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THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION FOR THE PURPOSES OF ARTICLE 7 OF THE MARKET ABUSE REGULATION (EU) NO 596/2014.

FOR IMMEDIATE RELEASE.

25 June 2020

MITIE GROUP PLC

FULLY UNDERWRITTEN £201 MILLION RIGHTS ISSUE EXTENSION OF £250 MILLION REVOLVING CREDIT FACILITY TO DECEMBER 2022

PROPOSED ACQUISITION OF INTERSERVE FACILITIES MANAGEMENT

Alongside the announcement of a strong set of financial results for the year ended 31 March 2020, Mitie Group plc (“**Mitie**” or the “**Company**”, and together with its subsidiaries, the “**Group**”), one of the United Kingdom’s leading facilities management and professional services companies, is pleased to announce that it proposes to raise gross proceeds of approximately £201 million by way of a rights issue (the “**Rights Issue**”) and has reached an agreement with its lenders for an extension of its revolving credit facility (the “**RCF**”), providing liquidity of £250 million under the facility through to 16 December 2022 (the “**Refinancing**”).

In addition, Mitie announces that it has signed a conditional share purchase agreement (the “**Share Purchase Agreement**”) to acquire the entire issued share capital of Interserve’s Facility Management business (“**Interserve Facilities Management**”) (the “**Acquisition**”).

Highlights

Rights Issue and Refinancing to Provide Mitie with a Strong Financial Position for Future Growth

- Fully underwritten £201 million Rights Issue and Refinancing to provide Mitie with a strong financial position and sufficient liquidity to trade through the COVID-19 pandemic and be suitably capitalised to capture organic and inorganic opportunities to support the Company’s long-term growth prospects

- 11 for 5 issue at a price of 25 pence per New Ordinary Share represents:
 - a discount of 68.8 per cent. to the Closing Price on 24 June 2020 (being the last business day prior to the date of this announcement); and
 - 40.7 per cent. discount to the theoretical ex-rights price of 42.2 pence per New Ordinary Share calculated by reference to the Closing Price on 24 June 2020 (the “**TERP**”).
- Agreement with Mitie’s lending banks (the “**Banks**”) for an extension of Mitie’s £250 million RCF to December 2022
- Agreement with the holders of its US Private Placement Notes and the lenders to its RCF to grant certain leverage and interest covenant amendments and waivers
- The net proceeds of the Rights Issue will support a reduction of the Group’s leverage towards Mitie’s medium term leverage target of c.1x average net debt to EBITDA as the business trading environment normalises
- Approximately £80 million of the Rights Issue proceeds will be used to satisfy part of the Acquisition consideration. If the Acquisition does not proceed, Mitie intends to retain the cash for organic and inorganic opportunities and to further Mitie’s strategy for growth
- A prospectus (the “**Prospectus**”) setting out full details of the Rights Issue and the notice convening a general meeting of Mitie to vote on the Rights Issue resolution on 13 July 2020 are expected to be published on Mitie’s website later today

Transformative Acquisition Accelerating the Delivery of Mitie’s Long-Term Vision

- Proposed £271 million¹ acquisition of Interserve Facilities Management to enhance Mitie’s position as a leading UK facilities management company
 - For the year ended 31 December 2019, Interserve Facilities Management’s revenue was £1,369 million, its operating profit was £38 million and its EBITDA² was £43 million
 - The consideration (the “**Consideration**”) at completion of the Acquisition (the “**Completion**”) comprises the issuance of c.358 million ordinary shares representing approximately 23.4 per cent. of the share capital of Mitie following the Rights Issue and the issue of such shares (the “**Consideration Shares**”) and a cash payment of £120 million
 - Assuming the TERP of 42.2 pence per share, the Consideration Shares would be valued at c.£151 million
- Implied transaction multiple of 6.3x FY19A EBITDA (excluding synergies) and 3.7x FY19A EBITDA (including recurring annualised pre-tax cost synergies)
- The Acquisition is expected to act as a catalyst for Mitie to achieve its longer-term “1-2-3” vision with the following key benefits:
 - Enhance Mitie’s position as a leading UK integrated facility management provider with strong positions across service lines and a differentiated service offering;

¹ Assumes a TERP of 42.2 pence per share

² Excluding minority interests – see Part III “Important Information” for a description of Interserve Facilities Management financial data included in this document and the Prospectus, which has not been audited and is subject to change.

- Significantly enhance Mitie’s exposure to the public sector and provide the enlarged group (the “**Enlarged Group**”) with a balance between public and private sectors;
 - Run rate synergies of c.£30 million expected to be achieved by the end of the second full year of ownership (FY22/23), with targeted revenue synergies;
 - Enhance Mitie’s financial profile to secure sustainable long-term growth and margin accretion; and
 - Further strengthen Mitie’s management team with high performing and experienced individuals focused on delivering exceptional customer service.
- The Acquisition is expected to be accretive to earnings per share in the first full year following Completion, which is currently expected to take place in Q4 2020
 - Return on invested capital from the transaction is projected to exceed cost of capital by FY21/22 (post tax and excluding synergies)
 - The Enlarged Group is expected to have an enhanced free cash flow generation profile and stronger financial position with greater scale, resilience and leverage in line with key strategic targets
 - The phased integration plan targets delivery over a twelve month period post closing with a Transitional Services Agreement (“**TSA**”)
 - The Acquisition will be classified as a class 1 transaction pursuant to the Listing Rules of the Financial Conduct Authority (the “**FCA**”) and is therefore conditional upon, amongst other things, the approval of Mitie shareholders
 - The Company will be required to issue a class 1 circular in connection with the Acquisition and a prospectus in connection with the issue of the Consideration Shares (together, the “**Acquisition Circular and Prospectus**”). The Acquisition Circular and Prospectus, including notice of the general meeting to approve the Acquisition (the “**Acquisition General Meeting**”), are expected to be published in or around Q4 2020

FY19/20 and Current Trading Highlights

- As set out in our prelims announcement today, Mitie performed well in FY19/20
 - FY19/20 revenue³ of £2,174m was 4% ahead of the prior year with flat organic revenue growth
 - Revenue growth from top 50 accounts was 5%
 - Significant new customer wins including GSK and BMW
 - FY19/20 operating profit before other items of £86.1m is 8% ahead of the prior year (FY18/19 £79.6m)
 - Cost synergies from the integration of VSG, Security and Cleaning operations
 - Basic earnings per share of 16.0p, 9% ahead of the prior year (FY18/19 14.7p)
 - Free cash flow of £10.8m (FY18/19 £21.4m)
 - Closing net debt reduced to £75m (FY18/19 £141m) with covenant leverage of 0.7x
 - Continued improvement in average daily net debt to £240m (FY18/19 £302m) and average net debt to EBITDA of 2.25x (FY18/19 2.92x) on a pre-IFRS 16 basis
 - Order Book increased 4% to £4.3bn (FY18/19 £4.1bn)
 - Net Promoter Score (NPS) increased to +30 (FY18/19 +12)
 - The Board is recommending no final dividend (FY18/19 final 2.67p) be paid given the need to conserve cash in the COVID-19 situation

3 From continuing operations

- Our business is proving to be more resilient to COVID-19 than we initially expected
 - Revenue in April and May this year was down 12% on prior year
 - Losses from contract maturities and reduced discretionary projects have been partially offset by growing COVID-19 related new business
 - Active and focused management response and optimised use of government assistance measures have helped to address the challenges presented by COVID-19 and accelerated our recovery

The Board unanimously believes that the Rights Issue and Refinancing, including the agreements reached with the holders of its US Private Placement Notes and the lenders to its RCF, will provide Mitie with a more robust capital structure and strengthen Mitie's liquidity, providing a platform to deliver on its ongoing transformation plan in the post COVID-19 world to the benefit of its employees, clients and shareholders. Similarly, the Board unanimously believe the proposed acquisition of Interserve Facilities Management represents a unique opportunity to cement Mitie's position as a key strategic supplier across the UK economy and accelerate the transformation of the Group towards its long-term vision.

