

Stock Exchange Announcement

Interim Management Statement

Further £1.9bn of contract awards in second half to date; portfolio delivers good performance despite headwinds; strong future growth opportunities remain across the Group

17 November 2011

Serco Group plc (Serco), the international service company, today issues its Interim Management Statement covering the Group's performance since 30 June 2011. The Group has continued to deliver a good operational and financial performance, despite ongoing headwinds in the UK and US. The outcome for the 2011 financial year is anticipated to be in line with expectations. The outlook and our guidance remain unchanged from those set out with the half-year results announced on 24 August 2011.

Christopher Hyman, Chief Executive of Serco Group plc, said: "For 2011, we will have achieved good organic growth despite some challenging conditions, with the outcome for the year anticipated to meet expectations. While short-term headwinds remain, particularly those facing the US federal contracting industry, longer term developments in our markets and our strong positions are all encouraging factors. This underpins our confidence that the portfolio will sustain growth well into the future."

Contract awards

At the half year, Serco had a £16.7bn order book and a substantial £29bn pipeline of identified opportunities around the world. Since then, we have been awarded £1.9bn of contracts, bringing the total for the year to date to £4.4bn, comprising signed contracts valued at £4.2bn and preferred bidder appointments valued at £0.2bn. Winning or expanding smaller contracts plays an important role in our growth and a selection of these is published today in a Contract News Update on www.serco.com. Notable contract awards so far in the second half of the year are highlighted below.

In the UK, new contracts within our Civil Government division include the Barclays Cycle Hire Scheme being expanded in East and West London at an additional total contract value of £50m through to August 2015, and the signing of a five-year £32m renewed contract for out-of-hours care in Cornwall and the Isles of Scilly. In Defence, as strategic partner to the Defence Science and Technology Laboratory (Dstl), we will oversee and deliver part of Dstl's relocation programme worth approximately £100m to Serco over the next five years. Significant wins for local authorities include preferred bidder for Peterborough's strategic partnership for front-line and back office support services with an initial contract value of £100m over 10 years, and the eight-year £44m new contract for refuse and recycling services for Wandsworth Borough Council.

In the Americas, task orders and contract awards have continued to be won in the second half, amounting to a total award value of over £200m. However, as previously indicated, revenues in the second half of this year will be lower than the very strong performance seen in 2010, as economic challenges and the Federal Government's budgetary negotiations continue to cause short-term disruption to the industry.

In AMEAA, Serco signed in July a services contract for Fiona Stanley Hospital near Perth, which has a total value to Serco of A\$1.3bn (approximately £850m) over ten years. A new A\$100m five-year contract to operate the South Queensland Correctional Centre was signed, replacing and extending an equivalent contract for the Borallon facility which is being decommissioned. A number of previous wins have also become fully operational in the second half of the year, including: Mount Eden Correctional Facility in New Zealand; Court Security and Custodial Services in Western Australia; logistics and base support services for the Australian Defence Force (ADF) in the Middle East; the opening of the Green Line expansion to the Dubai Metro; and the full transfer of air traffic control services for lower airspace in Iraq.

Acquisitions

As announced in the first half of the year, Serco has acquired Intelenet, a leading provider of Business Process Outsourcing (BPO) services to the private sector around the world and in the domestic Indian market, for up to £386m. The transaction completed after the half-year balance sheet date, with £285.7m of cash consideration and £50.8m of acquired net debt being accounted for from July 2011. There remain contingent deferred consideration cash payments of up to £49.8m through to December 2013. The integration of Intelenet is proceeding well.

Serco has made two small acquisitions during the second half of the year to date. The combined total consideration is up to £20m, and the combined total annual revenue is approximately £35m. Further enhancing our BPO capabilities around the world, in Australia Serco has acquired Excelior Pty Ltd, adding significant on-shore contact centre capability to support growth in both the public and private sector markets. In the growing market for public sector debt management, Serco has acquired Philips Collection Services Ltd, the UK's largest independent revenue recovery company.

Financial position

Aside from the Intelenet acquisition, no other material events, transactions or impacts on the Group's strong financial position have taken place since the 30 June 2011 balance sheet date.

Our strong financial position is supported by good free cash flow. Serco has also continued to develop both greater diversification and a lengthened maturity profile of its borrowing facilities. This has included the successful completion in October 2011 of a further \$335m US private placement issue, the proceeds of which have been applied to the repayment of existing debt and for general corporate purposes.

Outlook and guidance

The outlook and our guidance remain unchanged from those set out with the half-year results announced on 24 August 2011. The outcome for the 2011 financial year is anticipated to be in line with expectations, including good organic revenue growth and further progress on operating margin. Assuming the impact of ongoing economic challenges is manageable, our guidance remains that by the end of 2012 we expect increases in revenue to approximately £5bn and in Adjusted operating profit margin to approximately 6.3% (excluding material acquisitions, disposals and currency effects). Strong longer term growth opportunities remain across the Group.

Ends

For further information please contact Serco:

Stuart Ford, Head of Investor Relations T +44 (0) 208 334 4122

Dominic Cheetham, Director of Corporate Communications T +44 (0) 208 334 4334

Marcus De Ville, Head of Media Relations T +44 (0) 208 334 4388

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