

# Group 4 Securicor

Interim Results to 30 June 2006

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# Nick Buckles

## Chief Executive Officer

Introduction

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# Results Highlights

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- **Group turnover up 8.5% to £2,189.8 million (2005: £2,019.0m)**
- **Good organic turnover growth of 7.3% (2005: 6.9%)**
- **PBITA up 4.7% to £120.1 million (2005: £114.7m)**
- **Margin of 5.5% (2005: 5.7%)**  
*(excluding Germany cash services, margins improved to 5.9% from 5.8%)*
- **Cash flow generation of £95.7 million, 81% of PBITA (2005: 63%)**
- **Adjusted earnings per share increased to 4.9p (2005: 4.8p)**  
*(excluding Germany cash services, adjusted earnings per share is 5.3p)*
- **Interim dividend up 30% to 1.69 pence per share (DKK 0.186) (2005: 1.30p/DKK 0.143)**
- **Margin pressure continues in some European security services markets**
- **Strong performances elsewhere, particularly in New Markets and the US**
- **Substantive discussions underway for the divestment of Germany cash services**

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# Trevor Dighton

## Chief Financial Officer

Financial Summary

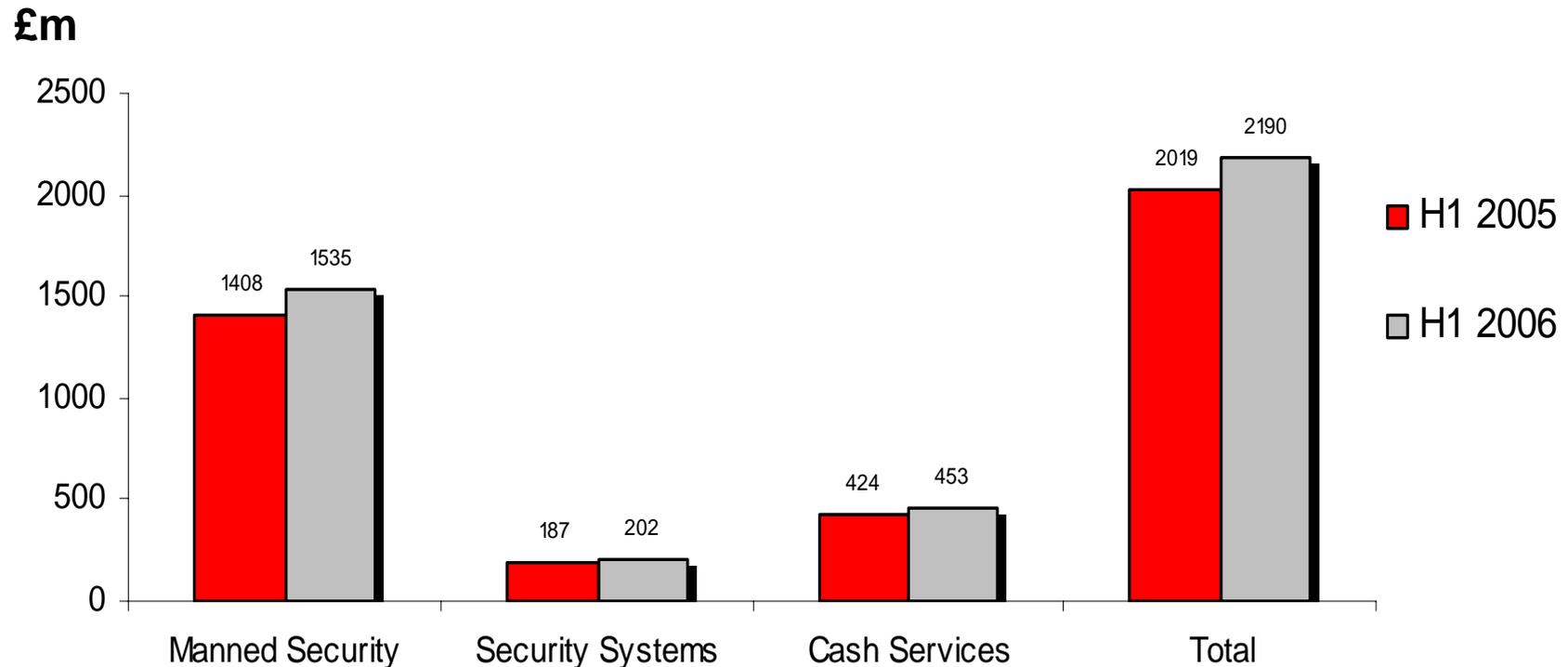
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# Continuing Turnover by Business Line

