

Bringing service to life

A stylized world map in a muted green color serves as a background for the slide. A solid red horizontal band is superimposed across the middle of the map, behind the main title text.

Good performance held back by challenging US conditions

Serco Group plc

Half Year Results
29 August 2012

Agenda

Overview: Chris Hyman

Financial Review: Andrew Jenner

Business Review: Chris Hyman

Summary: Chris Hyman

Summary

Good performance held back by challenging US conditions

- Operational performance at the heart of our success
- Challenging US market offset by resilience of broad portfolio
 - UK & Europe stable with indications of further improvement
 - AMEAA excellent revenue growth
 - Successful launch of global BPO business
 - US environment remains very difficult
- Excellent contract win performance
- Good revenue visibility retained
- Ongoing portfolio management to position for the future

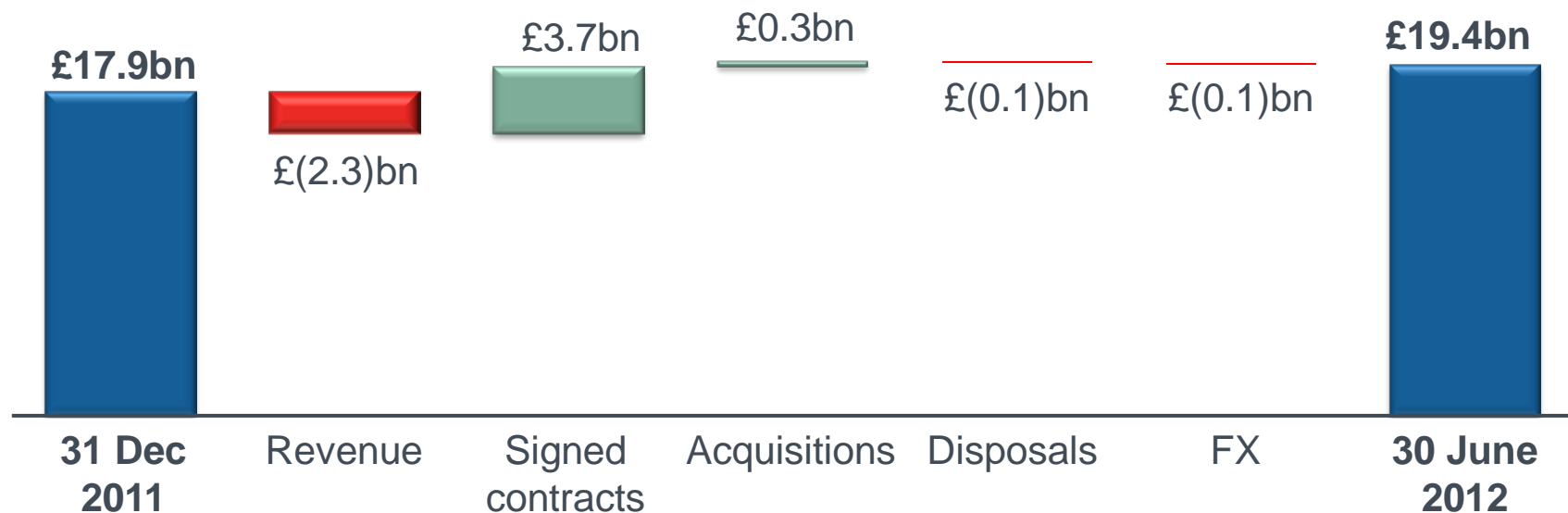
Summary of financial result

	2012 H1	2011 H1	Change
Revenue	£2,342m	£2,246m	+4.3%
Adjusted operating profit*	£139.6m	£133.8m	+4.3%
Adjusted profit before tax*	£117.8m	£123.6m	(4.7%)
Adjusted earnings per share*	17.94p	18.74p	(4.3%)
Dividend per share	2.65p	2.50p	+6.0%
Group free cash flow	£0.9m	£51.8m	(£50.9m)

* Before reorganisation costs of £15.7m. After these costs, the three measures are £123.9m, £102.1m and 15.52p respectively

Winning significant new business; increased order book

- Signed new business valued at £3.7bn
- Appointed preferred bidder for £0.5bn
- Supported by many small and medium sized wins
- Order book increased to £19.4bn at 30 June 2012



