

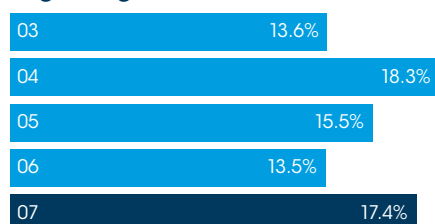
operating review

MITIE manages its operations with a clear set of targets and regularly evaluates the principal risks and uncertainties associated with its operations. It has robust systems and processes that support the operations, allowing our businesses to achieve sustainable, profitable growth.

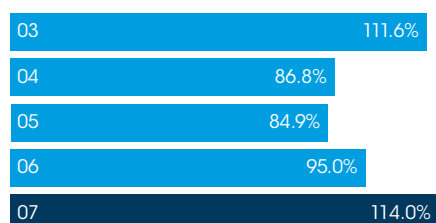
Key performance indicators (KPI's)

We manage our business by monitoring a range of financial and non-financial KPI's. Some of these indicators, such as growth levels and profitability, have always been used within our business. Some, such as carbon emissions, are new and as reported in our CR Report, we are striving to enhance our measurement and understanding of these indicators for MITIE.

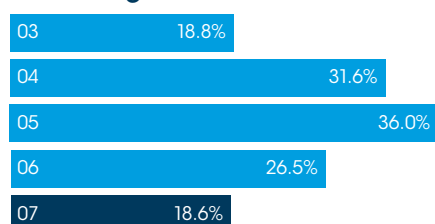
Organic growth



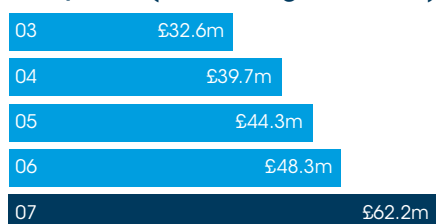
Conversion of EBITDA to cash



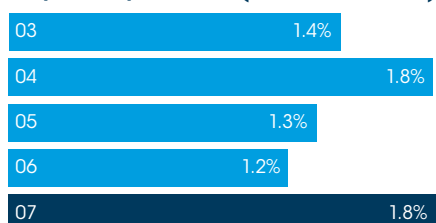
Dividend growth



Group EBITA (before integration costs)



Capital expenditure (as % of turnover)



Note: 03 and 04 under UK GAAP, 2005 restated under IFRS.

Financial KPI's

Our equity ethos has driven a culture of financial focus through the Group and our principal financial indicators are shown to the right.

Group earnings before interest, tax and amortisation (EBITA)

Whilst we maintain a focus on profitability and Shareholder returns at a number of levels, our EBITA margin provides an indicator of the financial performance of our operational businesses. We monitor this indicator before and after the application of charges for share-based payments. Whilst the difference between the two measures of EBITA is marginal, EBITA before that charge will be the most consistent indicator of our underlying trading performance going forward. Where we have non-recurring charges, such as integration costs on acquisitions, we exclude these from our measure. We target the attainment of medium term underlying EBITA margins before share-based payments and non-recurring charges such as integration costs associated with acquisitions at between 5% and 6% at Group level. The target ranges for our three divisions are shown to the right.

Conversion of Group EBITDA to cash

The efficiency with which we manage the generation of cash is an important indicator for our business. The MITIE Model and the Group are built on a sound understanding of the importance of cash and working capital management and that ethos remains critical to our business. The conversion of Group EBITDA to cash is a significant cash flow indicator for us, but it is not the only one. We monitor daily and weekly cash flow trends too, a discipline that has served us well this year as we have moved to a marginal net debt position for the majority of the year following the acquisitions in Security. This gives us confidence of our ability to increase our gearing should the right acquisition opportunities arise in the future.

Capital expenditure

Our strength lies in the management of people and in the provision of suitable assets to support their work, but our business is not capital intensive. We have historically exited capital intensive businesses and continue to target growth in areas that do not have substantial capital requirements.

Dividend growth

It is important that we continue to target a progressive dividend policy that provides an appropriate return to Shareholders and that provides a dividend which grows in line with the underlying profitability of the Group. We have also reviewed our dividend payment policy to ensure that it is consistent with market practice, and will be paying future dividends earlier than we have done historically. Our final dividend for the year ended 31 March 2007 will be

paid on 3 August 2007. Historically, that dividend would have been paid on 28 September 2007.

Going forward, our dividend cover will be calculated by reference to our basic EPS before amortisation of intangibles and non-recurring charges.

Non-financial KPI's

We utilise a range of non-financial KPI's across our business which has been developed to support our business offering, to enhance service delivery and to ensure that our services are tailored to the needs of our clients.

Our principal non-financial KPI's are shown below.

Further information on our health and safety and environmental performance is provided in our CR Report which is being sent separately to Shareholders and is available on our website, www.mitie.co.uk

FINANCIAL KPI'S		Measurement	
KPI	Target	Year ended 31 March 2007	Year ended 31 March 2006
Group EBITA	Maintain existing margins	5.1%*	5.1%
Conversion of EBITDA to cash	Over 90% of Group EBITDA converted to cash	114.0%	95.0%
Capital expenditure	Maintain below 2.0% of revenue	1.8%	1.2%
Dividend growth	At least in line with underlying profit growth at a cover rate of 2.5 times adjusted earnings	18.6%	26.5%

* Before non-recurring integration costs.

DIVISIONAL EBITA TARGET RANGES		Measurement	
Division	Target	Year ended 31 March 2007	
		After share-based payments	Before share-based payments
Facilities Services	Between 6.0 and 7.0% per annum	6.0%*	6.1%*
Property Services	Between 4.5 and 5.0% per annum	4.9%	5.0%
Engineering Services	Between 3.0 and 4.0% per annum	2.8%	2.9%
Total Group	Between 5.0 and 6.0% per annum	5.1%*	5.2%*

* Before non-recurring integration costs.

Division	Target	Measurement	
		Year ended 31 March 2006	
		After share-based payments	Before share-based payments
Facilities Services	Between 6.0 and 7.0% per annum	6.4%	6.5%
Property Services	Between 4.5 and 5.0% per annum	5.4%	5.5%
Engineering Services	Between 3.0 and 4.0% per annum	2.5%	2.6%
Total Group	Between 5.0 and 6.0% per annum	5.1%	5.2%

NON-FINANCIAL KPI'S		Measurement	
KPI	Objective	Year ended 31 March 2007	Year ended 31 March 2006
Reportable accidents	Retain focus on reducing the risks of accidents in our business	5.1 per 1,000 employees	6.1 per 1,000 employees
Management turnover	Enhance focus on the development and retention of key staff to maintain key staff turnover below 10%	8.6%	not measured
Retention of existing contracts within Facilities Services	Active contract retention rates in excess of 90%	85.0%	84.0%
Forward order book	Increase order book	£4.1bn	not measured
Carbon dioxide emissions	Understand and minimise the environmental impact of our operations	0.7 tonnes equivalent CO ₂ per employee	not measured