

Bringing service to life

A stylized world map in a light green color, showing the continents. It is positioned in the background of the slide, partially obscured by a red banner and text.

Strong performance and well positioned for future growth

2009 Full Year Results
Serco Group plc

26 February 2010

Bringing service to life



Chris Hyman

Overview

2009 Full Year Results

Strong operational and financial performance

	2009	2008	Change
Revenue	£3,970m	£3,124m	27.1%
Adjusted operating profit	£229.7m	£165.2m	39.0%
Profit before tax	£177.1m	£136.1m	30.1%
Adjusted earnings per share	29.53p	22.20p	33.0%
Dividend per share	6.25p	5.00p	25.0%
Group free cash flow	£137.3m	£94.2m	45.8%

Portfolio growth strategy

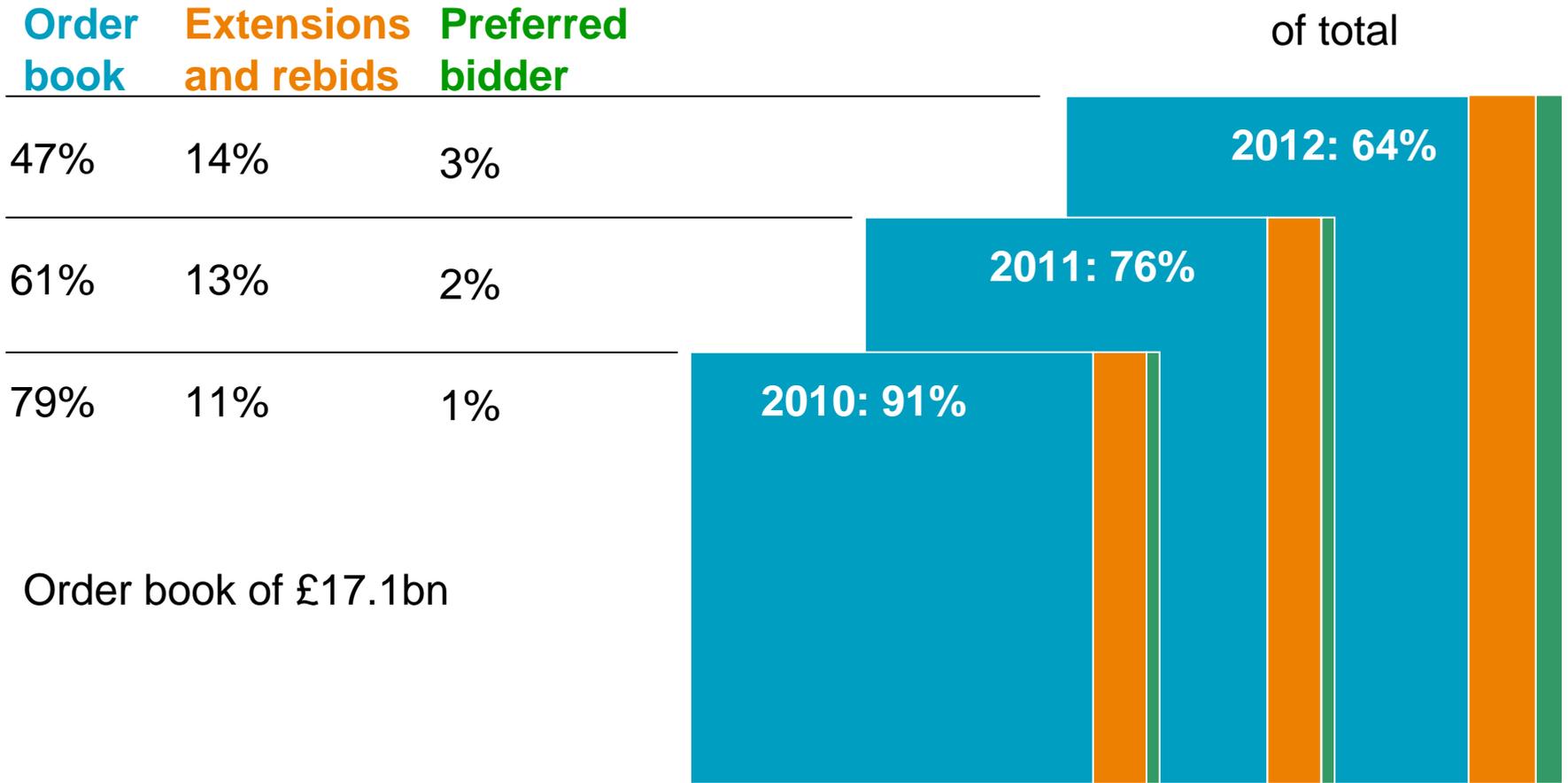
- Entered new, growing, markets
 - UK pathology
 - UK Welfare to Work
- Strengthened position in world's largest contracting market
 - SI acquisition progressing very well
 - Now top 30 federal contractor
- Expanded presence and insight into growing markets
 - Australian migration management
 - India opportunities
- Strong operational performance on the ground
 - Significant Dubai Metro transition, service inaugurated on time

Excellent service delivery in tough global environment

- Challenging business environment
 - World economies declined, unprecedented national debts
- Customers seeking service quality, productivity and efficiency
 - Continuing to win 90% of rebids and 1 in 2 new bids
- Broad range of essential services across broad international portfolio
 - Selected for £5.8bn of business including £1.3bn at preferred bidder
 - Order book at £17.1bn
- Strengthening people and systems to ensure fit for growth

