

Stock Exchange Announcement

Interim Management Statement

Improved performance in second half in line with expectations; £5.6bn of contract awards for year to date; challenging US conditions offset by overall portfolio strength

16 November 2012

Serco Group plc (Serco), the international service company, today issues its Interim Management Statement covering the Group's performance since 30 June 2012. With strong operations and a high level of new contracts having recently begun, the second half of the year is seeing the forecasted improvement in financial performance. It is therefore anticipated that 2012 will be in line with expectations and our outlook is unchanged from that set out in the results announced in August 2012.

Christopher Hyman, Chief Executive of Serco Group plc, said: "I am pleased with the business developments being made across the group, and particularly our operational achievements including the significant new contracts that have started in recent months. This supports the delivery of an improved financial performance in this second half and meeting expectations for the 2012 financial year. We continue to manage our portfolio proactively and it is showing its overall resilience and strength, with the challenging US market conditions being offset by our new BPO division and the AMEAA region both delivering excellent performances."

Contract awards and operational update

At the half year, Serco had a £19.4bn order book and an estimated £31bn pipeline of identified opportunities around the world. Since then, we have been awarded a further £1.4bn of contracts, bringing the total for the year to date to £5.6bn, comprising signed contracts valued at £5.4bn and preferred bidder appointments valued at £0.2bn. Winning or expanding smaller contracts also plays an important role in our growth and a selection of these is included in today's Contract News Update on www.serco.com. Notable contract developments and approximate total contract award values are highlighted below.

In UK frontline services, a number of significant new contracts have successfully transitioned and mobilised. In Transport, the £350m contract to operate the lifeline ferry services to the Northern Isles of Scotland began in July. In Health, the £140m Suffolk Community Health contract commenced operations in October whilst in the Home Affairs market the £175m COMPASS asylum seeker support services contract has also started full operations. Serco has recently been awarded preferred bidder status for two environmental services contracts for Canterbury City Council and Wycombe and Chiltern District Councils with a combined value of £90m. Other significant awards in the second half include the contract for delivery of the new National Citizen Service in six regions valued at approximately £70m, the London Community Payback contract worth £38m and expansions and extensions to Defence Multi-Activity Contracts (MACs) valued at £30m.

In the Americas division, while challenging market conditions clearly remain, task orders and contracts have continued to be awarded. A new \$70m contract to upgrade military vehicles was won, and our US Army career transition services contract and patent office classification contract have seen important expansions

worth approximately \$100m combined. There has also been progress on extensions and rebids for some of the significant contracts that were due before the end of 2013 such as the \$100m extension for systems engineering support for a US intelligence agency and the successful rebid of the \$40m contract to provide parking services in San Francisco. However, as previously described, the market overall remains very difficult due to the continued uncertainty around budgets and the threat of sequestration.

In the AMEAA region, Serco has been selected as preferred bidder for its first frontline services contract in India, to operate and maintain a new bus service in the city of Indore. In Australia, whilst it is still not clear at this stage how the government's new off-shore processing legislation will impact our immigration services, the number of people in our care has further increased. Continued strong growth is also being supported by the annualisation of contracts started in the last year and other expansions in service scope in the region. As announced on 7 November 2012, Serco has agreed to purchase the remaining 50% stake in DMS Maritime Pty Ltd from our joint venture partner P&O Maritime Services. The transaction strengthens Serco's position as a leading defence services provider in Australia and in the growing marine services market.

Global Services, Serco's global BPO business, recently signed and commenced operations for a £170m outsourcing partnership with AEGON UK, the leading life and pensions company. Other major new contract awards have also been won in the second half in the travel, utility, media, retail, IT and telecom sectors, as well as several BPO services for public sector customers. In July, operations also began for the major new £430m contract with Shop Direct Group. As a result, Global Services is expected to see particularly strong organic growth in the second half of the financial year.

No other material events, transactions or impacts on the Group's strong financial position have taken place since the 30 June 2012 balance sheet date.

Outlook and guidance

The outlook and our guidance reflect a balance of risks and opportunities and remain unchanged from those set out with the half-year results announced on 29 August 2012. Whilst we expect challenging conditions to remain in the US, we anticipate further improvement in UK markets and strong performances from our AMEAA and Global Services BPO operations.

The outcome for the 2012 financial year is anticipated to be in line with expectations. As previously indicated, our financial performance (including revenue growth, margin progression and free cash generation) is weighted to the second half of the year when we expect a strong financial result. We expect to deliver another year of strong total revenue growth, including further good organic growth. The organic revenue decline of 2% in the first half of the year is anticipated to improve to strong growth in the second half, reflecting the excellent performance in securing new contract awards flowing through to revenues. We expect an increase in full-year operating margin similar to that achieved in 2011, reflecting the pick-up in second half revenue growth and the delivery of underlying efficiencies. As previously communicated, free cash generation is also expected to be weighted to the second half. A higher level of working capital investment related to the growth in our BPO-related contracts is still anticipated.

We remain confident in the overall outlook for Serco, the continued delivery of our strategic plan and further improving our financial performance.

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About Serco

Serco is a FTSE 100 international service company, which combines commercial know-how with a deep public service ethos.

Around the world, we improve essential services by managing people, processes, technology and assets more effectively. We advise policy makers, design innovative solutions, integrate systems and - most of all - deliver to the public.

Serco supports governments, agencies and companies who seek a trusted partner with a solid track record of providing assured service excellence. Our people offer operational, management and consulting expertise in the aviation, BPO, defence, education, environmental services, facilities management, health, home affairs, information and communications technology, knowledge services, local government, science and nuclear, transport, welfare to work and the commercial sectors.

More information can be found at www.serco.com