

Bringing service to life



2007 Interim results

Presented by
Serco Group plc

30 August 2007

Agenda

Overview

Chris Hyman

Financial results

Andrew Jenner

Business review and Outlook

Chris Hyman

Q & A

Strong six months

	2007	Increase
Revenue	£1,349m	9.1%
Profit before tax (PBT)	£52.0m	16.1%
Earnings per share (EPS)	7.71p	15.2%
PBT before amortisation	£61.6m	17.3%
EPS before amortisation	9.38p	16.4%
Dividend per share	1.23p	17.1%
Group free cash flow	£28.8m	11.6%

Business progress

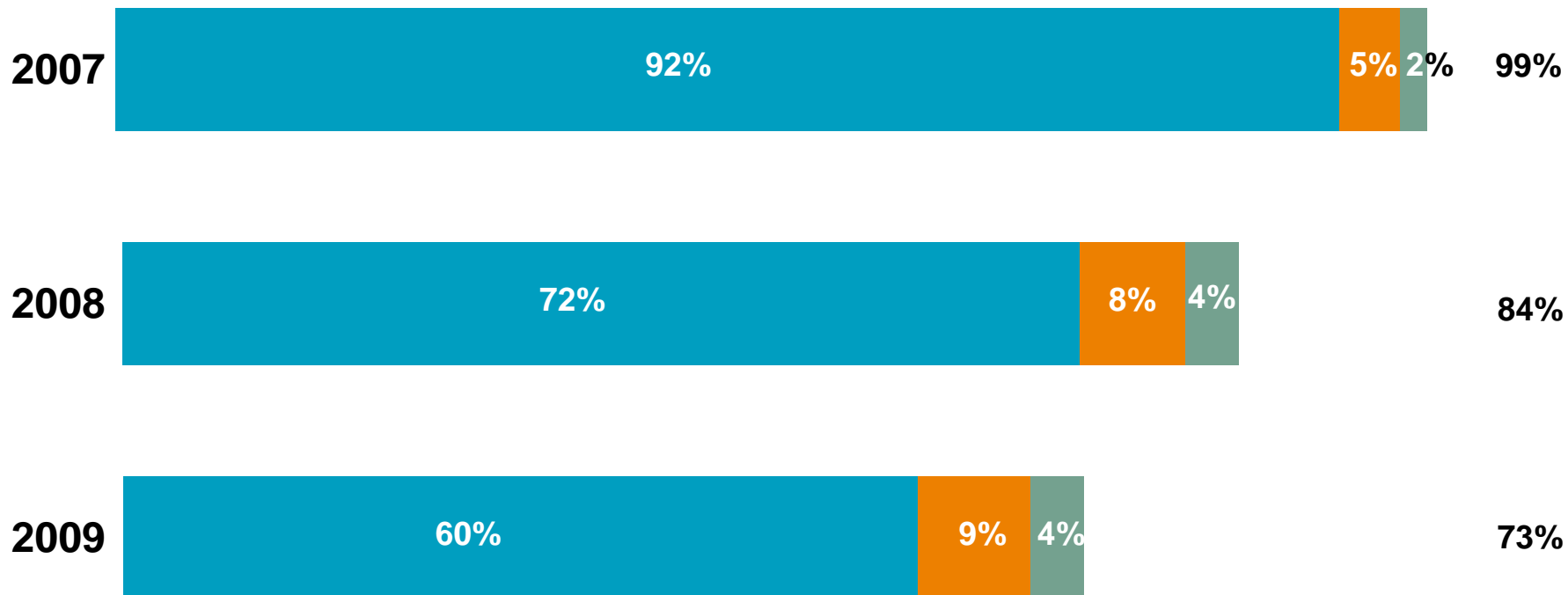
- Good international growth
- Systems roll out in UK complete
- Proactive portfolio management continues
- More senior management resource

Successful first half

- Won >90% of rebids and 1 in 2 new bids
- £2bn of business signed in the period
- Appointed preferred bidder for £0.6bn of contracts
- Shortlisted to final 2 or 3 on bids valued at £1.1bn
- Order book at record £14.6bn
- Pipeline of opportunities estimated at £24bn

