Interim Management Statement

Continued strong growth, MoU signed with UK Government, substantial international opportunities

15 November 2010

Serco Group plc (Serco), the international service company, today issues its Interim Management Statement covering the Group’s performance since 30 June 2010. The Group has continued to perform strongly in the second half, and is on track to deliver on its financial guidance for 2010.

The strong performance has been driven by high levels of operational delivery, continued organic growth and good free cash flow. Our financial position remains strong.

Across the Group, we continue to deliver high levels of service quality and improve the efficiency and productivity of essential services. Highlights include the Dubai Metro delivering more than 30 million journeys in its first year of operation, and achieving more than 98% reliability. In London, we successfully launched the Barclays London Cycle Hire scheme at the end of July. Already more than 100,000 members have joined the scheme and 1.5 million journeys have been made.

At the half year, Serco had an order book of £16.7bn and significant opportunities of £28bn across the UK and internationally. Since then, we have been awarded £2.3bn of contracts, bringing the total for the year to date to £4.5bn, comprising signed contracts valued at £3.7bn and preferred bidder appointments valued at £0.8bn.

Notable contract wins so far in the second half of the year include, in the UK, a £650m, 25-year, environmental services contract with Sandwell Borough Council and the addition of King’s College Hospital NHS Foundation Trust to our pathology joint venture with a ten-year contract valued at £110m to Serco.

Amongst our wins in the US, we were selected by the US Navy on two contracts, with a combined value of US$130m, to provide logistics support and hazardous materials management. Serco now supports six installations throughout the US Navy Commander, Navy Region Mid-Atlantic, extending right across the US.

In Australia, we expanded into a new market when we were appointed preferred bidder for a substantial ten-year contract to provide services at Fiona Stanley Hospital in Perth. When it opens in 2014, the 783-bed hospital will be a major tertiary hospital for the area. We will provide managed equipment services, transport, procurement, sterilisation and clerical services. In addition, our 50/50 joint venture with P&O
Maritime Services renewed its A$500m contract to provide harbour and offshore services to the Royal Australian Navy for ten years.

Winning or expanding smaller and medium-sized contracts continues to play an important role in our growth and a selection of these developments since 30 June is published today in a Contract News Update on www.serco.com.

Serco announced on Friday, 12 November that it has signed a Memorandum of Understanding (MoU) with the UK Central Government to deliver savings on a number of its contracts. These savings, which are not material to the Group’s financial expectations, will be made through scope changes and cost efficiencies.

In the current economic environment, there remains strong global demand for the efficient delivery of essential services which drives significant opportunities for Serco in both existing and new markets. This and our operational and financial performance during the year supports our expectation of achieving strong organic revenue growth in 2010 and making further progress towards our 2012 margin guidance. We continue to expect an increase in revenue to approximately £5bn and in Adjusted operating profit margin to approximately 6.3% by the end of 2012*.

Christopher Hyman, Serco Group plc Chief Executive, said: “Our broad and deep skills in service transformation enable us to support governments around the world as they reform public services, address deficits and improve their national infrastructures. Having signed our MoU with the UK Government, we look forward to continuing to support our customer in the delivery of essential public services. Internationally, I am also delighted at the progress we are making in building home markets in the US, Australia and the Middle East. These geographies offer significant potential for sustained growth in the medium and long term.”

* excluding material acquisitions, disposals and currency effects, based on 2008 exchange rates.

For further information please contact Serco:

Dominic Cheetham, Director of Corporate Communications T +44 (0) 208 334 4334
Jill Sherratt, Interim Head of Investor Relations T +44 (0) 208 334 4122
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