## Six months ended 30 June 2006

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Note : At 2006 exchange rates

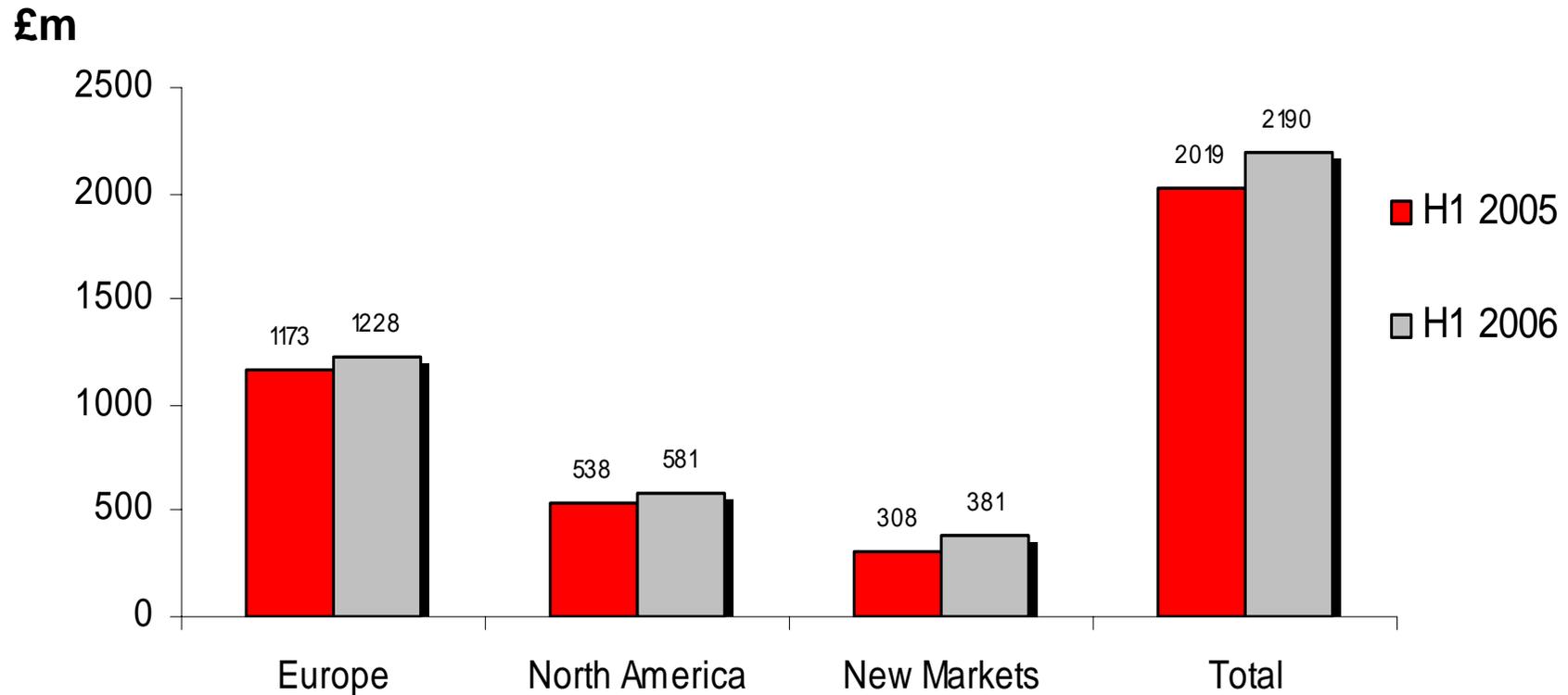
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# Continuing Turnover by Geography

## Six months ended 30 June 2006

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Note : At 2006 exchange rates

