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**Serco Group, as part of Paradigm, selected for Skynet 5
- Serco contract worth £220 million**

The UK Ministry of Defence ("MoD") has today announced the selection of Paradigm Secure Communications ("Paradigm") as its preferred bidder for the Skynet 5 contract. Under this new arrangement, Paradigm will deliver secure global military satellite communications to the UK armed forces, within a Private Finance Initiative ("PFI").

As part of the team, Serco Group ("Serco") will play an important role in this key government programme. The contract is worth around £2 billion over fifteen years to the team as a whole, and in the region of £220 million to Serco, in the same period. The contract is expected to be signed in the latter part of 2002 with service delivery beginning in March 2003.

Serco, which has been an integral part of the Paradigm team for Skynet 5 since the award of the PFI Study Contract, is working alongside the industry leaders in its field to deliver this secure global military satellite communications service. As part of this long-term contract Serco will provide network and facilities management services, including spacecraft and network operations, network maintenance, training, supply management and through-life buildings and facilities maintenance.

By choosing this highly flexible and cost effective service provision solution, the MoD will retain guaranteed, secure communications whenever and wherever required, eliminating the risks of managing the space system and benefiting from evolving technologies and increasing capacity.

Commenting on the award, Kevin Beeston - Serco's Chief Executive said:

"By making Paradigm preferred bidder for this very important and ground breaking service provision contract the MoD are acknowledging the quality and technical excellence in one of the strongest teams that can ever have come together for a project of this nature.

Involvement in Skynet 5 further adds to Serco's expanding range of services with the UK and overseas governments and specifically with the Ministry of Defence in critical and complex systems. This contract award will contribute significantly to Serco's already highly visible order book."

- Ends -

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Notes to Editors

- The Skynet 5 contract calls for Paradigm to deliver military satellite communications initially through the transfer of ownership and operation of the existing Skynet 4 infrastructure and then by incorporating new Skynet 5 satellites and new and upgraded associated ground segment from the middle of this decade
- Paradigm Secure Communications, in addition to Serco, includes Astrium, Europe's largest space company, Logica, General Dynamics Decision Systems (formerly Motorola IISG), Cogent DSN, BAE SYSTEMS, Cable & Wireless and SEA, with support from Stratos for Inmarsat services and Global Crossing for leased line communications
- Supported by the UK Defence Export Services Organisation (DESO) and within a gain-sharing framework with the MoD, Paradigm will offer the same levels of service and security to other governments and organisations e.g. NATO, some of whom due to the prohibitive costs, may previously have been unable to acquire these capabilities
- Serco Group 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. The company employs over 32,500 staff in more than 35 countries
- Serco has provided IT and scientific services to the European Space Agency and the MoD for many years and is one of very few companies that can demonstrate involvement across the complete spectrum of support service requirement in the industry. Serco is involved in scientific studies, spacecraft engineering, IT, project management and support services; the company has military customers stretching back 40 years and retains 90% of its defence contracts on re-bid
- More information on Serco can be found at www.serco.com
- More information on Paradigm can be found at www.paradigmsecure.com