

# Stock Exchange Announcement

## Completion of debt refinancing; pro forma leverage and net assets

**30 April 2015**

Serco Group plc ('Serco'), the international service company, is pleased to announce that following the successful completion of the Rights Issue to raise gross proceeds of approximately £555m, it has today satisfied all conditions of the refinancing announced on 12 March 2015 and the amended finance agreements with its lending banks and US placement noteholders have become effective today. The terms of the amended financing agreements recognise the strengthening of the Group's balance sheet resulting from the Rights Issue.

The levels of the principal financial covenants in the amended finance agreements remain unchanged, requiring leverage not to exceed 3.5x EBITDA and EBITDA to be not less than 3.0x interest costs. However, as previously described, the covenant test will be calculated to exclude the financial impact of the Contract and Balance Sheet Review which reduced the Group's reported operating profit for the year to 31 December 2014 by an overall £1,299m, and to include the reduction in net debt resulting from the recently completed Rights Issue.

The Rights Issue Prospectus published on 12 March 2015 set out for illustrative purposes pro forma information for the period ending 31 December 2014. In accordance with the amended finance agreements, EBITDA would be increased by £697m (being the aggregate impact of the contractual write-downs on this measure) to £192m. Consolidated Total Net Borrowings would be reduced by £501m (being the adjustment for the estimated net proceeds of the Rights Issue less the costs of the refinancing) to £157m. As a result, pro forma leverage would be approximately 1x as at 31 December 2014.

As announced on 12 March 2015, based on Serco's 2015 forecasts, leverage at the end of 2015 is expected to be around 2x before further reductions resulting from the planned disposal of businesses that are no longer core to the Group's strategy.

The Group's consolidated balance sheet net assets at 31 December 2014 were negative £66m; the financial impact of the Contract and Balance Sheet Review having reduced these by £1,299m. As set out for illustrative purposes in the Prospectus, adjusting for the estimated net proceeds of the Rights Issue and the costs of the refinancing, the Group's net assets on an estimated pro forma basis would be positive £435m.

Rupert Soames, Group Chief Executive Officer, said: "The successful completion of our Rights Issue and refinancing has now delivered a much stronger balance sheet and therefore an appropriate foundation on which to implement our new strategy. Our focus now is to walk the path to recovery and repay the confidence and support shown to us by our shareholders and lenders."

**Ends**

**For further information please contact Serco:**

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## About Serco

Serco is an 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](http://www.serco.com)

## Forward looking statements

This announcement contains forward looking statements. The terms "expect", "anticipate", "may", "should", "will" and similar expressions identify forward looking statements. By their nature, these forward looking statements are subject to a number of risks and uncertainties and actual results and events could differ materially from those currently being anticipated as reflected in such statements. Factors which may cause future outcomes to differ from those foreseen in forward looking statements include, but are not limited to: general economic conditions and business conditions in Serco's markets; contracts awarded to Serco; customers' acceptance of Serco's products and services; operational problems; the actions of competitors, trading partners, creditors, rating agencies and others; the success or otherwise of partnering; changes in laws and governmental regulations; regulatory or legal actions, including the types of enforcement action pursued and the nature of remedies sought or imposed; exchange rate fluctuations; the development and use of new technology; changes in public expectations and other changes to business conditions; wars and acts of terrorism; and cyber-attacks. These forward looking statements speak only as of the date of this announcement. Except as required by any applicable law or regulation, Serco expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward looking statements contained in this announcement to reflect any change in Serco's expectations or any change in events, conditions or circumstances on which any such statement is based.