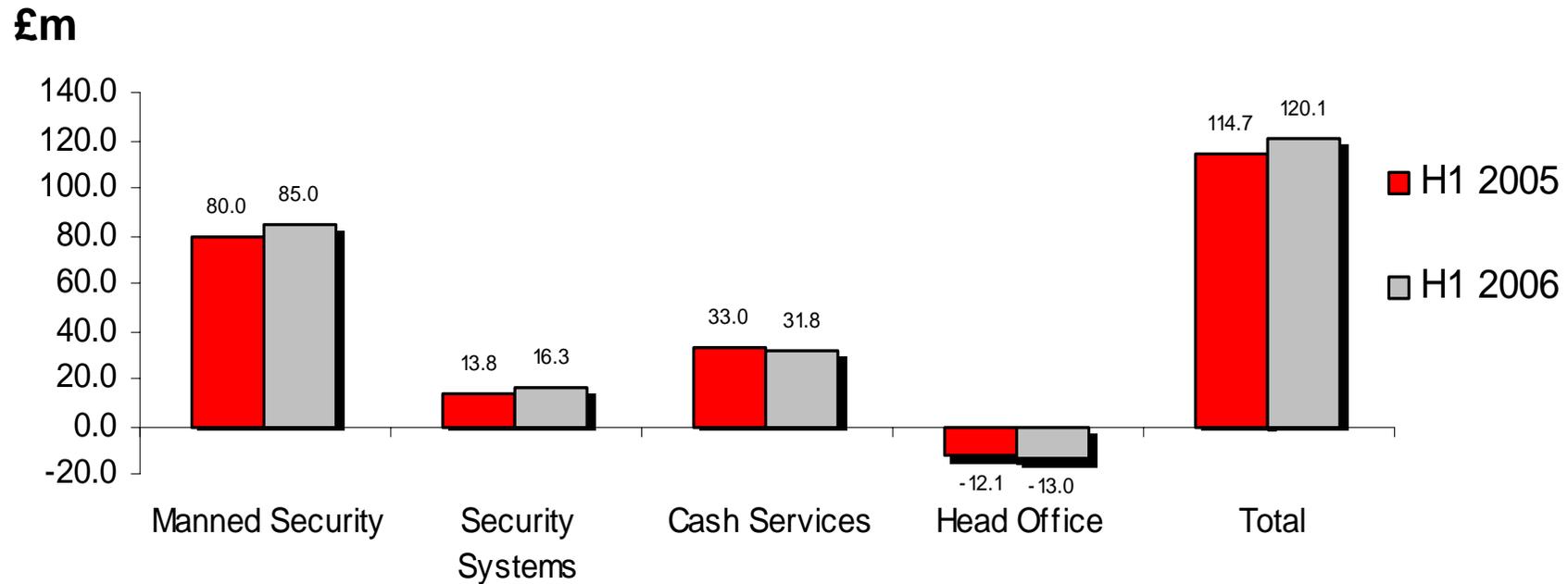
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# Continuing PBITA by Business Line

## Six months ended 30 June 2006

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Note : At 2006 exchange rates

