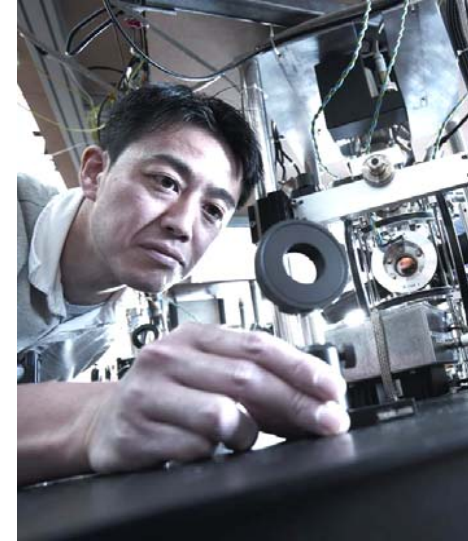


Bringing service to life



# Serco Group plc

Presentation to  
**Citi Support Services Conference**

Presented by  
**Clive Barton, Group Marketing Director**

28 March 2008

# Agenda

- Our business
- Expanding market opportunities
- Our vision and strategy
- Track record and 2007 performance
- Outlook

# Our business

- 40 years' experience in people-led change management
  - redesigning organisations to deliver service transformation
  - improving processes and empowering people
- Skills applicable to many markets and sectors
- Strong public service ethos focused on delivering the best for our customers, people and the wider community
- 2007 revenue of £2.8bn through more than 600 contracts
- Order book of £14.7bn and high visibility of future revenues
- Track record of growth and significant exposure to rapidly growing markets

# Examples of our services

- We improve patient care with our health services
- We rehabilitate offenders in our prisons
- We protect borders through technology
- We provide swift, safe travel with our trains and transport systems
- We help young people learn in the schools and training centres we manage
- We enable trade by the precise measurements undertaken by our scientists

# Expanding market opportunities

- Public sector is under pressure to improve existing services and reduce costs
- Governments also under pressure to respond to new and increased challenges
  - Climate change, migration, security, congestion, economic development
- Opportunity to reduce complexity for customers by managing larger bundles of services
- We have broadened our capabilities and international reach to address new markets
- As a result our pipeline of opportunities stands at a record £27bn, allowing us to be selective in the work we bid for

# Our vision

- To be the leading service company in our chosen markets
- Our delivery of this vision is underpinned by
  - strong values
  - long-term relationships
  - world-class systems, processes and people
- These are built on our reputation for
  - continuous improvement
  - organic growth
  - value creation

# Our strategic objectives

- Build a balanced portfolio of market facing businesses
- Maintain high rebid and new win rates
- Make strategic acquisitions for new skills or market entry
- Develop new models in existing and emerging markets

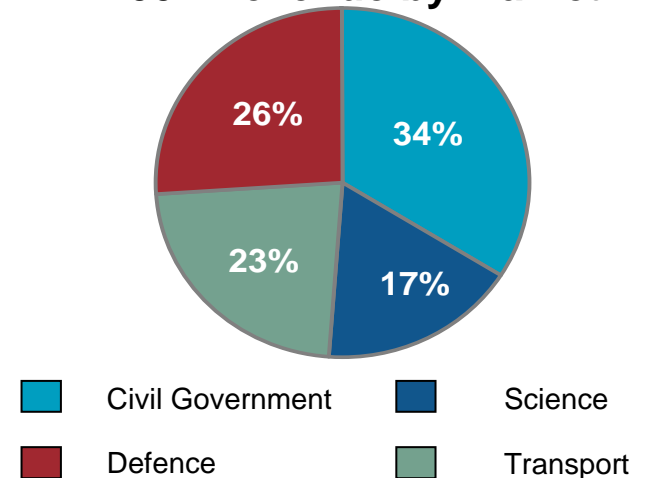
This enables us to grow sustainably because we:

- Strengthen our position in our chosen markets
- Reduce exposure to market fluctuations
- Develop new skills and capabilities for the future

