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Serco consortium secures £3 billion contract extension with AWE

Serco Group plc ("Serco") welcomes today's announcement in Parliament by the Under Secretary of State for Defence, Dr Lewis Moonie, that the current ten-year contract awarded to AWE Management Ltd ("AWEML") in April 2000, to manage and operate the Atomic Weapons Establishment ("AWE") is to be extended for a further fifteen years. The contract extension will add £1 billion to Serco's forward order book.

AWEML is a joint venture company owned equally by Serco, Lockheed Martin Corporation ("Lockheed Martin") and British Nuclear Fuels plc ("BNFL"). The total value of the contract extension is expected to be approximately £3.1 billion; the value of the original ten-year contract was approximately £2.2 billion. This award will increase Serco's already significant forward order book to approximately £7 billion.

AWE is the UK Government's nuclear weapons research and development centre, and has responsibility for the nation's nuclear weapons stockpile. The management and operation contract, which commenced on 1 April 2000, is for the stewardship of the country's nuclear deterrent, the continuing development of science and research programmes, waste and environmental management, provision of all services related to facilities management, and associated site support.

Negotiations have also been completed with the Ministry of Defence ("MoD") to enable, subject to the approval of the MoD, AWEML to have access to private capital from financial institutions, should it be required, for a series of major capital works planned for AWE. This will allow the timing and benefits of important projects to be optimised. Benefits are expected to flow from environmental and operational improvements and increased efficiency. Facilities such as a new Conference Centre will facilitate contact between outside academic and business partners and with the local community. The capital programme will ensure that AWE continues to develop as a world class facility providing a safety critical environment for the delivery of science management and development.

Kevin Beeston, Executive Chairman of Serco Group plc, commented:

"We are delighted with today's announcement which I believe represents the confidence that the Ministry of Defence has in the custodianship of AWE. The extension to a 25-year contract demonstrates the strong relationship between the MoD, AWEML and AWE plc, the hard work of all the staff involved at AWE and the quality of the management team. It also represents a value for money, long-term relationship with the UK government.

Serco is committed to delivering first class scientific expertise in the UK and abroad. With our consortium partners Lockheed Martin and BNFL, we will ensure that AWE continues to deliver the requirements of the UK MoD whilst maintaining the high standards of safety and quality expected of it."

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Notes to Editors:

- Serco is an international provider of management services to government and industry. The company covers a wide range of activities, from controlling satellites and operating computer networks for the European Space Agency, to managing and operating the Docklands Light Railway where Serco was recently voted National Rail Operator of the Year, for the second year in succession. The company employs over 34,000 staff.
- Serco is a major supplier of services to the science industry, including operating and managing the National Physical Laboratory.
- In 2001, Serco acquired AEA's Technology business, which provides science and safety based services to customers such as the UK Ministry of Defence, BNFL, British Energy and the Atomic Energy Authority. Serco now employs over 4,800 people in science activities.
- In September, Serco announced its financial results for the half-year to 30 June 2002. Turnover rose by 19.0% to £625.9m for the first half; profit before tax was up 16.4% to £28.4m. This puts Serco on track for its 15th successive year of strong organic growth.
- AWEML delegates the day-to-day management and operations to its wholly owned subsidiary, AWE plc – the company that employs the AWE workforce and now maintains the nuclear site licences and discharge authorisations.
- In April this year AWE plc was awarded the Sir George Earle Trophy by the Royal Society for the Prevention of Accidents (“RoSPA”). The Trophy is the premier UK award for health and safety and marks AWE plc as the top-performing company in the UK in the field of industrial health and safety.
- This arrangement will give AWEML access to private capital from financial institutions which will enable AWE to undertake a number of capital investment projects at an optimum timescale. Under this arrangement at AWE, all assets will remain in Government ownership. The Ministry of Defence will receive significant benefit both technically (from the early availability of facilities) and financially (because AWE plc will be able to generate better value for money - e.g. through the early closure of redundant buildings and by optimising the build of new facilities).