Visibility of planned revenue

At 30 June 2007



Order book



Extensions and rebids



Preferred bidder

Bringing service to life



Andrew Jenner

Financial review

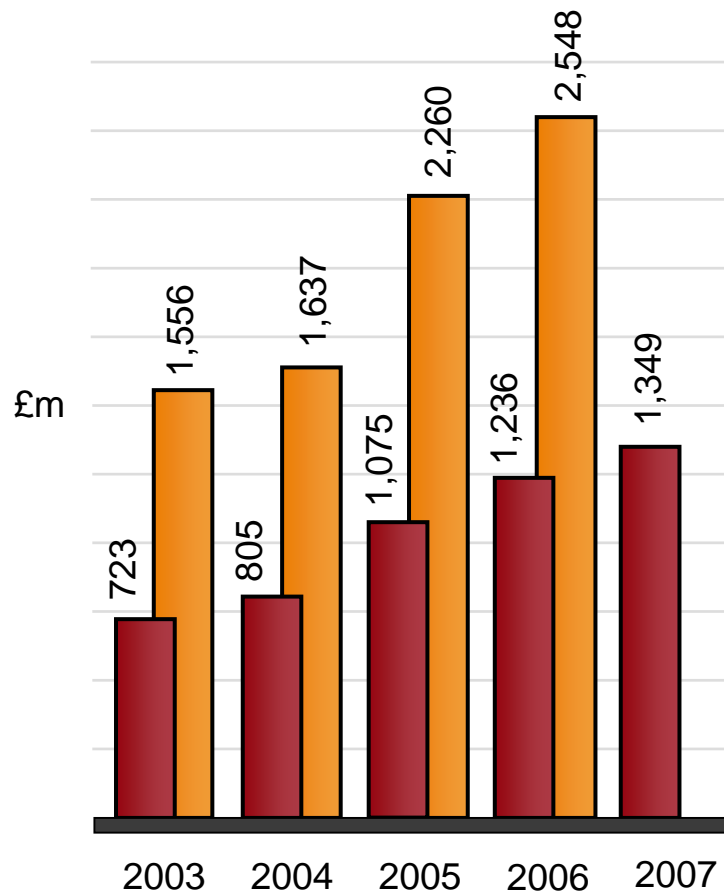
2007 Interim results

Financial results

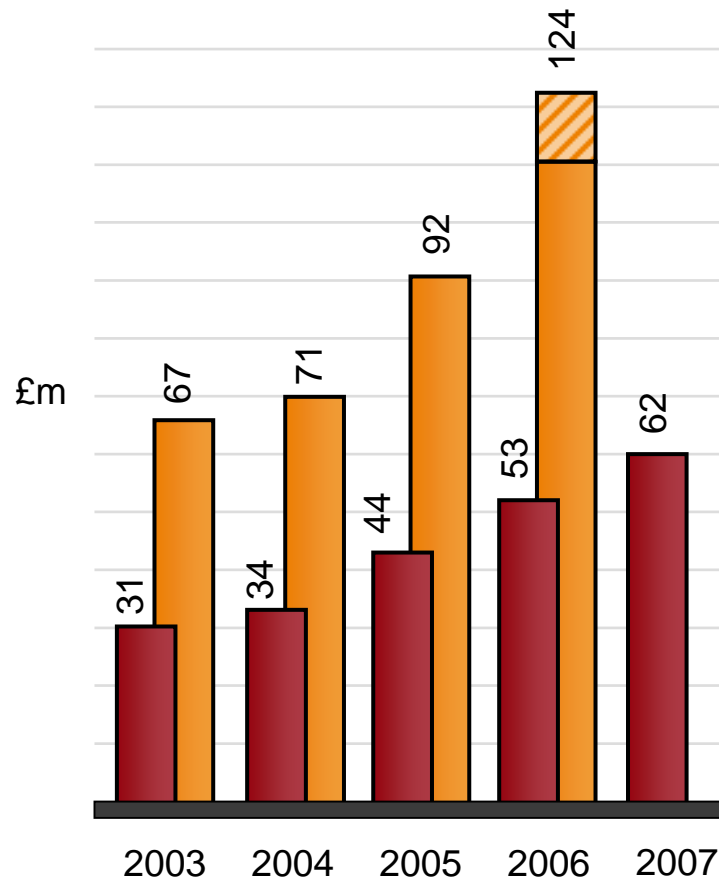
- Financial performance
 - income statement
 - cash flow
 - net debt
- Pension funding
- Margin improvement
- Pro forma disclosure

