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30 October 2013

Servelec Group plc

ANNOUNCEMENT OF INTENTION TO FLOAT

Servelec Group plc ("Servelec"), a UK-based technology group, with significant intellectual property, providing software, hardware and services predominantly to the UK healthcare, oil & gas, nuclear, power, water, utilities and broadcast sectors, today announces its intention to proceed with an initial public offering of its ordinary shares (the "Offer"), applications are intended to be made for admission of its ordinary shares to the premium listing segment of the Official List and to trading on the main market of the London Stock Exchange.

Servelec has a strong engineering heritage and employs a highly skilled and knowledgeable workforce of approximately 500 full time staff operating predominantly from offices around the UK, with the largest number based at the Company's headquarters and purpose-built engineering site in Sheffield, UK. Since July 2000, the Company has been wholly owned by CSE Global Limited ("CSE Global"), a company whose shares are traded on the Singapore Stock Exchange.

Servelec has grown both organically and through acquisition and now operates through two divisions:

- Servelec Healthcare specialises in the design, development and implementation of Electronic Patient Record and Patient Administration software within secondary care settings and is a market leader in the Mental Health and Community Health sectors in England; and,
- Servelec Automation provides complex, mission-critical control systems to large blue-chip companies mainly in the UK, focusing on the oil & gas, nuclear, power, water, utilities and broadcast industries. Servelec Automation also provides services from consultancy through to design, implementation, delivery, installation and on-going customer support and maintenance.

Servelec is a profitable and cash generative business. In the year ended 31 December 2012, Servelec Group had revenues of £39.4 million giving an adjusted profit before tax of £11.9 million. This comprised of Servelec Healthcare which had revenue of £16.7 million and adjusted profit before tax of £8.7 million and Automation which had revenue of £22.6 million and adjusted profit before tax of £4.7 million.

Commenting on today's announcement, Alan Stubbs, Chief Executive Officer of Servelec Group plc, said:

"We are very pleased to announce our intention to join the main market of the London Stock Exchange. Servelec has a proven track record of delivery over many years, establishing a market-leading position in each of its business divisions. This is built upon the strong intellectual property and engineering heritage prevalent throughout our business, and the excellent long-term relationships we have with our blue chip customers.

"The markets in which we operate have structural and regulatory growth drivers and we have identified numerous commercial opportunities to pursue additional growth for our business. The present ownership structure, as part of a larger group, places a constraint on the ability of the management team to capitalise on these exciting opportunities. An IPO is the natural next stage of development for Servelec, providing the appropriate platform to drive growth both organically and through acquisition."

Richard Last, Chairman of Servelec Group plc, said:

"I have been enormously impressed by the progress of Servelec since I was appointed Chairman in 2008, driven by a committed and dedicated management team. However, there is much more to come, and I believe that Servelec has a very promising future as a listed company. As an independent quoted company it will have the opportunity and means to capitalise on the many growth opportunities ahead and generate value for all of Servelec's stakeholders".

The Directors believe that Servelec has the following key strengths which form the foundation of its success to date and its growth strategy:

BUSINESS HIGHLIGHTS AND STRENGTHS

- **A market leading position across its two divisions:**
 - It is estimated that Servelec Healthcare's solutions are currently used by c. 150,000 clinicians who support services available to approximately 25% of England's population. Servelec Healthcare supports c. 48% of the Mental Health Trusts and c. 33% of the Community Health Providers in England
 - Servelec Automation is one of the UK's largest independent, vendor agnostic suppliers of systems to the UK oil & gas, power, nuclear, water and broadcast markets
- **There are clear structural and regulatory drivers for growth in Servelec's end-markets:**
 - *Healthcare:* the winding down of the National Programme for IT provides a significant growth opportunity for Healthcare to supply NHS Trusts across England with a market leading software solution compatible with the UK Government's commitment toward converged care for patients. Opportunities for the healthcare business include re-signing existing Trusts as well as targeting new healthcare settings by developing existing or launching new software solutions
 - *Off-shore oil and gas:* commercial opportunities due to operators electing to extend the working life of off-shore assets and infrastructure. Operators are finding new drilling technologies which are allowing them access to larger quantities of economically exploitable reserves of oil & gas. It is believed these operators are planning to use existing, but often refurbished, infrastructure to exploit these new reserves. In general, there are two options available to operators to extend the useful life of a platform; full refurbishment, or de-

manning and remote automation. The Directors believe both of these options provide opportunities

