

Results for the year ended 31 December 2010

CAPITA

Highlights

Paul Pindar
Chief Executive

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Highlights

- Good profit growth in a challenging environment
- Significant margin progression
- Healthy free cash flow
- 19% dividend increase
- Clear market leadership
- Increasing market activity – £4.7bn bid pipeline
- Indian operations continue to thrive
- Establishing operations in Krakow, Poland
- Well positioned for 2011

Financial results

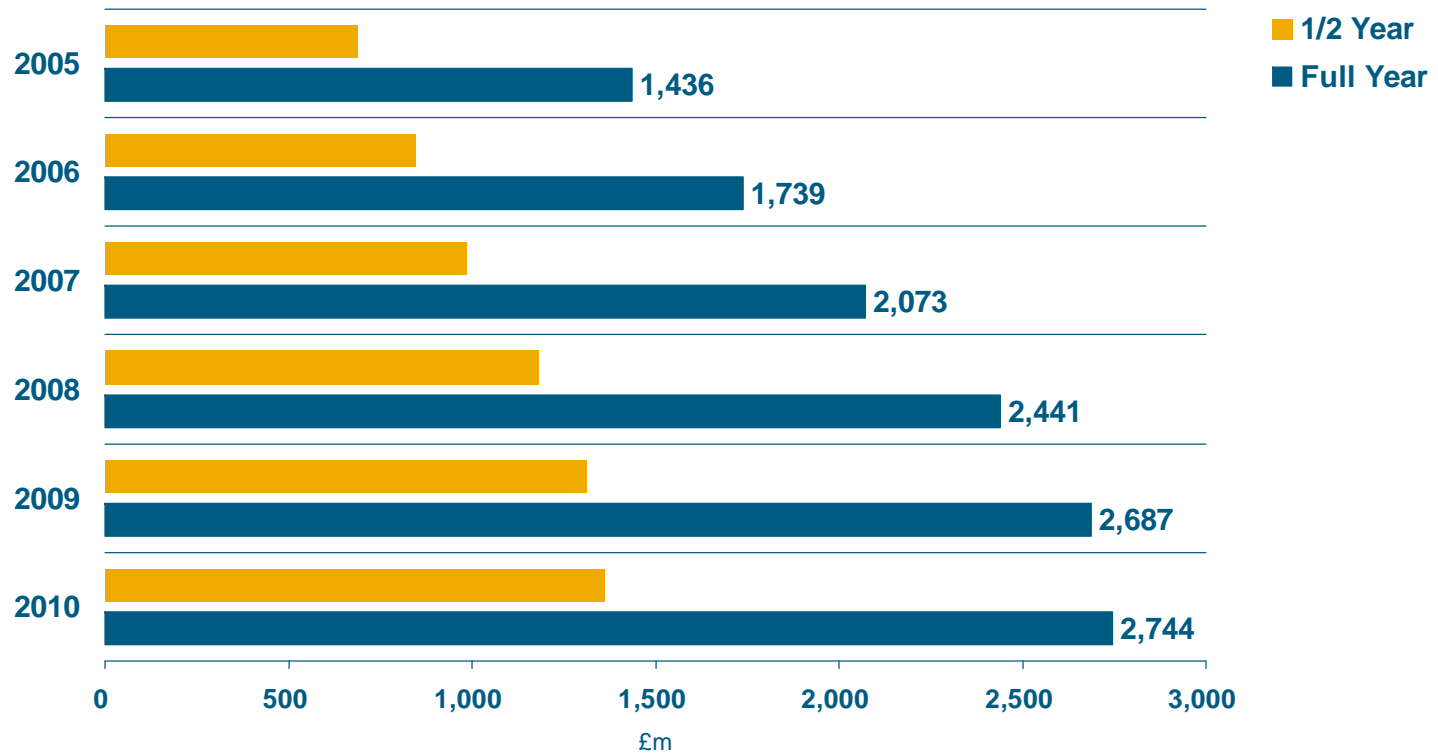
Gordon Hurst

Group Finance Director

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Financial results – turnover

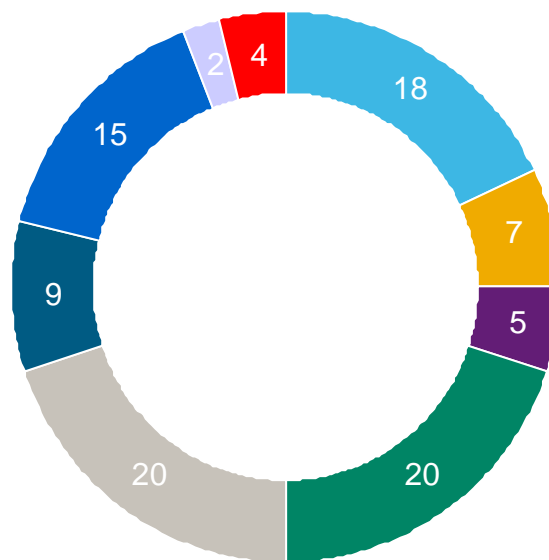
Annual growth 2%
5 year compound growth 14%



Financial results – turnover by market

Private sector 50% (2009: 50%)

Public sector 50% (2009: 50%)



- Life and pensions 18% (18%)
- Insurance 7% (8%)
- Financial services 5% (4%)
- Other corporates 20% (20%)
- Local government 20% (22%)
- Central government 9% (10%)
- Education 15% (12%)
- Transport 2% (3%)
- Health 4% (3%)

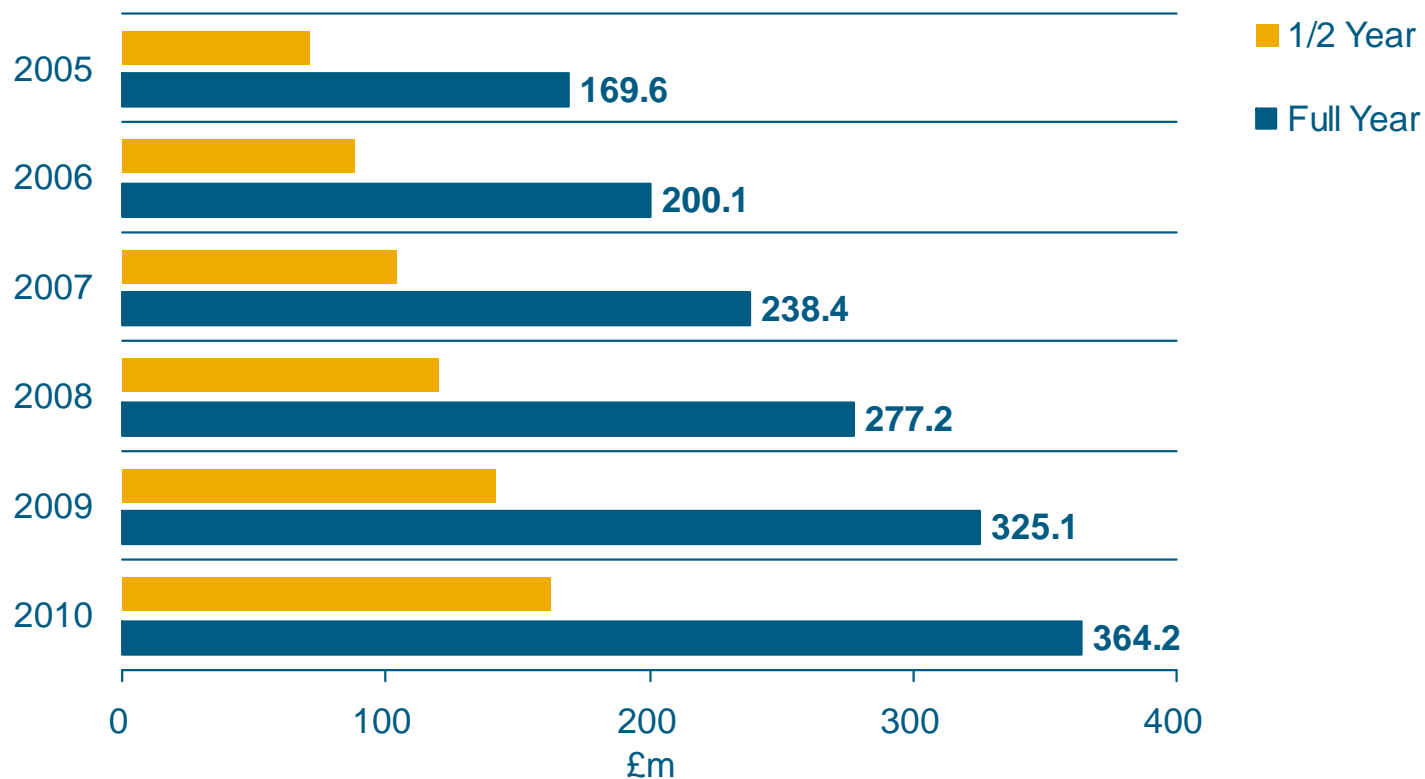
2010 year end (2009 year end)