Excellent revenue visibility supported by order book

At 31 December 2009



Well positioned for future growth

- Governments now tackling significant deficits
- Greater need for efficiency and productivity in essential services
- Serco track record for service delivery and deep public service ethos
- Strong capabilities across increasing number of markets
- Expanding our exposure to markets around the world
 - Creating new models
 - Broadening capabilities
 - Developing people and our business for more opportunities

Bringing service to life

serco

Andrew Jenner

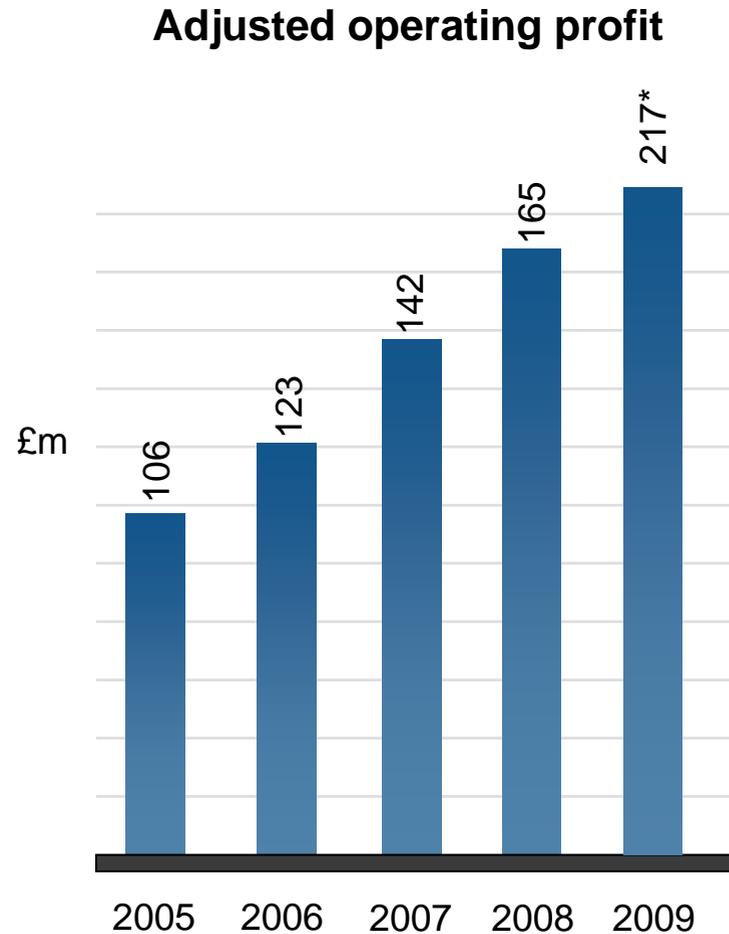
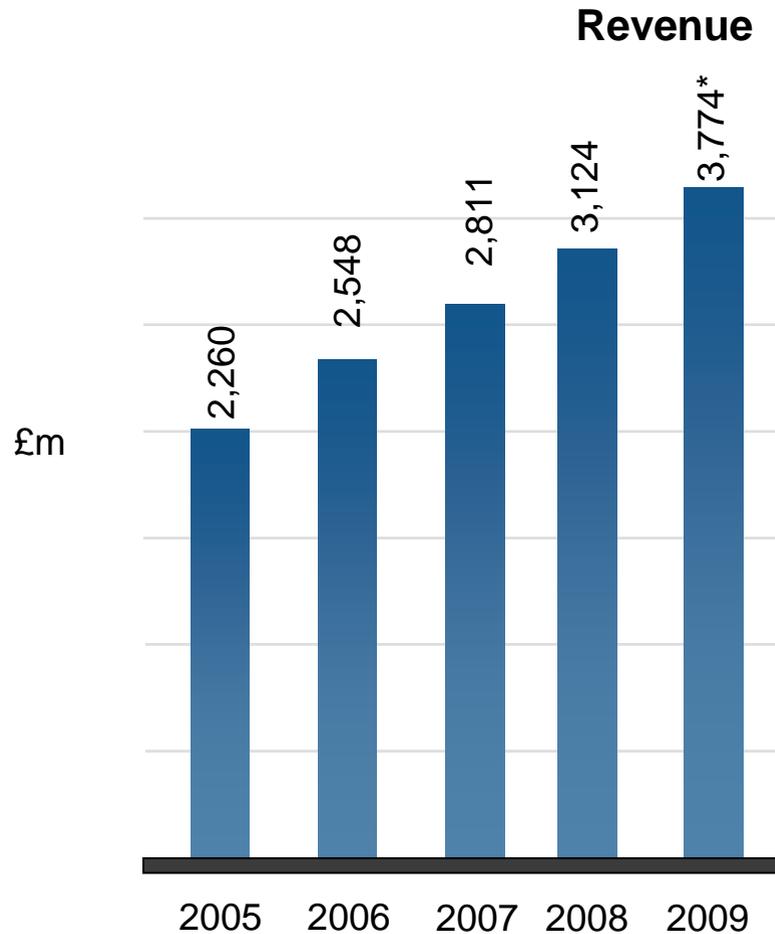
Financial Review

2009 Full Year Results

Financial review

- 2009 financial results
 - Income statement
 - Cash flow
 - Net debt
 - Pensions
- Outlook
 - Segmental reporting
 - Guidance

