

Bringing service to life

A stylized world map in a light green color, centered on the Atlantic Ocean, serving as a background for the slide.

Strong financial performance
Well placed to support customers around the world

Serco Group plc
2010 Half Year Results
25 August 2010

Bringing service to life



Chris Hyman

Overview

2010 Half Year Results

Strong financial performance

	2010 H1	2009 H1	Change
Revenue	£2,140m	£1,950m	9.8%
Adjusted operating profit	£124.4m	£110.0m	13.1%
Profit before tax	£101.4m	£83.4m	21.6%
Adjusted earnings per share	16.53p	14.02p	17.9%
Dividend per share	2.20p	1.85p	18.9%
Group free cash flow	£93.0m	£50.7m	83.4%

Strong operational performance and well placed

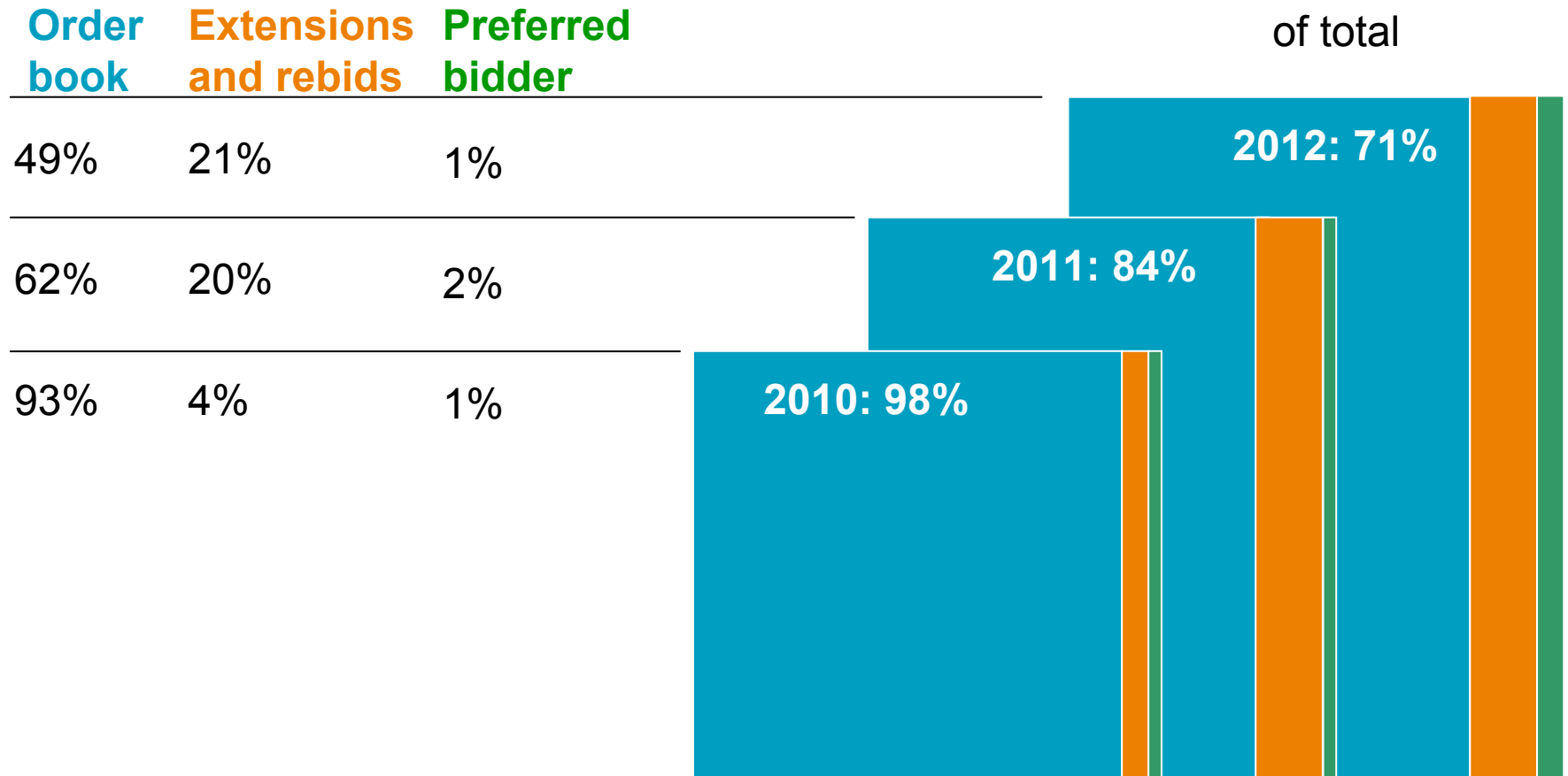
- Strong operational and financial performance
- Expanding our portfolio, building new home markets
- Skills and capabilities increasingly in demand
- Established markets growing and new markets opening
- Business organised and enabled to grow