Financial results – organic growth

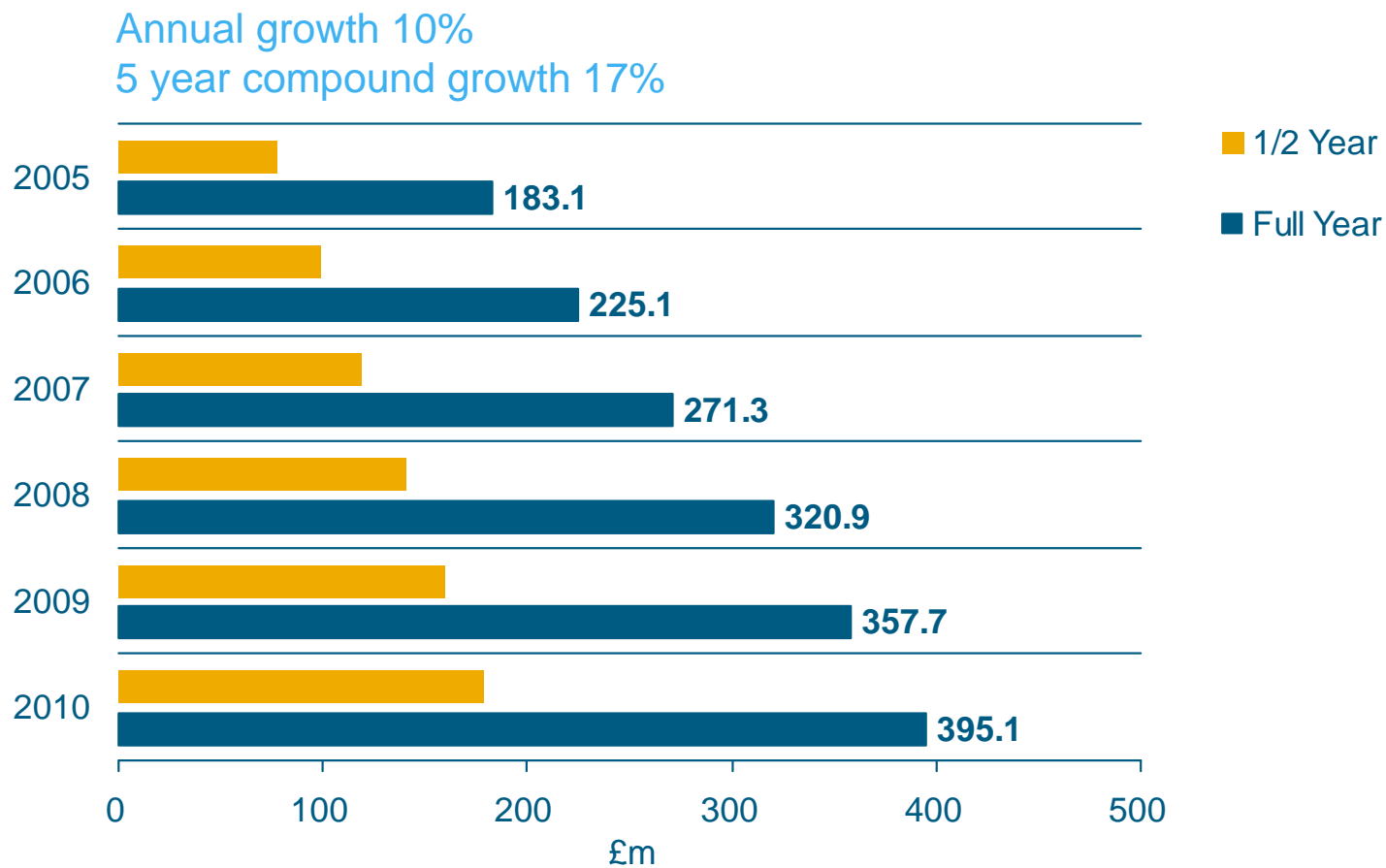
	£m 2010	£m 2009	Growth
Turnover	2744	2687	2%
2010 acquisitions	(106)	-	(4%)
2009 acquisitions	(130)	-	(5%)
Disposals	-	(39)	2%
Growth excl. acquisitions & disposals	2508	2648	(5%)
Revenue attrition	-	(154)	(6%)
Underlying organic growth	2508	2494	1%

Financial results – underlying profit before tax*

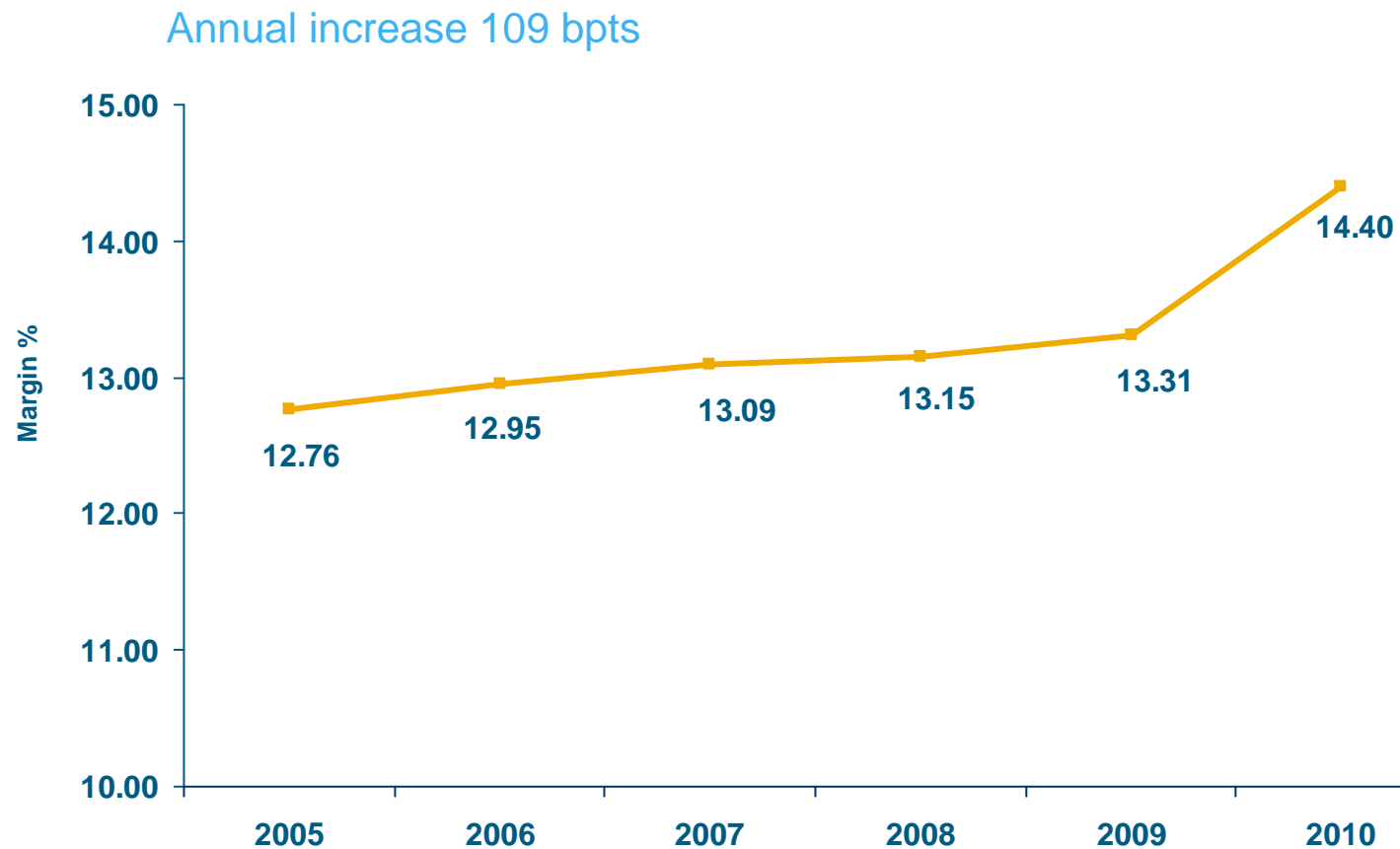
Annual growth 12%
5 year compound growth 17%



Financial results – underlying operating profit*



Financial results – underlying operating margin*



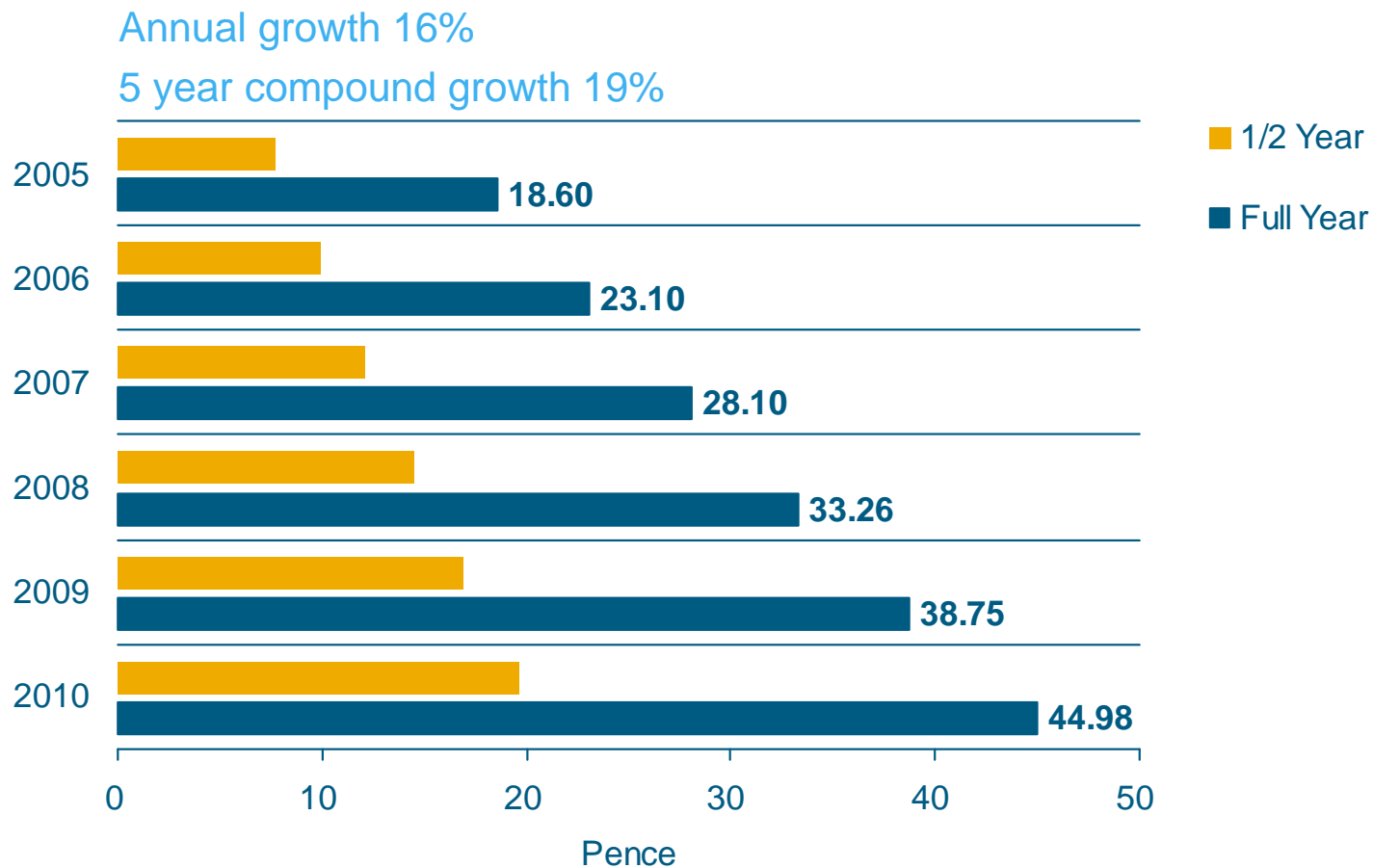
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* excluding intangible amortisation, acquisition expenses and non-cash impact of mark to market movement on financial instruments

