

## Stock Exchange Announcement

### **Serco Northern Rail joint venture awarded £530m two year franchise extension**

**13 May 2010**

Serco Group plc (Serco), the international service company, announces that Northern Rail, its 50:50 joint venture with Abellio, has secured a two year extension to its train operating franchise on the same terms as its existing contract.

The UK Department for Transport has now confirmed that Northern Rail will run the franchise until September 2013. The two year extension, which is valued at approximately £530m, follows the significant performance improvements that Northern Rail has achieved since the franchise began in December 2004. Since 2004, punctuality has improved by nearly 8% to 91.6%, meaning that on average 200 more trains each day now arrive on time than in 2004, while passenger numbers have increased by 34% to 85 million in 2009.

Christopher Hyman, Chief Executive of Serco Group, said: "We have a strong record of providing high quality rail services in the UK and internationally. Our award winning services are recognised for high levels of performance, punctuality and passenger care, and owe much to the commitment and dedication of our people. We are delighted that the strong performance of our partnership with Abellio has been recognised with this two year extension of the Northern Rail franchise."

Separately, an industry-wide review by the Office of the Rail Regulator has led to reductions in track and other access charges levied by Network Rail on Train Operators, and the matching and equal subsidy revenue. These changes will have no effect on the profits or cash flow generation of either our Northern Rail or Merseyrail franchises. However, Serco's current share of both the Network Rail charges and the matching and equal subsidy revenue of these 50% owned joint ventures will reduce by approximately £35m in 2010, and approximately £55m per annum

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thereafter. This change has been accounted for in calculating the approximate £530m value of the Northern Rail franchise extension as above.

### 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.

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, transport, welfare to work and the commercial sectors.

More information can be found at [www.serco.com](http://www.serco.com)

## Stock Exchange Announcement (continued)

### **About Northern Rail**

Northern is the biggest train operator in Britain, providing 2,500 local and regional train services every day across the north of England, serving a population of nearly 15m.

Northern is operated in a joint venture by Serco and Abellio (formerly NedRailways). This joint venture combines Serco's world-class service credentials and Abellio's unrivalled rail industry expertise. Serco has run the highly successful Docklands Light Railway since 1997 while Abellio's parent company, NS Dutch Railways, carries over 1.1 million passengers every day in the Netherlands. In addition to Northern Rail, Serco and Abellio have the 25-year concession for Merseyrail, which provides urban train services in Merseyside.

Northern Rail's franchise contract started in December 2004 and was due to run until September 2011, with provision for an automatic two-year extension for meeting operational performance targets. Those targets were for cancellations, delay minutes caused by Northern and providing agreed train capacity on peak services between May 2009 and April 2010. Northern exceeded the targets for all three measures. The two-year extension will run from September 2011 to September 2013.