Continued high level of bidding and substantial order book

- Won business valued at £2.2bn in H1
- Good growth from small and medium-sized wins and extensions
- Won 90% of rebids and 1 in 2 new bids
- Order book stands at £16.7bn (30 June 2010)
- Substantial opportunity pipeline stands at £28bn

Excellent revenue visibility supported by order book

At 30 June 2010



Bringing service to life



Andrew Jenner

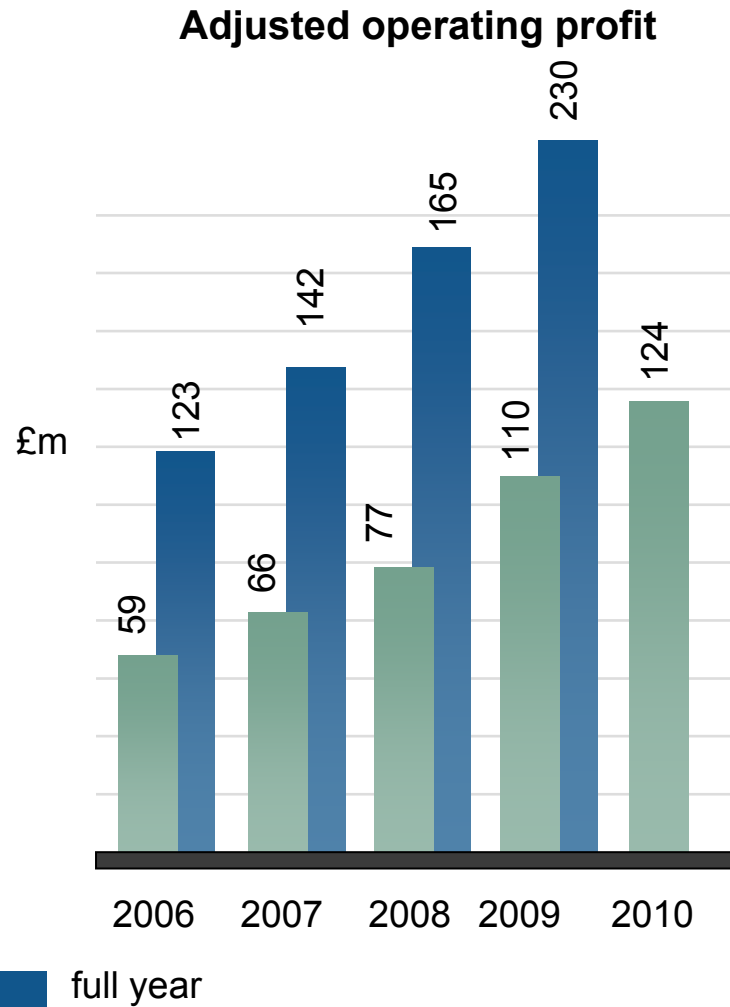
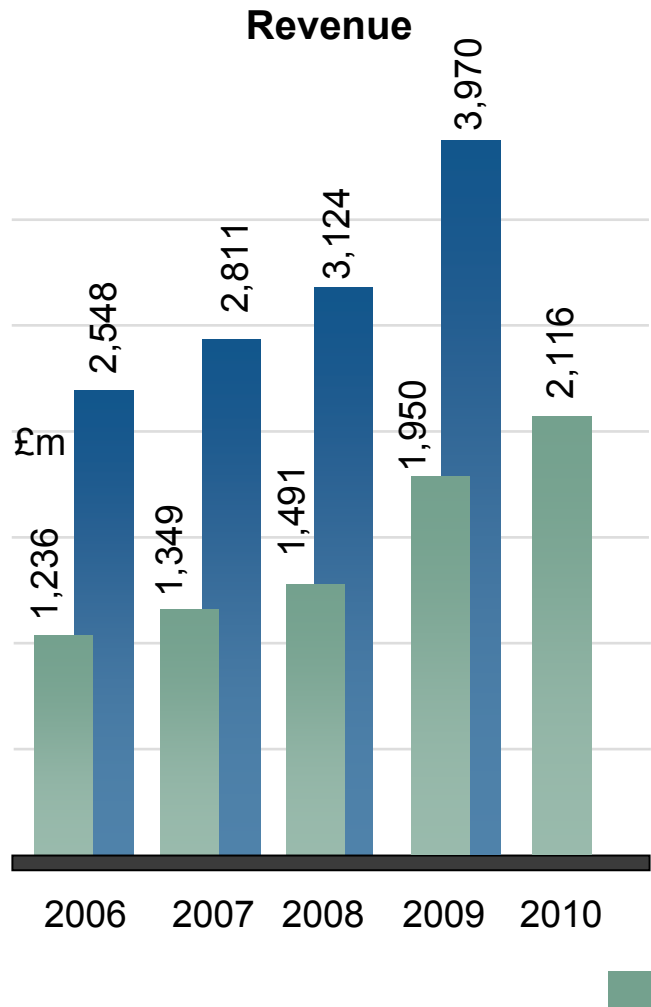
Financial Review