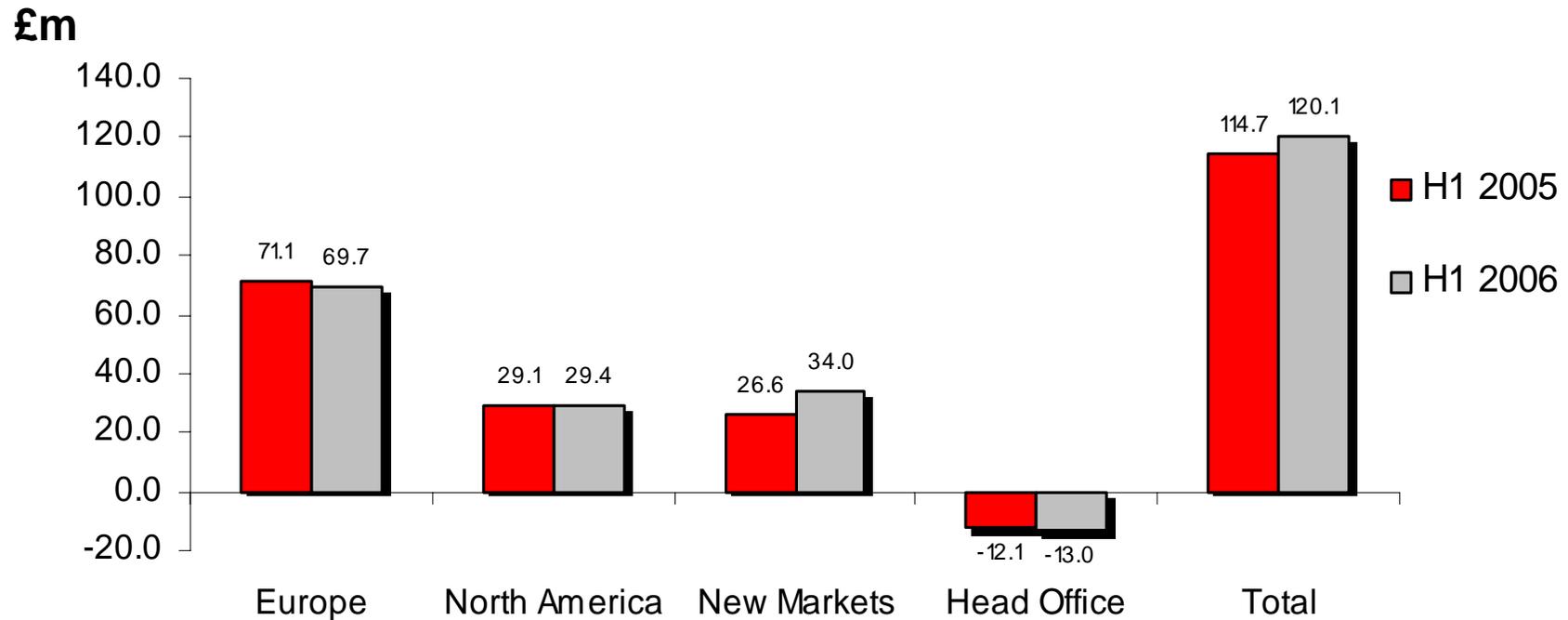
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# Continuing PBITA by Geography

## Six months ended 30 June 2006

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Note : At 2006 exchange rates

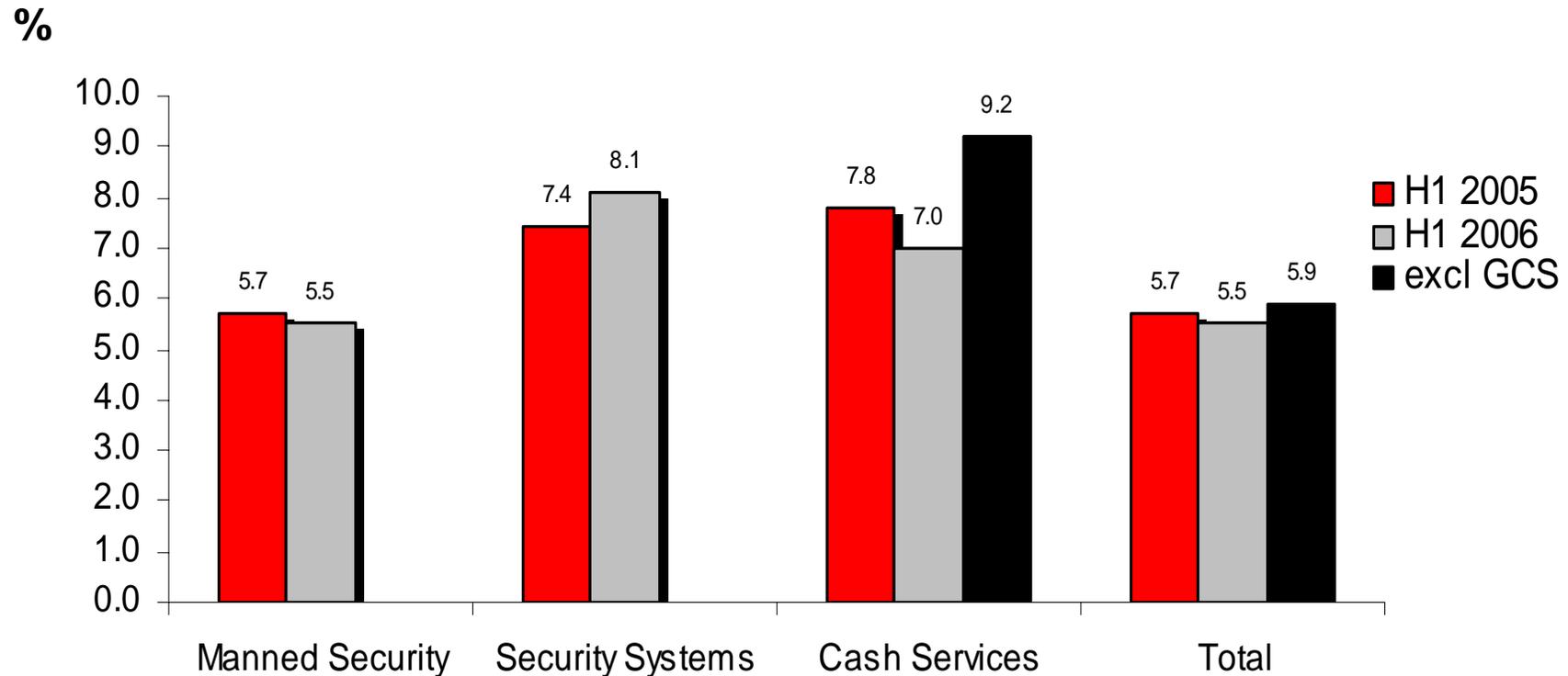
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# Continuing PBITA Margin by Business Line