Income statement

Revenue



Profit before tax and intangible amortisation



■ half year ■ full year
▨ 2006 Profit before tax and amortisation includes £11m gain on sale

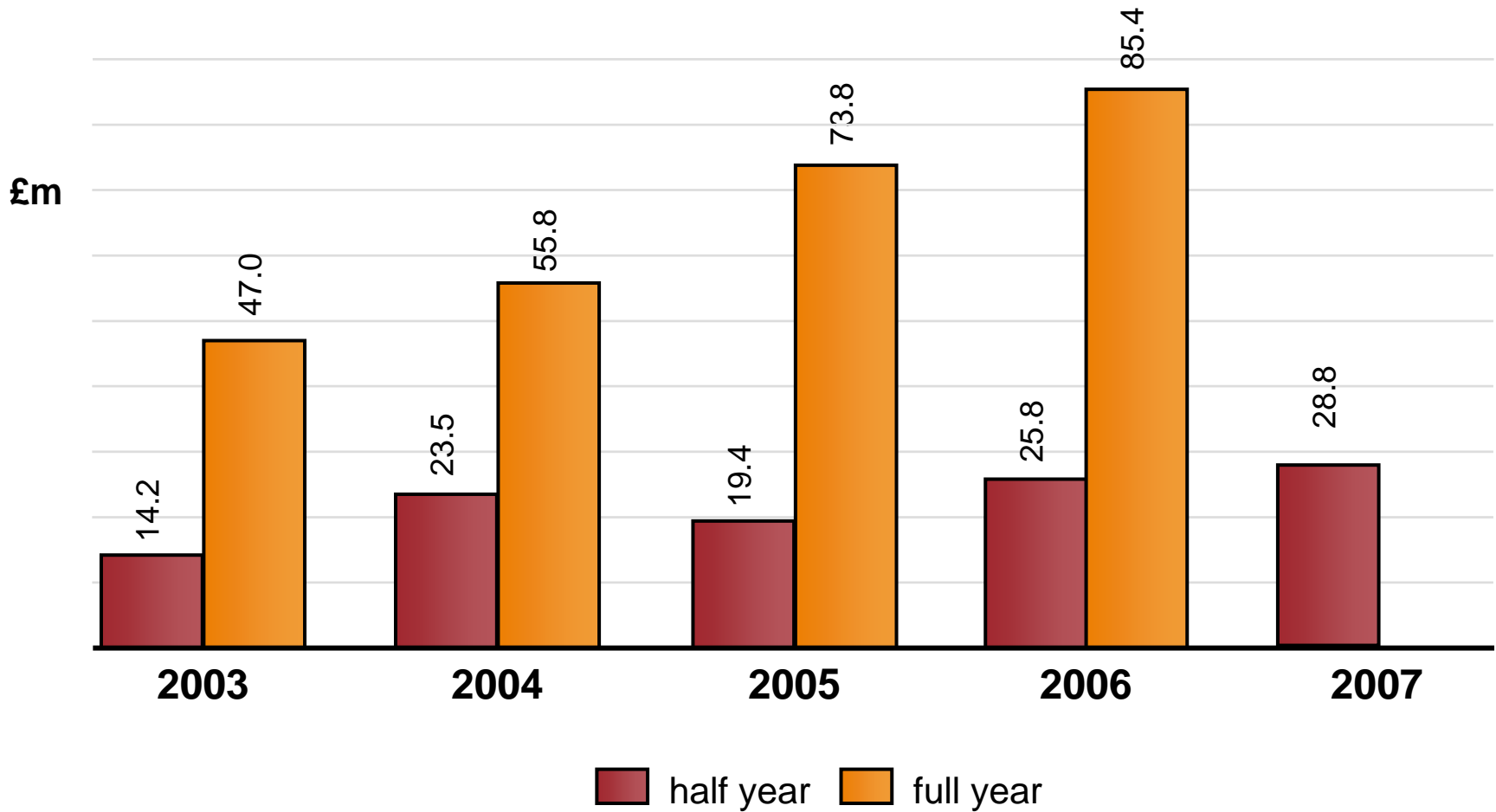
Income statement

Six months ended 30 June	2007 £m	2006 £m	increase
Revenue	1,349.0	1,236.2	9.1%
Profit before interest, tax and amortisation	71.1	61.8	15.0%
<i>Margin</i>	5.3%	5.0%	
Investment revenue and finance costs	(9.5)	(9.3)	
Profit before tax and amortisation	61.6	52.5	17.3%
<i>Margin</i>	4.6%	4.2%	
Amortisation	(9.6)	(7.7)	
Profit before tax	52.0	44.8	16.1%
<i>Margin</i>	3.9%	3.6%	

Income statement

Six months ended 30 June	2007	2006	increase
Profit before tax	£52.0m	£44.8m	16.1%
Effective tax rate	28.1%	29.0%	
Average shares in issue	479.9m	467.8m	
Earnings per share before amortisation of intangibles	9.38p	8.06p	16.4%
Earnings per share	7.71p	6.69p	15.2%

Group free cash flow



Group free cash flow

Six months ended 30 June	2007 £m	2006 £m
Group EBITDA	67.0	56.5
Working capital movement	(18.2)	(11.2)
Group operating cash flow	48.8	45.3
Interest	(11.5)	(8.7)
Tax	(0.7)	(2.4)
Expenditure on tangible and intangible assets	(24.9)	(21.9)
Dividends from joint ventures	17.1	13.5
Group free cash flow	28.8	25.8

Net cash flow

Six months ended 30 June	2007 £m	2006 £m
Group free cash flow	28.8	25.8