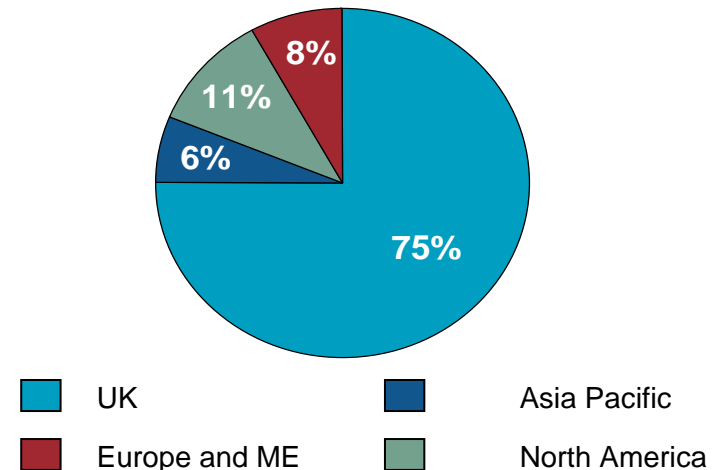
# Balanced portfolio of market facing businesses

- Service not sector driven: core skills applicable across sectors and markets
- Not constrained by sector or geography
- Gives exposure to rapidly growing markets
- Reduces our exposure to market fluctuations
- Allows us to choose the best opportunities, helping drive margin improvement
- Record level of international wins in 2007 complemented UK growth

2007 Revenue by market



2007 Revenue by geography



# Maintaining high rebid and win rates

- High win rates maintained through building close customer relationships and addressing customers' evolving needs
- Contract directors empowered to respond to customer needs through innovation and continuous improvement
  - supported by a robust risk management and corporate governance framework
- We select only those bids where we can differentiate ourselves
- This results in a high level of service supporting
  - customers having confidence to award long-term contracts
  - win rates of over 90% for rebids and one in two for new bids
  - expansion of scope and scale of existing contracts

# Strategic acquisitions

- Primary focus is on organic growth
- Acquisitions to gain entry to chosen markets
  - RCI significantly broadened footprint in the US defence market
    - ▶ delivered major wins such as LOGCAP IV and Sea Enterprise
- Acquisitions to broaden skills and capabilities
  - ITNET brought significant IT skills and accelerated entry into BPO markets
    - ▶ delivered major wins such as Glasgow City Council and e-Borders
- Well placed to take advantage of further opportunities

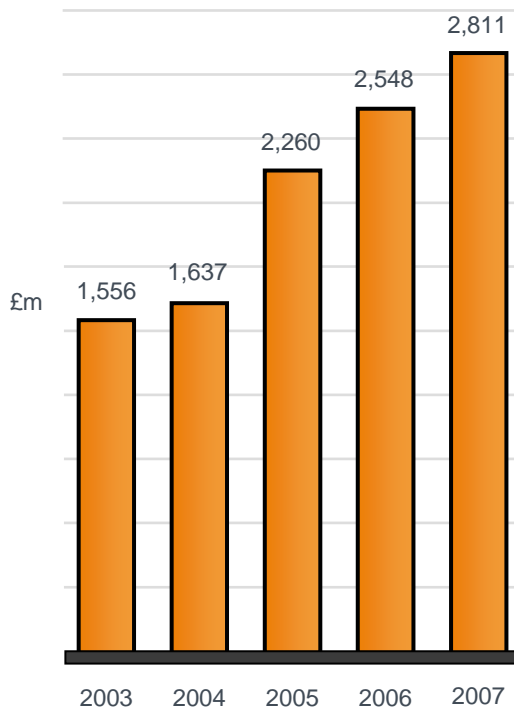
# Developing new models

We develop new ways of working to respond to emerging market opportunities and developing customer needs, such as:

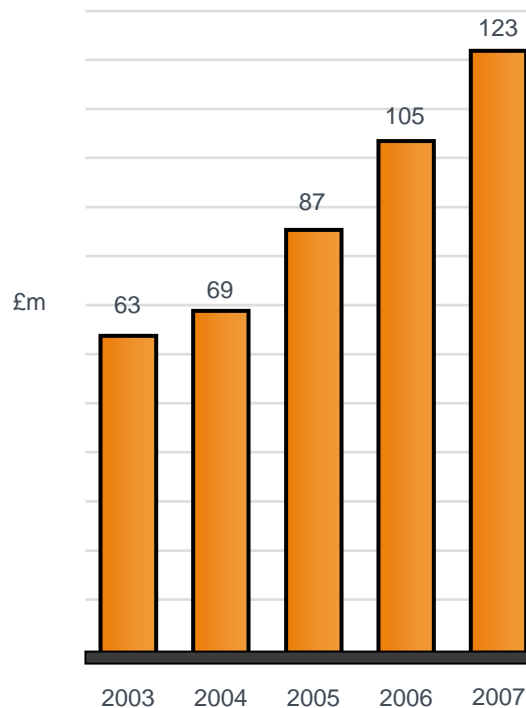
- creating bespoke products through cross-divisional collaboration
- working with external partners in joint ventures
- bringing together skills from public, private and voluntary sector organisations
- forming partnerships with customers
- payment on outcomes

# Track record of growth

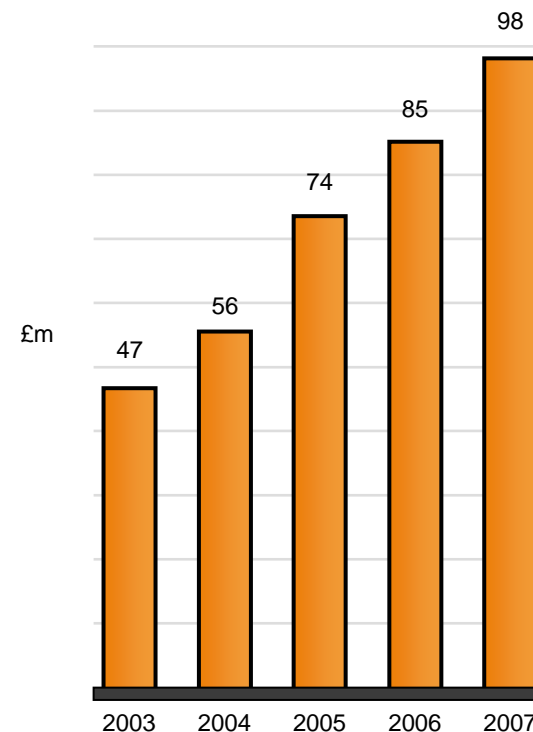
## Revenue



## Adjusted profit before tax



## Free cash flow



Note: adjusted profit before tax is profit before tax and amortisation of acquired intangibles. For 2006, this also excludes the £11.4m gain on sale of PFI investments. 2003 adjusted profit before tax is estimated under IFRS.

# 2007 highlights

- Revenue growth of 10.3% driven by buoyant UK and international markets
- 30 basis points of margin improvement with adjusted PBT up 17.3%
- Free cash flow increased 14.3%
- Strong bidding performance
  - won more than 90% of rebids and one in two new bids
  - £3.6bn of contracts signed in the period
  - appointed preferred bidder for £1.0bn of contracts
  - record level of international awards
- Order book up to record £14.7bn
- Visibility of 91% of revenue for 2008, 76% for 2009, 63% for 2010

# Outlook

- UK and international markets continue to generate increasing opportunities
- Significant contract wins and £27bn pipeline of opportunities underpin positive outlook
- Confident of double digit revenue growth for foreseeable future
- Expect further margin improvement in both 2008 and 2009

# Serco's distinctive strengths

- Serco has:
  - 40 years' experience of people-led change management
  - significant exposure to rapidly growing markets
  - deep public-service ethos and culture
  - robust risk management and corporate governance
  - excellent reputation for assured service delivery
  - proven ability to evolve to take advantage of new opportunities
- which lead to:
  - highly-visible and predictable revenue, growing at double digits
  - the ability to bid selectively and increase margins
  - rising and predictable cash flows