: TV Licensing

Client objective: Sales focused operation to reduce evasion, encourage growth in licensed population and reduce operational cost

Scope: £500m, 10 year contract commenced on 1 July 2002

Progress:

- Paying population grown by 1 million households through a combination of factors, contributing a further £130m p.a. to the BBC
- Increase in sales and enforcement visits to 5.5m last year
- £3.3bn BBC revenue collected through a range of Capita led contact channels in 2007/08



Maintaining operational performance – contract example: TV Licensing

Progress:

- Service enhancements delivering increased efficiency and reducing staff numbers and increased remit:
 - New scanning and workflow system – reduced processing time and increased flexibility of delivery from any Capita TV licensing operation (including offshore)
 - Introduced handheld wireless technology to enforcement team – year on year staff productivity improvements of 6% for last 4 years
 - Innovative GUI interface on contact centres' legacy mainframe system and new self service feature realising c. £1.6m savings p.a.
 - Investment in new web infrastructure – will generate equivalent cost saving of £550k p.a.
 - Established 100 strong salaried sales force – generates additional £17m p.a. revenue to BBC from previously unreachable communities



Maintaining operational performance – contract example: Southampton City Council

Client objective: Reduce cost, transform the public services and improve service delivery to citizens and local businesses in Southampton

Scope: £290m, 10 year contract delivering wide range of services including customer services, IT, property and HR administration. Contract commenced October 2007

Progress:

- Approx 650 staff transferred under TUPE arrangements
- Development of a contact centre and a 'one stop shop' which will become first point of contact for all Council services
- Significant improvement in performance and teams from both the Council and Capita continue to work together to deliver high quality services to the community
- Partnership has improved overall value for money and increased investment that was not possible in the past



Maintaining operational performance – contract example: Co-operative Insurance

Client objective: Deliver service and quality improvements, address risk of legacy administration processes and systems, reduce operating costs and support growth of Co-operative Financial Services operations

Scope: £270m, 10 year contract administering 4.5m life and pensions and unit trust policies

Progress:

- November 2007: more than 800 staff transferred with no disruption to operational service
- Q2 2008: smoothly moved 700 Manchester based staff to Capita premises
- Transferred all admin related correspondence to Capita Communications print facility in Birmingham
- Q3 2008: first platform migration due for implementation
- Significant step up in operational service since service start

The **co-operative** financial services
good with money

Maintaining operational performance – optimising resources and infrastructure

- Maximise and leverage Group-wide supply contracts
 - 2007 - £3.9m savings
 - 2008 – to end June £3.1m
 - supplier rationalisation programme
 - greater use of technology to automate and control authorisation
- Sustainable procurement
 - 100% electricity purchased certified as from renewable resources
 - commitment to support SMEs and minority suppliers
 - ensure ethical procurement
- Energy efficiency
 - target across largest sites: 12% reduction by end 2008. Achieved 8% by end 2007 and on track
 - model refurbishment office project in Basingstoke – 40% energy savings

Maintaining operational performance – what our clients say

“Right from the outset, we made it clear to potential bidders that we wanted a strategic partner and not a contractor. I am delighted that we have achieved exactly that and I am confident that our impressive transformation will gather even more momentum.”

– Gavin Jones, Chief Executive of Swindon Borough Council

“Capita’s initiatives and technological developments have brought the Teachers’ Pension Scheme to the forefront of pensions administration.” - Head of the DCSF Scheme Management Unit, 2007

“The improved performance of the CRB in recent years has been in no small part due to the efforts of our PPP partner, Capita.”

- Vince Gaskell, CEO Criminal Records Bureau

Prospects

Paul Pindar
Chief Executive

Prospects

- We remain very positive about future growth. Our markets continue to generate an encouraging volume of opportunities, our sales prospects are exciting and our operational performance is consistently strong
- Our successes in 2007 and progress in the first half of 2008 mean that the ingredients for a successful year are already in place
- We are now focused on building a strong platform for continued growth in 2009 and beyond

Results for the 6 months to 30 June 2008