Financial results – principal margin drivers

	<u>bpts</u>
Offshore profitability	21
IT server rationalisation	18
Insurance disposal	20
Turnarounds (print and document management)	17
CFG reduced losses	22
Capita Health consolidation	12
Full year contract efficiencies	28
Other contributing factors	(29)
	<hr/>
	109

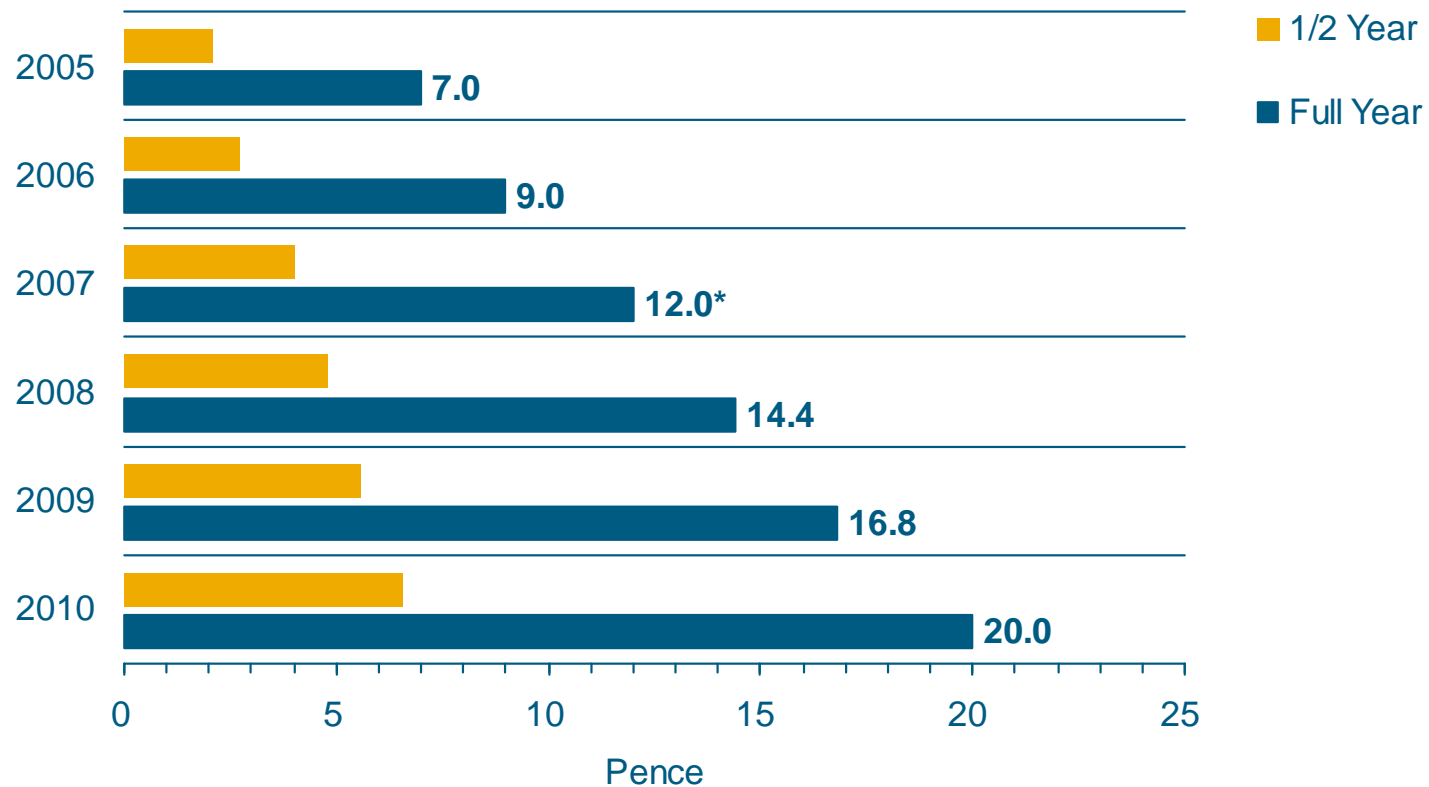
Financial results – underlying earnings per share*



