

Press Release

1 July 2004

Serco-NedRailways Partnership Selected As Preferred Bidder for the Northern Rail Franchise

A partnership between Serco Group plc ("Serco") and NedRailways BV, a 100% subsidiary of the major Dutch rail operator, Nederlandse Spoorwegen ("NS"), has today been selected as preferred bidder for the Northern Rail franchise. The franchise is due to start in autumn 2004 and contract award is anticipated in the next few months following final negotiations. The contract runs for 8¾ years, with the last two years dependent on achieving performance targets. In this new franchise the SRA brings together the services currently provided by First North Western and ARRIVA Trains Northern contracts.

At the heart of the operations are the great city regions of Leeds, Liverpool, Manchester, Newcastle and Sheffield complemented by a large number of other top leisure and tourism locations including Blackpool, York, four national parks and a wide range of top-class sporting venues. Northern Rail's train services will operate over 1675 miles of the national rail network, and its staff of over 4,000 will focus on passenger needs through the operation and maintenance of 265 diesel and electric trains, and 475 stations.

Commenting on the announcement Andrew Smith from Serco and Anton Valk from NedRailways stated:

"We are delighted with today's announcement. This decision by the SRA recognises the unique strengths of the Serco-NedRailways joint venture as a means for delivering value for money, customer service and innovation to a vital transport network for the North of England. We look forward to working with the SRA and the PTEs to deliver a solution that ensures a significant difference in the delivery of train services in northern England."

The Serco-NedRailways partnership is already operating successfully in the UK. Last year it was awarded the contract to operate the 25 year Merseyrail Electrics concession on behalf of Merseytravel. The operation is highly successful and is recognised as one of the best performing rail franchises in the UK.

Serco has a broad base of major contracts that support governments in delivering key public services. In addition, in the UK it operates the award-winning Docklands Light Railway and Manchester Metrolink. NS is the biggest rail operator in the Netherlands with unrivalled experience in the delivery of punctual and reliable rail services on high-density urban

networks. Both companies plan to draw on their extensive experience to bring innovation and best practice to the operation of the Northern Franchise

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Notes to Editors:

The Northern franchise covers the operation of local and regional train services across Northern England, providing transport for the conurbations of Greater Manchester, South and West Yorkshire, Tyne, Tees and Wear and parts of Merseyside. It also provides services into a number of National Parks and access to coastal areas, including the Esk Valley line to Whitby and the Cumbrian Coast route.

Serco-NedRailways will be responsible for 475 stations, approximately 4000 staff and the maintenance of a large fleet of diesel and electric multiple-unit trains.

Serco-NedRailways is a joint venture arrangement between Serco Group plc and NedRailways which is split 50%/50% between each partner.

Serco is one of the world's largest public service companies and with a strong public sector ethos aimed at enhancing service levels and improving operational efficiencies.

NedRailways is a 100% subsidiary of NS, the major rail operator in the Netherlands with experience in running high density urban networks with an intensity of use greater than that in the UK. On a daily basis, the company operates 5,000 trains carrying 1 million passengers from an end-to-end journey approach.