2010 Half Year Results

Financial review

- Income statement
- Cash flow
- Net debt
- Pensions
- Guidance

Strong revenue and profit growth



* Excludes currency effects.

Note: Adjusted operating profit is profit before interest and tax and amortisation of acquired intangibles. For the full year 2006, this also excludes the £11.4m gain on sale of PFI investments.

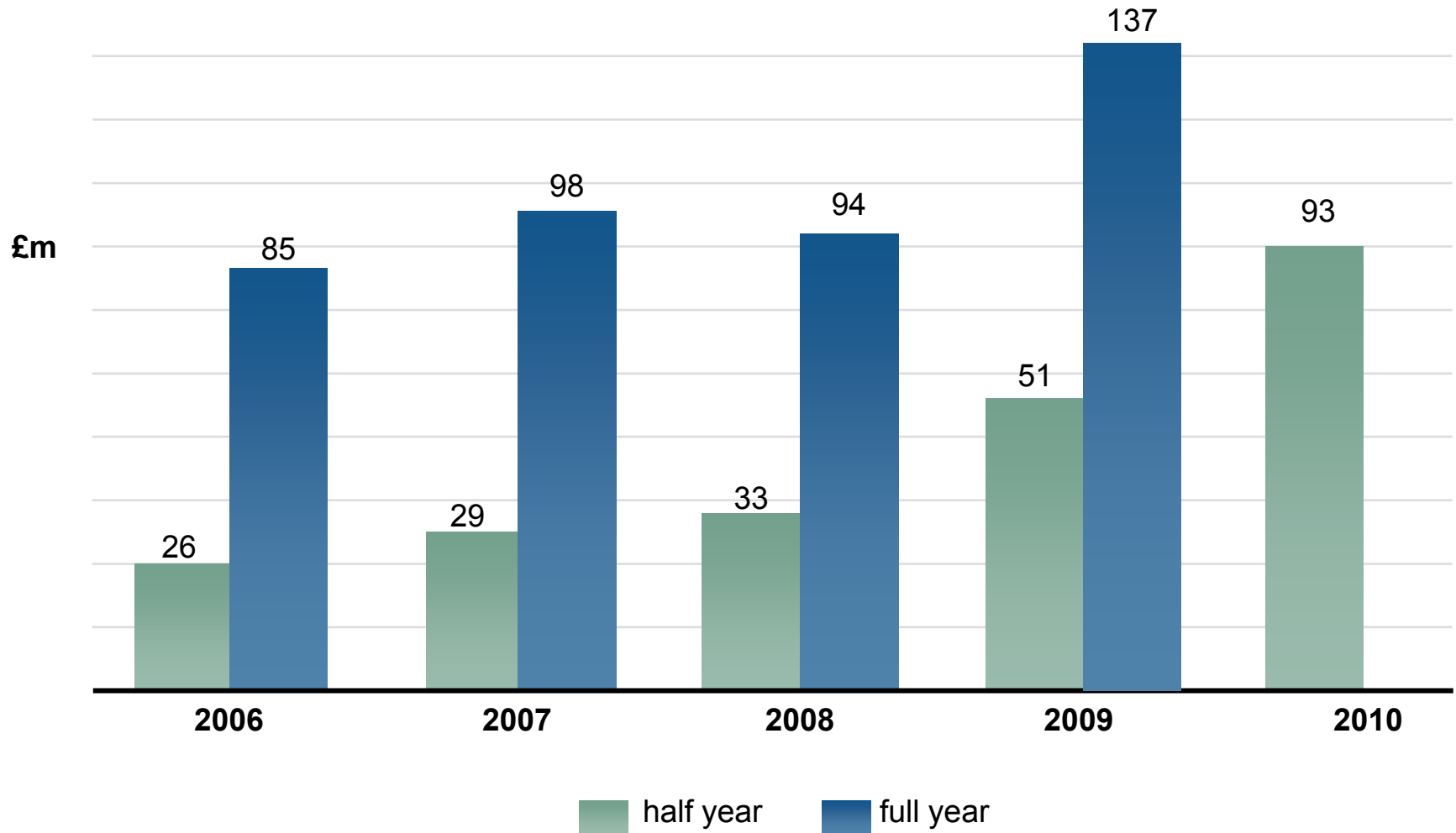
Income statement

6 months ended 30 June	2010 £m	2009 £m	Increase
Revenue	2,140.3	1,949.8	9.8%
Adjusted operating profit	124.4	110.0	13.1%
Investment revenue and finance costs	(14.2)	(17.7)	
Adjusted profit before tax	110.2	92.3	19.4%
Amortisation of acquired intangibles	(8.8)	(8.9)	
Profit before tax	101.4	83.4	21.6%

Income statement

6 months ended 30 June	2010 £m	2009 £m	Increase
Effective tax rate	26.6%	26.4%	
Average shares in issue	491.1m	486.6m	
Adjusted earnings per share	16.53p	14.02p	17.9%
Earnings per share	15.13p	12.62p	19.9%

Group free cash flow



Group free cash flow

6 months ended 30 June	2010 £m	2009 £m
Group EBITDA	128.2	111.5
Working capital movement	(21.8)	(31.3)
Group operating cash flow	106.4	80.2
Interest	(12.5)	(18.0)
Tax	(14.7)	(8.4)
Net expenditure on tangible and intangible assets	(12.2)	(22.5)
Dividends from joint ventures	26.0	19.4