Each of the Directors who holds Shares has undertaken to exercise all voting rights attaching to his or her Shares to vote in favour of the Resolution at the General Meeting (or any adjournment of the General Meeting) and take up in full his or her rights in respect of his or her Shares to subscribe for New Shares under the Rights Issue.

Commenting on the transactions, Phil Bentley, Group Chief Executive Said:

"Mitie has delivered another year of solid results making good progress against our strategy. Today's announcement of a £200m Rights Issue will strengthen our balance sheet against an extended COVID-19 impact, secure Bank refinancing and provide a platform for growth opportunities."

"We are pleased to have signed a Sale and Purchase Agreement to acquire Interserve's Facilities Management. This will be a transformative acquisition, expanding the scale and footprint of our business to create the UK's largest facilities management company and accelerate the delivery of Mitie's long-term technology-led, vision."

"The transaction will better balance our public and private sector divisions; driving greater returns from the investments we have made in technology and customer service over the past three years. Together, we will create a true UK Facilities Management champion and partner to UK business, with over 77,500 exceptional employees."

Alan Lovell, Chairman of Interserve Group Limited, said:

"The proposed combination of Interserve Facilities Management with Mitie will create the UK's leading facilities management company, with strong prospects in both the public and private sectors providing significant opportunities to employees, customers, and shareholders alike."

A pre-recorded presentation is available from 7.00am on the Company website at www.mitie.com/investors. There will be a conference call for investors and analysts to take questions at 7.45am on Thursday 25 June please contact Fiona.lawrenceIR@mitie.com for details.

The preceding summary should be read in conjunction with the full text of the following announcement, together with the Prospectus.

Unless the context otherwise requires, words and expressions defined in the Prospectus shall have the same meanings in this announcement.

Indicative summary timetable of principal events⁴

Publication of the Prospectus and the Notice of General Meeting	25 June 2020
Record Date for entitlements under the Rights Issue	Close of business on 9 July 2020
General Meeting	11:00 a.m. on 13 July 2020
Provisional Allotment Letters personalised and despatched (to Qualifying Non-CREST Shareholders only)	On or about 13 July 2020
Existing Ordinary Shares marked “ex-rights” by the London Stock Exchange	14 July 2020
Admission of, and commencement of dealings in, Nil Paid Rights on the London Stock Exchange; start of subscription period	8:00 a.m. on 14 July 2020
Latest time and date for acceptance in CREST, payment in full and registration of renunciation of Provisional Allotment Letters	11:00 a.m. on 28 July 2020
Expected date of announcement of the results of the Rights Issue through a Regulatory Information Service	29 July 2020
Dealings in New Shares, fully paid, commence on the London Stock Exchange	8:00 a.m. on 29 July 2020
Publication of Acquisition Circular and Prospectus and notice of Acquisition General Meeting	In or around Q4 2020
Acquisition General Meeting	In or around Q4 2020
Long Stop Date for the Acquisition	31 March 2021

The Rights Issue is underwritten by Jefferies International Limited and J.P. Morgan Cazenove, both of which are acting as Joint Global Coordinators and Joint Bookrunners, and Barclays Bank PLC and Banco Santander, S.A., both of which are acting as Joint Bookrunners.

The person responsible for making this announcement on behalf of Mitie is Peter Dickinson, General Counsel.

For further information, please contact:**Mitie**

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⁴ Note: The times and dates set out in the timetable above and referred to throughout this announcement and in the Provisional Allotment Letter may be adjusted by the Company by announcement through a Regulatory Information Service, in which event details of the new dates will also be notified to the Financial Conduct Authority, the London Stock Exchange and, where appropriate, Shareholders.

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IMPORTANT NOTICES

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This announcement is not a prospectus but an advertisement. Neither this announcement nor anything contained in it shall form the basis of, or be relied upon in conjunction with, any offer or commitment whatsoever in any jurisdiction. Investors should not acquire any Nil Paid Rights, Fully Paid Rights or New Shares referred to in this announcement except on the basis of the information contained in the Prospectus to be published by the Company in connection with the Rights Issue.

A copy of the Prospectus will, following publication, be available from the registered office of the Company and on its website at www.Mitie.com provided that the Prospectus will not, subject to certain exceptions, be available (whether through the website or otherwise) to shareholders in the United States, Australia, Canada, the Cayman Islands, Hong Kong, Japan, Singapore, Switzerland, the Republic of South Africa, or any other jurisdiction where the extension or availability of the Rights Issue (and any other transaction contemplated thereby) would breach any applicable law or regulation. Neither the content of the Company's website nor any website accessible by hyperlinks on the Company's website is incorporated in, or forms part of, this announcement. The Prospectus will provide further details of the New Shares, the Nil Paid Rights and the Fully Paid Rights being offered pursuant to the Rights Issue.

This announcement does not contain or constitute an offer for sale or the solicitation of an offer to purchase securities in the United States. The Nil Paid Rights, the Fully Paid Rights and the New Shares have not been and will not be registered under the US Securities Act of 1933, as amended (the "**Securities Act**") or under any securities laws of any state or other jurisdiction of the United States and may not be offered, sold, pledged, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, in or into the United States except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United

States or other jurisdiction. There will be no public offer of the Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letters or the New Shares in the United States. Subject to certain limited exceptions, Provisional Allotment Letters have not been, and will not be, sent to, and Nil Paid Rights have not been, and will not be, credited to the CREST account of, any Qualifying Shareholder with a registered address in or that is known to be located in the United States. None of the New Shares, the Nil Paid Rights, the Fully Paid Rights, the Form of Proxy or the Provisional Allotment Letters, this announcement or any other document connected with the Rights Issue has been or will be approved or disapproved by the United States Securities and Exchange Commission or by the securities commissions of any state or other jurisdiction of the United States or any other regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the New Shares, the Nil Paid Rights, the Fully Paid Rights, or the Form of Proxy, or the accuracy or adequacy of the Provisional Allotment Letters, this announcement or any other document connected with the Rights Issue. Any representation to the contrary is a criminal offence in the United States.