Good revenue visibility retained

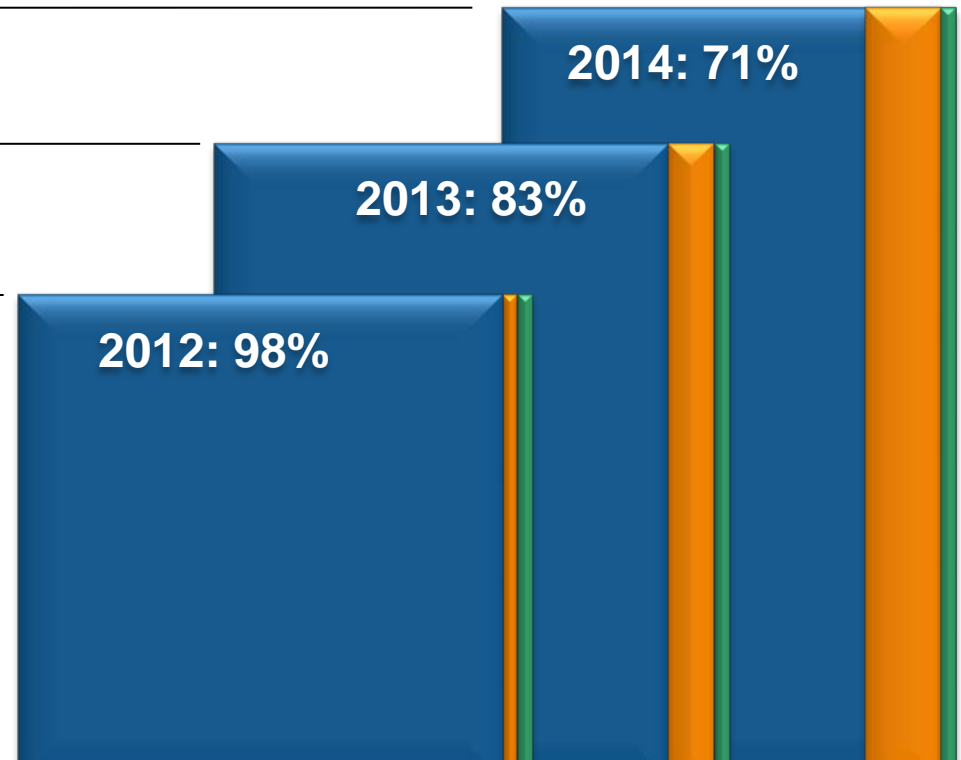
Order book	Extensions and rebids	Preferred bidder
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55%	15%	1%
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72%	10%	1%
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96%	1%	1%
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At 30 June 2012



At 30 June 2011

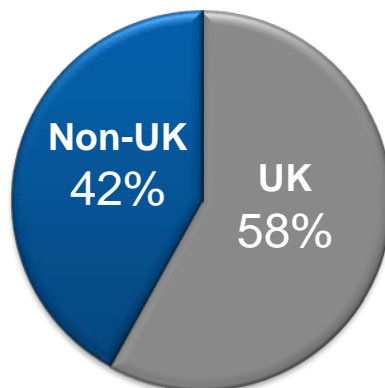
2011: 98% 2012: 82% 2013: 69%

Portfolio management positions Serco for the future

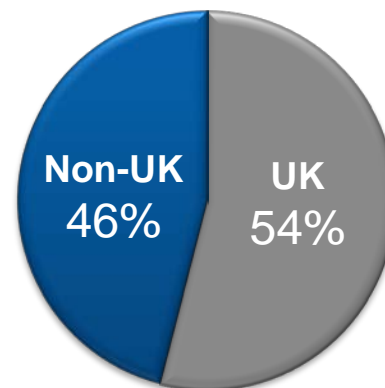
H1 portfolio shift

- Intelenet acquisition
- The Listening Company
- Excelior acquisition
- AMEAA growth

2011 H1

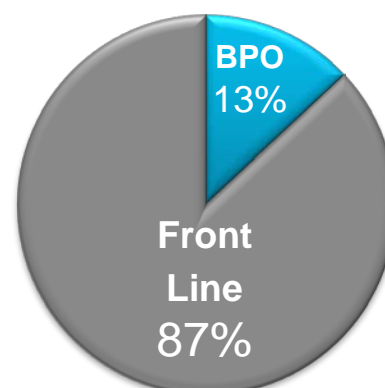
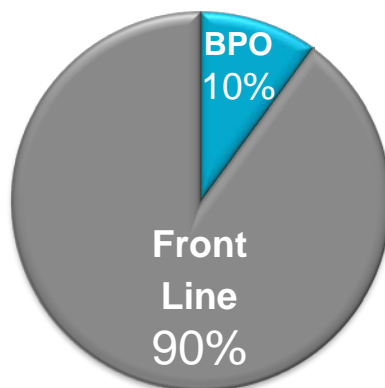


