



11 May 2010

THE CAPITA GROUP PLC - INTERIM MANAGEMENT STATEMENT

The Capita Group Plc ("Capita"), the UK's leading business process outsourcing ("BPO") and professional services company, is today issuing its interim management statement covering the 4 months to 30 April 2010 and progress to date. This statement coincides with its Annual General Meeting which is taking place today.

Update on performance, financial position and share buybacks

Capita has performed well in the first 4 months of 2010. All our key financial metrics remain on track with strong cash generation, contained capital expenditure and an efficient capital structure, with relatively low gearing.

Businesses across the Group are trading well, our bid pipeline is strong and our prospect list is active, indicating that the market for significant outsourcing opportunities is buoyant. Operational performance for our clients remains excellent.

Opportunistic share buybacks help us to maintain an efficient capital structure and minimise our long term cost of capital. To date in 2010, the Group has bought back 3.7 million shares (representing 0.6% of the issued share capital) at an average price of 733p per share. Following these buybacks the Company holds 3,753,284 shares in Treasury and has 616,554,597 shares in issue (excluding shares held in Treasury and the Capita Employee Benefit Trust). We will continue to buy back shares if opportunities arise and market conditions allow.

Generating growth organically and through acquisitions

We generate profitable growth both organically and through the acquisition of small to medium sized businesses.

Contracts and renewals – **Today** we are announcing that, under their existing partnership agreement, Sheffield City Council has requested Capita to deliver and

transform their Customer Services function. We are currently working together to agree terms by the end of June 2010 and, subject to commercial negotiations, the contract is expected to be worth £67m to the end of the original contract term.

Also today, we are pleased to announce that Virgin Money and Capita are in the final stages of negotiations of a deal under which Capita Insurance Distribution will provide end-to-end sales support, policy administration and processing services for a new home and motor insurance proposition. This includes a user friendly website, efficient back office processing and a high-quality customer experience that reflects the Virgin brand. Worth around £60m over 5 years, the contract will enhance service delivery and complement Virgin Money's growing range of financial services products.

To date in 2010 we have therefore been selected to deliver 11 new contracts with an aggregate value of £322m including contracts with Aviva International in Ireland, AXA (insurance administration services) and Nottinghamshire County Council. We are seeing significantly higher levels of bidding activity across both the private and public sectors than 12 months ago. Our most active markets remain local government and life and pensions, with increased activity in financial services.

We announce the size of our bid pipeline twice a year at our half and full year results. This is a snapshot of bids, worth £10m or above, where we have been shortlisted to the last 4 or fewer. Our bid pipeline stood at £3.7bn on 25 February 2010. We face no material rebids (greater than 1% of previous year's revenue) until 2012.

General election – Although the future shape of the Government is still unclear, there remains an imperative to address the fiscal deficit in the UK. Therefore we continue to increase our focus on the central government market. We believe that outsourcing will play a key role in helping the Government to introduce efficiencies and deliver quality public services and we are well placed to help in this.

Acquisitions - to date in 2010, we have acquired 6 businesses for a total consideration of £46.7m:

- **Inventures** – a leading healthcare consultancy acquired for £6.8m, will allow Capita Symonds, our property consultancy, to provide a unique full service proposition across health and the wider public sector.

- **NB Real Estate** – commercial property management specialists, acquired for £10m. Combined with Capita Symonds, this acquisition offers the opportunity to provide a full service proposition across the real estate lifecycle and help public and private organisations to manage their property assets in innovative and efficient ways.
- **Ramesys** – a provider of integrated ICT solutions to the education and commercial sector. This acquisition, for £15m, allows us to broaden and deepen our own expertise in the education technology market and also enables us to compete for larger and more complex education IT projects.
- **Sureterm Direct** – acquired for £8m, Sureterm Direct is a niche personal lines broker primarily offering insurance for classic cars, motorhomes and 4x4s. This acquisition will allow Capita Insurance Distribution to align its classic car insurance business with its other operations, increasing the efficiency of its services to customers.
- **Ross & Roberts** – acquired for £5m, a debt management company.
- **PAL Services** – acquired for £1.9m, a trust administration business based in Luxembourg.