This announcement is for information purposes only and is not intended to and does not constitute or form part of any offer or invitation to purchase or subscribe for, or any solicitation to purchase or subscribe for, Nil Paid Rights, Fully Paid Rights or New Shares or to take up any entitlements to Nil Paid Rights in any jurisdiction. No offer or invitation to purchase or subscribe for, or any solicitation to purchase or subscribe for, Nil Paid Rights, Fully Paid Rights or New Shares or to take up any entitlements to Nil Paid Rights will be made in any jurisdiction in which such an offer or solicitation is unlawful. The information contained in this announcement is not for release, publication or distribution to persons in the United States, Australia, Canada, the Cayman Islands, Hong Kong, Japan, Singapore, Switzerland, the Republic of South Africa, or any other jurisdiction where the extension or availability of the Rights Issue (and any other transaction contemplated thereby) would breach any applicable law or regulation, and should not be distributed, forwarded to or transmitted in or into any jurisdiction, where to do so might constitute a violation of local securities laws or regulations. The distribution of this announcement into jurisdictions other than the United Kingdom may be restricted by law, and, therefore, persons into whose possession this announcement comes should inform themselves about and observe any such restrictions. Any failure to comply with any such restrictions may constitute a violation of the securities laws of such jurisdiction. In particular, subject to certain exceptions, this announcement, the Prospectus (once published) and the Provisional Allotment Letters (once printed) should not be distributed, forwarded to or transmitted in or into the United States, Australia, Canada, the Cayman Islands, Hong Kong, Japan, Singapore, Switzerland, the Republic of South Africa. Recipients of this announcement and/or the Prospectus should conduct their own investigation, evaluation and analysis of the business, data and property described in this announcement and/or if and when published the Prospectus. The Interserve Facilities Management historical financial data presented in this document has not been audited and is subject to revision, including as a result of alignment of accounting policies with Mitie and adoption of IFRS 16.

This announcement does not constitute a recommendation concerning any investor's options with respect to the Rights Issue. The price and value of securities can go down as well as up. Past performance is not a guide to future performance. The contents of this announcement are not to be construed as legal, business, financial or tax advice. Each shareholder or prospective investor should consult his, her or its own legal adviser, business adviser, financial adviser or tax adviser for legal, financial, business or tax advice. Acquiring investments to which this announcement relates may expose an investor to a significant risk of losing all of the amount invested.

NOTICE TO ALL INVESTORS

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None of the Underwriters, nor any of their respective subsidiaries, branches or affiliates, nor any of their respective directors, officers or employees accepts any responsibility or liability whatsoever for the contents of this

announcement, (or whether any information has been omitted from the announcement), or makes any representation or warranty, express or implied, as to its accuracy, completeness or verification or for any other statement made or purported to be made by it, or on its behalf, in connection with Mitie, the Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letter, the New Shares or the Rights Issue, whether written, oral or in a visual or electronic form, and howsoever transmitted or made available, or for any loss arising from any use of this announcement or its contents or otherwise arising in connection therewith. Subject to applicable law, each of the Underwriters accordingly disclaims all and any liability whether arising in tort, contract or otherwise (save as referred to above) which it might otherwise have in respect of this announcement or any such statement. None of the Underwriters, nor any of their respective subsidiaries, branches or affiliates, nor any of their respective directors, officers or employees owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of the Underwriters in connection with the Rights Issue, this announcement, any statement contained herein, or otherwise.

In connection with the Rights Issue, the Underwriters and any of their respective affiliates may, in accordance with applicable legal and regulatory provisions, take up a portion of the Nil Paid Rights, the Fully Paid Rights and the New Shares in the Rights Issue as a principal position and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for their own account in securities of the Company and related or other securities and instruments (including Nil Paid Rights, Fully Paid Rights and New Shares) and may offer or sell such securities otherwise than in connection with the Rights Issue (including through coordinated action to dispose of any New Shares which they are required to subscribe for as underwriters), provided that the Underwriters and their respective affiliates may not engage in short selling for the purpose of hedging their commitments under the Underwriting Agreement (subject to certain exceptions contained in the Underwriting Agreement). Accordingly, references in the Prospectus to Nil Paid Rights, Fully Paid Rights and New Shares being offered or placed should be read as including any offering or placement of Nil Paid Rights, Fully Paid Rights and New Shares to any of the Underwriters or any of their respective affiliates acting in such capacity. In addition, certain of the Underwriters or their affiliates may enter into financing arrangements (including margin loans) with investors in connection with which such Underwriters (or their affiliates) may from time to time acquire, hold or dispose of Nil Paid Rights, Fully Paid Rights and New Shares. Except as required by applicable law or regulation, the Underwriters do not propose to make any public disclosure in relation to such transactions.

Evercore Partners International LLP ("Evercore"), which is authorised and regulated by the Financial Conduct Authority in the UK, is acting exclusively as financial adviser to Mitie and no one else in connection with the matters described in this announcement and will not be responsible to anyone other than Mitie for providing the protections afforded to clients of Evercore nor for providing advice in connection with the matters referred to herein. Neither Evercore nor any of its subsidiaries, branches or affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of Evercore in connection with this announcement, any statement contained herein, any offer or otherwise. Apart from the responsibilities and liabilities, if any, which may be imposed on Evercore by the Financial Services and Markets Act 2000, or the regulatory regime established thereunder, or under the regulatory regime of any jurisdiction where exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, neither Evercore nor any of its affiliates accepts any responsibility or liability whatsoever for the contents of this announcement, and no representation, express or implied, is made by it, or purported to be made on its behalf, in relation to the contents of this announcement, including its accuracy, completeness or verification of any other statement made or purported to be made by it, or on its behalf, in connection with Mitie or the matters described in this document. To the fullest extent permitted by applicable law, Evercore and its affiliates accordingly disclaim all and any responsibility or liability whether arising in tort, contract or otherwise (save as referred to above) which they might otherwise have in respect of this announcement or any statement contained herein.

Lazard & Co., Limited ("Lazard") is authorised and regulated by the Financial Conduct Authority in the United Kingdom. Lazard is acting exclusively for Interserve and for no one else in connection with the Merger. Lazard will not regard any other person as a client in relation to the Merger and will not be responsible to anyone other than Interserve for providing the protections afforded to its clients, nor for providing advice in connection with the Merger or any other matter, transaction or arrangement referred to in this Announcement. Neither Lazard nor any of its affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect,

whether in contract, in tort, under statute or otherwise) to any person who is not a client of Lazard in connection with this Announcement, any statement contained herein, the Merger or otherwise.

INFORMATION TO DISTRIBUTORS

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended ("**MiFID II**"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Nil Paid Rights, the Fully Paid Rights and the New Shares have been subject to a product approval process, which has determined that they each are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "**Target Market Assessment**").

