



30 January 2012
MITIE Group PLC

Interim Management Statement

MITIE Group PLC ("MITIE"), the strategic outsourcing and energy services company, releases its Interim Management Statement for the period from 1 October 2011 to date.

Trading update

MITIE has made good progress in each of its key target markets during the year to date. Building on the success of the first half of the financial year, we have continued to secure new contracts as well as retain and extend the scope of work with existing clients. Revenues and earnings are developing in line with management's expectations.

Enablers for growth

MITIE continues to see good opportunities for growth across its markets. The investments we have made in our integrated facilities and energy management capabilities will deliver further growth, underpinned by the following factors:

- A strong order book and significant pipeline of sales opportunities
- Excellent client relationships across the public and private sectors in the UK extending to a growing international portfolio
- Energy services capabilities that are transforming the outsourcing model
- Market leading technology providing a competitive edge and operational excellence
- Incentives at all levels which result in better performance and support an entrepreneurial culture
- A robust balance sheet and no significant pension deficit

These enablers provide a strong, differentiated proposition and the platform for future growth.

Contract awards

At our results presentation on 21 November 2011 we announced five major contract awards worth up to £1.3bn and we have continued to build on that success.

Private sector

In the private sector the sales pipeline remains buoyant and we have been awarded and retained work across a range of markets including:

- Awarded a five year contract with FriendsLife, one of the UK's leading providers of financial products and services, to provide integrated facilities management for a total value of £28 million over five years
- LV=, the UK's largest friendly society and provider of insurance, retirement and investment products, selected MITIE to manage and deliver building repair services as part of a dual-supplier solution on a four year contract valued at £20m
- Awarded a contract to provide cleaning and environmental services for a British chain of cinemas, at over 100 branches nationally, for a three year period at a total value of £13.6m

- Commenced an interior fit-out project for Derwent London PLC, valued at £10.5m over an eight month period
- Awarded a five year contract with CapGemini to provide integrated FM for a total value of £10m

Public sector

In the public sector, we remain focused on the justice, health, local authority and social housing markets. We have continued to see a steady flow of contract awards and retentions.

On 18 January, MITIE and the Prison Service announced that they had entered into a partnership agreement to bid for the management of all nine prisons currently involved in the prison competition announced by Secretary of State for Justice Kenneth Clarke in July 2011. MITIE has invested significantly in the justice sector and this new agreement will create a compelling and competitive proposition in bidding for the 15 year prisons management contracts. As a result of the partnership, MITIE has withdrawn its separate bids for the management of HMP Coldingley and HMP Wolds.

Recent successes include:

- Retained a contract with Birmingham Primary Care Trusts and Birmingham Community Healthcare NHS Trust (BCHC) to provide cleaning and environmental services, with a total value of £8.4m over three years
- Awarded a contract with Coventry University Enterprises Ltd to provide total security management over a three year period, with a total value of £5.1m

On 19 January the members of Edinburgh City Council voted not to approve the integrated facilities management contract for which MITIE was recommended as preferred bidder.

The pipeline of outsourcing opportunities for the delivery of local public services remains strong across the UK and MITIE will continue to invest in this area to support its future growth.

Energy services activities

The energy services market is significant for MITIE, with 35% of the Group's revenues derived in this area. We are ranked as the second largest energy services company in the UK and our energy services proposition supports all the key energy issues faced by our clients. These include:

- Business continuity through security of supply
- Value through cost reduction
- Reduction of carbon emissions
- Renewable energy

In December 2011, MITIE was appointed to deliver a £35 million energy centre which will create Scotland's largest energy self-sufficient community, generate new jobs and help counter fuel poverty. More than 1,200 homes in Cardenden, Fife, will receive all their heat and hot water from a new energy centre powered by 38,000 tonnes of waste wood. MITIE will develop and operate the scheme, working in partnership with Ore Valley Housing Association, boosting the local economy by creating 50 local jobs in the construction phase and up to 12 further permanent positions once the centre is running. Residents will benefit from energy bills up to 10% less than market prices, helping to counter fuel poverty. The scheme will also save 21,000 tonnes of CO₂ each year, the equivalent of the emissions generated by 3,533 Fife homes. The project commences in April 2012.

Acquisitions

Utilyx

On 10 January 2012, MITIE acquired the leading energy and carbon specialist Utilyx Holdings Limited ("Utilyx").

Utilyx provides a number of services relating to its clients energy demands including strategic planning, procurement and risk management, all of which are designed to manage the business impact of energy consumption and rising energy costs.

