



Issued: 21 March 2005

Released: 21 March 2005

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serco

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Serco completes acquisition to enhance US market position

Serco Group plc ("Serco") today announces that, having obtained all necessary regulatory approvals, it has completed the \$215m (£113m*) purchase of US-based RCI Holding Corporation ("RCI").

RCI is a leading supplier to the US Federal Government. This acquisition significantly increases Serco's competitive position in the world's largest service contracting market.

RCI's key services include IT services, systems engineering, strategic consulting and HR focused business process management. Its primary market - the Department of Defense - represents the largest portion of Federal spending, accounting for more than 75 per cent of total contract amounts.

RCI brings enhanced technology capabilities to Serco North America. Its strong customer relationships with the US Federal Government complement Serco North America's predominantly state and local customer base. In addition, RCI provides Serco with deep understanding of the various contracting models used by US Federal authorities.

Serco will integrate RCI with its existing North American operations and the enlarged business will have the critical mass to compete more effectively with larger tier-one service providers in the US and provides a strong platform to promote Serco's global capabilities. The inclusion of RCI, with expected revenues in 2004 of \$289m, more than doubles Serco's North American turnover.

RCI was acquired for cash, on a debt free basis, and is expected to be earnings accretive for Serco in 2005.

Serco Chief Executive Christopher Hyman said: "North America is one of our chosen markets. Opportunities in the Federal market are substantial for companies with proven capabilities and qualifications and the US government intends to further increase the purchase of contracted services. This acquisition will give us deeper and broader access and will enable faster and more profitable growth."

* All US dollar amounts converted at \$1.90 to £1

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Notes to editors

Serco is one of the world's leading service companies. It helps national and local governments and commercial clients around the world improve their services by successfully managing organisational design and change.