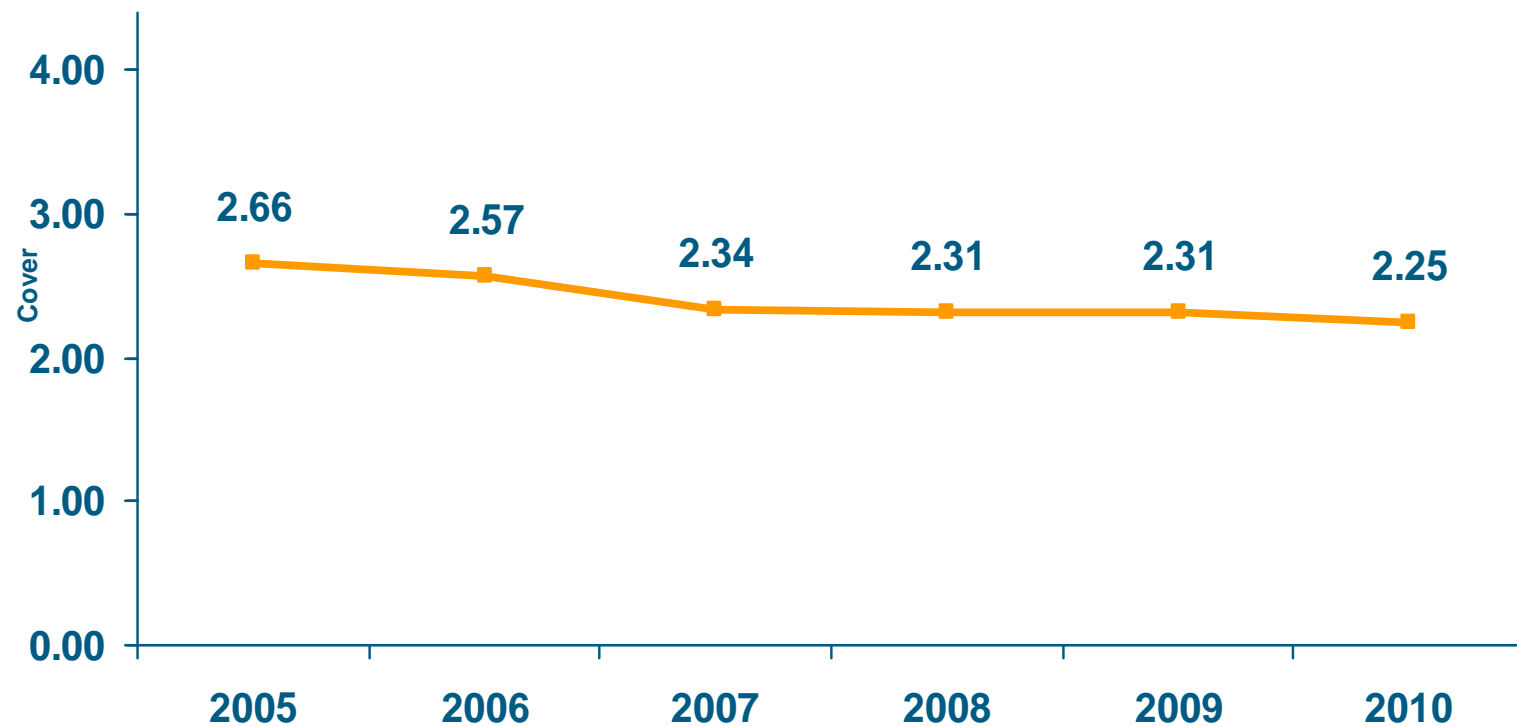
Financial results – dividends

Annual growth 19%
Dividend cover 2.25

5 year compound growth 23%



Financial results – dividend cover*



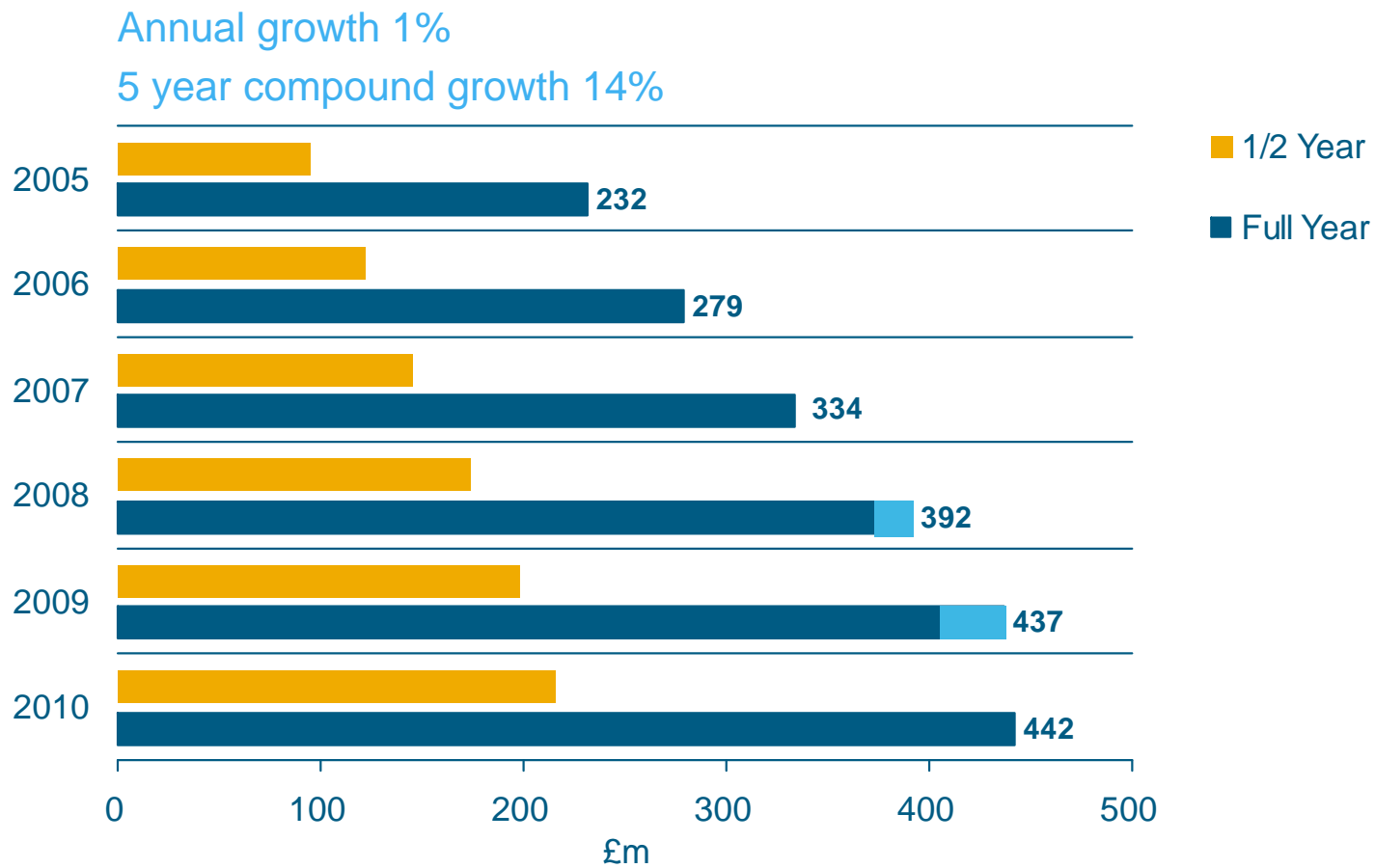
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* EPS used is excluding intangible amortisation, acquisition expenses and non-cash impact of mark to market movement on financial instruments

Financial results – cash flow statement

	£m 2010	£m 2009
Cash flow from operating activities*	442	437
Net interest paid	(32)	(31)
Taxation paid	(71)	(58)
Capital expenditure	(98)	(68)
Free cash flow	241	280
Exceptional pension payment	-	(40)
Acquisitions	(216)	(173)
Debt repaid on acquisitions	(96)	-
Disposals	-	8
Equity dividends paid	(109)	(93)
Share buybacks	(116)	-
Net Bond issue/ (repayment)	253	(100)
Share option proceeds	20	25
Bank finance (repaid)/raised	(200)	200
Other financing	(19)	(12)
(Decrease)/Increase in cash in the period	(242)	95

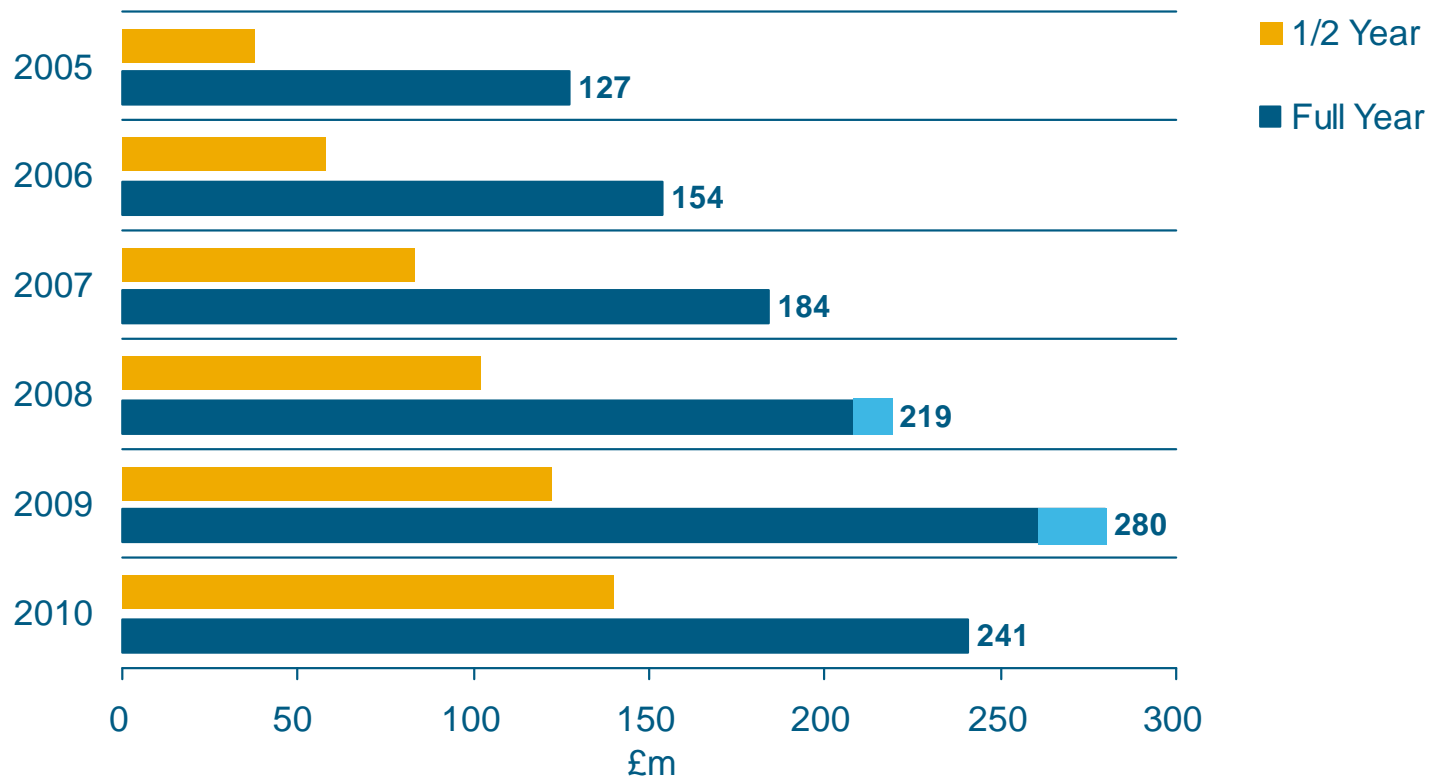
Financial results – cash flow from operating activities