Utilyx counts a range of major UK energy users from the industrial, commercial and public sectors among its clients, including Scottish Water, Iceland and McDonald's. Established in 2000, Utilyx purchases a significant proportion of the UK corporate energy market on behalf of its clients.

The acquisition of Utilyx will complement and enhance MITIE's existing CarbonCare energy services capabilities. Utilyx has annualised revenues of over £7m and is well placed to support MITIE's progress in the growing energy services market in the UK. The total consideration for the acquisition will be up to £16.2m. Initial consideration of £15m was paid in cash on completion and the balance (capped at a maximum additional payment of £1.2m) will be paid in cash, dependent on future business performance. The proforma EBITDA of Utilyx is £1.7m and it is expected the acquisition will be earnings neutral in the first year of ownership.

Direct Enquiries

On 6 December 2011, MITIE acquired a majority stake in the UK's leading access and disability consultancy company Direct Enquiries Holdings Ltd ("Direct Enquiries").

Direct Enquiries has an annual turnover of approximately £1.4m. The initial consideration is £0.3m, paid in cash on completion, with further consideration payable in cash up to a maximum of £8.3m depending on financial performance over a five year period.

Entrepreneurial Fund

MITIE remains committed to supporting growing businesses through our £10 million Entrepreneurial Fund launched in January 2011. This builds on a long history of partnering with management teams to start up new business ventures, having participated in over 100 successful start-ups using the 'MITIE Model' over the last 25 years. The MITIE Model is a key differentiator for the Group, defining our entrepreneurial culture and contributing to our excellent track record of growth.

MITIE recently invested in a start-up business to provide facilities management services to the leisure, sports and entertainment industries. MITIE Events and Leisure will deliver integrated FM at a range of facilities including stadiums, arenas, race courses, tourism locations, leisure clubs, cinemas and race tracks. The new start-up has already been awarded its first contract with Ascot Racecourse.

At a General Meeting held on 10 November 2011, three proposed second generation equity MITIE Model schemes, MITIE Technical Facilities Services, MITIE Ireland and MITIE Business Services UK were approved.

To date, MITIE has invested over £4m from the Entrepreneurial Fund, in the form of MITIE Model start-ups, second generation equity schemes and other equity incentive based businesses.

Financial position

There has been no material change in the Group's financial position since 30 September 2011.

Our strong balance sheet continues to provide us with capacity for the development of organic growth and for further value creating acquisitions should they arise.

Market purchase of shares

On 25 May 2011, MITIE commenced a programme to purchase its shares in the market in order to offset shares issued on 17 August 2011 to satisfy the consideration payable for the purchase of minority interests under the MITIE Model. Between 25 May 2011 and up to the date of this announcement, MITIE has purchased 5.4m shares in the market for a total consideration of £12.3m representing an average price of 227.5p per share. The highest price paid was 255.9p per share and the lowest price paid was 208.6p per share. This completes the purchase of shares relating to the MITIE Model for this financial year.

It is not MITIE's current intention to operate a formal share purchase programme outside of this arrangement, although it may purchase shares to offset share scheme exercise activity at its discretion.

Outlook

The financial year to date has been positive for MITIE with the award and retention of a number of significant contracts, which reinforce our strategy to invest in our integrated facilities and energy management capabilities. This success is reflected in our strong order book, the pipeline of sales opportunities and our organic growth.

We are optimistic about the continued opportunities for growth for MITIE, but recognise the wider uncertainties in the global economy and in certain of our more cyclical markets. The search for cost and energy efficiencies is a priority for governments and businesses across our markets, and delivering better quality services, innovation and efficiency is core to what we do.

The Group is on track to continue its long record of sustainable profitable growth.

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Future reporting dates

MITIE Group PLC will announce its full year results on Monday 21 May 2012.

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Notes for editors

What is MITIE?

We're the strategic outsourcing and energy services company. What does that mean in practice? We manage facilities, energy and properties for our clients across the UK and beyond.

We work with our clients in three ways; some take full advantage of our whole range of expertise, others may only need one aspect of what we do:

Strategy and consultancy
+ Facilities and energy management
+ Service delivery

Our strategic input can add value at the highest level by helping clients to manage their assets, while our practical management expertise can save customers money and reduce their carbon emissions. We work with a vast number of clients in every industry across both the public and private sectors and deliver the broadest range of services that can be found in one place: from integrated facilities management to engineering maintenance to lifecycle energy management and much more.

There's a lot more to MITIE than you probably think. We're a big company with big ambitions – a leading FTSE 250 support services business, with more than 62,000 people, revenues of £1.9bn, and a reputation for being the best.

Visit us at www.mitie.com