Group free cash flow	93.0	50.7

Net debt

As at	30 June 2010 £m	31 Dec 2009 £m
Group cash and cash equivalents	215.1	253.7
Group loans	(571.1)	(619.1)
Group obligations under finance leases	(24.9)	(22.3)
Group recourse net debt	(380.9)	(387.7)
JV recourse net cash	91.4	58.2
Total recourse net debt	(289.5)	(329.5)
Group non recourse debt	(27.3)	(29.0)
Total net debt	(316.8)	(358.5)

Defined benefit pension schemes

- Total net balance sheet liabilities of £117.3m
(December 2009: £113.6m)
 - Asset base of £1.4bn
- Contract specific schemes
 - Limited commercial risk
- Non contract specific schemes
 - Balance sheet deficit on main Group scheme of £57.5m
(December 2009: £54.7m)
 - Movement in net liability due to decrease in the discount rate assumption offset by increase in the inflation assumption

Outcome of main Group scheme funding review

- Regular triennial review of main Group pension scheme, based on actuarial deficit of £141m at April 2009, now complete
- Agreed one-off cash contribution of £60m to be made to main Group scheme
- Payment schedule of £20m in December 2010 and £40m in January 2011
- Continue to review the scheme in light of business needs and pension legislation
- No material effect on earnings from contribution

