Interim Management Statement

Further growth despite challenging conditions; £1.6bn of contract awards; continued visibility of substantial opportunities

9 May 2011

Ahead of its Annual General Meeting today, Serco Group plc (Serco), the international service company, is issuing the following Interim Management Statement covering the Group's performance since 1 January 2011.

Serco remains on track to deliver our expectations for 2011 and our financial position remains strong, supported by good free cash flow. We remain encouraged by the developments in our markets which underpin our guidance for 2012* and sustained growth beyond.

Serco’s order book was £16.6bn at 31 December 2010 and our pipeline of identified opportunities across our markets amounted to £29bn. Since the beginning of the financial year, we have been awarded £1.6bn of contracts, comprising signed contracts valued at £1.4bn and preferred bidder appointments valued at £0.2bn. Notable contract awards so far in the first half of the year are highlighted below. Winning or expanding smaller contracts continues to play an important role in our growth and a selection of these is published today in a Contract News Update on www.serco.com.

In the UK, we were successful in our rebids for the operation of HMP Doncaster and for prisoner escort and custody services for London and the East of England. We have also been awarded two new contracts to support the Work Programme in the West Midlands and South Yorkshire. Our Leisure Services division was awarded a major contract to operate two elite training centres for England’s national sports teams and our contract for naval helicopter support with AgustaWestland has been rebid successfully. Our joint venture with Glasgow City Council has been extended to include Information, Communications and Technology (ICT) support for schools. We have been awarded a range of support services contracts to institutions in Continental Europe including the CERN research facility. Awards in AMEAA included the signing of the Mt Eden Prison contract in New Zealand and the recent award of a court security and custodial services contract in Western Australia. The Americas have remained resilient, with examples of additional task orders and contract awards across logistics, fleet support, procurement, HR services, technology installation, medical and other support services.

We remain encouraged by the developments in our markets across the world.
In the UK, although we are facing short-term headwinds resulting from the Government’s austerity measures, we expect that this will change based on the Government’s intention for greater involvement of the private and voluntary sectors in the delivery of public services. We believe that the Government is demonstrating determination and pace in implementing its policies which will result in more opportunities in the medium term. We see further significant opportunities in Home Affairs (such as probation, immigration services and police operational support), healthcare and transport. In addition we see opportunities in Local Authority transformation and those arising from developments in the defence, science and nuclear sectors.

In the Americas, we assume that the US federal Government’s budgetary negotiations will be completed successfully and without significant impact or disruption to the industry. We continue to be encouraged by the opportunities in areas such as IT infrastructure, cybersecurity, federal health and energy efficient IT.

In AMEAA, growth continues apace and there is a particularly strong pipeline in areas such as health, justice and defence in the Asia Pacific region. Demand for new services in the Middle East and India includes public transport systems, facilities management, BPO, education, healthcare and national security.

While organic growth remains our primary focus, we constantly review our skills and capabilities to capitalise on opportunities for expansion into new markets and sectors. Reflecting this, the acquisition of The Listening Company, though quite small, builds on our capabilities, particularly in our work for local government. The Listening Company is a UK-based provider of outsourced customer contact centre services to both private and public sector organisations, which strengthens our ability to deliver front-line customer services.

Christopher Hyman, Chief Executive of Serco Group, said: “I am pleased with the resilience the Group has shown in the year to date. Despite headwinds, we expect to achieve a good financial performance and to develop the many opportunities within our £29bn pipeline. This significant pipeline and our high revenue visibility underpin our confidence in sustained growth into the long term. We are well-placed to support our customers in the UK and across the world to build, improve, protect and drive efficiencies in essential services.”

* As reported on 2 March 2011, for 2011, we expect good organic revenue growth and progress towards our 2012 margin guidance. Prospects beyond the current year are encouraging and we continue to expect, by the end of 2012, an increase in revenue to approximately £5bn and in Adjusted operating profit margin to approximately 6.3%, excluding material acquisitions, disposals, and currency effects, based on 2008 exchange rates.

Ends

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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