Notwithstanding the Target Market Assessment, Distributors should note that: the price of the Nil Paid Rights, the Fully Paid Rights and/or the New Shares may decline and investors could lose all or part of their investment; the Nil Paid Rights, the Fully Paid Rights and the New Shares offer no guaranteed income and no capital protection; and an investment in the Nil Paid Rights, the Fully Paid Rights and/or the New Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the offer. Furthermore, it is noted that, notwithstanding the Target Market Assessment, the Underwriters will only procure investors who meet the criteria of professional clients and eligible counterparties. For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Nil Paid Rights, the Fully Paid Rights and/or the New Shares. Each distributor is responsible for undertaking its own target market assessment in respect of the Nil Paid Rights, the Fully Paid Rights and/or the New Shares and determining appropriate distribution channels.

FORWARD-LOOKING STATEMENTS

This announcement contains forward-looking statements, including with respect to financial information, that are based on current expectations or beliefs, as well as assumptions about future events. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. In some cases, forward-looking statements use words such as "anticipate", "target", "expect", "estimate", "intend", "plan", "goal", "believe", "will", "may", "should", "would", "could", "is confident", or other words of similar meaning.

No undue reliance should be placed on any such statements because they speak only as at the date of this announcement and, by their very nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and the Company's plans and objectives, to differ materially from those expressed or implied in the forward-looking statements. Forward-looking statements are not guarantees of future performance and no representation or warranty is made that any forward-looking statement will come to pass. You are advised to read the Prospectus when published and the information incorporated by reference therein in their entirety, and, in particular, the section of the Prospectus headed "Risk Factors", for a further discussion of the factors that could affect the Group's future performance and the industry in which it operates. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements, including statements regarding prospective financial information, in this announcement may not occur. In addition, even if the Group's actual results of operations, financial condition and the development of the business sectors in which it operates are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods. These statements are not fact and should not be relied upon as being necessarily indicative of future results, and readers of this announcement are cautioned not to place undue reliance on the forward-looking statements, including those regarding prospective financial information.

No statement in this announcement is intended as a profit forecast, and no statement in this announcement should be interpreted to mean that underlying operating profit for the current or future financial years would necessarily be above a minimum level, or match or exceed the historical published operating profit or set a minimum level of operating profit.

Neither the Company nor any of the Underwriters or Evercore are under any obligation to update or revise publicly any forward-looking statement contained within this announcement, whether as a result of new information, future events or otherwise, other than in accordance with their legal or regulatory obligations (including, for the avoidance of doubt, the Prospectus Regulation Rules, the Listing Rules and Disclosure Guidance and Transparency Rules).

Mitie Group PLC

PROPOSED ACQUISITION OF INTERSERVE FACILITIES MANAGEMENT, 11 FOR 5 UNDERWRITTEN £201 MILLION RIGHTS ISSUE AND EXTENSION OF £250 MILLION REVOLVING CREDIT FACILITY TO DECEMBER 2022

1 Introduction

Alongside the announcement of a strong set of financial results for the year ended 31 March 2020, Mitie, one of the United Kingdom's leading facilities management and professional services companies, is pleased to announce that it proposes to raise gross proceeds of approximately £201 million by way of a rights issue and has reached an agreement with its lenders for an extension of its RCF, providing liquidity of £250 million under the facility through to 16 December 2022.

In addition, Mitie announces that it has signed a conditional share purchase agreement to acquire the entire issued share capital of Interserve Facilities Management.

2 Background to and Reasons for the Rights Issue

Overview of Mitie's Business

Mitie is one of the United Kingdom's leading facilities management and professional services companies, with approximately 47,500 employees as at 31 March 2020 and sales of £2.2 billion in FY19/20.

Mitie delivers services to a diverse, blue-chip customer base, with approximately 70 per cent. of revenue generated from private sector customers, including in industries such as banking and the professional services, retail and leisure, manufacturing, construction, utilities, transport and logistics, healthcare and pharmaceuticals, industrial, and technology and communications, and approximately 30 per cent. from the public sector, including central government, local authorities and other public sector bodies and agencies.

Mitie operates through three principal business divisions: Technical Services, Business Services and Specialist Services, as set out below:

- **Technical Services:** including management and delivery of engineering, maintenance, repair and project services, energy and carbon management services, and water and real estate services
- **Business Services:** including personal and technology-led security services, cleaning and environmental services, front-of-house (reception), vetting and document management services, as well as remote monitoring and mobile response for fire and security systems
- **Specialist Services:** offers a number of specialised services, including forensic health services, managing certain immigration care and custody services on behalf of the Home Office, as well as landscaping, waste management and sustainability

Mitie serves its clients by deploying advanced technology and using smart analytics to provide valuable insight and deliver efficiencies to enhance work environments.

Transformation Programme and Mitie Management

From 2017 onward, Mitie has been focused on a clear strategic five-year plan, focused on customers, technology, costs and people. This transformation programme has been driven by Mitie's leadership team and investments self-supported through operating cash flow, proceeds from the disposal of non-core assets and borrowings during this period. This five-year plan is broken down in two phases, phase I: Build Foundations and phase II: Accelerated Value Creation.

As part of this strategy, Mitie aims to: ensure operational excellence and efficiency; attract and retain highly motivated, well trained, high performing employees who continue to support and drive Mitie's 90 per cent. client retention rates; and embrace technology and innovation across the Group. Where appropriate, Mitie also looks at targeted merger and acquisition opportunities to enhance and differentiate its service offering.

Build Foundations: This initial phase was focused on reversing revenue declines, simplifying the portfolio through non-core disposals and increasing balance sheet strength. Through Project Helix, Mitie has delivered approximately £45 million of run-rate savings across personnel, improved information services, systems and finance functions, consolidating supplier spend and reduced reliance on contractors. Integrating Vision Security Group ("VSG") supported scale and savings across the security service offering. Investment through this period delivered organic revenue growth at a compound annual growth rate of approximately 6 per cent. from FY16/17 to FY19/20, while cost related work streams and strategic disposals have reduced Mitie's total indebtedness by approximately £100 million. As part of this drive to simplify Mitie, in 2019 the Security and Cleaning divisions were consolidated under a single Business Services management team, Technical Services was newly created to incorporate engineering services and projects and "smart building" management services, and Care & Custody, Waste and Landscapes were consolidated into a single Specialist Services division.

During this phase Mitie has sought to simplify and re-align its portfolio towards its core customer proposition via a number of non-core disposals and complementary acquisitions. These include:

- The disposal in FY19/20 of Mitie's catering and outside events business to CH&Co Catering Group Limited for cash consideration of up to £85 million (including post-closing performance payments in FY20/21 and FY22/23);
- The disposal in FY18/19 of Mitie's social housing repairs and maintenance business to Mears Group plc for cash consideration of up to £35 million (including a post-closing performance payment in FY21/22);
- The acquisition in FY18/19 of VSG, a leading security services provider, from Compass Group, for cash consideration of £12.7 million (including post-closing purchase price adjustments);
- The acquisition in FY18/19 of Global Aware International Group, a provider of intelligent software and security solutions; and
- The disposal in FY18/19 of Mitie's pest control business to Rentokil Initial for cash consideration of £38.4 million (including post-closing purchase price adjustments).