Strong revenue and profit growth



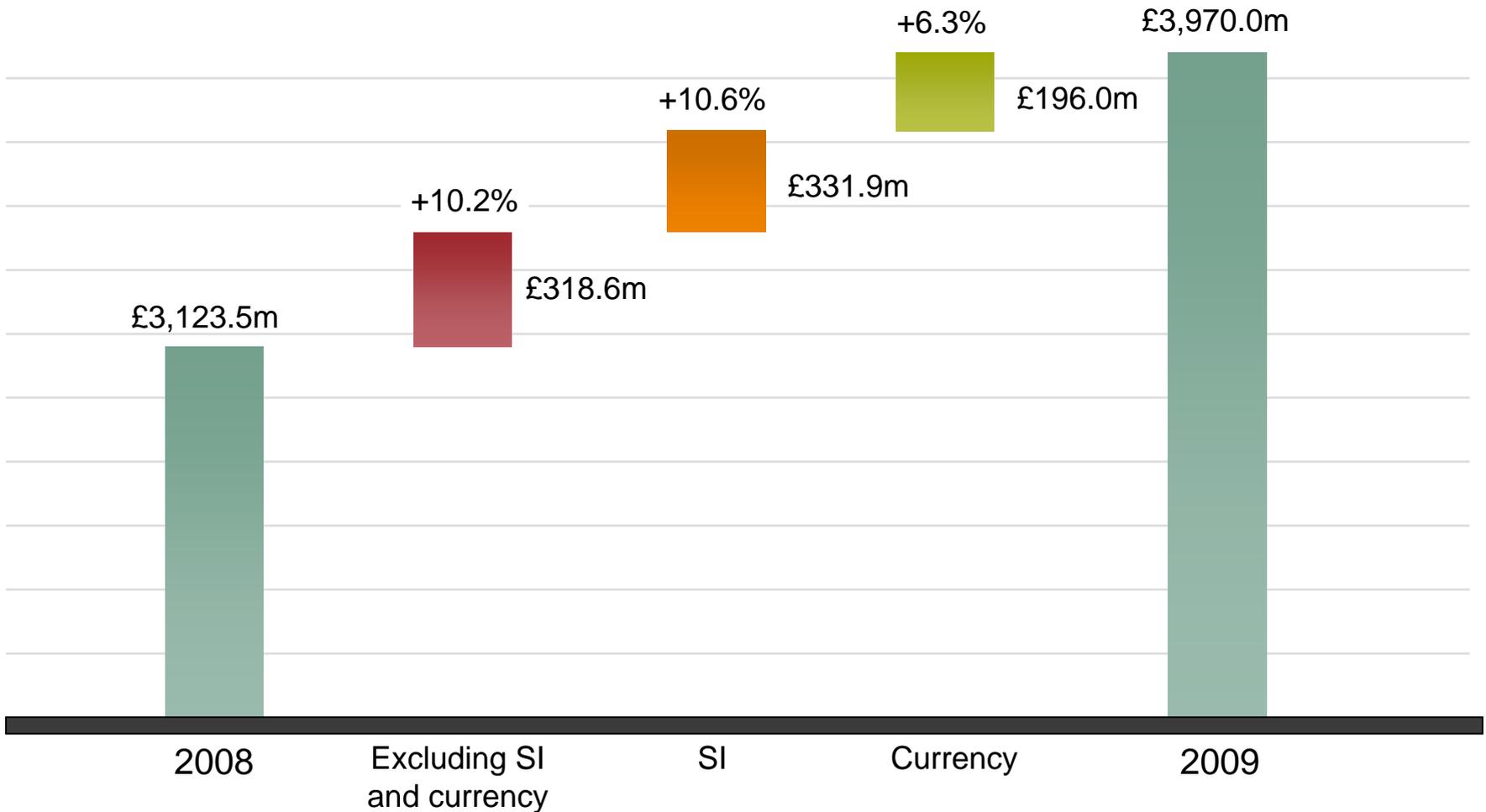
* Excludes currency effects.

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

Year ended 31 December	2009 £m	2008 £m	Increase
Revenue	3,970.0	3,123.5	27.1%
Adjusted operating profit	229.7	165.2	39.0%
Investment revenue and finance costs	(35.0)	(19.9)	
Adjusted profit before tax	194.7	145.3	34.0%
Amortisation of acquired intangibles	(17.6)	(9.2)	
Profit before tax	177.1	136.1	30.1%
Effective tax rate	26.5%	26.8%	
Average shares in issue	486.6m	485.7m	
Adjusted earnings per share	29.53p	22.20p	33.0%
Earnings per share	26.76p	20.49p	30.6%