Disposal of joint ventures	1.4	-
Acquisitions	(7.9)	-
Other financing	(23.3)	(26.0)
Special pension contribution	(51.0)	-
Dividends paid	(12.0)	(9.6)
Net change in cash - group	(64.0)	(9.8)

Net debt

As at	30 June 2007 £m	31 Dec 2006 £m
Group cash and cash equivalents	114.2	177.8
Group loans	(305.5)	(334.4)
Group obligations under finance leases	(12.7)	(15.3)
Group recourse net debt	(204.0)	(171.9)
JV recourse net debt	44.9	28.2
Total recourse net debt	(159.1)	(143.7)
Group non recourse debt	(60.6)	(62.2)
Total net debt	(219.7)	(205.9)

Group defined benefit pension scheme

- Deficit of £21m at 30 June 2007 (31 December 2006: £117m) on asset base of £640m
- Reduction in deficit principally due to
 - special cash contribution of £51m in January 2007
 - movement in bond yields
- Lower potential volatility due to
 - smaller deficit
 - adoption of a lower risk investment strategy

Delivering margin improvement

	2005 Actual £m	2006 Actual £m	2007 Guidance
Revenue	2,260	2,548	10% growth
Profit before interest, tax and amortisation of intangibles	111	130	
<i>Margin</i>	4.9%	5.1%	5.5%
Interest	(19)	(18)	
Profit before tax and amortisation of intangibles (PBTA)	92	112	
<i>Margin</i>	4.0%	4.4%	4.8%
Amortisation of intangibles	(14)	(16)	
Profit before tax	78	96	
<i>Margin</i>	3.4%	3.8%	4.1%

