

Serco Group plc  
**Proposed Acquisitions**  
**of ITNET and RCI**  
**16 December 2004**



Agenda

Introduction and Overview

Strategic Rationale

Financials

Summary

Agenda



Introduction and Overview

Kevin Beeston  
Executive Chairman

Introduction and Overview

Serco senior management team



Kevin Beeston  
Executive Chairman



Christopher Hyman  
Chief Executive



Andrew Jenner  
Finance Director



Clive Barton  
Director, Marketing



Grant Rumbles  
Operations Director



Bridget Blow  
Director, Technology



Steve Cuthill  
Chief Development  
Officer & Chairman  
North America



Ian Downie  
Director Strategic  
Projects & Chief  
Executive ITNET



## Transactions summary

### ITNET – Class I

- Recommended offer of 320p per share, values ITNET at £235m
- Premium of 36% to ITNET's price on 12 November 2004
- Full cash offer gives certainty
- Partial share alternative allows participation in any upside
- Expected to complete in Q1 2005

### RCI – Class II

- Agreed price of \$215m (£113m)\*
- Acquired on a debt free basis
- Expected to complete in Q1 2005

\* All US\$ amounts converted at US\$1.9 to £1.0

**serco**

## High strategic value with minimal risk

### High Strategic Value

- Improves access to large and growing markets
- Strengthens offering in public sector and commercial markets
- Enhances skills and capability

### Minimal Transition Risk

- Integration process normal business for Serco
- Similar business models minimise operational risk
- Strength and depth of Serco management reduces risk

### Creates Shareholder Value

- Reinforces platform for organic growth
- Both transactions earnings enhancing in 2005
- Undertaken within advantageous macro-economic conditions

**serco**

**serco**

Strategic Rationale

- ITNET
- RCI
- The Enlarged Group

Chris Hyman  
Chief Executive

# Strategic Rationale

## Transactions support a powerful vision

*"to be the leading service company  
in our chosen markets"*

- Two key steps towards achieving our vision
  - Building on our existing capabilities
  - Expanding our presence in North America
- Transactions represent significant milestones on this path

**ITNET**

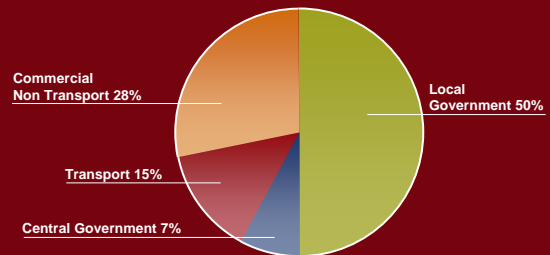
**serco**

### ITNET enhances our ability to grow in UK market

- Public sector efficiency remains a market driver
- Increasing service requirements demand business transformation capabilities
- ITNET established business transformation provider
- All revenue derived in the UK – c.60:40 public and private sectors
- More than 2,200 employees



### ITNET is strong in similar markets to Serco



2003 revenue £188m



### ITNET strengthens access to growth markets

- Double digit growth to 2007 expected in UK market  
(Ovum Holway 04)
- Over 50% growth in outsourced public services by 2007  
(Kable 2004)
- ITNET expands Serco's access to the business transformation market







### ITNET enhances Serco's skill sets

- Infrastructure services (60% of 2003 revenues)
  - Managing IT departments, providing and supporting hardware, software, and desktops
- Application services (22% of 2003 revenues)
  - Implementation and hosting, enterprise resource planning (SAP/Oracle), customer relationship management (Siebel)
- Business process management (BPM) (12% of 2003 revenues)
  - Cash management, payroll, pensions administration and fleet management
- Consulting (6% of 2003 revenues)
  - IT strategy, programme management and business process re-engineering



### ITNET brings complementary customer base

 	 
<p>Document management system Integrated, faster services Enabled resources to be switched</p>	<p>Desktop support services and disaster recovery Extended two year contract Provides significant cost savings</p>
 	 
<p>IT services for shared services partnership Over £750k savings achieved Best outsourcing deal award</p>	<p>Payroll, pension and accounts services Enabled Council to concentrate on strategy 2003 extended initial contract for further 7 years</p>

### ITNET is an award-winning service provider

- SAP Partner of the Year for 2002
- Top IT outsourcing supplier in infrastructure services to Local Government (Kable 2004)
- Second highest customer satisfaction rating in Local Government survey (Nelson Hall 2003)
- Lichfield DC and Staffordshire-Moorlands DC shared services partnership
  - National Outsourcing Association – Best IT Outsourcing Deal
  - Local Government IT Excellence Awards – IT Innovations in Local Government runner-up