Revenue

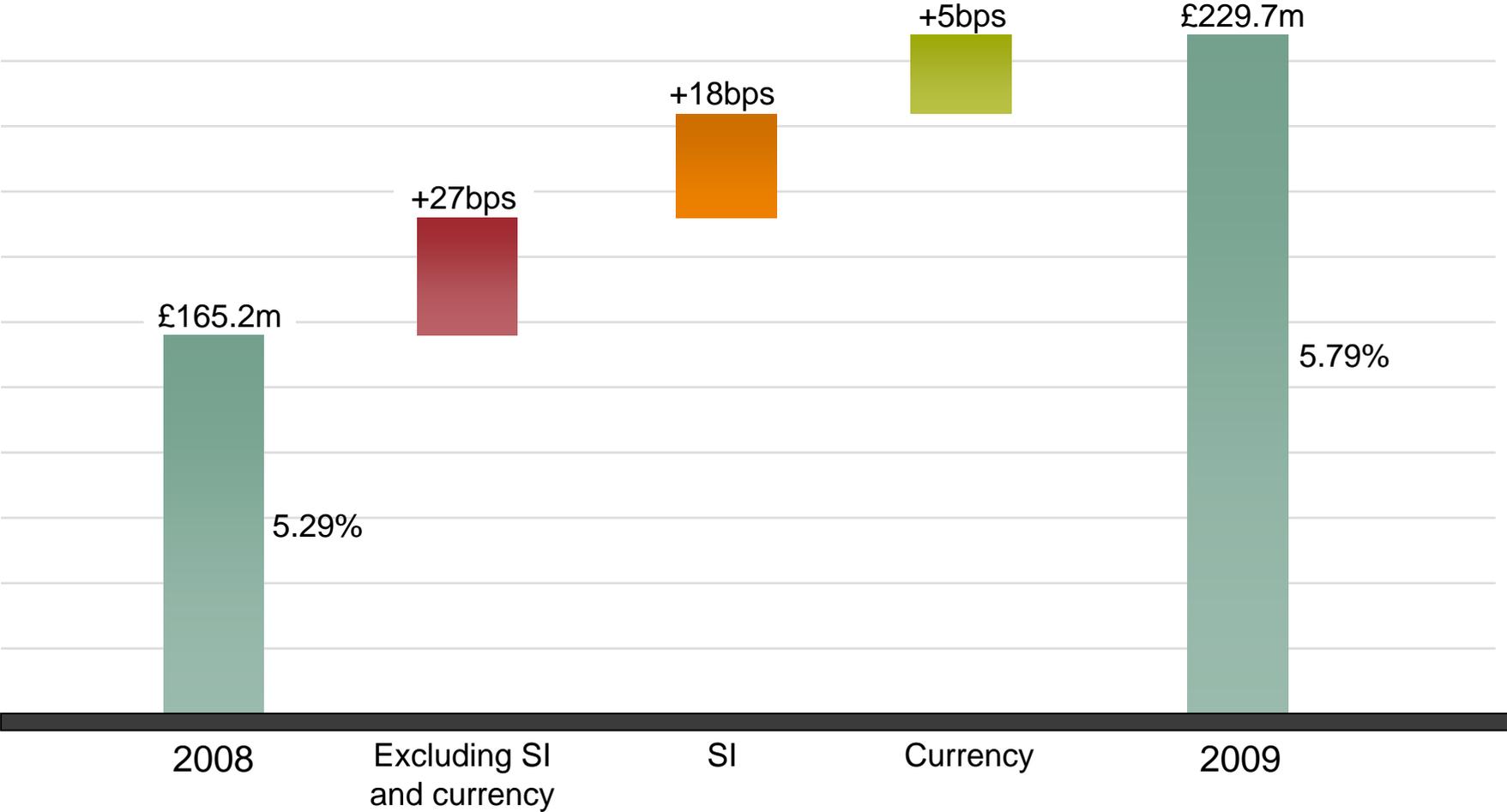


Note: In calculating the growth rates excluding currency shown above, non-Sterling revenue, including that of SI, has been translated into Sterling at the average foreign exchange rates for 2008.

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Adjusted operating profit



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SI International

- Financial performance in line with expectations
 - Revenue growth of 7.5% to US\$618.5m (2008: US\$575.5m)
 - Adjusted operating profit increase of 28.3% to US\$47.1m (2008: US\$36.7m)
 - Adjusted operating profit margin of 7.6% (2008: 6.4%)
- Good progress on cost savings
 - Remain on track to deliver annual cost savings of over US\$10m by end 2010
- Provisional balance sheet fair values finalised
 - No change to goodwill

Income statement

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Investment revenue and finance costs