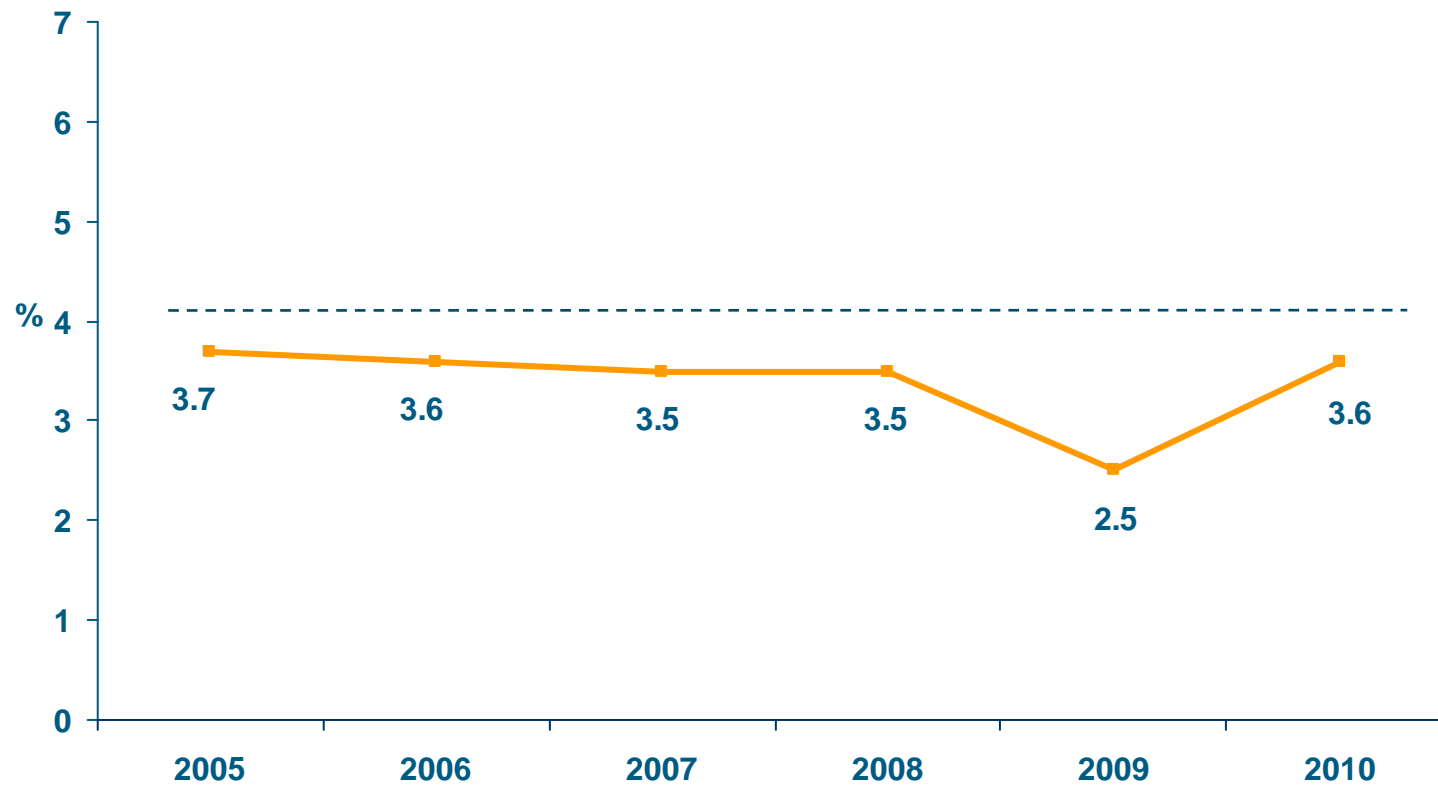
Financial results – free cash flow

Annual growth (14%)

5 year compound growth 14%

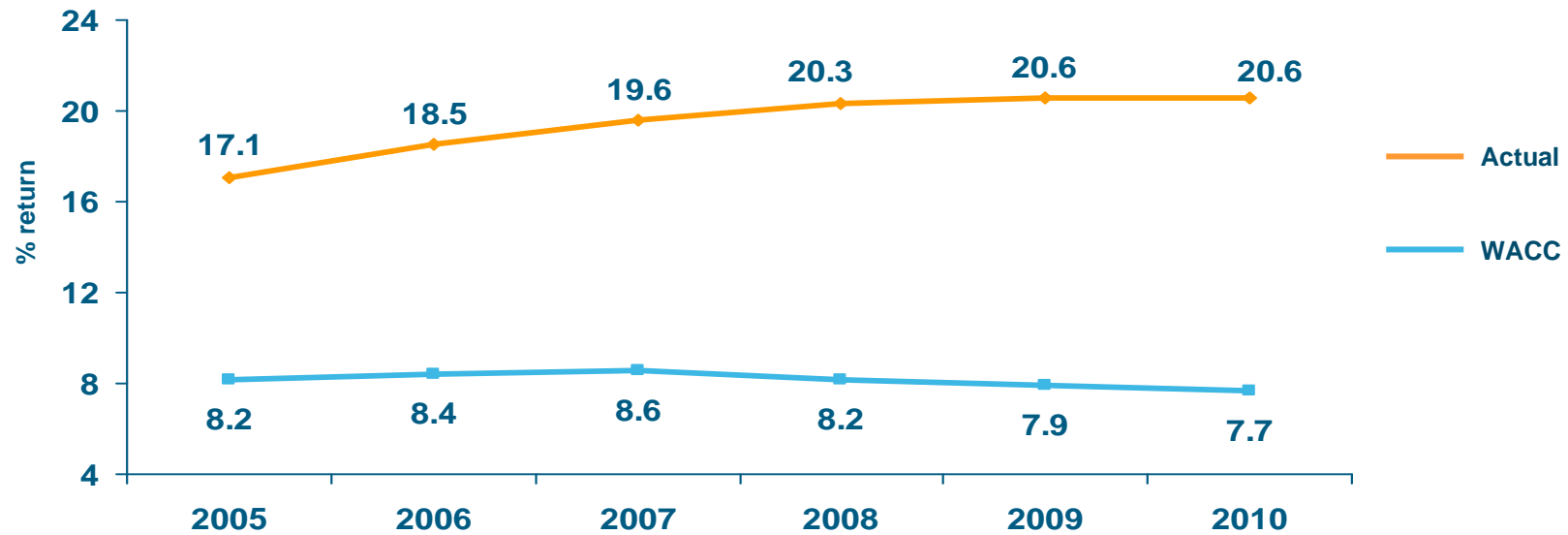


Financial results – capex as % turnover



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Financial results – underlying net return on capital*

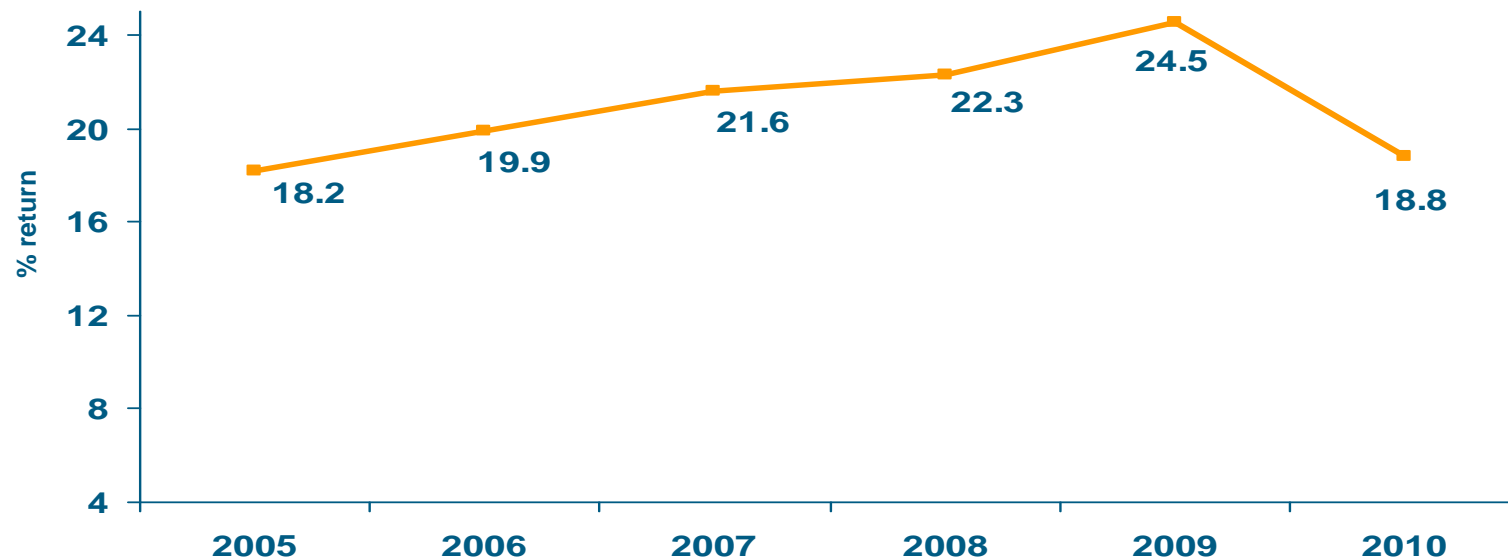


	2005	2006	2007	2008	2009	2010
PBIT	183	225	271	321	358	395
Avg capital (£m)	776	880	998	1155	1271	1451
Tax (%)	27.7	27.7	27.7	27.0	26.8	24.5

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* excluding intangible amortisation, acquisition expenses and non-cash impact of mark to market movement on financial instruments

Financial results – free cash flow return on capital*



	2005	2006	2007	2008	2009	2010
FCF (pre interest)	141	176	216	257*	311*	273
Avg capital (£m)	776	880	998	1155	1271	1451

Financial results – balance sheet gearing

	£m 2010	£m 2009
Net debt		
Bond debt †	834	582
Net bank facilities drawn / (deposit)	60	(182)
Loan notes	2	3
Bank term loan	-	200
Other	2	2
Total underlying net debt	898	605
Interest cover	12.4x	10.9x
Net debt to EBITDA	1.6*	1.5

Financial results – debt profile

US private placement

- June 2010: US private placement - £253m raised, 7 & 10 year notes, rates between 4.15% and 4.80%. Proceeds repaid more expensive £200m bank loan
- Jan 2011: £101m issue of 8 ½ year notes. Proceeds repaid revolving credit facility drawings

Bank debt facilities

- Existing £245m revolving credit facility (due to mature Dec 2011) refinanced in Dec 2010
- New 5-year £425m revolving credit facility (maturing Dec 2015) from 9 banks

31 Dec 2010 debt profile:

- £834m of private placement debt with maturities from 2012 to 2020. 50:50 fixed floating mix
- Substantially unutilised £425m revolving credit facility maturing in Dec 2015
- 31 Dec 2010: Net cash balance of £60m overdrawn