There is a good volume of potential acquisitions priced at attractive levels and we expect to acquire further businesses this year that take us into complementary areas and add expertise and value to the Group.

Operational delivery and performance

We continue to build value from our extensive infrastructure and use our scale to improve processes and drive through cost efficiencies. We have focused on smoothly transferring and integrating our contracts and acquisitions and delivering first class frontline and back office services to our clients.

Our contract with Becta, worth over £15.7m over 15 months, to manage grant marketing and administration for the Government's Home Access programme which provides computers and connectivity to low-income families that lack access to support

learning, commenced in October 2009 and is progressing very well. The new service infrastructure was put in place within just 2 months and the service launched on 11 January 2010. As of 2 May 2010, we have taken over 800,000 telephone calls and 396,747 application packs have been issued and 165,101 grants awarded.

Our contract with AXA is performing well. We have improved service levels as planned, and successfully carried out the first phases of infrastructure rationalisation. This work includes repatriating call centre operations from India - a move which has resulted in positive feedback from customers - and centralising UK operations, which will be completed this year ahead of schedule.

Arch cru funds – as reported in our full year results in February, dealings in 2 open ended investment companies (OEICs), for which Capita Financial Managers is the authorised corporate director (ACD) and Arch Financial Products LLP (Arch) was the delegated investment manager, were suspended on 13 March 2009. We are working with other involved parties to resolve this matter in a way that takes appropriate account of the interests of investors in the OEICs but also recognises the interests of Capita's shareholders.

Board change

We have recently announced the appointment of two Independent Non-Executive Directors. Dr Nigel Wilson is appointed a Non-Executive Director, with effect from 12 May 2010. Nigel will be appointed as Senior Independent Director and to the Nomination, Remuneration and Audit Committees on appointment. Nigel is Group Chief Financial Officer of Legal & General Group Plc. Paul Bowtell is appointed a Non-Executive Director, with effect from 28 June 2010 and will become a member of the Nomination, Remuneration and Audit Committees on appointment and Chairman of the Audit Committee from 1 August 2010. Paul is Chief Financial Officer of Tui Travel PLC. Paul and Nigel's appointments add further financial and commercial expertise to the Board and we look forward to their contribution to the team as we continue to focus on the continued operational excellence and profitable growth of Capita.

Outlook

Capita is well placed for a successful year. We expect turnover growth for the year to be modest due to the quieter sales activity in the second half of 2009 and an unusually higher degree of revenue attrition in 2010. However, we see the benefits of the operational efficiencies we implemented in 2009, our increasing scale and our Indian operations continuing to drive forward our margins for the year. An encouraging level of sales activity, strong forward visibility of revenues, no material rebids until 2012 and consistent operational performance position us well for good progress in 2011 and thereafter.

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For further information please contact:

Paul Pindar, Chief Executive
Shona Nichols, Corporate Communications Director
Tel: 020 7799 1525

Media enquiries:

Caroline Mooney
Capita press office
Tel: 0207 654 2152 or 0870 2400 488 (out of hours)

Andrew Lorenz
Financial Dynamics
Tel: 020 7269 7121

Notes to editors:

The 2010 Annual General Meeting will commence at 11.00am today at Deutsche Bank, Winchester House, 1 Great Winchester Street, London EC2N 2DB.

The Capita Group Plc is the UK's leading provider of BPO and integrated professional support service solutions. With 36,800 people at more than 250 sites, including 60 business centres across the UK, Ireland, the Channel Islands and India, the Group uses its expertise, infrastructure and scale benefits to transform its clients' services, driving down costs and adding value. Capita is quoted on the London Stock Exchange (CPI.L), and is a constituent of the FTSE100 with revenues for 2009 of £2,687 million.

Further information on The Capita Group Plc can be found at: <http://www.capita.co.uk>