Appendix 1

Deleveraging Update

10 December 2018
During the weekend you may have seen a flurry of press activity and reporting regarding our plans to deleverage our balance sheet. Today we have responded with a public announcement which you can read here.

What is deleveraging?

Essentially, it's how we're going to pay off our debts to our lenders. At the moment we're working with our advisors to look at all the options. Once we've finalised the deleveraging plan, it'll be subject to shareholder approval, which we're hoping to get in early 2019.

What can I tell customers & suppliers?

It's critical that we keep our customers and suppliers reassured. Our lenders continue to be supportive of our deleveraging plan which will underpin the long term future of Interserve and you may have seen the Cabinet Office has also publicly expressed full support for our long-term recovery plan too.

It's important that we focus on the positives and what we've achieved so far during this year – a strong profit growth and delivery of our 2018 Fit for Growth savings in line with our commitments to our lenders. Let's also not forget that we're a strong business, with committed employees and a fantastic client profile, we have a good reputation and in line with our business strategy are continuing to win a steady stream of large new contracts and are also retaining existing contracts up for renewal.

As we approach the end of the year, it continues to be a challenging journey to recovery not only for us but our sector too. The deleveraging plan will give Interserve a strong long term capital structure and provide a solid foundation on which to build the future success of the Group.

What can I do?

Please continue to reassure our customers and suppliers using this customers and supplier update and the other positive messages shared above. It's important we're listening to feedback, so please feed in any consistent questions and themes you're hearing on the back of this announcement to internal.comms@interserve.com.

DELEVERAGING PLAN

by Interserve Press Office | Dec 09, 2018

Interserve notes the recent press reports regarding plans to deleverage its balance sheet.

On 23 November 2018, the Interserve Board announced that it is working with its advisers to look at all options to deliver the optimum capital structure for the group to support its long-term, sustainable development.

Interserve and its lenders are engaged in constructive discussions regarding the agreement and implementation of a deleveraging plan which would deliver a strong balance sheet with Interserve targeting leverage of approximately 1.5x net debt/EBITDA. These discussions also involve proposals to amend the Group's current financing agreements, including the extension of the maturity dates and repayment profiles of the existing facilities.

Although the form of the deleveraging plan remains to be finalised, it is likely to involve the conversion of a substantial proportion of the Group's external borrowings into new equity, an element of which may be sold to existing shareholders and potentially other investors. If implemented in this form, the deleveraging plan could result in material dilution for current Interserve shareholders.

Interserve intends to announce its finalised deleveraging plan, which would be subject to shareholder approval, in early 2019.

Interserve continues to trade well and in line with its expectations for the year ending 31 December 2018.

Debbie White, CEO of Interserve, said:

“We are making good progress on our deleveraging plan which we expect to announce early in 2019. Our lenders are supportive of the deleveraging plan which will underpin the long term future of Interserve. Our refinancing in April of this year contemplated the development of a deleveraging plan in consultation with our stakeholders and the liquidity injected at that point also gave us the funding to execute our business plan. Our discussions with our lenders are a positive step in the process that was agreed as part of the April refinancing. The Cabinet Office has also expressed full support for the work we are doing to implement our long term recovery plan.

"The fundamentals of our business remain strong. The deleveraging plan will give Interserve a strong long term capital structure and provide a solid foundation on which to build the future success of the Group.” **-Ends-**

Response from the General Manager, E4L LEP Companies - to Sandwell Metropolitan Borough Council on 21 December 2018 on the intended Interserve Report to the Audit and Risk Assurance Committee

I have discussed this with the Board of Sandwell Futures Limited (SFL) and can confirm the following.

Now that you have confirmed that the Committee is interested in any Interserve risk associated with the Strategic Partnering Agreement, we can confirm that Interserve:

1. No longer has any shareholding in the Sandwell Futures or the SPV
2. Is in the process of transferring the Management Service Agreements (MSA) with the LEP and SPV to Albany SPS Limited. It is anticipated this will happen by the 2018-year end. When this occurs, all the staff of the Interserve MSA business will no longer be Interserve employees
3. Is currently not delivering any services through the SPA: Additional Services and / or Partnering Services.