Accelerated Value Creation: The second phase is focused, over the medium term, on leveraging the gains made during phase I through three core principles: growth, costs and free cash flow.

Growth initiatives are supported by Mitie's continued market leadership in core Technical Services and Business Services, further enhancements in customer-facing technology to improve service capabilities, and deepening relationships with strategic clients. Harnessing Mitie's breadth of core capabilities, increasingly optimised Strategic Account Management is expected to drive improved monetisation of the high-quality client base.

Cost targets aim to utilise Mitie's improved technologically-enabled capabilities for workforce and workflow management and process automation for transaction and service booking, supporting improvement in cost-to-serve across a scalable and differentiated technology offer. Project Forte, a transformational programme targeting overall delivery of approximately £25 million of cost savings within Technical Services and approximately £5 million of savings from Group-wide automation. Mitie has delayed certain aspects of Project Forte by six months, and continues supply chain management initiatives that are already underway, with an aim to realise overall benefits in FY22/23.

Mitie aims to drive free cash flow through these continued initiatives, realising the benefits of costly transformation activities undertaken in recent years and targeting accelerated deleveraging.

Mitie's transformation programme has been supported by its extended executive leadership and division heads, under the leadership of CEO Phil Bentley, who joined Mitie in 2016.

Mitie's transformation programme has significantly improved Mitie's total financing position and financial performance during this period. These initiatives have improved Mitie's financial strength and customer service levels, supported employee engagement, Net Promoter Score (NPS) and market share growth, and helped Mitie build its pipeline for future business. From the first half of FY17/18 to FY19/20, Mitie's Net Debt (pre-IFRS 16) decreased from £172.7 million to £74.8 million. In FY19/20, Mitie generated revenue of £2,173.7 million, as compared to £2,085.3 million in FY18/19 (re-presented for discontinued operations) and £1,893.5 million in FY17/18 (re-presented for discontinued operations), and operating profit before other items from continuing operations of £86.1 million, as compared to £79.6 million in FY18/19 (re-presented for discontinued operations) and £76.1 million (re-presented for discontinued operations) in FY17/18.

Impact of COVID-19 and Rationale for the Rights Issue

Mitie has established three overriding priorities to guide its response to the COVID-19 situation: protecting the health and safety of colleagues, clients, other business partners and the communities that it serves; ensuring that its businesses are able to continue to operate with minimal disruption and to deliver the essential services it provides to its clients; and preserving Mitie's financial strength.

As reported on 27 March 2020 and 28 April 2020, for FY19/20, Mitie continued to trade in line with guidance as issued on 30 January 2020, save for a reported material downturn in the final two weeks of the financial year as a result of the COVID-19 pandemic. Due to the inherent uncertainties arising out of the COVID-19 situation, the Board concluded that it was not possible to provide guidance with regard to the anticipated financial performance for FY20/21 until the outlook becomes clearer.

Whilst the COVID-19 pandemic has had an impact on Mitie's performance through the start of FY20/21, the business is proving to be more resilient than initially expected, particularly with regard to the fixed contract element of the business. Customers in sectors such as transport and logistics, manufacturing, and property management have been more heavily affected, as have general office-based customers. Mitie has also experienced a reduction in demand for discretionary project work and variable services, such as non-essential maintenance. However, this negative impact on customer demand has been mitigated to some extent by increasing demand for cleaning and security services, in particular from food and online retailers, as well as new projects in the public sector such as testing centre capabilities and Nightingale hospitals. Branch-based and infrastructure maintenance services, including to customers in the finance, professional and banking sectors, are expected to continue while branches remain open, and services critical to infrastructure such as telecommunications and pharmaceutical manufacturing are also expected to remain stable. However, the operating and financial disruption being experienced by customers and communities across the United Kingdom may persist for a significant amount of time and continue to negatively affect Mitie in the coming months.

In response to a deterioration of trading conditions across the business, Mitie has utilised government initiatives where available, and also implemented a number of self-help measures including:

Government:

- Deferred payment of certain VAT, National Insurance contributions, corporation tax and PAYE amounts under the "Time to Pay" initiative until April 2021, including benefit of approximately £33 million in FY19/20
- Peak of approximately 7,000 employees have been furloughed and the majority of these remain furloughed

Self-Help:

- Reduced overheads to target delivery of approximately £25 million of cost savings during FY20/21

- Reviewed and deferred non-essential and uncommitted capital expenditure by approximately £5 million
- The Board and CEO, and the executive team volunteered reductions in their fees and salaries of 30 per cent. and 20 per cent., respectively, resulting in approximately £2.5 million in savings from April to June 2020, and have volunteered further reductions until 30 September 2020
- Deferral of pay rises of approximately £5 million
- Committed to not paying a final dividend for FY19/20

Mitie has maintained strong relationships with its private and public sector customers during the course of the COVID-19 pandemic, and it is working to meet customers' facilities management and professional services needs as operating, travel and leisure restrictions are eased in the coming months. However, recognising the uncertainty of the current situation, in addition to the measures above, the Board believes the Rights Issue to be a prudent measure to further strengthen Mitie's balance sheet, working capital and liquidity position in order to enable Mitie to further leverage the benefits of the first phase of its transformation programme and support the continued implementation of its phase II initiatives to drive continued growth, cost savings and free cash flow across the business.

Mitie has reached a comprehensive agreement with the holders of its US Private Placement Notes and the Banks to grant covenant amendments under these respective financing arrangements and with the Banks in relation to an extension of the RCF. These arrangements are conditional on completion of the Rights Issue.

As such, the Rights Issue and associated agreement with the Banks is expected to mitigate the indebtedness risks and provide Mitie with a strong financial position and liquidity to trade through the COVID-19 pandemic and be suitably placed to capture opportunities to support the Group's long-term growth prospects.

3 Amendments to Mitie's Note Purchase Agreement and Revolving Credit Facility

Mitie has reached a comprehensive arrangement with the holders of its US Private Placement Notes and the Banks in order to address potential issues that arise under a reasonable worst case scenario over the next 12 months as a result of the deterioration in trading conditions arising from COVID-19.

These arrangements provide Mitie with the benefit of amended financial covenants contained in the Note Purchase Agreement and the RCF, as set out below:

	Previous	Sept. 2020	March 2021	Sept. 2021	March 2022	Sept. 2022
Interest Coverage Ratio.....	>4.0x	>3.0x	>1.0x	>2.5x	>3.5x	>4.0x
		<3.0x				
Leverage Ratio	<3.0x (unchanged)	<4.0x	<3.5x	<3.0x	<3.0x	<3.0x

In addition, Mitie has agreed with the Banks a 17-month extension of the RCF, providing liquidity of £250 million under the facility through to 16 December 2022.

For more detail in relation to these arrangements, see paragraph 18 of Part XVII of the Prospectus.

4 Proposed Acquisition of Interserve Facilities Management

In December 2019, Mitie presented its strategy to enable the Group to achieve the Board's long-term vision of market leadership, with the following targets: (i) #1 market share, (ii) <2x Total Financial Obligations Leverage, (iii) £200 million annual EBITDA and (iv) £3 billion of annual revenue. Since then, Mitie has also had to contend with the impact of the COVID-19 pandemic on its business which it has addressed proactively with a range of decisive management actions.