- *On-shore oil & gas, power and nuclear*: recent market trends will move towards construction of new gas storage projects and pressures to extend the operational life of coal fired and nuclear power plants provide growth opportunities
 - *Water*: objectives driven by different regulatory regimes are expected to create a requirement for water companies to invest in their infrastructure to improve efficiencies and hit targets relating to improved water quality, reduced leakage and improved customer satisfaction
- **Strong engineering heritage and significant levels of intellectual property:**
 - The origins of the Group's business were in the design and manufacture of control systems for the Sheffield steel industry. This engineering ethos remains firmly in the culture of Servelec, both in software and hardware, and the Group continues to expand its intellectual property portfolio
 - **Proven and experienced management team:**
 - Servelec's executive management team is backed up by a strong, long standing and experienced operational management team and a highly skilled and knowledgeable workforce
 - **Strong, long-term relations with its client base:**
 - Servelec has established very close commercial relationships with blue chip customers in all of its end markets with some relationships dating back 25 years. Servelec's customers include Welsh Water, Severn Trent, Centrica, BP, and EDF Energy.

SUMMARY OF OFFER

The Offer consists of Existing Shares being offered to certain institutional and other investors in the United Kingdom and elsewhere and New Shares which are only being offered to Eligible Employees under a separate Employee Offer of a value up to £250,000.

The Company will not receive any proceeds from the sale of the Existing Shares by CSE Global. The proceeds of the Employee Offer will be used for working capital and corporate purposes.

On Admission, the Group is expected to be in a net cash position with approximately £5 million of cash and no debt.

As CSE Global is selling its 100% shareholding in Servelec pursuant to the Offer, the free float is anticipated to be very high. Admission is expected to take place in early December 2013.

In relation to the Offer and Admission, Investec Bank PLC is acting as sponsor, financial adviser, sole bookrunner and broker to the Company.

Full details of the Offer will be included in the Prospectus, expected to be published in due course. Following Admission, the Company's ordinary shares will be admitted to the premium segment of the Official List and to trading on the main market of the London Stock Exchange.

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NOTES TO EDITORS

The Directors of Servelec Group plc as at Admission will be as follows:

Richard Last, Non-Executive Chairman

Richard joined the Company in 2008 as a Non-Executive Director and was appointed Non-Executive Chairman of the Company later that year. In May 2011, Richard was appointed an independent director of CSE Global. He has over 18 years' senior experience in information technology having worked at Board level for a number of publicly quoted and private companies in the technology sector. Richard is currently chairman of British Smaller Companies VCT 2 plc, a listed venture capital trust, and is a Non-Executive Director of Corero plc, an AIM quoted IT solutions provider, and Lighthouse Group plc, an AIM quoted financial services group. He is also a Non-Executive Director of a number of private companies. Richard is a Fellow of the Institute of Chartered Accountants in England and Wales.

Alan Stubbs, Chief Executive

Alan joined the Group in 1984 as a software engineer focusing on the development of SCOPE 1 for the water industry. Alan has worked across many roles in the Group and in 1995, as engineering director, took part in the management buyout of the business by 3i. In 2000, he was involved in the sale of the Group to CSE-Global and was subsequently appointed Managing Director of the Company. In June 2010, he was appointed Chief Operating Officer for CSE-Global and in January 2011 took over the role of Chief Executive Officer of CSE-Global.

Mike Cane, Finance Director

Mike was appointed Finance Director of the Company in April 2013 following a six month interim assignment. Prior to joining the Company, he was Finance Director of Bullock Construction Limited and SPI Limited and from 2001 until 2007 held the position of group financial controller at Cleanaway Limited. Mike is a member of the Institute of Chartered Accountants in England and Wales, having qualified in 1991 whilst working at Price Waterhouse. He holds a Bachelor of Science (Hons.) from the University of Manchester.