## Six months ended 30 June 2006

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Note : At 2006 exchange rates

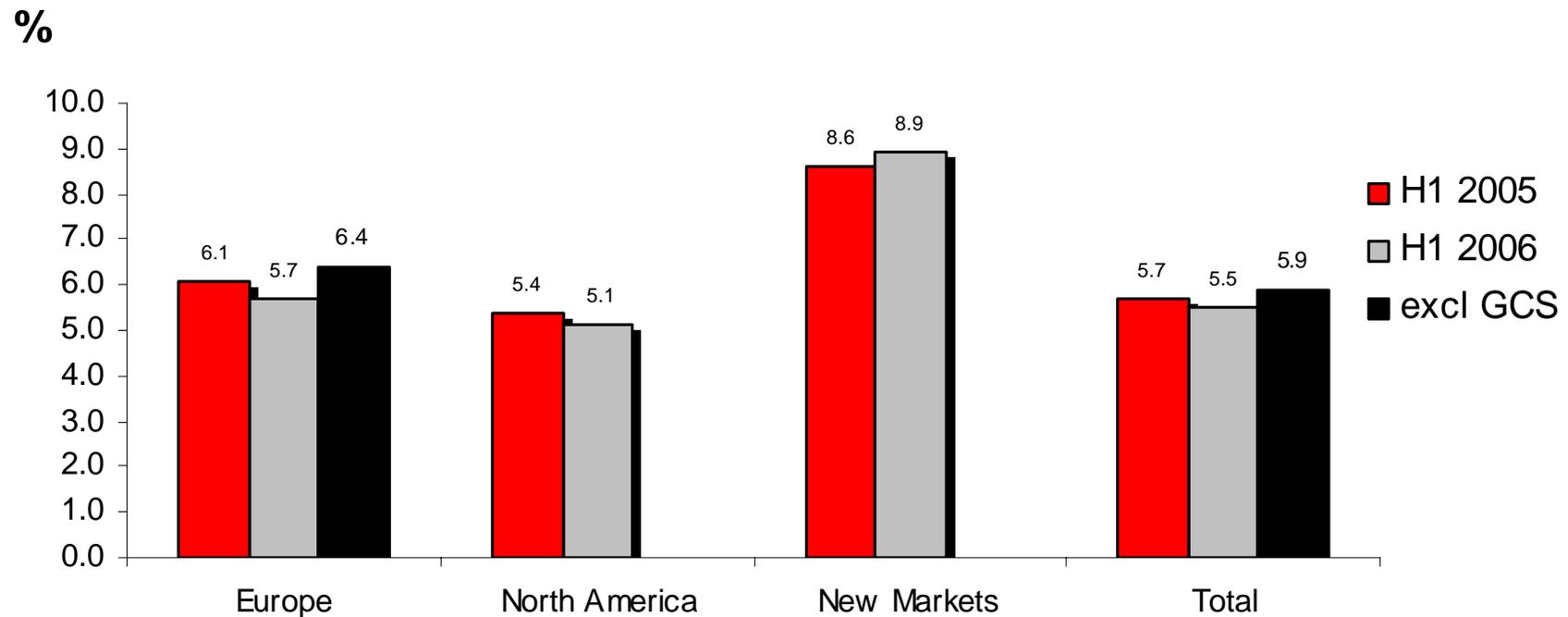
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# Continuing PBITA Margin by Geography