The Board has also been particularly focused on identifying ways in which Mitie can enhance its commercial and financial position in the post COVID-19 environment. In this light, the acquisition of Interserve Facilities Management is expected to act as a catalyst for Mitie to achieve its longer-term "1-2-3" vision through the following key benefits:

Enhance Mitie's position as a leading UK integrated facility management provider with strong positions across service lines and a differentiated service offering

The Acquisition will enhance Mitie's position as a leading UK integrated facility management provider in the UK. Interserve Facilities Management is a UK-focused facilities management business, providing services across multiple end-markets, providing customers with a range of hard, soft and specialist facilities management services, such as mechanical & engineering services, building fabric maintenance, grounds maintenance, cleaning, waste management, security and logistics services. For the year ended 31 December 2019, Interserve Facilities Management's revenue was £1,369 million, its operating profit was £38 million and its EBITDA⁵ was £43 million, allowing Mitie to accelerate its transformation towards its long-term "1-2-3" vision targets.

Enhanced service portfolio with customer and sector diversification

Through the combination of two highly complementary service portfolios, the Enlarged Group will enjoy established positions across key service lines including engineering, security and cleaning services with enhanced customer and sector diversification, and a balanced exposure between public and private sectors.

Ability to build scale and leverage investment in technology to deliver superior service offering

With scale, and a robust capital structure, the Enlarged Group will advance its transformation plan and leverage continued investments in technology to target efficiencies and differentiated service propositions to both public and private customers. Mitie expects, in particular, significant value creation opportunity from:

- enhanced position in engineering and security services, enabling efficiencies and improved margin performance;
- improved capacity to fund technology and innovation with the ability to transfer Mitie's leading capabilities to Interserve Facilities Management's estate and explore upselling opportunities to Interserve Facilities Management customers; and
- operational improvements in Interserve Facilities Management's commercial, financial, HR and IT systems and processes.

Consolidation platform in the UK facilities management space

⁵ Excluding minority interests – see Part III "Important Information" for a description of Interserve Facilities Management financial data included in this document and the Prospectus, which has not been audited and is subject to change.

The Enlarged Group will also be able to explore further infill consolidation opportunities in a still fragmented UK facilities management market over time.

Significantly enhance Mitie's exposure to the public sector and provide the Enlarged Group with a balance between public and private sectors

Mitie has identified the public sector as a key growth opportunity and has recently renewed its focus on this area with a formal appointment to the Crown Commercial Service frameworks for Security (in January 2019) and Defence (in April 2019). Mitie's appointment was an important step in cementing its strategic supplier partnership with government and in enhancing its support for the public sector around its market-leading and tech-enabled security and engineering services, in particular. Interserve Facilities Management's highly complementary service and client portfolio will support Mitie's efforts to accelerate the growth of its government and public services offering.

With approximately 44 per cent. of its 2019 revenue in the Central Government & Defence (CG&D) division and approximately 21 per cent. in the Communities division, Interserve Facilities Management has a particularly strong positioning with the Ministry of Defence, Central Government and hospitals (including PFI arrangements), which tend to have longer-term contracts, and where Mitie has limited presence and scale today.

Central Government & Defence (CG&D)

The acquisition of Interserve Facilities Management will provide Mitie with strong positions in UK Government and UK defence services and expertise in delivering large complex contracts including overseas integrated support provider ("ISP") contracts for the Ministry of Defence and integrated facilities management contracts across the Department for Environment, Food and Rural Affairs estate. Interserve Facilities Management enjoys strong relationships with the Ministry of Defence and other government customers and stakeholders, with high retention rates and a high proportion of engineering and security services contracts at attractive margins.

Communities

The acquisition of Interserve Facilities Management will contribute a portfolio of long term facilities management contracts delivered to PFI customers, which provide a long-term income profile in the healthcare, schools and emergency service sectors, with a high proportion of integrated facility management and bundled contracts enjoying attractive margins and high retention rates.

Accordingly, the Board expects the Acquisition to provide a significant uplift in public sector work, thereby accelerating Mitie's presence in a key strategic growth area and supporting balanced underlying exposure to public and private sectors.

In addition, Interserve Facilities Management Business & Industry division has developed core expertise in the provision of total facilities management services to critical operating environments, including regulated, manufacturing and corporate sectors, that will complement Mitie's existing private sector business.

Unlock significant cost synergies

The Board estimates that, as a result of and contingent on completion of the Acquisition, the Enlarged Group will be in a position to deliver run rate synergies of c.£30 million expected to be achieved by the end of the second full year of ownership (FY22/23).

Recurring cost synergies

Substantial cost synergies have been identified across the following areas:

- duplication of corporate costs and functional overheads (approximately £15 million): rationalisation of overlapping headcount in back office, sales and business development, finance, human resources, operational support and procurement functions;

- improved supplier terms by leveraging the enlarged scale and enhanced financial position of the Enlarged Group as well as making greater use of strategic sourcing (approximately £10 million); and
- integration of supporting infrastructure costs in IT and real estate, through streamlining of the IT application estate and office consolidation (approximately £5 million). This will be an enabler for improved process and cost efficiency.

The cost savings from duplication of corporate costs and functional overheads includes approximately £13 million of savings from the rationalisation of overlapping headcount in the UK. It is expected that the Enlarged Group would have approximately 77,500 employees at completion of the Acquisition. Fewer than 600 back office, sales and business development, finance, human resources roles across the Enlarged Group are currently anticipated to be rationalised, over the three years after completion of the Acquisition. The combined business will seek to bring the best of both organisations together.

Other growth opportunities

In addition to the combination benefits highlighted above, the Board will target additional revenue synergies from selling additional services to existing customers through cross-selling of bundled services. In addition, it will seek to improve the technology offering to non-overlapping clients in particular in the public sector space, thereby improving service quality and increasing customer retention.

Absent the Acquisition, Mitie would not be able to achieve these targeted synergies.

Enhance Mitie's financial profile to secure sustainable long-term growth and margin accretion

The Acquisition is expected to be accretive to Mitie's earnings per share in the first full year following Completion, which is currently expected to take place in or around Q4 2020.

Interserve Facilities Management has a strong trading financial profile with revenue of £1,369 million, operating profit of £38 million and EBITDA⁶ of £43 million for the year ended 31 December 2019, underpinned by large profitable long-term public sector contracts and a blue-chip private customer base with a track record of high retention. The Acquisition, including the synergies to be extracted from the combination, will therefore improve Mitie's financial profile and the Enlarged Group will benefit from a strong capital structure with a low leverage as a resilient platform able to withstand the obstacles presented by COVID-19 and deliver long-term profitable growth.

Return on invested capital is projected to exceed the cost of capital by FY21/22, excluding synergies, on a post-tax basis.