2012 H1

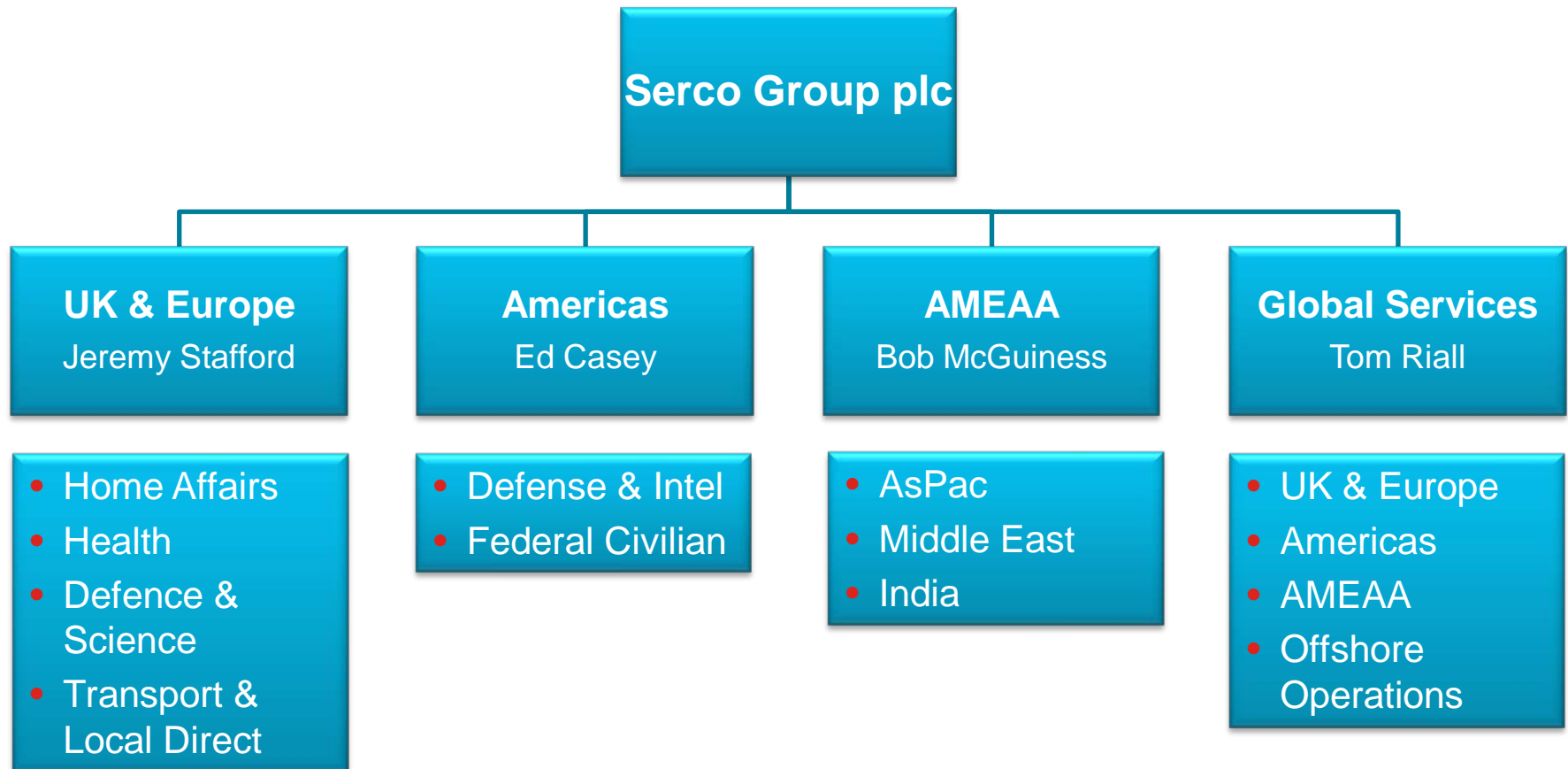


Ongoing portfolio shift

- Vertex acquisition
- Technical Services disposal
- Germany disposal



Serco divisional structure



Operational performance at the heart of Serco

UK & Europe

- Leading Work Programme provider
- Strong London transport performance



Operational performance at the heart of Serco

Americas

- Significant savings for Department of Defense
- Transition support to 145,000 soldiers



Operational performance at the heart of Serco

AMEAA

- 35,000 custodial movements
- “World’s best rail journey” for The Ghan



Operational performance at the heart of Serco

Global Services

- “Gold Call” awards for Australian Tax Office
- Award for “Operational Excellence & Quality in BPO Industry” *