Roger McDowell, Senior Independent Non-Executive Director

Roger joined the company as a Non-Executive Director on 24 October 2013. Roger spent his executive career in his family's business, pipeline products distributor Oliver Ashworth, which he

joined following university. He was Managing Director for 18 years, leading the business through strong growth, its main market listing and ultimate sale to St Gobain. Roger has a number of Non-Executive roles including chairmanships in both public and private equity backed businesses in a variety of sectors, including engineering, financial services, IT and telecoms. He is currently Chairman of Alkane Energy plc and Avingtrans plc, Senior Independent Director of Renovo Group plc and a Non-Executive Director of Augean plc, I S Solutions plc and Swallowfield plc

Bernard (Bernie) Waldron, Independent Non-Executive Director

Bernie will join the Company as a Non-Executive Director prior to Admission. Bernie has more than 30 years' experience in the global technology marketplace including positions as Director of Strategy for IBM Corporation, based in New York, General Manager of IBM's Industrial Sector business for Europe, Middle East and Africa, and Executive Chairman of the former Maersk Data Group of companies, based in Copenhagen. Bernie is a Senior Independent Director of Digital Barriers plc, Node4 Limited, IPPlus plc, Process Systems Enterprise Limited and Venture Partnership Foundation Limited, and is a Board mentor for Criticaleye. Bernie was formerly a Non-Executive Director of KNEIP Communications S.A in Luxembourg and a Visiting Professor at Cass Business School. Bernie has an MA in Mathematics from Cambridge University.

Servelec's businesses:

Servelec Healthcare

Servelec Healthcare specialises in the design, development and implementation of software within secondary care settings and is a market leader in both the Mental Health and Community Health sectors in England. Its software covers Electronic Patient Records; Patient Administration Systems; Clinical Information Systems; and e-prescribing systems. Servelec Healthcare has grown organically since its inception in 1993 and in the year ended 31 December 2012 made up approximately 43 per cent of the revenue of the Group. Revenue is made up of a mixture of implementation services, licence charges and long-term support contracts (typically five years).

Servelec Healthcare's three main products are **RiO**, **Oceano** and **PICS**. **RiO** is predominantly operational in Mental Health and Community Health settings and **Oceano** is operational in the Acute Health setting. Both **RiO** and **Oceano** have been developed by Servelec Healthcare and are owned by the Group. **RiO** and **Oceano** are proven in their deployment and have been successful because they have been developed in the UK in close collaboration with clinicians for use by clinicians and with long-term clinical care in mind. **PICS** has to date only been deployed at University Hospital Birmingham, where it was developed, but the Directors believe that PICS' functionality, such as helping clinicians save costs on prescriptions and reduce drug maladministrations, and its relevance to the current UK Government's 'Safer Hospitals Safer Wards' initiative should provide a powerful incentive for other Trusts to deploy the product in the future. Servelec Healthcare has an exclusive reseller agreement to market and deploy PICS in the UK.

Servelec Automation

Servelec Automation provides complex, mission-critical control systems to large, blue-chip companies mainly in the UK oil & gas, nuclear, power, water, utilities and broadcast industries. It is one of the UK's largest independent suppliers of safety systems, protection systems and control systems to these industries. Servelec Automation also provides whole lifecycle services from consultancy through to design, implementation, delivery, installation and on-going customer support

and maintenance. Servelec Automation is split between Servelec Controls and Servelec Technologies:

- **Servelec Controls** is a vendor agnostic systems integrator which uses its deep domain expertise to bring together specialist hardware and software to provide safety-critical systems to large, blue-chip companies such as Centrica, EDF Energy, Shell and BP. Servelec Controls utilises software and hardware solutions to deliver bespoke turnkey systems and provide whole lifecycle services from the initial conceptual design stage through to manufacture, testing, implementation, delivery, installation and on-going support and maintenance.
- **Servelec Technologies** is a leading supplier of bespoke turnkey, mission-critical, end-to-end telemetry and business optimisation systems mainly to the water, utilities and broadcast sectors in the UK. These systems are built using proprietary software and hardware. Servelec Technologies has been supplying systems to the UK water industry for over 25 years and has established itself as a leading supplier in this sector supplying major water companies such as Severn Trent and Welsh Water. Other clients which use Servelec Technologies' products include Arqiva Limited, BAA Airports Limited, National Grid Transco and Corporation of Trinity House.

Structural and regulatory growth drivers:

Servelec Healthcare

The National Programme for IT in England ("NPfIT"), which sought to make the NHS in England more efficient and improve the quality of information and patient care, ostensibly through the creation of an electronic Summary Care Record for each and every NHS patient in England which could be accessed by all relevant care providers, is now in the process of being wound down.