## Six months ended 30 June 2006

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Note : At 2006 exchange rates

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# Profit and Loss Account

## Six months ended 30 June 2006

£m	2006	2005
<b>PBITA</b>	<b>120.1</b>	<b>112.2</b>
<b>Interest</b> (before pensions and financial instrument fair values)	<b>(21.8)</b>	<b>(17.3)</b>
<b>PBT</b> (before amortisation, exceptional items, pensions interest and financial instrument fair values)	<b>98.3</b>	<b>94.9</b>
<b>Amortisation</b>	<b>(17.3)</b>	<b>(15.4)</b>
<b>Exceptional items</b>	<b>-</b>	<b>(19.3)</b>
<b>Pensions interest and financial instrument fair values</b>	<b>(0.6)</b>	<b>(2.1)</b>
<b>PBT</b>	<b>80.4</b>	<b>58.1</b>
<b>Tax</b>	<b>(24.6)</b>	<b>(22.2)</b>
<b>Discontinued operations</b>	<b>-</b>	<b>(4.3)</b>
<b>PAT</b>	<b>55.8</b>	<b>31.6</b>

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# Taxation

Six months ended 30 June 2006

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<b>£m</b>	<b>Pre amortisation and pensions interest</b>	<b>Amortisation and pensions interest</b>	<b>Total</b>
Profit / (loss) before tax	98.3	(17.9)	80.4
Tax (charge) / credit	(30.0)	5.4	(24.6)
Tax rate	30.5%		

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# Earnings per Share

Six months ended 30 June 2006

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£m	2006	2005
PBITA from continuing operations	120.1	112.2
Interest (before pensions and financial instrument fair values)	(21.8)	(17.3)
	98.3	94.9
Tax	(30.0)	(30.6)
Adjusted PAT	68.3	64.3
Minorities	(6.0)	(4.1)
Adjusted profit attributable to shareholders	62.3	60.2
Average number of shares (m)	1,266.3	1,265.1
Adjusted EPS (p)	4.9p	4.8p

*Adjusted EPS excluding Germany Cash Services is 5.3p*

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# Balance Sheet

30 June 2006

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<b>£m</b>	<b>June 2006</b>	<b>June 2005</b>	<b>December 2005</b>
<b>Goodwill and other intangibles</b>	<b>1,435</b>	<b>1,391</b>	<b>1,441</b>
<b>Tangible fixed assets</b>	<b>346</b>	<b>343</b>	<b>355</b>
<b>Other non-current assets</b>	<b>158</b>	<b>144</b>	<b>167</b>
<b>Current assets (excl cash)</b>	<b>836</b>	<b>807</b>	<b>866</b>
<b>Current liabilities (excl debt)</b>	<b>(788)</b>	<b>(749)</b>	<b>(859)</b>
<b>Non-current liabilities (excl debt)</b>	<b>(343)</b>	<b>(368)</b>	<b>(343)</b>
<b>Net debt</b>	<b>(670)</b>	<b>(653)</b>	<b>(657)</b>
<b>Net assets</b>	<b>974</b>	<b>915</b>	<b>970</b>

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# Operating Cash Flow

Six months ended 30 June 2006

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£m	2006	2005
Group PBITA	118.6	110.7
Depreciation	43.2	44.8
Working capital movement	(33.3)	(42.7)
Cash generated from operations	128.5	112.8
Capital expenditure	(32.8)	(42.8)
Operating cash flow	95.7	70.0
Operating cash flow as % of PBITA	81%	63%

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# Reconciliation of cash generated by operations

## 30 June 2006

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<b>£m</b>	<b>2006</b>
<b>Operating cash flow (G4S definition)</b>	<b>95.7</b>
<b>Add back capital expenditure</b>	<b>32.8</b>
<b>Cash outflow on exceptional items and discontinued operations</b>	<b>(9.8)</b>
<b>Additional pension contributions</b>	<b>(24.2)</b>
<b>Tax paid</b>	<b>(38.4)</b>
<b>Cash from operating activities (statutory definition)</b>	<b>56.1</b>