Guidance

- In 2010, we expect
 - Continued strong organic revenue growth
 - Further progress towards our 2012 margin guidance
- By the end of 2012, we expect an increase in
 - Revenue to approximately £5bn
 - Adjusted operating profit margin to approximately 6.3%

Note: 2012 guidance excludes material acquisitions, disposals and currency effects, based on 2008 exchange rates

Summary

- Strong revenue and profit growth
- Further margin improvement
- Very strong free cash flow generation
- Robust funding and pension position
- Expect further progress in 2010 towards our expectations for 2012

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Business Review

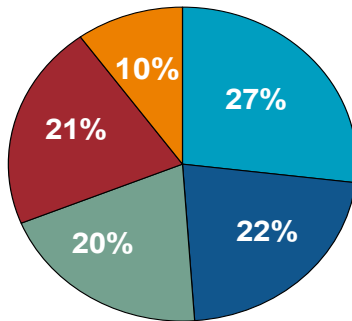
2010 Half Year Results

Agenda

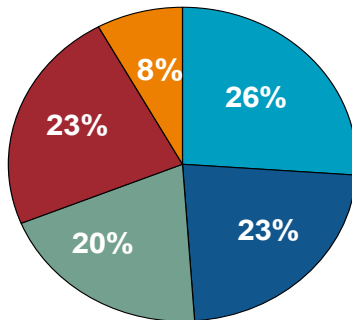
- Business performance and opportunities
- How markets are evolving around the world
- Summary and outlook

Market sector and geographical analysis

Revenue by market



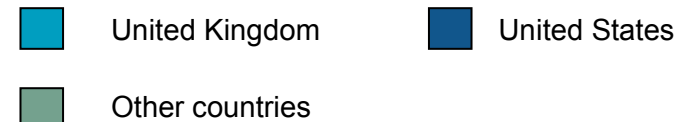
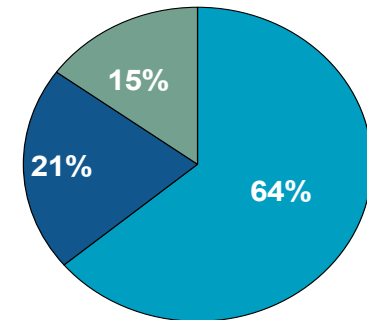
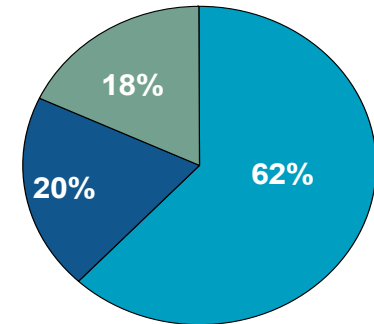
1H 2010 £2,140m



1H 2009 £1,950m



Revenue by geography



Civil Government Highlights

- Comprises home affairs, transport, welfare to work and health, in UK and Europe
- 13.6% revenue increase to £574m representing 27% of Group (2009 H1: 26%)



Civil Government

Home Affairs

- Signed £415m, 26½ year, contract for new Belmarsh West prison
 - Partnership approach with voluntary organisations
 - Emphasis on rehabilitation
- £32m extension to Yarl's Wood immigration removal centre
- £10m extension to Scotland electronic monitoring contract