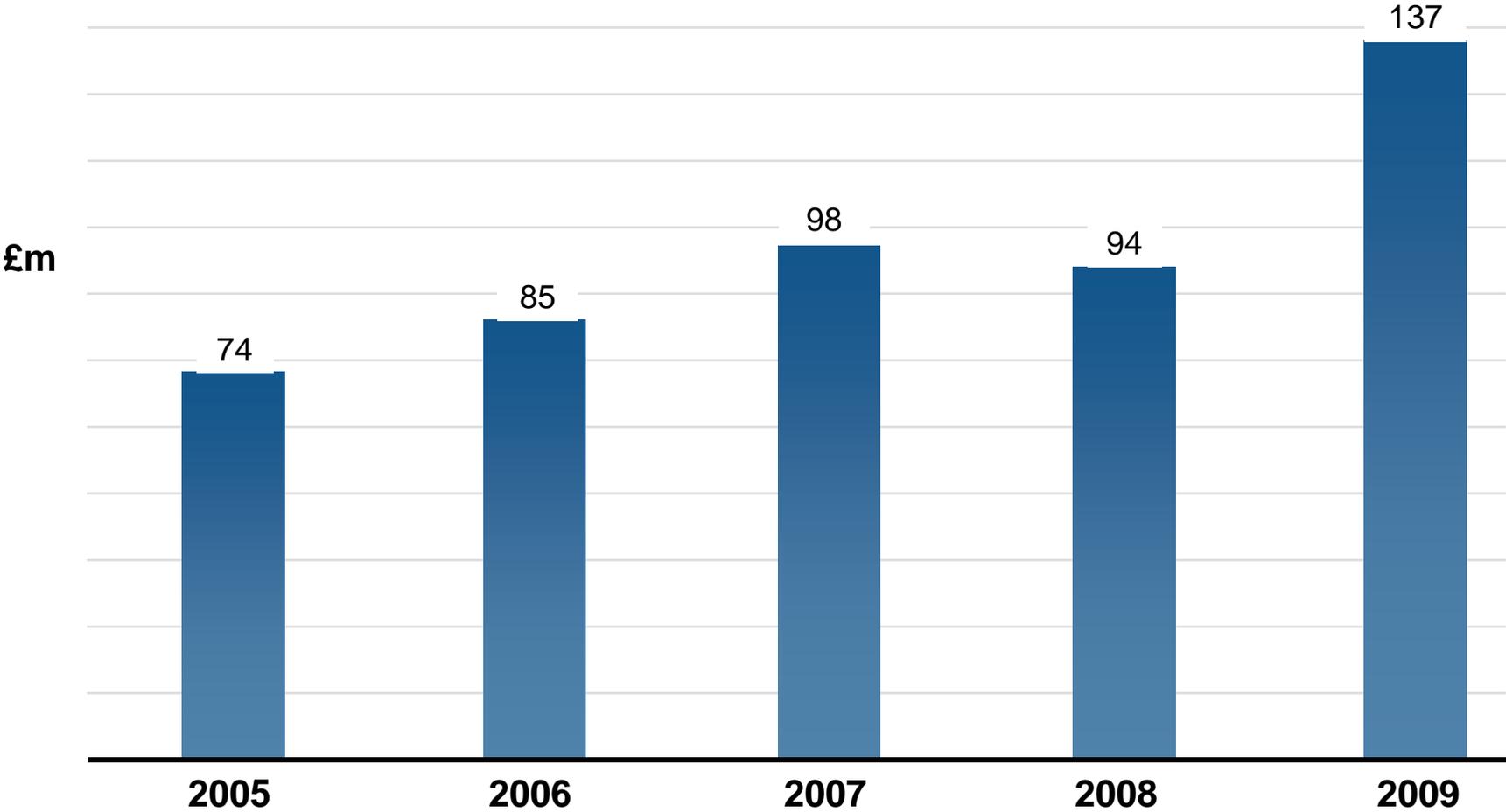
Increase of £15.1m principally due to:

- Higher interest charge, as a result of SI acquisition funding
- Currency effects, which increased the net charge by £2.7m
- Increased pension financing cost of £5.7m

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Group free cash flow



Group free cash flow

Year ended 31 December	2009 £m	2008 £m
Group EBITDA	226.0	148.4
Working capital movement	(27.2)	(22.8)
Group operating cash flow	198.8	125.6
Interest	(31.5)	(25.0)
Tax	(26.5)	(11.8)
Net expenditure on tangible and intangible assets	(49.8)	(31.8)
Dividends from joint ventures	46.3	37.2
Group free cash flow	137.3	94.2

Net debt

As at	31 Dec 2009 £m	31 Dec 2008 £m
Group cash and cash equivalents	253.7	199.8
Group loans	(619.1)	(708.8)
Group obligations under finance leases	(22.3)	(15.5)
Group recourse net debt	(387.7)	(524.5)
JV recourse net cash	58.2	44.5
Total recourse net debt	(329.5)	(480.0)
Group non recourse debt	(29.0)	(34.1)
Total net debt	(358.5)	(514.1)

Defined benefit pension schemes

- Total net balance sheet liabilities of £113.6m
(December 2008: £20.5m)
 - Asset base of £1.4bn
- Non contract specific schemes
 - Deficit on main Group scheme of £54.7m
(December 2008: surplus of £62.4m)
 - Regular triennial review ongoing: working closely with the Trustees on options for the scheme

Segmental reporting

- Divisions repositioned from start of 2010
 - Maximise focus on growth
 - Ensure responsiveness to customers' needs
- Created five new divisions focused on our principal markets
- New divisions will be reflected in our segmental reporting from half year 2010 results
 - AMEAA
 - Americas
 - Civil Government
 - Defence, Science and Nuclear
 - Local Government & Commercial

Guidance

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

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

Summary

- Strong 2009 revenue, margin and cash flow growth
- Significantly reduced year end net debt and robust funding position
- Expect further progress in 2010 towards our expectations for 2012