Further strengthen Mitie's management team with high performing and experienced individuals focused on delivering exceptional customer service

Interserve Facilities Management's senior management team will bring significant operating and management expertise to the Enlarged Group. The broader Interserve Facilities Management team has extensive experience in the facility management industry and strong commercial capabilities, with a particular focus on large integrated facility management contracts with both public sector and regulated, manufacturing and corporate clients.

5 Use of Proceeds of the Rights Issue

The Company estimates the net proceeds of the Rights Issue will be approximately £190 million.

⁶ Excluding minority interests – see Part III “Important Information” for a description of Interserve Facilities Management financial data included in this document and the Prospectus, which has not been audited and is subject to change.

Net proceeds of approximately £80 million will form a portion of the Acquisition consideration. If the Acquisition does not complete, Mitie will use these net proceeds in furtherance of its strategy as described above, including both organic and inorganic opportunities.

The remaining net proceeds of approximately £110 million will support Mitie's liquidity for the medium term. Following the implementation of the Rights Issue, Mitie will benefit from a more robust capital structure to support its ongoing transformation plan, with a significantly reduced level of net indebtedness, as well as an extended maturity profile and associated interest cover and leverage covenant amendments on its debt.

6 Principal Terms of the Rights Issue

Pursuant to the Rights Issue, the Company is proposing to offer 805,069,771 New Shares to Qualifying Shareholders. The offer is to be made at 25 pence per New Share, payable in full on acceptance by no later than 11.00 a.m. on 28 July 2020. The Rights Issue is expected to raise approximately £190 million, net of expenses. The Issue Price represents a 40.7 per cent. discount to the theoretical ex-rights price based on the closing middle-market price of 80 pence per Share on 24 June 2020 (being the last Business Day before the announcement of the terms of the Rights Issue).

The Rights Issue will be made on the basis of:

11 New Shares at 25 pence per New Share for every 5 Existing Shares

held by Qualifying Shareholders at the close of business on the Record Date.

Entitlements to New Shares will be rounded down to the nearest whole number and fractional entitlements will not be allotted to Shareholders but will be aggregated and issued into the market for the benefit of the Company. Holdings of Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue.

The Rights Issue is fully underwritten by the Underwriters, pursuant to the terms of the Underwriting Agreement. The principal terms of the Underwriting Agreement are summarised in Part XIX (*Additional Information*) of the Prospectus.

The Rights Issue will result in 805,069,771 New Shares being issued (representing approximately 220 per cent. of the existing issued share capital of the Company and 68.8 per cent. of the enlarged issued share capital of the Company immediately following completion of the Rights Issue, assuming that no Shares are issued to satisfy the vesting of awards or the exercise of options under the Employee Share Plans between 22 June 2020 (being the latest practicable date prior to the date of the Prospectus and the Admission becoming effective).

The Rights Issue is conditional, *inter alia*, upon:

- the Underwriting Agreement having become unconditional in all respects save for the condition relating to Admission;
- Admission becoming effective by not later than 8.00 a.m. on 14 July 2020 (or such later time and/or date as the Joint Global Coordinators and the Company may agree); and
- the passing of the Resolution (without amendment, or with such amendments as the Joint Global Coordinators, acting jointly for themselves and the other Joint Bookrunners may have agreed with the Company).

New Shares will be provisionally allotted (nil paid) to all Shareholders on the register at the Record Date, including Overseas Shareholders. A Resolution authorising the allotment of the New Shares in connection with the Rights Issue is proposed to the Shareholders for approval at the General Meeting in order to provide the directors of the Company with the necessary authority and power to allot sufficient ordinary shares to undertake the Rights Issue. If a Shareholder is not able to (or does not) take up his or her Nil Paid Rights under the Rights Issue, then his or her shareholding in the Company will be diluted as a result of the Rights Issue. The Resolution, if passed, will be relied upon for the purposes of the Rights Issue.

The New Shares, when issued and fully paid, will rank *pari passu* in all respects with the Existing Shares, including the right to receive dividends or distributions made, paid or declared after the date of issue of the New Shares. Application will be made to the FCA and to the London Stock Exchange for the New Shares to be admitted to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities, respectively. It is expected that Admission will become effective and that dealings on the London Stock Exchange in the New Shares (nil paid) will commence at 8.00 a.m. on 14 July 2020.

Some questions and answers, together with details of further terms and conditions of the Rights Issue, including the procedure for acceptance and payment and the procedure in respect of rights not taken up, are set out in Parts VIII (*Questions and Answers about the Rights Issue*) and IX (*Terms and Conditions of the Rights Issue*) of the Prospectus and, where relevant, will also be set out in the Provisional Allotment Letter.

Overseas Shareholders should refer to paragraph 2.6 of Part IX (*Terms and Conditions of the Rights Issue*) of the Prospectus for further information on their ability to participate in the Rights Issue.

7 Interserve Facilities Management Share Purchase Agreement

On 25 June 2020, the Company and How Group Limited (a wholly owned subsidiary of Interserve Group Limited) entered into an agreement for the sale and purchase of the entire issued share capital of Interserve Facilities Management by the Company. On Completion, Interserve Facilities Management will become a wholly-owned subsidiary of the Company.

Completion of the Acquisition is conditional upon, amongst other things, approval by Mitie shareholders of the Rights Issue resolution at the General Meeting on 13 July and of the Acquisition resolutions at the Acquisition General Meeting expected to take place in or around Q4 2020. The Company expects Completion to be in Q4 2020.

Pursuant to the terms of the Share Purchase Agreement, the Consideration, on Completion, for the purchase of the entire issued share capital of Interserve Facilities Management shall be as follows:

- a. the Company will issue c.358 million ordinary shares in the capital of Mitie to How Group representing approximately 23.4 per cent. of the share capital of Mitie following the Rights Issue and the issue of such shares; and
- b. the Company will pay Seller £120 million

The Consideration has been determined on the basis that Interserve Facilities Management will be delivered cash-free/debt-free and with an agreed normalised level of working capital. The Consideration will be adjusted for any cash or debt (including debt-like balances) and variance to the agreed normalised level of working capital as at the date of Completion, based on a customary completion accounts mechanism.

The Acquisition is classified as a class 1 transaction pursuant to the Listing Rules. The Acquisition Circular and Prospectus and notice of Acquisition General Meeting are expected to be published in or around Q4 2020, and the Acquisition General Meeting where Shareholders will be asked to approve the Acquisition Resolutions is expected to take place thereafter. Mitie does not intend to raise further funds from the issuance of shares in connection with publication of the Acquisition Circular and Prospectus and completion of the Acquisition.

See Part X "Terms and Conditions of the Acquisition" of the Prospectus for a summary of additional terms of the Share Purchase Agreement.

8 Current Trading and Prospects

Although the outbreak of COVID-19 has continued to impact Mitie's performance through the start of FY20/21, the business is proving to be more resilient than initially expected especially on the fixed contract element of the business. Mitie operates across a diverse range of sectors for both public and private customers who have seen a varying impact on their end markets. Its public sector customers have largely been resilient however many private sector customers have experienced a volatile trading environment.