Civil Government Transport

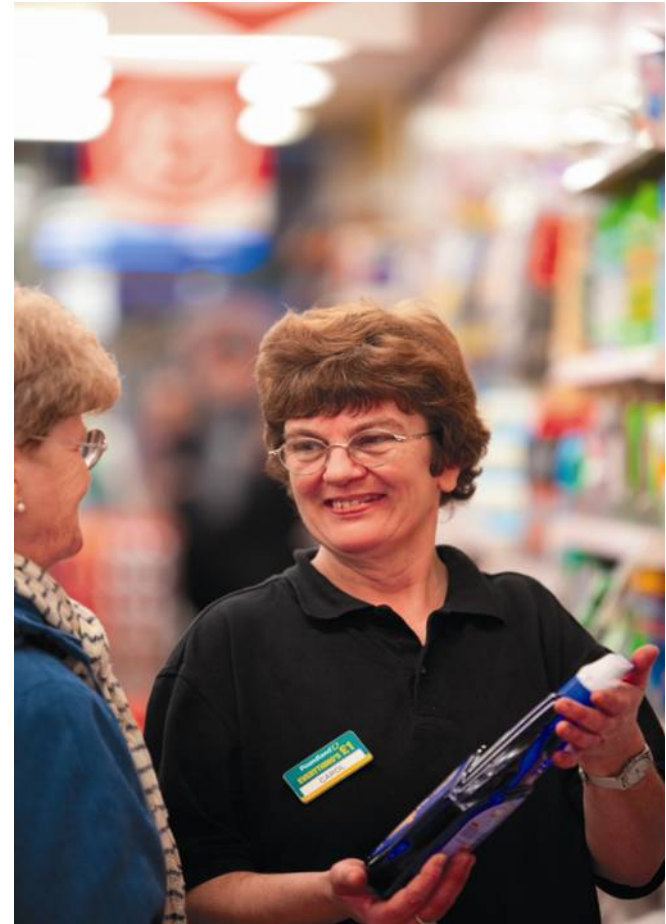
- Signed £530m, two-year, extension for Northern Rail
- Excellent operating performance at Northern Rail, Merseyrail and DLR
- £30m of additional transportation and technology contracts



Civil Government

Welfare to Work

- Excellent start to Flexible New Deal contracts
 - Jobs found for 7,500 long-term unemployed
- Existing Flexible New Deal contracts end in June 2011
- Bidding into new and substantially larger Work Programme
 - Expansion into additional welfare payments including 2.5 million incapacity benefit and 1.5 million Jobseeker Allowance claimants



Civil Government Health

- £11m renewed and expanded healthcare and occupational health contracts
- Won £22m combined healthcare contracts at three Norfolk prisons



Civil Government

H2 developments

- Continuing to deliver e-Borders operations after Home Office terminated Raytheon as prime contractor
- Launched highly popular Barclays Cycle Hire Scheme
 - 250,000 journeys
 - Nearly 60,000 registered members



Civil Government Opportunities

- Home affairs: new market to manage failing public sector prisons
- Welfare to Work: market expected to double
- Health: management of failing NHS hospitals

Defence, Science and Nuclear Highlights

- Comprises defence and science-based businesses in UK and Europe
- 3.5% revenue increase to £461m representing 22% of Group (2009 H1:23%)



Defence UK

■ RAF

- £100m, ten-year, multi-activity contract at RAF Halton and RAF High Wycombe
- £36m, six-year, operational support contract at RAF Brize Norton

■ £20m MoD radar contract to enable off-shore wind farm developments



Science and Nuclear UK

- AWE continues to deliver on transformation and cost reduction milestones
- £13m of new commercial business signed by NPL, offsetting lower government funding



Defence, Science and Nuclear Opportunities

- UK Strategic Defence and Security Review
- Nuclear new build programme
- Science spending review

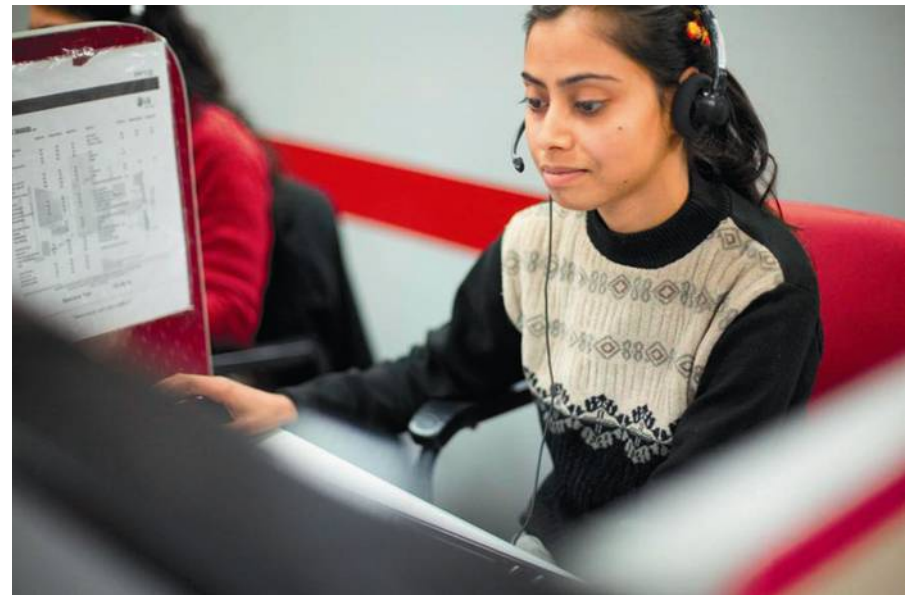
Local Government and Commercial Highlights