Bringing service to life



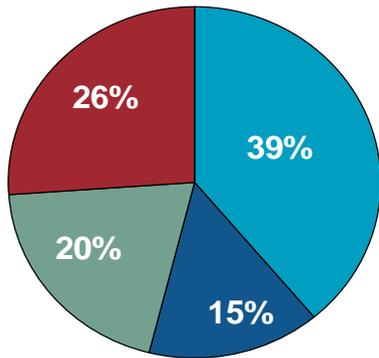
Chris Hyman

Business Review

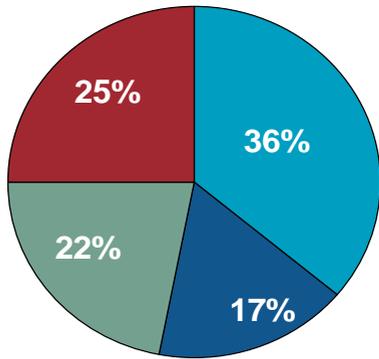
2009 Full Year Results

Market sector and geographical analysis

Revenue by market

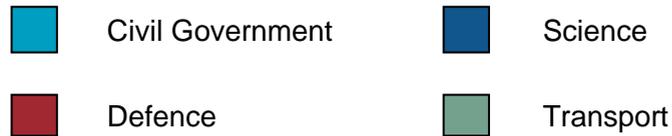
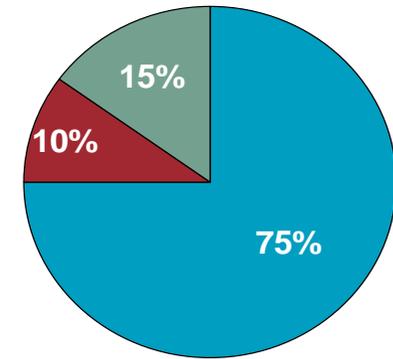
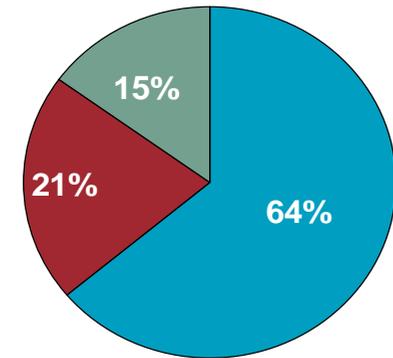


2009 £3,970m



2008 £3,124m

Revenue by geography



Civil Government

Three new markets entered; growth in existing markets

- Civil Government segment includes home affairs, IT and BPO, healthcare, environmental services, consulting and welfare to work
- Operates in UK, US, Canada, Australia, India and Europe
- Revenue up 38% to £1,556m representing 39% of group (2008: 36%)



Civil Government

New market: Immigration Services, Australia

- Focus on welfare and value for money
- Transforming 7 immigration centres
 - AUS\$370m, 5 years
 - Expansion being discussed
- Transforming residential immigration housing
 - AUS\$45m, 5 years
- Further home affairs opportunities in Australia and New Zealand



Civil Government

New market: Welfare to Work, UK

- Started three regional Flexible New Deal services on time
 - £400m-£500m, 5 years
- Prime contractor role integrating network of providers
 - Funded by service and performance payments
- Increasing referrals and job outcomes ahead of target
- Bidding next round of Flexible New Deal
- Potential for further UK opportunities



Civil Government

New market: Pathology, UK

- Efficiency and quality transformation agenda in UK pathology market
- JV (GSTS) with Guy's and St Thomas' NHS Foundation Trust
 - £250m to Serco, 10 years
- GSTS Pathology attracting interest from NHS and private hospitals
 - £31m to Serco, 10 years
 - Transforming pathology for Bedford Hospitals NHS Trust

Civil Government

UK Home Affairs: offender management

- 2 PFI prisons in London and Liverpool, UK (preferred bidder)
 - £600m, 26½ years
 - Innovative approach developed with charity partners to discourage reoffending
- England and Wales electronic monitoring extension
 - £70m, 2 years
- Further opportunities
 - Bids to run 2 government run prisons
 - 5 new prisons being commissioned
 - Opportunities in probation services



Civil Government

UK Local authority market: IT, education and knowledge services

- Peterborough City Council ICT
 - £44m, 11 years
 - More citizen access to council services, less cost
- Business Link contract with UK's South East England Development Agency (signed Jan 2010)
 - £80m, 3+2 years
- Ofsted schools and colleges inspections
 - £55m, 6 years
- 7 local government transformation and BPO opportunities

Civil Government

UK Local authority market: environmental services

- Providing services to 14 local authorities including 3 London boroughs
 - More recycling, less landfill and lower carbon consumption
- London Borough of Bexley
 - £160m, 15 years
- Charnwood Borough Council
 - £35m, 7 years
- Strong pipeline of opportunities



Civil Government

US Federal market: IT & BPO

- Key market drivers include efficiency, seamless government, cybersecurity and intelligence
- Records processing support to National Benefits Center for the US Department of Homeland Security
 - US\$190m, 5 years
- Training and technical support contracts renewed with Pension Benefit Guaranty Corporation and the Department of Transportation
 - Approximately US\$10m, 5 years

Defence

Strong performance and expanded capabilities

- Training, technical and systems engineering, management support and safety assurance support to UK, US, Canada, Germany and Australia
- Revenue up 30% to £1,020m, representing 26% of group (2008: 25%)



Defence

UK and Germany: organic growth from broad contract base

- Multi activity services for RAF Halton and RAF High Wycombe bases
 - £100m, 10 years
- £70m of additional organic growth
 - Helicopter maintenance support
 - Pilot training
 - Air surveillance
- £39m of contracts with German MoD and NATO for mobile military hospitals, technical logistics and communications services

Defence

UK and Germany: organic growth from broad contract base

- Manage and operate UK Emergency Planning College (signed Feb 2010)
 - £55m, 15 years
- MoD defence spending under pressure
- Opportunities from extending asset lifetime, homeland security and transformational contracts
 - Armed Forces Recruitment partnering: £500m opportunity
 - Royal Navy training services: £400m opportunity

Defence

US: expanded work across all branches of armed forces

■ US Air Force

- C4I2TSR task orders expanding work for Air Force Space Command and other military - US\$131m
- Similar expansion to intelligence agency programmes
- Data preparation center for Materiel Command - US\$25m, 18 months

■ US Navy

- ID card service - US\$55m, 5 years
- Seaport-e contract, hazardous waste management - US \$66m, 5 years
- Navy N1 contract, management support for training - US\$60m, 5 years

Defence

US: expanded work across all branches of armed forces

- US Army
 - 78 task orders from HR Solutions IDIQ - US\$196m
 - Expanded base closure contracts - US\$30m
- Government-wide procurement programs and IDIQs
 - Alliant program for application services and IT management - US\$50bn, 10 years
 - STOC II program for simulation and training - US\$17.5bn, 10 years
 - Renewed US Navy HR and logistics IDIQs - up to US\$170m

