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.”

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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

Forward looking statements

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