- Comprises IT and BPO, consulting, integrated services, education and commercial businesses in UK and Europe
- 9.8% revenue growth to £433m representing 20% of Group (2009 H1: 20%)



Local Government and Commercial IT and BPO

- £24m, five-year, contract with London Borough of Enfield
 - 20% savings and improved services
- Two contracts worth €35m over three years with European Space Agency to provide programme and management support
- Reductions to business support contracts with regional development agencies



Local Government and Commercial Integrated Services

■ Health FM

- £75m, five-year, extension to Norfolk and Norwich University Hospital contract

■ Aviation

- £5m, two-year, British Airways support services contract at Gatwick



Local Government and Commercial Opportunities

- Drivers include service quality and efficiency
 - IT-enabled transformation
 - Environmental services
 - Preferred bidder for £650m, 25-year, Sandwell Borough Council contract



Americas Highlights

- Comprises civil government, defense and transport businesses in the US and Canada
- 1.7% revenue increase (2.6% excluding currency) to £455m representing 21% of Group (2009 H1: 23%)



Americas Defense

- Navy: Renewed US\$84m, 3½-year, Indefinite Delivery, Indefinite Quantity (IDIQ) for hazardous materials management
- Army: One of 12 suppliers appointed to US\$1.3bn, five-year, HR Solutions IDIQ, now competing for business planning and re-engineering work



Americas Defense

- Air Force contracts signed
 - Renewed US\$14m, two-year, Materiel Command depot management order
 - US\$15m logistics contract with Special Operations Forces
- US\$15m Marine Corps renewed and expanded operations and exercise contract



Americas Transport

- Renewed US\$22m, five-year, fleet management contract with Dayton Power and Light
- Renewed and expanded US\$170m Federal Aviation Administration contract to operate air traffic control towers at 65 sites
- Signed US\$50m, five-year, contract to manage Georgia's traffic management system



Americas Opportunities

- Government IT upgrade programmes
- Cyber-security
- Intelligence capabilities support
- Trend towards larger contract vehicles
- Submitted bids valued at more than US\$3bn

AMEAA Highlights

- Comprises our operations in Australasia, Middle East, Asia and Africa
- 37% revenue increase (22% excluding currency) to £218m representing 10% of the Group (2009 H1: 8%)



AMEAA

Australasia and Middle East

■ Australia

- Growth in immigration management contract
- Consumer demand at Great Southern Railway shows good signs of recovery

■ Middle East

- Dubai Metro availability at 98% and punctuality at 96%
- 10 more stations opened



Global Transport proposition

Entering new geographies

- Transport is Serco's first global proposition
 - Rail, aviation, traffic management
- Effective transportation drives economic progress
- New bridgeheads developed that will enable expansion into wider service markets



Global Transport

Strong interest in Middle East and Asia

■ Saudi Arabia

- £10m, one-year contract for new, driverless, Makkah Metro

■ United Arab Emirates

- Dubai: £15m, five-year, contract to operate Palm Jumeirah monorail
- Abu Dhabi: US\$2.7m bus operations management support contract

■ India

- Pre-operations consulting contract for new Gurgaon Metro
- Early operation support contract to Delhi Airport Metro



Consistent drivers across markets but different approaches

- Underlying drivers remain constant
 - Macro issues: security, health, education, environment, growth
 - Efficiency, productivity and quality
- Different approaches across markets
 - Middle East and India economies growing
 - No recession in Australia
 - US federal spending on defense, cyber-security, integrating IT
 - UK government focused on reducing deficit and public service reform