* Asia's Best Employer Brand Awards 2012

Bringing service to life



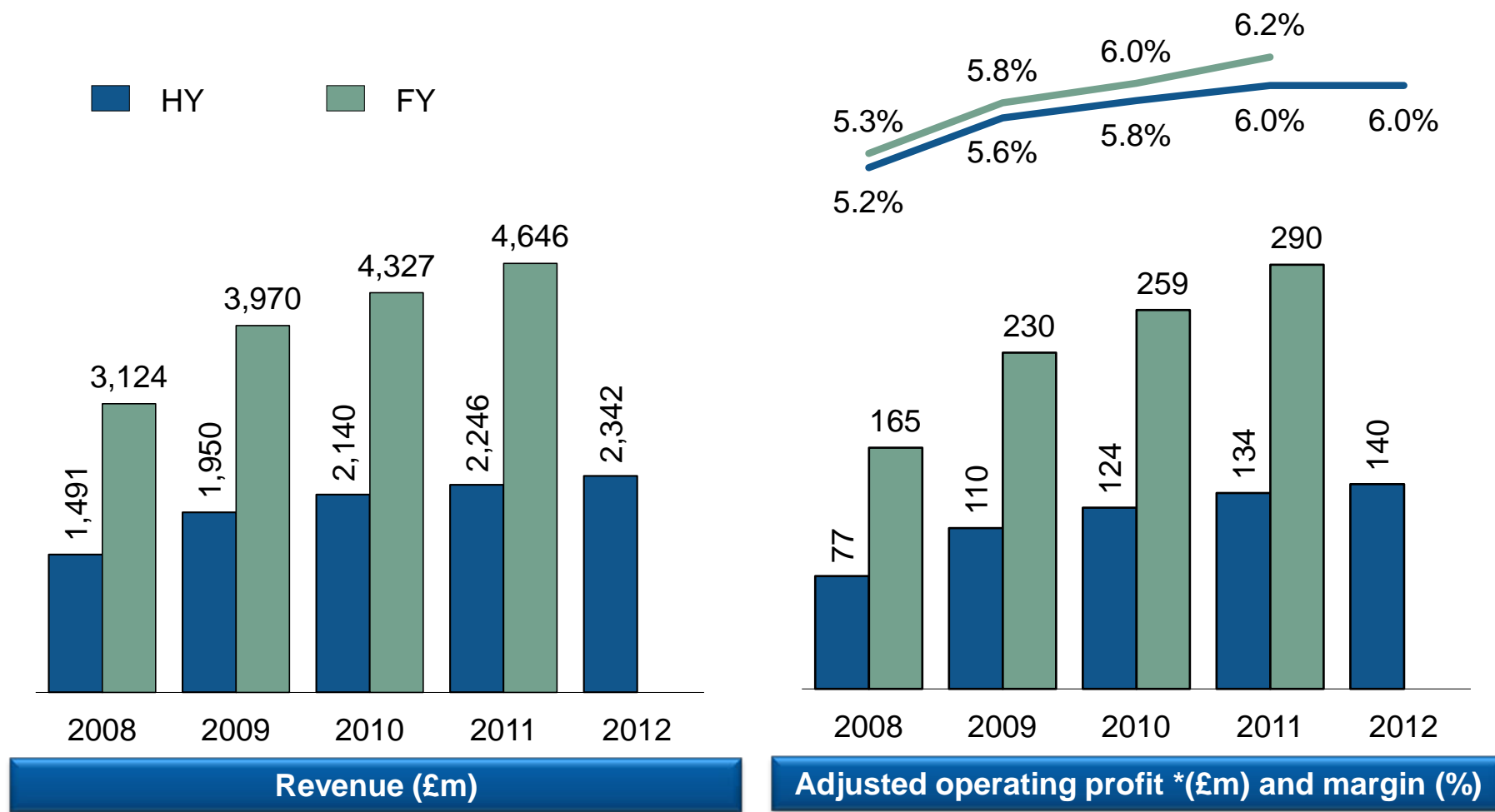
Financial review

Andrew Jenner
Finance Director
Serco Group plc

Financial review

- Income statement
- Cash flow and net debt
- Acquisitions and disposals
- Funding
- Pensions
- Financial outlook

Five-year revenue, profit and margin



Notes: All figures at reported exchange rates

* Adjusted operating profit is profit before amortisation of acquired intangibles, acquisition-related costs and exceptional items; it is also shown before reorganisation costs

Income statement (slide 1 of 3)

£m Six months ended 30 June	2012	2011	Change	Change excluding currency
Revenue	2,341.7	2,245.8	4.3%	4.2%
<i>Organic growth</i>				(2.1%)
Adjusted operating profit*	139.6	133.8	4.3%	4.6%
<i>Adjusted operating margin*</i>	6.0%	6.0%		
Investment revenue and finance costs	(21.8)	(10.2)		
Adjusted profit before tax*	117.8	123.6	(4.7%)	(4.5%)
Reorganisation costs*	(15.7)	-		
Amortisation of acquired intangibles	(11.5)	(8.4)		
Acquisition-related costs	(1.1)	(3.4)		
Exceptional net profit on disposals	31.0	-		
Profit before tax	120.5	111.8	7.8%	7.7%

* Adjusted operating profit and Adjusted profit before tax is profit before amortisation of acquired intangibles, acquisition-related costs and exceptional items; it is also shown before reorganisation costs

Revenue – divisional analysis

1H11 revenue (£m)

2,246

	Organic	Acquired	FX	% total change	Revenue mix	1H12 revenue	£m total change
UK & Europe	(1%)	-	-	(1%)	54%	1,266	(18)
Americas	(16%)	-	+1%	(15%)	16%	381	(65)
AMEAA	+22%	+7%	+3%	+32%	17%	400	98
Global Services	(11%)	+53%	(4%)	+38%	13%	295	81
	(2%)	6%	0%	+4%	100%		96

1H12 revenue (£m)

2,342

Income statement (slide 2 of 3)

£m Six months ended 30 June	2012	2011	Change	Change excluding currency
Revenue	2,341.7	2,245.8	4.3%	4.2%
<i>Organic growth</i>				(2.1%)
Adjusted operating profit*	139.6	133.8	4.3%	4.6%
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Margin – divisional analysis

1H11 Adjusted operating margin*

6.0%

	Divisional margin movement	Contribution to Group change	
UK & Europe	Increase to 6.8% from 6.3%	c+10bps	
Americas	Decrease to 7.8% from 8.3%	c(40)bps	
AMEAA	Decrease to 6.7% from 9.2%	c(10)bps	
Global Services	Increase to 6.2% from 5.1%	c+30bps	
Corporate expenses	£1.6m lower	c+10bps	
			+0bps
1H12 Adjusted operating margin*			6.0%

* Adjusted operating margin is profit before amortisation of acquired intangibles, acquisition-related costs and exceptional items; it is also shown before reorganisation costs

Income statement (slide 3 of 3)