Transport

Continued growth and expansion of capabilities

- Transport capabilities includes light and heavy rail, traffic management, civil aviation, civil marine and cycle schemes
- Principal services in UK, US, Australia and Middle East
- Revenue up 18% to £789m, representing 20% of the group (2008: 22%)



Transport

UK Heavy Rail – excellent service performance

■ Merseyrail

- First UK TOC to achieve 96% punctuality over 12 months
- Joint highest customer satisfaction levels at 91%

■ Northern Rail

- Punctuality further increased to 91.8%
- Passenger levels increased 34% since 2004 to 85m per annum
- Prestigious RoSPA award for health and safety

Transport

UK Road – excellent service performance and new mode

- London Cycle Hire
 - £140m, 6 years
 - Design, deliver and operate entire system
 - Registration and payment systems, call centre, web portal, 6,000 cycles, 400 docking stations

- Managed Motorways Traffic Management (selected Jan 2010)
 - £2bn framework, 10 years
 - JV partner Costain as 1 of 4 delivery partners
 - Highways Agency programme
 - Increasing motorway capacity with traffic control technology

Transport

Middle East – Metro and Aviation

■ Dubai Metro

- Successful, on schedule, inauguration of Dubai Metro
- More than 1m passengers carried in first 16 days
- 100% availability and 99.5% punctuality (Dec 09 and Jan 10)

■ Aviation

- Expanded scope and duration of aviation services to UAE airports
- Dubai Airports contract includes consulting and training - £245m, 10 years
- Renewed Abu Dhabi and Al Ain airport contracts - £24m, 2 years

Transport

US: Aviation and Traffic Management

- US Federal Aviation Authority (signed Feb 2010)
 - US\$170m, 5 years
 - Air traffic control increased to 64 towers
- Georgia Department of Transportation
 - IT services and traffic management systems - US\$50m, 5 years
 - Facilitate privatisation of traveller information line - US\$3m

Transport

Australia: Traffic Management and Heavy Rail

■ Traffic management

- AUS\$27m, 5 years
- Partnership with MDV
- Transforming journey planning information services for New South Wales Transport

■ Great Southern Rail

- Minimised impact of weaker tourist market by increasing promotion and reducing schedules

Science

Nuclear skills driving growth

- Science segment manages science based organisations and applies science to economic development
- Revenue up 12% to £605m, representing 15% of group (2008: 17%)



Science

Nuclear skills driving growth

- Successfully concluded five year AWE pricing review
- Serco-led consortium appointed to 3 year contract to manage and develop the UK National Nuclear Laboratory and transform UK nuclear research
- £40m of nuclear assurance related contracts signed
- Jan 2010: appointed by Westinghouse as lead nuclear safety adviser on new reactor for UK's civil nuclear programme

Chris Hyman

Market Review
and Outlook

2009 Full Year Results

Deficits enhance need for service transformation

- On-going demand to tackle long term issues of security, migration, congestion, health, climate change
- Deficit: UK >£180bn, US >US\$1.5trn, Australia >AUS\$150bn
- Economic recovery projected to be slower
- 20-30% increases in efficiency and productivity through competition
- Increasing attention on innovative contracting models
 - Fixed price
 - Outcome based / performance based contracting
 - Public-private joint ventures
 - Flexible partnership models
 - Increasing use of third sector

Significant scope for efficiencies and growth

- Only 15% of UK's public service market open to competition
- In 2008, the UK government outsourcing market was estimated to grow to £100bn by 2012
- 10% of US Federal government spending has been opened to competition - addressable market valued at just over US\$1trn
- Global outsourcing market circa £1.5trn and growing at 6% per annum

Radical steps to achieve fundamental changes

■ United Kingdom

- Government spending reductions
- Expanding competition and reform in welfare, offender management, health, use of shared services
- Sale of government assets, development of shared services

■ United States

- Seeking a 3 year federal budget freeze
- Spending on defence, homeland security, IT infrastructure, intelligence and cybersecurity