Note: 2006 excludes gain on sale of PFI investments

Pro forma disclosure

- Intangible assets accounted for and amortised in line with IFRS as disclosed in note 14 to the 2006 accounts
- Post IFRS best practice – companies moving pro forma profit measures closer to statutory measures

	NBV	Amortisation	
	31 Dec 06	2006	2007
	£m	Actual	Estimate
		£m	£m
Customer relationships	16	3	3
Licences and franchises	36	6	6
Software and development expenditure*	53	4	9
Pension related intangibles	21	3	3
	126	16	21

* 2007 includes £4m of amortisation on our SAP system (2006: £1m)

Pro forma disclosure

- For 2007 full year results onwards, for pro forma purposes amortisation of intangibles will be split into two:

	£m
Intangibles arising on acquisition	9
Other intangibles	12
<hr/>	
	21

- Pro forma profit measure will be profit before tax and amortisation of intangibles arising on acquisition
- PBT and cash remain unchanged

Revised pro forma disclosure

	2005 Adjusted £m	2006 Adjusted £m	2007 Guidance
Revenue	2,260	2,548	10% growth
Profit before interest, tax and amortisation of acquired intangibles	106	123	
<i>Margin</i>	4.7%	4.8%	5.1%
Interest	(19)	(18)	
Profit before tax and amortisation of acquired intangibles	87	105	
<i>Margin</i>	3.8%	4.1%	4.4%
Amortisation of acquired intangibles	(9)	(9)	
Profit before tax	78	96	
<i>Margin</i>	3.4%	3.8%	4.1%

Note: 2006 excludes gain on sale of PFI investments

Summary

- Good organic growth
- Margin improvement coming through
- Consistent group free cash flow
- Strong balance sheet

Bringing service to life



Chris Hyman

Business review
and Outlook

2007 Interim results

Agenda

- Our vision and strategy
- Business review
- Outlook

Serco's vision

- Vision: to be the leading service company in our chosen markets
- To deliver this our business is underpinned by:
 - strong set of values
 - long term relationships
 - world class systems, processes and people
- Built on a reputation of:
 - continuous improvement
 - organic growth
 - value creation

Strategy based on following objectives

- Balanced portfolio of market facing businesses
- Maintaining high rebid and new win rates
- Developing new models in existing and emerging markets
- Strategic acquisitions for new skills or market entry

This enables us to:

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

Serco's distinctive strengths

- Serco has:
 - 40 years' service experience – 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

Civil Government

- 8.2% revenue increase to £496m
- Home Affairs
 - Yarl’s Wood IRC, £85m 8 years
- IT and BPO services
 - Ealing Council, £30m 10 year partnership
 - Southwark Council, £26m 5 year partnership
 - Severn Trent, £40m 5 year IT framework contract
 - South West RDA, £15m 28 month “business link” service
 - US Postal Service, \$260m 10 year project management and IT

Civil Government

■ Integrated FM

- NHS Forth Valley, £450m 30 years
- State Street Bank, £50m 5 years
- UAE University, £70m 10 years

■ Consulting

- significant framework contracts
 - UK central government, share of £1.5bn 4 years
 - Metropolitan Police, share of £200m 4 years
- Cornwell acquisition

Civil Government

- Growth areas:
 - offender management
 - border control
 - local council partnerships
 - economic regeneration
 - consulting

Defence

- 9.7% revenue growth to £337m
- UK
 - Gibraltar UK armed forces estate facilities, £50m 5 years
 - South Atlantic multi activity contract, £20m 5 years
 - Naval Air Command (preferred bidder), £70m 10 years
- US
 - LOGCAP, \$225m 5 years
 - Sea Enterprise, \$200m 5 years
 - SPECTECH US Navy contract, \$64m 5 years

Defence

- Growth areas:
 - UK Defence Industrial Strategy
 - nuclear capabilities
 - US defence spending