£m Six months ended 30 June	2012	2011	Change	Change excluding currency
Revenue	2,341.7	2,245.8	4.3%	4.2%
<i>Organic growth</i>				(2.1%)
Adjusted operating profit*	139.6	133.8	4.3%	4.6%
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Investment revenue and finance costs	(21.8)	(10.2)		
Adjusted profit before tax*	117.8	123.6	(4.7%)	(4.5%)
Reorganisation costs*	(15.7)	-		
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Earnings and dividend per share

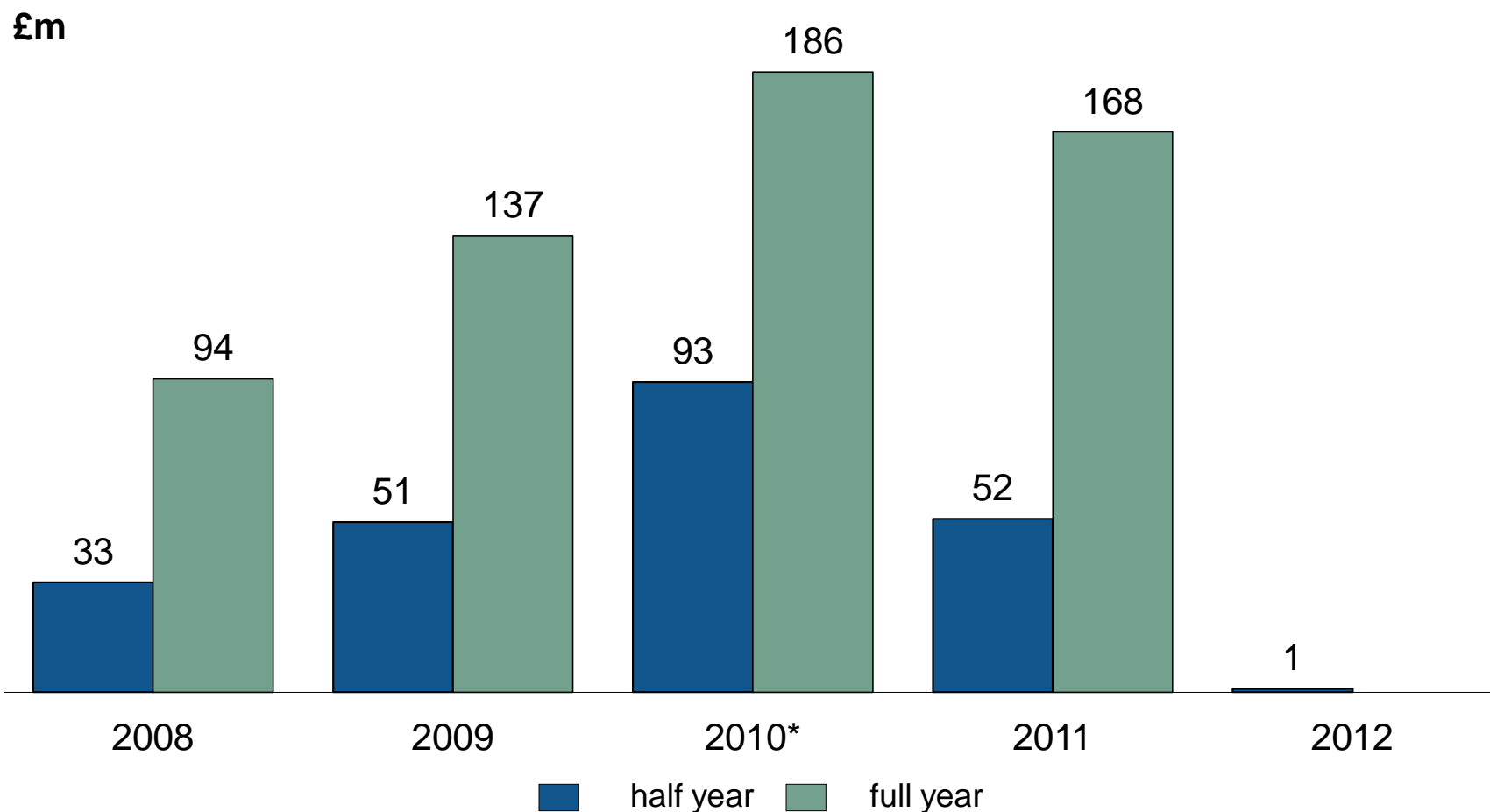
Six months ended 30 June	2012	2011	Change	Change excluding currency
Adjusted effective tax rate*	25.0%	25.6%		
Adjusted earnings after tax*	£88.3m	£91.9m	(3.9%)	(3.7%)
Adjusted earnings per share*	17.94p	18.74p	(4.3%)	(4.0%)
Effective tax rate	18.9%	26.5%		
Profit after tax	£97.7m	£82.2m	18.9%	18.7%
Earnings per share	19.85p	16.74p	18.6%	18.5%
Average shares in issue	492.1m	490.3m		
Interim dividend per share	2.65p	2.50p	6.0%	

* Adjusted earnings after tax and Adjusted earnings per share is based on profit before amortisation of acquired intangibles, acquisition-related costs and exceptional items, and is also shown before reorganisation costs; it is calculated before tax arising on the adjusting items