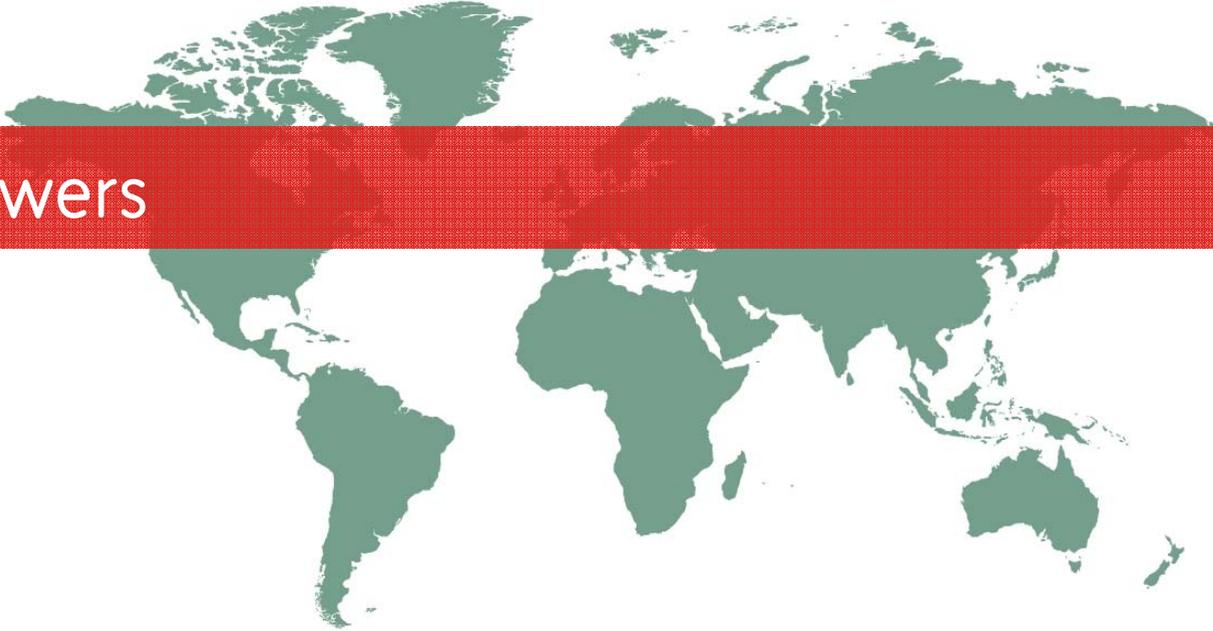
Summary – strong performance

- Strong financial and operational performance
- Record £5.8bn of contract awards
- Continuing to win 90% of rebids and one in two of new bids
- Strong order book of £17.1bn
- Record £28bn pipeline of opportunities
- Increasing need for our skills and capabilities
- Confident in future growth and in achieving 2012 guidance

Outlook – well positioned to grow

- Clear strategy for growth
- Delivering essential services
- Strong track record around the world with long standing relationships
- Experience across all service contracting models
- Exposure to broad range of geographic and sectoral markets

Bringing service to life

A stylized world map in shades of green and blue, centered behind a red horizontal band. The map shows the continents of North America, South America, Europe, Africa, Asia, and Australia.

Questions & Answers

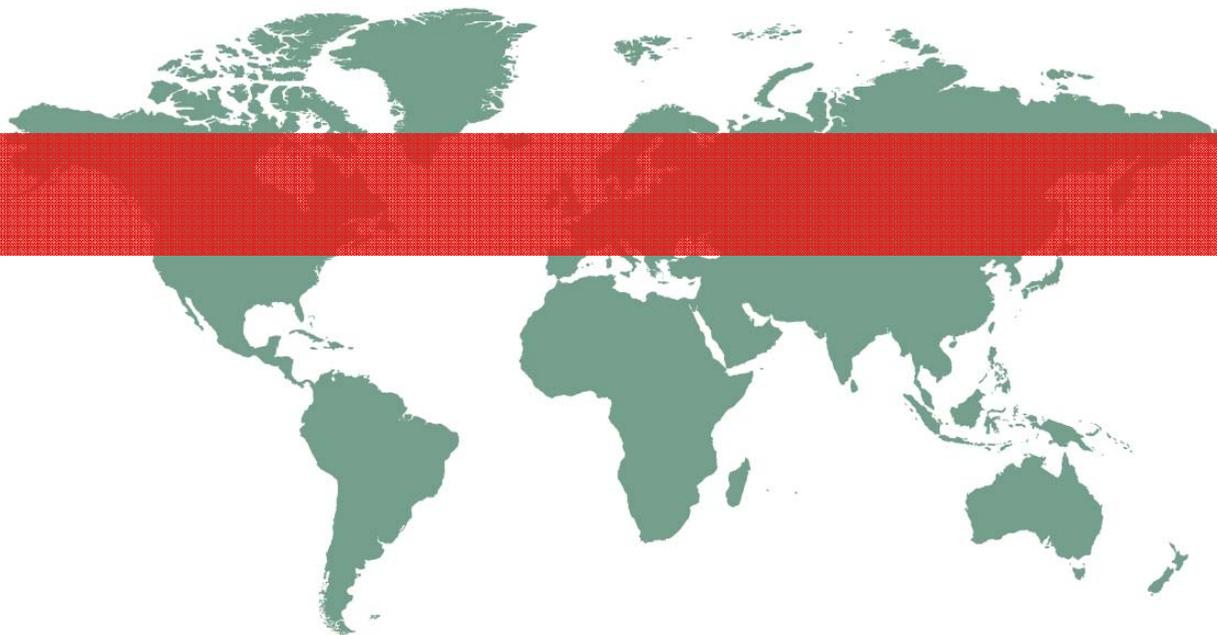
Advise | Design | Integrate | Deliver



Bringing service to life



Appendix



Advise | Design | Integrate | Deliver



Currency

Full Year Average rates

	FY 2009	FY 2008
£:US\$	1.56	1.86
£:Aus\$	1.99	2.19
£:Eur	1.12	1.26

Half Year Average rates

	1H 2009	1H 2008
£:US\$	1.49	1.99
£:Aus\$	2.11	2.15
£:Eur	1.11	1.29

Closing rates

	31 Dec 2009	30 Jun 2009	31 Dec 2008
£:US\$	1.61	1.65	1.44
£:Aus\$	1.80	2.04	2.06
£:Eur	1.13	1.17	1.03

Segmental reporting

- **Civil Government:** UK and Europe civil government and transport operations
- **Defence, Science and Nuclear:** UK and Europe defence and science-based businesses
- **Local Government & Commercial:** UK and Europe IT & BPO, integrated services, education and commercial
- **Americas:** US defence, intelligence and federal civil government agencies, and Canada
- **AMEAA:** operations in Africa, Middle East, Asia (including Hong Kong and India) and Australasia