Mitie has 37,500 employees working on the frontline every day, keeping its customers' facilities operational. This reflects the strategic importance and essential nature of the Group's services and, in some instances, has led to an increase in demand for critical services. Examples include supermarkets and online retailers whilst new contracts were won with three NHS Nightingale hospitals and 11 drive-in regional Coronavirus testing centres. Conversely, discretionary variable work and engineering projects, including painting and roofing, have seen a significant slowdown, and many offices and retail outlets have been closed during lockdown, impacting revenues.

Group revenue from continuing operations for the two months ended 31 May 2020 was £301.4m, which was 12% lower than the same period in the prior year. Included in this revenue decline were revenues associated with the expected loss of two significant high margin public sector contracts – MOJ and NHS Properties – which represented 3% of the year-on-year revenue reduction, partly offset by new customers such as GSK and BMW.

Technical Services

As expected, the majority of the Group's revenue decline for the two months ended 31 May 2020 came from the Technical Services division, which has a significant contribution from discretionary variable work and engineering projects. Reported revenue was £104.5m, down 24% when compared to the same two-month period last year. Whilst this represents a significant decline, the fixed element declined 2% year-on-year, representing the strong relationship with customers, whilst variable works and projects contracted 39% and 50% respectively in the two-month period.

Technical Services has seen a decline in revenues from customers across finance & professional, manufacturing, transport & logistics, retail, technology & communications representing c. 40% of divisional revenues. Healthcare and pharmaceuticals, utilities and leisure have proven more resilient representing c. 20%.

Business Services

Business Services, which accounted for just over half of Group revenue, reported revenue of £161.9m, 3% lower than the same two-month period last year. The loss of revenue from MOJ impacted the division's result. Business Services has been more resilient during the COVID-19 period with additional cleaning and security services provided to key clients across several sectors. The division launched 'Citrox Protect', a specialist cleaning product, exclusive to Mitie in the FM market, which will mitigate some of the lower revenues from customers hit by closures or reduced services.

The division has seen an uplift in demand for services from the retail sector with new wins and renewals at four of the UK's largest supermarket retailers. This sector represents c. 30% of divisional revenues and witnessed growth during this period benefitting both security and cleaning. Similarly, the Group also saw demand increase in healthcare and NHS Hospitals. Technology & communications, representing c. 7% of divisional revenues, has proved to be resilient with a flat performance. Office services, largely the Vetting business which is linked to the aviation sector, has reported a significant decline.

Despite a new win at a UK port client, revenue fell across the transport & logistics sector, which represents c.10% of divisional revenues, largely focused across security and office services (vetting). Finance & professional and property management together represent c.23% of divisional revenues and whilst they provided some early additional revenue due to 'deep cleans', they have witnessed some drop-off as offices and buildings remained closed for much of the period.

Specialist Services

Specialist Services, which accounted for 12% of Group revenue, reported a revenue of £35.0 million for the two months ended 31 May 2020; 10% lower than the same two-month period last year. Care & Custody saw a reduction in variable escorting services, which, in conjunction with one client loss, resulted in revenue of £17.4 million, down 8%. New wins and extensions were recorded. Waste reported a 14% decline in revenue to £11.3m, as customers within the finance and professional, leisure and transport sectors had less need for their services.

This was in part mitigated by an increase in services to the healthcare sector and NHS. Landscaping saw a 10% revenue decline to £6.3m as property managers, leisure and transport & logistics customers reduced services.

Cost management

During this period, the Group has taken decisive actions in response to COVID-19, including reducing overhead costs from a combination of salary reductions, deferring non-essential and uncommitted capex. In addition, Mitie has accessed the government-supported job retention scheme and in total has furloughed up to c.7,000 staff. In the first two months of the year central costs reduced by £2.4m.

Project Forte is a two-year programme focused on delivering c.£25m cost savings within Technical Services and c.£5m from Group-wide automation. To conserve c.£5m cash this year, a six-month delay has been applied to all aspects of the project that hadn't started in March, but we are completing the supply chain management module. However, the overall benefits from Maximo upgrade and the Oracle to SAP implementation will now come through in FY22/23.

Net Debt

Mitie has reported a continued improvement in net debt, resulting in average daily net debt, pre-IFRS 16, for the two months ended 31 May 2020 of £85.9m (prior year period £217.4m). During the two-month period we benefited from the deferral of £103m from HMRC 'time to pay'. We have continued to pay all our suppliers on time. As we move through June, we continue to see performance in line with April and May and our average daily net debt as at 22 June 2020 was £75.0m.

Medium term outcome of COVID-19

COVID-19 has had a very different impact on each sector and on each customer. Demand from some Mitie customers has proven remarkably resilient whilst others have been hit hard. How each customer recovers will also be very different, but we are uniquely positioned to continue providing support.

Many clients will experience a slow return to office occupation, with occupancy levels expected to be at a third for the duration of this calendar year as customers implement social distancing measures and their employees and/or customers limit the use of public transport. There will also be a structural shift as companies move to agile working and reduce their office estates. Aviation and transport will have a slow recovery as confidence takes time to rebuild and for all sectors, financial pressure will limit discretionary spend.

Mitie's response is to flex the business model, managing costs with less overtime, a reduction in temporary staff hours and a reduction in equipment hire to mitigate the downside. Mitie's customers are likely to seek more advanced specialised work to support their buildings as and when they re-open. Mitie has launched a comprehensive guide to getting facilities back up and running 'Getting Britain Back to Business' – including a detailed checklist covering all aspects of facilities management. Mitie has also created a COVID-19 Checklist Assured service 'Mitie Building Confidence' which outlines all the steps required to enable businesses and their employees to feel confident returning to their properties. Thirdly, Mitie has launched specific products to mitigate some of the COVID-19 impact, which include 'Citrox Protect', thermal imaging and energy reduction.

In the short-term, we anticipate the Group's order book reducing, as customers defer facilities management decisions; one upside is that expected renewals are being pushed out. New business and contract extensions have been achieved in the first two months of FY20/21, including a two-year extension to an engineering and FM contract for Groupe PSA, which adds cleaning and waste management to the services Mitie already delivers.

Over the medium-term, Mitie continues to expect to deliver those goals set out at the launch of 'Accelerated Value Creation', namely operating profit margin improvement towards 5%. Mitie's goal is for average net debt to EBITDA coverage ratio to be <1 with a smooth debt maturity profile.

9 Directors' Intentions

The Directors are fully supportive of the Rights Issue. Each of the Directors who holds Shares has undertaken to exercise all voting rights attaching to his or her Shares to vote in favour of the Resolution at the General Meeting (or any adjournment of the General Meeting) and take up in full his or her rights in respect of his or her Shares to subscribe for New Shares under the Rights Issue.

10 Further Information

The Prospectus, setting out full details of the Rights Issue, is expected to be published on Mitie's website later today. The preceding summary should be read in conjunction with the full text of the following announcement, together with the Prospectus. Please also refer to the Important Notice at the end of this announcement. Mitie shareholders' attention is drawn, in particular, to the risk factors set out in the Important Notice and which will be described in further detail in the Prospectus.