

Update on 2018 financial performance

28 September 2018

Serco Group plc

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Serco Group plc ('Serco' or 'the Group'), the international service company, today provides an unscheduled update on expectations for the 2018 financial year. Strong operating performance, together with transformation savings and other cost efficiencies, have resulted in trading in the first few months of the second half being better than we anticipated; in addition, we now believe that a number of non-recurring trading items such as end-of-contract settlements and other commercial negotiations will contribute to a stronger outcome for 2018 than we expected, and one which will be meaningfully ahead of current market consensus.

Previous guidance was for Revenue of £2.7-2.8bn and Underlying Trading Profit of around £80m. Our latest view, which is at estimated reported currency rates, now indicates Revenue of approximately £2.8bn and Underlying Trading Profit of £90-95m; the latter would represent growth of between 30 and 40% on the result for 2017. Accounting net debt at the end of the year, which we previously thought would be at the mid-to-upper end of our £200-250m guidance range, is now expected to be towards the lower end of that range. This is in part because of stronger trading and in part because we anticipate that we will receive the early repayment of a vendor loan note issued on our disposal of Intelenet in 2015. As a consequence, we now expect leverage for covenant purposes of less than 1.5x EBITDA at the year end.

With regard to 2019, our detailed budget process for the 2019 financial year has only just begun, and we are mindful of the fact that 2019 will not benefit from the non-recurring trading items we expect to see in 2018. We will update markets on our thinking for 2019 at the time of our pre-close statement on 13 December.

Ends

For further information please contact Serco:

Stuart Ford, Head of Investor Relations T +44 (0) 7738 894 788

Marcus De Ville, Head of Media Relations T +44 (0) 7738 898 550

About Serco

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More information can be found at www.serco.com

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