**ITNET** **serco**

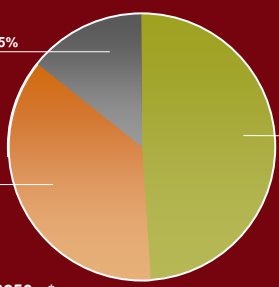
### RCI meets requirements for developing North American strategy

- North America represents largest services market in the world
- Serco requires additional scale in federal markets
- Serco requires greater experience of US procurement models
- RCI is a top 100 supplier to Department of Defense

**rci** **serco**

### RCI is strong in similar markets to Serco

Turnover by customer



Customer	Turnover (%)
US Navy	49%
US Army	36%
Other	15%

2003 Turnover \$256m\*

\* Adjusted for disposed contracts

**rci** **serco**

## RCI's capabilities are highly attractive to Serco

- HR focused business process management (37% of 2003 revenue)
  - recruiting, personnel administration, education support
- Systems engineering (25% of 2003 revenue)
  - design, development, integration, installation
- Information technology (19% of 2003 revenue)
  - enterprise systems, software engineering, modelling
- Supply chain management (11% of 2003 revenue)
  - analysis, planning, logistics systems and management
- Strategic consulting (8% of 2003 revenue)
  - organisational studies, business process re-engineering



## RCI brings an exciting customer base to Serco



**Headquarters Army/Pentagon Info Mgmt Center**  
 Network operations serving 9,000 users  
 US\$26m initial contract  
 Sept 04 US\$39.4m contract



**US Naval Port San Diego**  
 Single integrated contract  
 Installation support services  
 Systems engineering, design, installation, technical support and training



**US Navy's Personnel Management**  
 Supporting career assignment decisions  
 5<sup>th</sup> contract with US Navy Personnel Research, Studies & Technology branch



**DoD Agencies**  
 "Should Cost" analysis  
 Compare/contrast logistic delivery models  
 Review cost risk - assumptions and control systems  
 New US\$39m 3-year contract

## RCI brings a deep understanding of rapidly growing contracting vehicles



Government Wide Acquisition Contract (GWAC)	Contracts let and managed by a single agency for use by other agencies
Multi-Award Contract (MAC)	Identical contracts awarded to multiple contractors, providing streamlined competition among a small prequalified group
Blanket Purchase Agreement (BPA)	Contract vehicle with prenegotiated services and pricing that allows rapid task order awards without additional competition
GSA Schedule	List of product/service prices negotiated by the General Services Administration for use by all government agencies
Indefinite Delivery/Indefinite Quantity (ID/IQ)	Contract type containing negotiated services and pricing but does not specify the size or timing of individual orders



## RCI has a complementary culture and business model

- Growth devolved to those closest to customers
- Reputation built on deep relationships and quality of service
- Strong control of cost enables reputation for value for money
- Finalist for the Greater Washington Government Contractors "Contractor of the Year" award for 2002 and 2003



## More powerful market presence



### PAST OPPORTUNITIES

- Criminal Records Bureau
- London Congestion Charging
- Devon & Cornwall Police
- Northampton BPO
- US Opportunities requiring contract vehicles

### EMERGING MARKETS

- Defence BPO
- Large scale local authority change
- Social and children's services
- Supply chain management
- Homeland security



## More capable service provider



- Global strategic consulting capability
- £400m of technology contracts
- Global ERP capability
- Global exposure to homeland security markets
- Expanded presence in national and local government



## Serco, ITNET and RCI - altogether stronger

- Strategic access to growing markets
- Tactical expansion of bid pipeline
- Cost synergies available from both

*"The addition of Serco's experience of successfully handling larger contracts to ITNET's technology capabilities provides a market leading offering."*

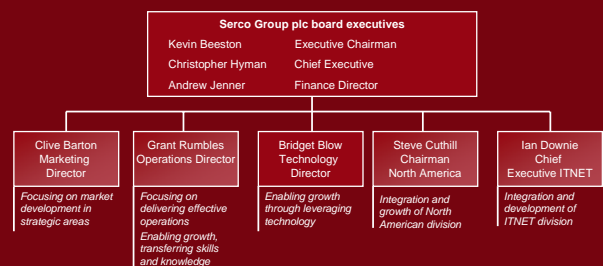
Oliver Whitehead, Chairman ITNET

*"This transaction positions RCI to continue our record of growth and will give us the resources and capabilities to achieve our broader strategic vision – to expand our US business and enter the global service market."*