Transport

- 6.7% revenue growth to £285m
- Light rail
 - Dubai Metro (preferred bidder), £400m 12.5 years
- Traffic management
 - NTCC completed
 - Georgia traffic management center, \$12m 4 years
- Heavy rail
 - Northern Rail awarded Public Transport Operator of the Year
 - Passenger volumes increased

Transport

- Growth areas:
 - traffic management
 - light rail
 - increased consumer demand

Science

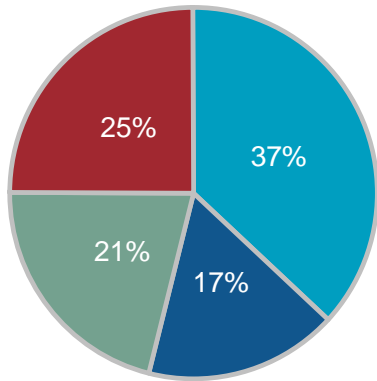
- 13.6% revenue growth to £232m
- Growth from £350m AWE extension
- Magnox reactor support, £15m 5 years
- NDA Sellafield bid progressing

Science

- Growth areas:
 - nuclear decommissioning
 - nuclear capabilities

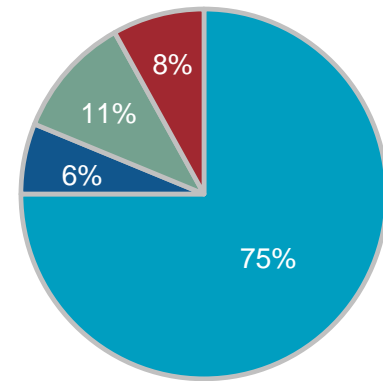
Market sector and geographical analysis

Revenue by market

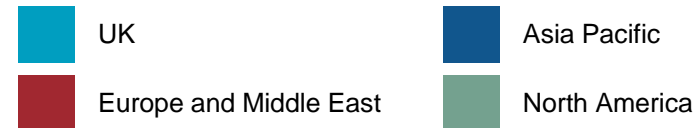
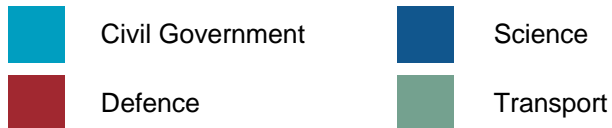
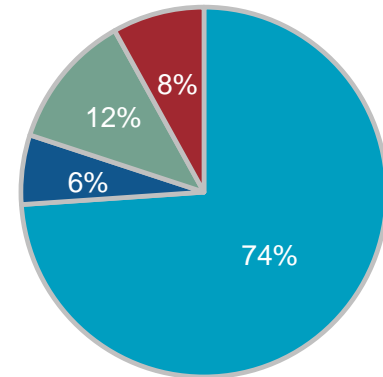
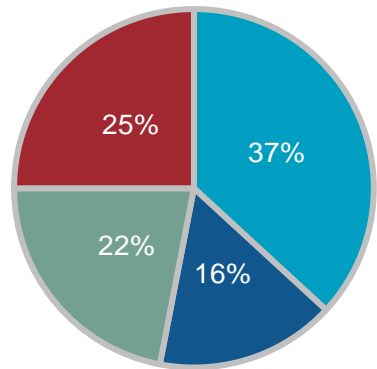


2007 £1,349m

Revenue by geography



2006 £1,236m



Market drivers

- All governments facing common challenges
 - demands for better public services
 - limits on taxation
 - efficiency and impact of technology
 - border control, security and crime
 - health, education and economic regeneration
 - environment, energy and transport congestion
- UK public service reform agenda continues
 - joined up government
 - localising and personalising services
 - increasing and evolving contracting models
 - PFI to partnering
 - mixed economy of providers

Summary and Outlook

- Successful first half of 2007
 - winning >90% of rebids and one in two new bids
 - £2bn of new contracts signed
 - revenue growth of 9.1%
 - PBTA growth of 17% with margin up to 4.6%
 - order book of £14.6bn
- Outlook
 - on course for another strong year
 - growing markets
 - enhanced business capabilities
 - double-digit revenue growth and increasing margins