Financial results – returns to shareholders in respect of 2010

- 15.4m shares (2.5% of share capital) cancelled at average of 751p
 - Cost £116.2m (including stamp duty)
- Shares in issue at 31 Dec 2010 – 605.6m
- Including proposed final dividend, £237m returned to shareholders in 2010
- £1.1bn returned to shareholders over last 5 years

Generating growth through contract wins and acquisitions

Paul Pindar
Chief Executive

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Generating growth – revenue growth

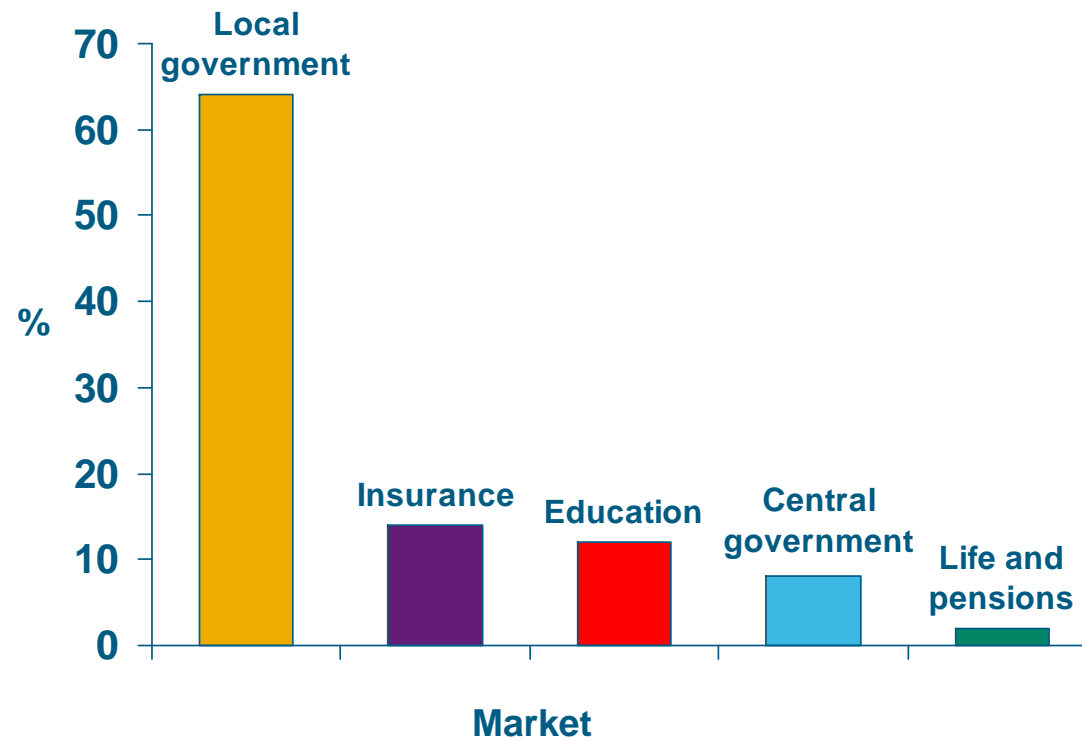
- Revenue growth subdued in 2010 due to:
 - slowdown in decisions on major outsourcing contracts
 - lower additional spend by existing clients
 - reduced activity in some transactional businesses due to constraints on public spending
- Higher than normal level of revenue attrition rate of 6% due to combined impact of number of project completions and contracts winding down or being taken in-house. Further 2% revenue reduction due to disposals
- Notwithstanding these challenges, Capita is positioned well for renewed growth in 2011

Generating growth – 2010 major contracts and extensions

Client	Value (£m)	Duration
Virgin Money	60	5 years
Harrow Council	50	10 years
West Sussex County Council	56	7 years
Service Birmingham	300	10 & 5 years
Contracts £10m - £50m	14 deals	Aggregate value: £329m

Total value of 18 contracts in 2010: £795m
(2009: 15 contracts, £1bn)

Generating growth – 2010 major contracts



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Generating growth – major contracts and extensions to date in 2011

Client	Value (£m)	Duration
Teachers' Pension Scheme	80	7 years
MetLife	120	10 years

Contracts £10m - £50m	3 deals	Aggregate value: £44m
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Total value of 5 contracts in 2011: £244m

Generating growth – Teachers' Pension Scheme

£80m over 7 years

- Appointed, following competitive process, to administer Teachers' Pension Scheme (TPS)
- 2nd largest public sector pension scheme in England and Wales, with 1.6 million members
- Capita awarded its first TPS contract in 1996
- Over last 14 years, we have driven down costs through delivery of innovative IT solutions, electronic document management and streamlining processes
- New contract is to enhance member engagement and promote knowledge of the scheme, offer new ways of working to assist employers to interact with the scheme and deliver new IT
- This will further reduce the administrative burden on both members and employers whilst delivering a cost effective service
- Will commence in October 2011 when current contract ends

Generating growth – MetLife

£120m over 10 years

- To provide customer servicing, policy administration, claims activity and related IT support for the entire range of MetLife's pension and bond products for customers in the UK and Ireland
- MetLife is a leading global provider of insurance, annuities and employee benefits and entered the UK pensions market, supported by its partnership with Capita, in 2007
- In 2010, it achieved 'Company of the Year' and a '5 star service' ranking in the Financial Adviser awards
- Contract underlines MetLife's long term commitment to growth in the expanding UK retirement income market
- Under this larger contract, our integrated operating infrastructure will not only deliver further cost and quality benefits but will also provide a flexible platform for MetLife's growing business
- Contract will be serviced from a centre of excellence in Belfast

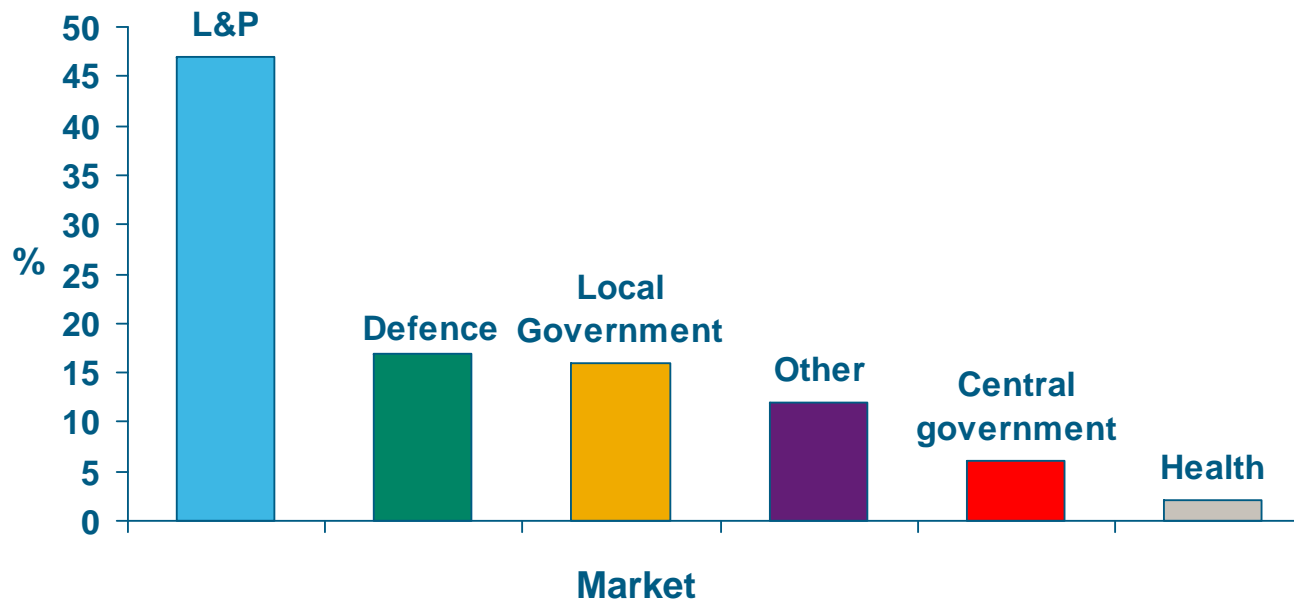
Generating growth – existing major contracts due for rebid

Year	Contract	Original value per annum (£m)*
2011	None	
2012	TV Licensing	50
	CRB	40
2013	None	
2014	None	
2015	None	

Criteria: more than 1% of 2010 turnover
*Revenues based on original contract value

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

Generating growth – bid activity



- Bid pipeline* of £4.7bn comprising 30 bids (Feb 2010: £3.7bn; 26 bids)
- Average contract length in bid pipeline – 8 years
- Prospect and suspect lists buoyant
- Capita's financial stability is a key competitive advantage

Fuelling growth – 2010 acquisitions

Total spent on 12 acquisitions in 2010: £301m

(12 acquisitions in 2009: £177.5m)

Health and medical services

Acquisition	Value (£m)
Premier Medical Group	60.0
iSoft Business Solutions	23.0
FirstAssist Service Holdings Ltd	12.5

Property consultancy

NB Real Estate	10.0
Inventures	6.8 (+ 5.0)

Insurance

National Dental Plan	30.0
Sureterm Direct	8.0 (+ 1.5)