Cash flow – free cash flow overview

- HY 2012 free cash flow of £1m
- Reduction of £51m on comparable period
- Major drivers
 - Timing: reorganisation costs of £12m
 - Timing: customer payments and contract starts of c£30m
 - BPO-related impacts: higher working capital investment of c£10m

Five-year Group free cash flow



Notes: Group free cash flow is free cash flow from subsidiaries and dividends received from joint ventures

* 2010 cash flow included the benefit of around £20m from asset sales proceeds, a particularly high level of joint venture dividends and low tax payments

Group free cash flow (slide 1 of 2)

£m		
Six months ended 30 June	2012	2011
Adjusted operating profit excl. JVs and reorganisation costs	102.4	97.0
Reorganisation costs	(15.7)	-
Adjusted operating profit excluding joint ventures	86.7	97.0
Non cash items	25.4	31.3
Adjusted EBITDA excluding joint ventures	112.1	128.3
Working capital movement	(74.5)	(36.3)
Operating cash flow excluding joint ventures	37.6	92.0
Interest	(25.5)	(12.9)
Tax	(15.5)	(14.9)
Net expenditure on tangible and intangible assets	(27.1)	(40.6)
Dividends from joint ventures	31.4	28.2
Group free cash flow	0.9	51.8

Working capital impacts

- Timing impacts of c£30m
 - Small number of customer payments totalling c£25m had been expected by end of June 2012 and have now been received
 - A substantial part of this related to additional volume-related work on the DIAC contract
 - Remainder of timing impact reflects major new contracts starting in H2 (e.g. Northern Isles ferries, Suffolk community health services)
- BPO-related impacts of c£10m
 - Higher working capital investment in BPO driven by phase-in costs and payment terms
 - In specific instances such as Shop Direct, funding support is provided to implement transitional arrangements

Group free cash flow (slide 2 of 2)

£m		
Six months ended 30 June	2012	2011
Adjusted operating profit excl. JVs and reorganisation costs	102.4	97.0
Reorganisation costs	(15.7)	-
Adjusted operating profit excluding joint ventures	86.7	97.0
Non cash items	25.4	31.3
Adjusted EBITDA excluding joint ventures	112.1	128.3
Working capital movement	(74.5)	(36.3)
Operating cash flow excluding joint ventures	37.6	92.0
Interest	(25.5)	(12.9)
Tax	(15.5)	(14.9)
Net expenditure on tangible and intangible assets	(27.1)	(40.6)
Dividends from joint ventures	31.4	28.2
Group free cash flow	0.9	51.8

Group free cash flow to movement in recourse net debt

£m		
Six months ended 30 June	2012	2011
Group free cash flow	0.9	51.8
Acquisition of subsidiaries (including acquired debt)	(67.5)	(39.8)
Disposal of subsidiaries	132.8	-
Acquisition-related costs	(1.3)	(2.1)
Purchase of own shares and issue proceeds of share capital	4.7	(22.6)
Special pension contribution	-	(40.0)
Dividends paid	(28.9)	(25.2)
New and acquired finance leases	(17.6)	(4.2)
Increase in security deposits	(1.8)	-
Repayment of non recourse debt	(4.0)	(3.6)
Other financing and foreign exchange movements	(20.7)	2.6
Increase in Group recourse net debt	(3.4)	(83.1)

Net debt

£m As at	30 Jun 2012	31 Dec 2011	30 Jun 2011
Group – cash and cash equivalents	161.1	194.6	214.5
Group – loans	(777.0)	(819.4)	(576.2)
Group – obligations under finance leases	(57.3)	(45.0)	(25.0)
Group recourse net debt	(673.2)	(669.8)	(386.7)
Joint venture – net cash	51.2	51.4	81.6
Total recourse net debt	(622.0)	(618.4)	(305.1)
Group non recourse debt	(19.7)	(15.5)	(20.1)
Total net debt	(641.7)	(633.9)	(325.2)

Portfolio management – acquisitions

- Intelenet acquisition (July 2011) delivering to plan
 - Growth rates and margin expectations on track
 - Fair value of contingent deferred consideration remains at £24m (maximum £50m), with potential payment in April 2013 and April 2014
- Acquisition spend in 2012 to date principally Vertex Public Sector Limited for £55.5m
 - Expansion into new areas of middle and back office support
 - c£110m revenue and c£8m Adjusted operating profit (pro forma year to 31 March 2012)
- Continue to look at potential acquisitions that bring new skills, capabilities and market access

Portfolio management – disposals

- Two disposals of businesses non-core to Group future development
 - Technical Services (TS), providing consulting and project solutions to civil and defence nuclear markets; c£70m revenue and c£13m Adjusted operating profit in 2011
 - Majority of our mainly defence-related operations in Germany; c£90m revenue and c£0m Adjusted operating profit in 2011

£m	TS	Germany	Total
Total consideration	139.5	-	139.5
Net assets disposed	(73.8)	(21.8)	(95.6)
Disposal-related costs	(7.3)	(5.6)	(12.9)
Exceptional profit/(loss) on disposal	58.4	(27.4)	31.0