Global market developments

- Global outsourcing market circa £1.5 trillion and growing at 6% per annum
- 10% of US Federal government spending has been opened to competition - addressable market valued at just over US\$1 trillion
 - Federal services market valued at over US\$300bn per annum
- Only 15% of UK's public service market open to competition – addressable market valued at approximately £100bn

UK market evolutions

- Discussions ongoing with UK Cabinet Office on cost savings
- UK government spending reviews across defence and security, rail and welfare
- UK government intending to increase competitive market
 - Potential new markets include hospital management, prisoner rehabilitation and education services

Summary

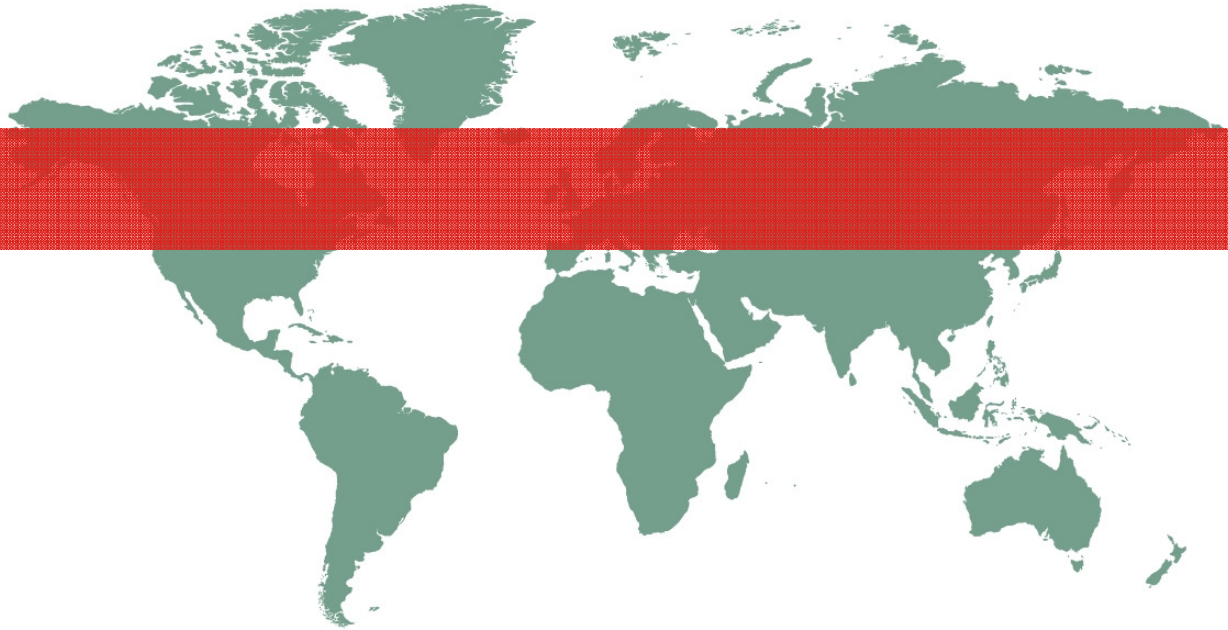
Strong operational and financial performance and well placed

- Strong operational and financial performance
- Expanding our portfolio, building new home markets
- Skills and capabilities increasingly in demand
- Portfolio of essential services, global markets, capabilities and significant opportunities
- Positive outlook

Bringing service to life



Appendix



Advise | Design | Integrate | Deliver



Currency

Average rates

	1H 2010	1H 2009
£:US\$	1.52	1.49
£:Aus\$	1.70	2.11
£:Eur	1.15	1.11

	FY 2010 assumption *	FY 2009
£:US\$	1.55	1.56
£:Aus\$	1.72	1.99
£:Eur	1.17	1.12

Closing rates

	30 Jun 2010	31 Dec 2009
£:US\$	1.50	1.61
£:Aus\$	1.77	1.80
£:Eur	1.22	1.13

* Assuming no further changes to exchange rates