IT and SI Services

SunGard Public Sector Ltd	86.0
Ramesys	15.0

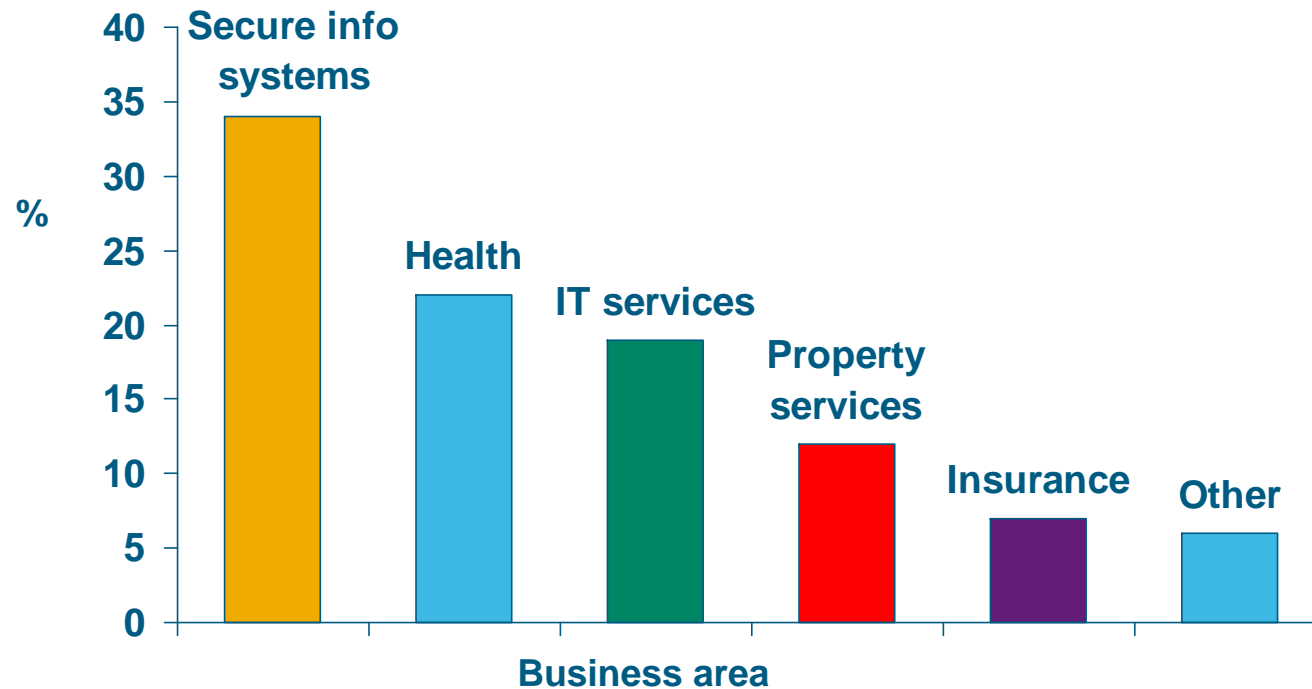
Travel administration

BSI Holdings Ltd	42.5
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Financial services and debt management

Ross & Roberts	5.0
PAL Services	1.9 (+ 1.9)

Generating growth – 2010 acquisitions



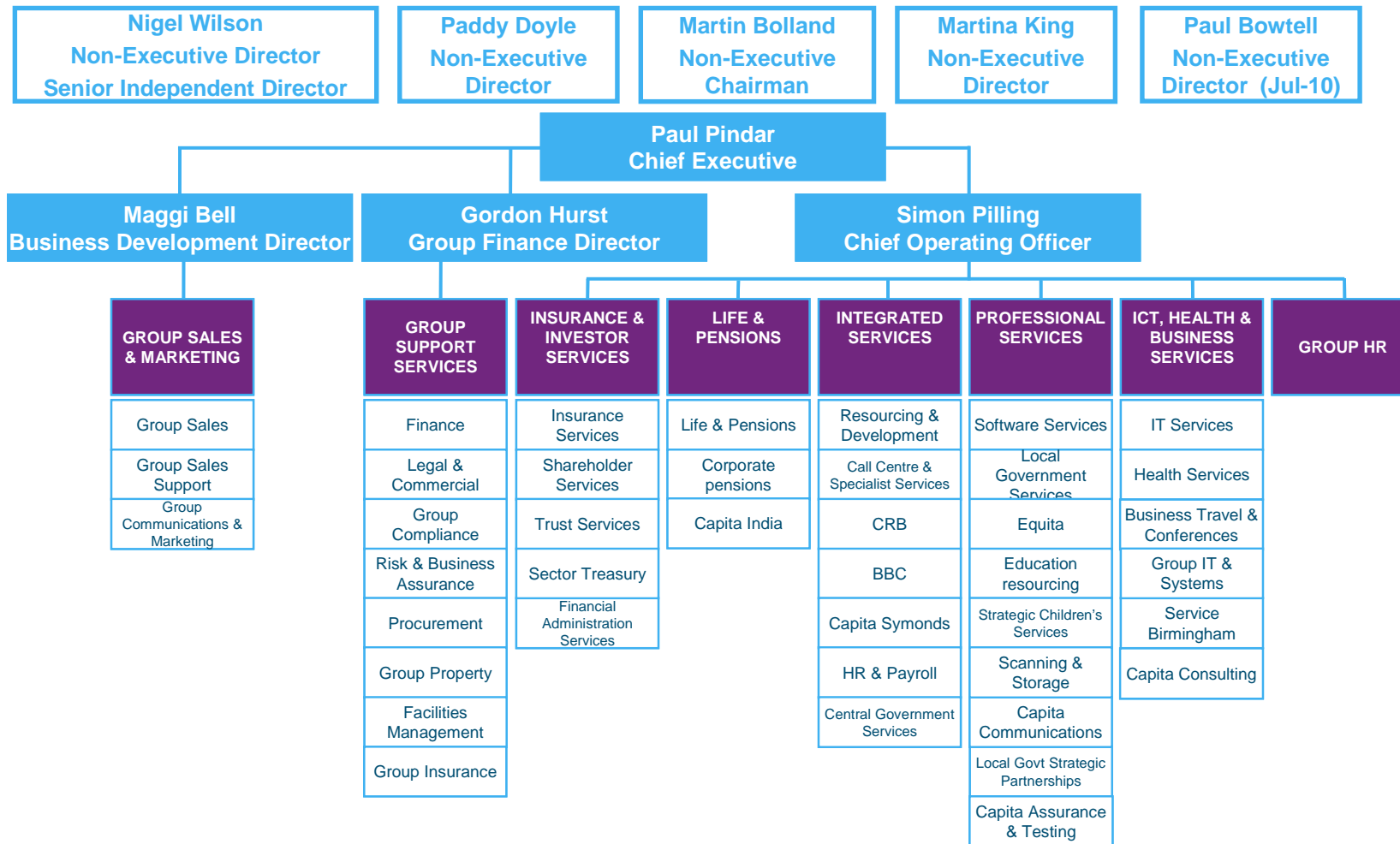
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Fuelling growth – 2011 year to date acquisitions

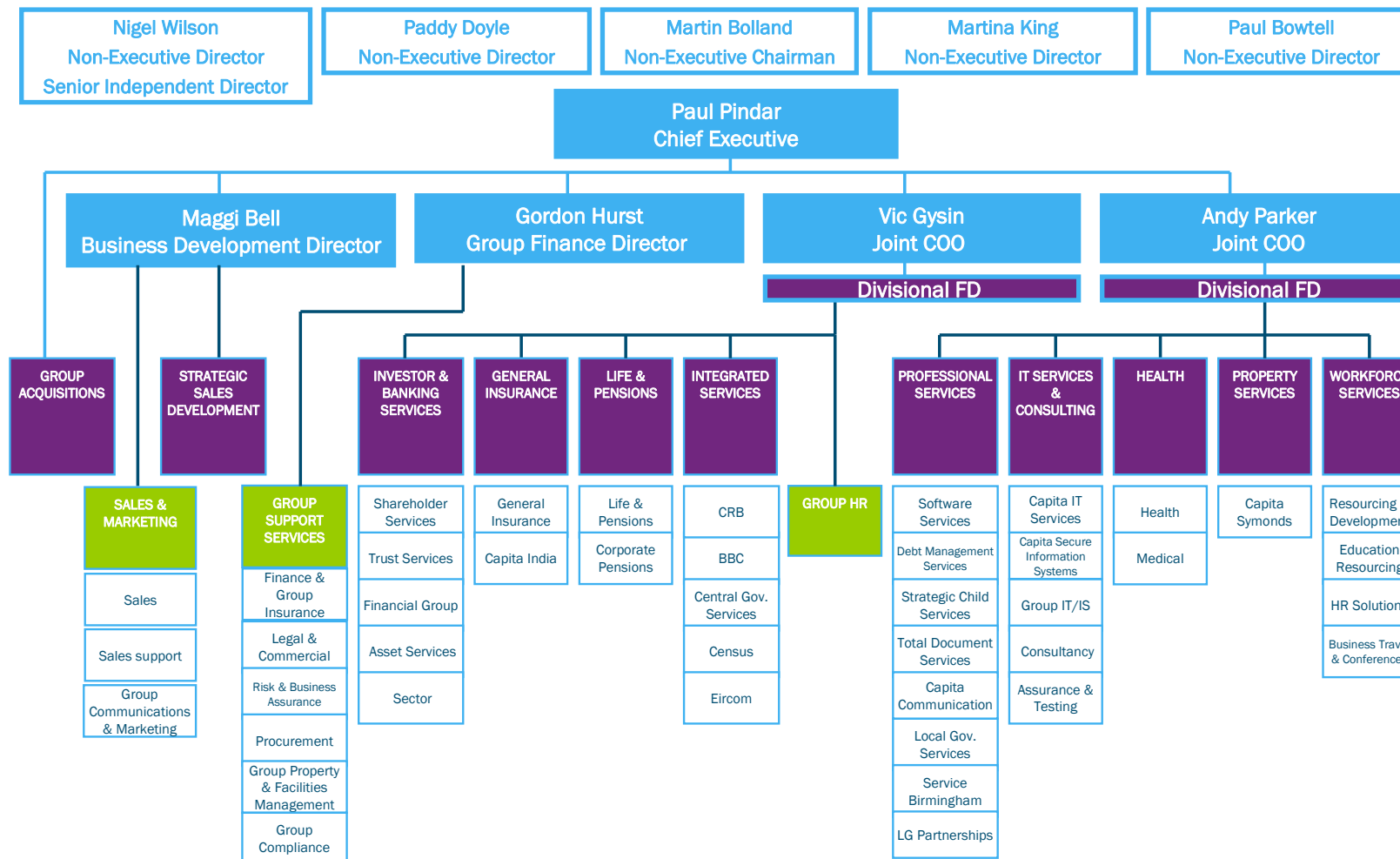
Business area	Acquisition	Value (£m)
Financial consultancy	Xayce	2.25
Securitised loan administration	Barclays Capital Mortgage Servicing	7.0