- Ongoing assessment of operations for strategic fit, together with their expected future levels of performance and returns, as part of continued proactive portfolio management

Funding

- Financial covenant leverage ratio, based on consolidated total net borrowings to EBITDA, 1.8 times as at 30 Jun 2012 (31 Dec 2011: 2.0 times)
- Strong funding position with committed facilities of c£1.2bn
- Good diversification between bank and other debt funding
 - Early refinancing of our committed syndicated bank facilities completed in March 2012; new £730m five-year facility
- Increased maturity profile, extending out to 2023 and averaging six years

Pensions

- Strong funding position
 - Total net balance sheet assets of £25m (31 Dec 2011: £17m) on asset base of £1.9bn (31 Dec 2011: £1.7bn)
 - Main Group scheme has balance sheet accounting surplus of £71m (31 Dec 2011: £122m) and an estimated actuarial surplus of £12m (31 Dec 2011: deficit of £27m)
- Limited impact from forthcoming revision to IAS 19
 - Effective from FY13 with FY12 restated at that point
 - No cash flow impact
 - Estimated impact on net pension credit would lead to a c£7m increase in FY12 finance costs
 - Equivalent to a c3% non-cash reduction in FY12 Adjusted PBT

Financial outlook for the year

- For 2012, we continue to expect
 - Another year of strong total revenue growth
 - Includes further good organic growth driven by the second half improvement
 - Adjusted operating margin increase similar to 2011
- Forecasts reflect the balance of risks and opportunities
 - Expect challenging conditions to remain in the US
 - Anticipate some further improvement in the UK markets
 - Strong performances from AMEAA and Global Services to continue

Summary

- First half performance lays the foundation for good 2012
- Revenue growth, margin progression and free cash generation weighted to the second half, as previously indicated
- Significant progress on portfolio management
- Robust funding and pension positions
- Remain confident in the overall outlook for the Group

Bringing service to life



Business Review

Chris Hyman
Chief Executive
Serco Group plc

UK & Europe – Contract wins broadly offset attrition

Financial Highlights

- Revenue decline of -1% to £1,266m (2011 H1: £1,284m)
- Organic constant currency decline of -1%
- 54% of Group (2011 H1: 57%)



UK & Europe – Contract wins broadly offset attrition

Performance Highlights

- **Contract attrition:** Welfare to Work, discretionary spend
- **Contract starts:** HMP Thameside, Wandsworth recycling, COEFOR, RAF Valley
- **New wins and extensions:** Northern Isles Ferries, East Kent Hospitals, AWE next pricing period, Northern Rail extension
- **Strategic progress:** COMPASS, Suffolk Community Health, Defence Business Services

UK & Europe – Improved activity and growth potential

Markets Summary

- **Strong underlying drivers:** economic pressures, £100bn total spend, set for healthy growth
- **Positive market outlook:** Public Services White Paper, £70bn government pipeline
- **Potential opportunities:** Prisons, fines and enforcement, community health, defence business support, probation
- **Recent wins:** Community Payback (PB), Suffolk Community Health

Americas – Tough market environment

Financial Highlights

- Revenue decline of -15% to £381m (2011 H1: £446m)
- Organic constant currency decline of -16%
- 16% of Group (2011 H1: 20%)



Americas – Tough market environment

Performance Highlights

- **Difficult market conditions:** Continuing resolutions, threat of sequestration, delays in awards, lowest price
- **New wins and extensions:** Base Closure Assistance Teams, Command & Control for SPAWAR

Americas – Large market facing short-term uncertainty

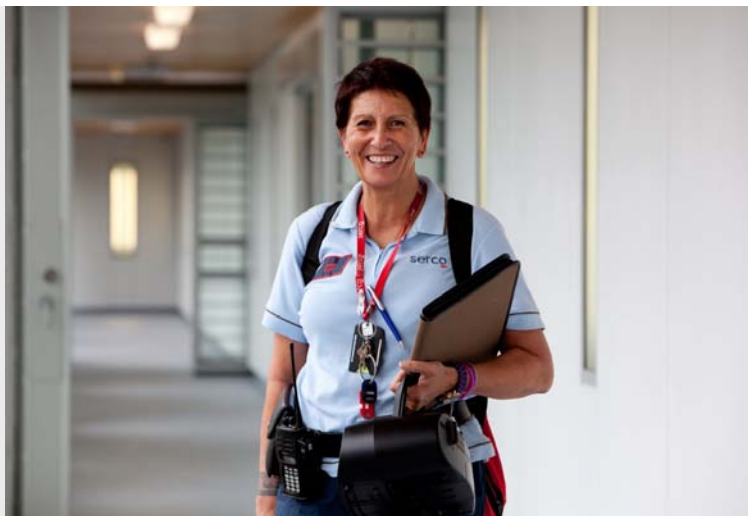
Markets Summary

- **Uncertain outlook:** More continuing resolutions, continued threat of sequestration, upcoming elections, growing debt
- **High level of rebids:** Federal Retirement Thrift Investment Board, Ontario Driver Examination Services, National Visa Center
- **Large and growing market:** \$300bn market, world's largest outsourcing and BPO market
- **Potential longer term opportunities:** Transport, Navy fleet extension, Cybersecurity, Human Capital Management, BPO, Brazil
- **Recent wins:** Mine Resistant Ambush Protected vehicles, Army Career and Alumni Programme expansion