Furthermore, the UK Government continues to demonstrate a commitment to converged care, putting the patient at the centre of care delivery, irrespective of the care setting whether Acute Health, Mental Health or Community Health. This has created a number of growth opportunities for Servelec Healthcare.

- **Mental Health and Community Health in London and across much of the South of England:** Servelec's existing customers (secured through the BT Local Service Provider ("LSP") contract which was awarded as part of NPfIT) will cease to be supported by the end of October 2015. A framework agreement for procurement has been established which provides NHS Trusts with a route to procurement and transition arrangements from the previous NPfIT delivery to a direct relationship with their supplier. The market opportunity arising from the expiry of the BT LSP contract extends to 35 Trusts which will transition out of the contract (many of whom are expected to use the framework agreement).
- **Community Health in the North East, the East & East Midlands and the North West & West Midlands:** The LSP contract for the North East, East & East Midlands, and North West & West Midlands held by Computer Science Corporation ("CSC") has an end date in 2016. It is expected that the Trusts using CSC's systems will start to prepare for transition in 2014 on a similar framework to the one in London and the South of England. There are 22 Community Healthcare Providers in these areas. In addition, there are 12 Mental Health Trusts and six Community Health Providers that did not receive a solution as part of the NPfIT which the Directors believe are likely to tender for a modern solution.

- **Acute Trusts:** CSC's Trusts in the North East, East & East Midlands, and North West & West Midlands have experienced a well-publicised lack of delivery of iSoft's Lorenzo solution under the NPfIT. This LSP contract expires in 2016. However, it is believed that Trusts in these areas are already starting to review options around direct supply and that a framework for procurement for Acute care systems will be established in 2014. The addressable base in this sector is 81 Acute Trusts and Patient Administration Systems ("PAS") only contract values are estimated to be worth approximately £2 million per Trust over a five year period and full Electronic Patient Record ("EPR") contracts are estimated to be worth approximately £10 million per Trust over a five year period.

Servelec Controls

A leading research and energy consultancy recently forecast that over the next five years over £44 billion will be spent on new projects and extending the life of assets in the North Sea. The industry trade body, Oil & Gas UK, in its February 2013 report has predicted record investment in new and existing assets in the North Sea. It is estimated that there are over 300 ageing platforms in the North Sea where field life needs to be extended and refurbished.

It is expected that the current market trends in the UK will move towards the construction of new gas storage projects to provide greater resilience of national supply. Servelec Controls will seek to take advantage of these trends by working with on-shore oil & gas companies. Servelec Controls has also been moving further into the UK power and nuclear markets. Current supply and demand pressures are increasing the need to extend the operational life of existing coal fired and nuclear power plants at a time when these power plants are operating within a more regulated environment. The desire of plant operators to extend the operational life of their plants is providing brownfield refurbishment opportunities for Servelec Controls to replace and enhance aging technology in the power and nuclear sectors.

Servelec Technologies

A key driver for Servelec Technologies is the desire of the water companies for improved efficiency within their businesses, necessitating improved and enhanced data collection and reporting, which is in line with OFWAT's regulatory objectives. It is believed that in order to satisfy these demands, water companies will need to invest in increased measurement, data collection, data analytics and reporting systems. In addition, legislation is also requiring water companies to take ownership of water assets, which have historically been owned by other organisations, such as factories, housing associations, and house builders. It is estimated that there are approximately 25,000 of these sites which are required to be adopted.

Furthermore, Servelec Technologies is able to provide an enhanced product suite to water companies comprising a full 'end-to-end service' covering data collection, data management and business optimisation. Due to a reduced level of investment in water infrastructure over the past five years during AMP 5, there is an additional opportunity for Servelec Technologies in (i) the replacement of ageing remote telemetry units over and above the usual replacement cycle, which is typically 10 to 15 years and (ii) helping water companies to optimise maintenance schedules and investment in their infrastructure.

Servelec Technologies has seen an increased demand for its products and services in the broadcast and power monitoring sectors.

CSE-Global

Servelec is currently a wholly owned subsidiary of CSE Global. CSE Global is a Singapore listed company which has businesses in a variety of different markets and geographies.