Total spent on 2 acquisitions in 2011: £9.25m

Group organisational structure – 2010



Group organisational structure - current



Fuelling future growth

Maggi Bell

Business Development Director

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Fuelling future growth – UK BPO market

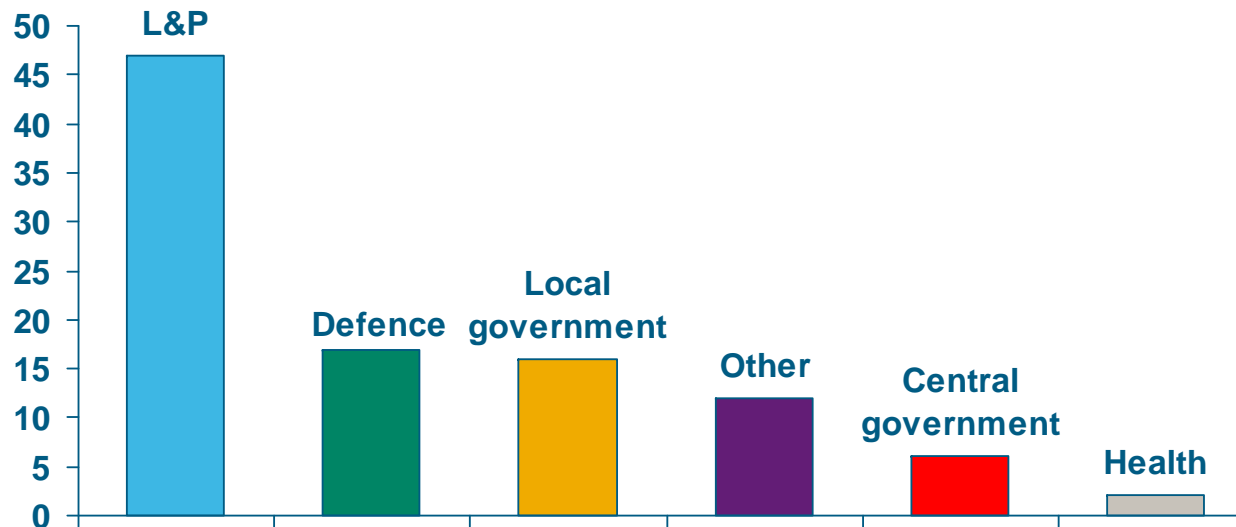
- Addressable market - £117bn* p.a.
- Fastest growing markets anticipated to be health and local government
- Total UK BPO market today - £7.8bn* p.a. (2009: £7.5bn** p.a.)
- UK BPO market leader with 23% market share of enlarged total market

Outsourced and potential UK BPO market:



Company	2010 Market Share*
Capita	23%
Accenture	4%
Xerox (including ACS)	4%
HP Enterprise Services	3%
Xchanging	3%

Fuelling growth – bid activity



- Bid pipeline* of £4.7bn comprising 30 bids (Feb 2010: £3.7bn; 26 bids)
- Average contract length in bid pipeline - 8 years
- Prospect and suspects lists buoyant
- Capita's financial stability is a key competitive advantage

Fuelling future growth – central government

Capita activity: 2010

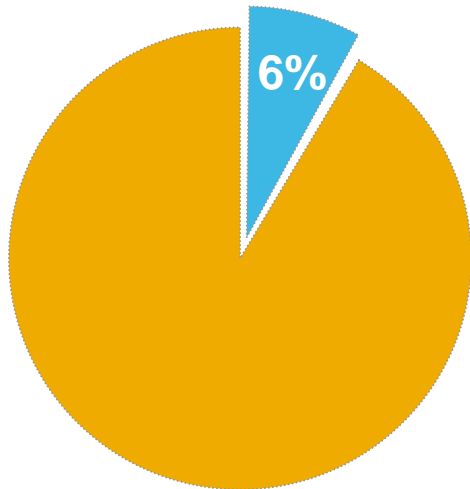
- Proactive proposals for significant savings by 2015 in back office
- Response to Open Public Services White Paper
- Response to market consultation on Health Arms Length Body review

Government activity: first half 2011

- HM Treasury Cabinet Office White Paper on Open Public Services due in March
- Hutton Review of public sector pensions also due in March
- Efficiency Reform Group:
 - Piloting rapid procurements
 - Appointment of Crown Commercial Representatives
- Coalition's key reforms:
 - Welfare
 - HE and FE Funding
 - Legal aid
 - Fraud
- Outcome of NHS Arms Length Body review

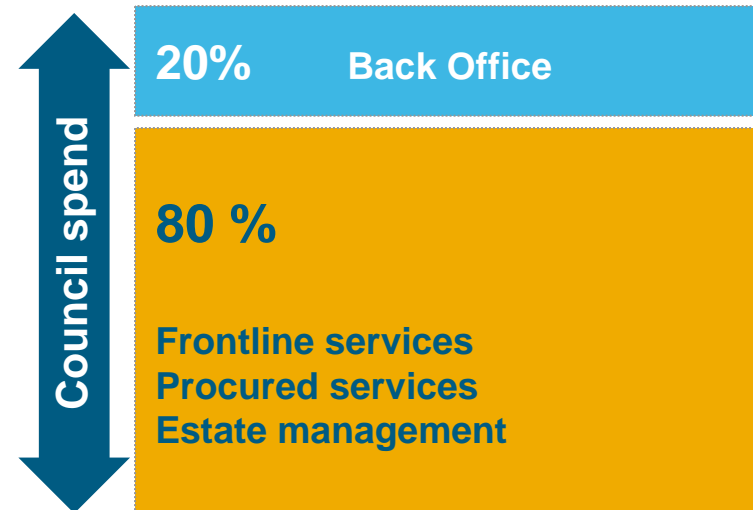
Fuelling future growth – local government

The market



- Established market – but still only 6% of authorities have outsourced in a significant way
- Unprecedented financial pressure
 - Many councils are facing 25% in year budget cuts
- Decentralisation driving increase in budget responsibility

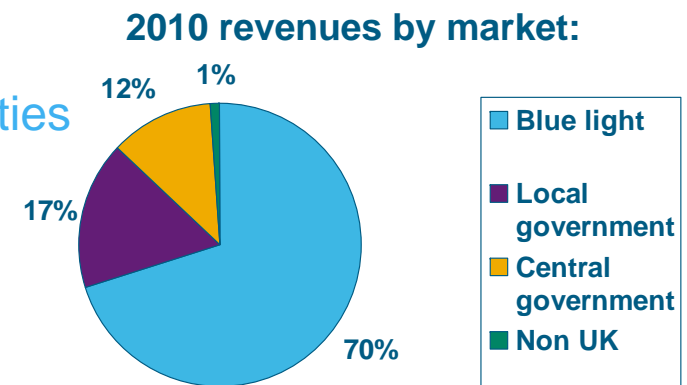
A typical local authority budget



- Demand reduction key to optimising spend
- Our current breadth of capability positions us well to manage spend down

Fuelling future growth – SunGard Public Sector Ltd

- Supply emergency services, central and local government with
 - ICT
 - Blue light radio network services
 - Communication systems
- Clients include police forces and police administrative bodies, local authorities, the Highways Agency and Airwave Solutions
- Long term contracts and strong customer relationships
- In-depth knowledge of police buying behaviour
- Already supplies 48 out of 53 UK police authorities



Fuelling future growth – police

- Central government funding for the police services will be cut by 20% by 2014-15 – will need to maintain service quality with tighter resources
- £2.7bn* spent on back office services – includes finance, IT, HR and other blue collar services
- In 2008/09 – approximately 23,000 staff employed in back office roles such as HR, ICT and finance
- In addition 3 times this number employed in civilian roles:
 - Case management
 - Call handling
 - Licence and fine administration

Fuelling future growth – life and pensions in Continental Europe

European market:

£18bn estimated addressable spend on life and pensions administration per annum

c.500m policies in force

7 countries = 80% of the volume/spend

2x greater – the average cost of administration in Europe

External pressures

- EC and national regulation pressures on capital adequacy

Internal pressures

- Consolidation / profit squeeze

Current activity

- International clients exploring replication of successful UK outsourcing arrangement
- Framework agreement already in place for a European consolidator

Fuelling future growth – life and pensions



- New centre in Krakow, Poland
- Multi-lingual voice and back office skills
- Mature and well established service centre and BPO marketplace
- Highly skilled and educated labour pool - university city, 40,000+ graduates per year
- Fully live operations from early 2012

Prospects

Paul Pindar
Chief Executive

CAPITA

Prospects – ingredients for continued growth

- Robust trading across the Group
- Continued demand for outsourcing
- Record bid pipeline and high level of prospects
- Optimisation of infrastructure and growth of offshore capability
- Expansion into European life and pensions and financial services markets

Positioned well for 2011 and beyond

Results for the year ended 31 December 2010

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