AMEAA – New wins & contract expansions drive growth

Financial Highlights

- Revenue growth of +32% to £400m (2011 H1: £302m)
- Organic constant currency growth of +22%
- 17% of Group (2011 H1: 13%)



AMEAA – New wins & contract expansions drive growth

Performance Highlights

- **Contract starts:** Young adults facility, Mount Eden corrections facility
- **New wins and extensions:** DIAC expansion, Acacia prison expansion, Dubai Airport
- **Strategic success:** New Zealand Wiri prison

AMEAA - Opportunities for more strong growth

Markets Summary

- **Good economic outlook:** GDP growth, demographic shift, investment in social infrastructure
- **Potential sectoral opportunities:** Justice, defence, health, transport, FM, welfare, BPO
- **Potential geographic opportunities:** India, China, Kingdom of Saudi Arabia, Turkey, Iraq, Philippines

Global Services – Strong underlying growth and wins

Financial Highlights

- Revenue growth of +38% to £294m (2011 H1: £214m)
- Organic constant currency decline of -11%, underlying BPO growth over 20%
- 13% of Group (2011 H1: 10%)



Global Services – Strong underlying growth and wins

Performance Highlights

- **Headwinds from 2011:** Bradford, BusinessLink
- **External recognition:** Nelson Hall, NASSCOM
- **Contract starts:** Freemans Grattan Holdings, Ideal Shopping, Indian banking & financial service Co, global on-line travel Co., Pru Health
- **Strategic successes:** Anglia Support Partnership, Shop Direct, Aegon
- **Acquisition performance on track:** Intelenet achieving expectations

Global Services – Strong prospects for future growth

Markets Summary

- **Good market outlook:** Addressable spend of \$500bn, 6-10% growth
- **Potential private sector opportunities:** Financial services, travel, hospitality, retail, healthcare, US logistics, UK energy
- **Potential public sector opportunities:** UK Govt. shared services, UK Local Government strategic partnerships
- **Early conversions in H2:** easyJet, British Gas

Bringing service to life



Summary

Chris Hyman
Chief Executive
Serco Group plc

Summary

Good performance held back by challenging US conditions

- Strong underlying economic drivers for our sector
- Challenging US market offset by resilience of broad portfolio
- Excellent contract win performance
- Good revenue visibility retained
- Ongoing portfolio management to position for the future
- Operational performance at the heart of our success

Bringing service to life

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Good performance held back by challenging US conditions

Serco Group plc

Half Year Results
29 August 2012

Bringing service to life

serco

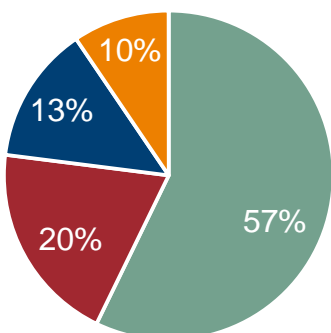
Appendix



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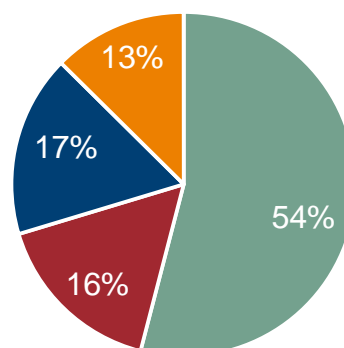
Segmental breakdown

H1 2011
£2,246m

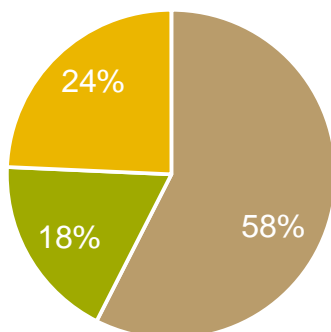


**Revenue
by division**

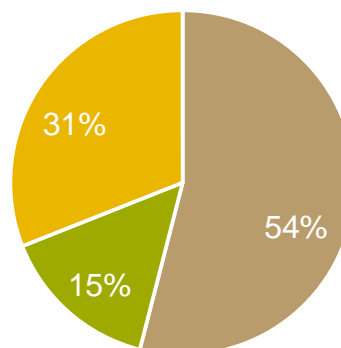
H1 2012
£2,342m



- UK & Europe
- Americas
- AMEAA
- Global Services



**Revenue
by geography**



- United Kingdom
- United States
- Other countries

Currency rates

Half year average rates

	1H 2012	1H 2011
£:US\$	1.57	1.61
£:Aus\$	1.52	1.55
£:Eur	1.21	1.15
£:INR	81.88	72.43

Full year average rates

	FY 2011	FY 2010
£:US\$	1.60	1.54
£:Aus\$	1.54	1.58
£:Eur	1.15	1.16
£:INR	74.48	70.50

Closing rates

	30 Jun 2012	31 Dec 2011	30 Jun 2011
£:US\$	1.57	1.55	1.61
£:Aus\$	1.53	1.52	1.50
£:Eur	1.24	1.20	1.11
£:INR	87.57	82.53	71.78