George Troendle, CEO RCI



## Serco proposed senior management team





## Financials

ITNET

RCI

Combined group

Andrew Jenner  
Finance Director

Financing

Completion timetable

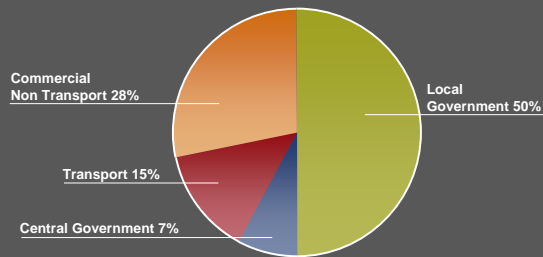
# Financials

## ITNET's growth

- Since flotation in 1998 compound annual growth rate
  - 12% in turnover
  - 21% in PBT
- Strong cash conversion
- 2003 turnover £188m, PBT pre-goodwill £19m



## ITNET's turnover split by customer



2003 Turnover £188m



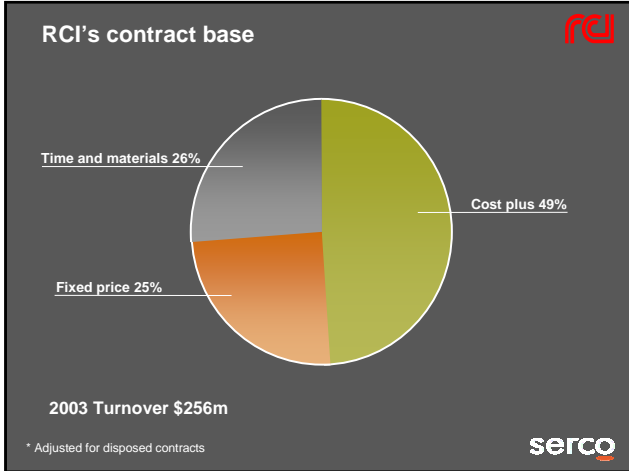
## RCI's growth



- Since 1998 compound annual growth rate
  - 23% in turnover
  - 50% in PBT
- Strong cash conversion
- 2003 turnover \$256m\*, PBT \$12m\*

\* Adjusted for disposed contracts





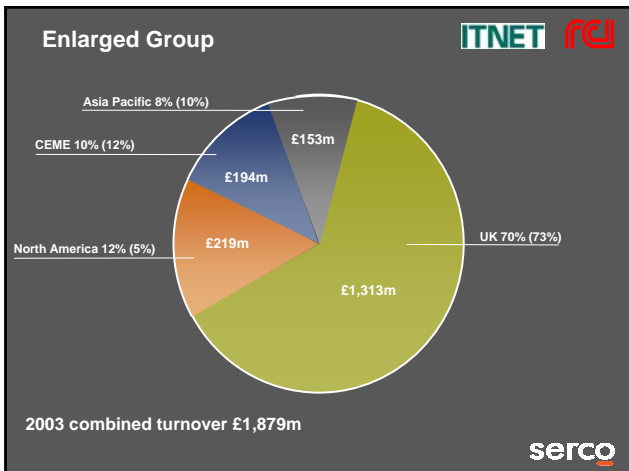
### Enlarged Group

Year ended 31 December 2003	Serco	ITNET	RCI	Enlarged Group
Total turnover	£1,556m	£188m	£135m	£1,879m
EBITA	£65m	£19m	£7m	£91m
EBITA margin	4.2%	10.0%	5.5%	4.8%

- Acquisitions add
  - 21% to turnover
  - 40% to EBITA

Source: Serco and ITNET audited accounts  
RCI adjusted for disposed contracts

**serco**



- ### Financing
- Total acquisitions cost of £362m funded by bank debt
  - Share alternative for ITNET of up to c.£80m
  - Committed five year bank facility of £450m in place with unchanged covenants
  - Balance sheet gearing and interest cover provide headroom going forward
- serco**

### Completion timetable

- |                                   |                      |
|-----------------------------------|----------------------|
| • Offers announced                | 16 Dec 2004          |
| • ITNET circular and offer posted | As soon as possible  |
| • EGM                             | Expected 12 Jan 2005 |
| • Completion                      | By mid-March 2005    |

**serco**

**serco**

### Summary

Kevin Beeston  
Executive Chairman

Summary

### Summary

**ITNET** **rcj**

- Current trading outlook remains strong
- Key features:
  - Access to large and growing markets
  - Enhanced change capability
  - Strengthened organic growth platform
  - Earnings enhancement in 2005
  - Funded by debt
  - Minimal transition risk

**serco**