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Dear Shareholder

In our Annual General Meeting (“AGM”) Notice of Meeting which is enclosed, we note under Resolution 3, page 9, that the performance measures we will use for share awards under the Performance Share Plan (PSP) and Deferred Bonus Plan (DBP) for 2014 had not been finalised at the time of going to print. I am pleased to confirm that further to undertaking a consultation with major shareholders on the target range for EPS, taking into account the difficult period from which Serco is now emerging which has reduced near term growth potential and added costs to strengthen the business, we have finalised the performance measures for 2014 awards as below:

- The EPS element will be based on an absolute target for 2016 EPS
- The target range for 2016 EPS will be 33p to 38p with 25% of the EPS element vesting at 33p EPS rising to 100% vesting at 38p.
- For this purpose EPS will be defined as underlying EPS excluding exceptional items, but other than in the case of Remuneration Committee discretion, making no adjustment for currency, or acquisitions or disposals. The expectation would be that an adjustment would only be made for major corporate activity.

The target range for EPS has been set so that the bottom of the range is challenging but achievable for management, being close to the emerging consensus forecasts for 2016 and representing a strong level of growth from the 2014 consensus. The top end of the range represents a significant stretch to current consensus forecasts, strong double digit growth from the 2014 consensus, and would represent significant recovery of shareholder value for investors.

In addition, for DBP matching awards made in 2014, the maximum level of match will be reduced from 2 for 1 to 1 for 1.

The information above is also available on our website at www.serco.com/agm.

If you have any questions regarding the above please do not hesitate to write to me at AGM@serco.com.

Yours sincerely



Alastair Lyons CBE
Chairman