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# Cash Flow

Six months ended 30 June 2006

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<b>£m</b>	<b>2006</b>	<b>2005</b>
<b>Cash from operating activities (statutory definition)</b>	<b>56.1</b>	<b>43.9</b>
<b>Interest</b>	<b>(22.7)</b>	<b>(23.8)</b>
<b>Net capital expenditure</b>	<b>(32.8)</b>	<b>(42.8)</b>
<b>Acquisitions, disposals and others</b>	<b>(39.8)</b>	<b>(29.6)</b>
<b>Movement in net debt</b>	<b>(39.2)</b>	<b>(52.3)</b>
<b>Exchange movement</b>	<b>26.8</b>	<b>(14.6)</b>
<b>Opening net debt</b>	<b>(657.3)</b>	<b>(586.4)</b>
<b>Closing net debt</b>	<b>(669.7)</b>	<b>(653.3)</b>

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# Pensions

Six months ended 30 June 2006

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- Actuarial assumptions rolled forward from December
- Financial assumptions updated to June
- Short-term volatility during the period
- Discount rate of 5.4% adopted in June
- Deficit at June the same as December : £217m (£152m after tax)
- Increases in asset values and discount rate offset by increase in inflation
- Additional cash contributions of £24.2m for year paid in H1 (no P&L implications)
- Hold 70% of assets in equities and believe in long-term equity outperformance over bonds

# Dividend

Six months ended 30 June 2006

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- Interim dividend of 1.69p per share (£21.4m)
- Increase of 30% on 2005 interim dividend
- Will be paid in December
- Dividend cover (on adjusted EPS) 2.9 times
- Dividends to be progressively increased so as to reduce cover to 2.5 times over the medium-term

# Nick Buckles

## Chief Executive Officer

Trading Review

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# Organic Turnover Growth

Six months ended 30 June 2006

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	Europe	North America	New Markets	Total
Manned Security	4.5%	7.8%	17.4%	7.8%
Security Systems	4.1%	(17.6)%	25.9%	6.5%
Cash Services	4.9%	3.6%	16.6%	6.2%
<b>Total</b>	4.6%	7.4%	17.8%	7.3%

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# Manned Security

	Turnover £m		EBITA * £m		Margins	
	H106	H105	H106	H105	H106	H105
At 2006 exchange rates						
Europe	703.7	673.5	33.5	35.3	4.8%	5.2%
North America	535.9	497.3	28.9	26.5	5.4%	5.3%
New Markets	295.2	237.1	22.6	18.2	7.7%	7.7%
Exchange differences		(37.0)		(1.8)		
At actual exchange rates	1,534.8	1,370.9	85.0	78.2	5.5%	5.7%

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\* Includes share of associates



# Manned Security

## Europe

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### **UK**

- Growth remained negative
- Profit improvement due to cost control and synergy benefits
- Customer retention rate improved to over 90%
- Licensing completed on schedule
- Positive organic growth expected to return in the second half

### **Netherlands**

- Market continues to improve
- Achieved double digit organic growth
- Margins down slightly due to re-negotiation of Justice Services contract

# Manned Security

## Europe

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### France

- Strong growth due to new contract wins
- Aviation contract losses and labour cost pressures impacted margins

### Other

- Good performances from **Luxembourg, Finland, Ireland, Austria, Slovakia, Hungary and Denmark**
- Contract losses and price re-negotiations in **Sweden** in late 2005
- Material contract reductions in **Greece**, without proportionate reduction in direct labour cost
- Mandatory increases in labour costs in **Israel**, yet to be recovered

# Manned Security

## North America

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### **Wackenhut**

- Strong organic growth overall
- Government and Nuclear sectors performed particularly well
- New opportunities developing in Government sector
- Well placed to take advantage of these new opportunities

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# Manned Security

## New Markets

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- Strong organic growth of 17.4%, margins maintained at 7.7%
- **UAE, India, Kazakhstan, Macau and Argentina** achieved strong growth of over 20%
- **Africa** returned to growth, after a difficult 2005
- **South Africa** back on track, following settlement of industry-wide strike action

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# Manned Security

## Justice Services

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- Strong growth continued in the period
- Margins weaker due to changes in re-bid monitoring contract
- Won 3 year Immigration Removal Centre contract in Scotland
- Opportunities in the Middle East and the UK

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# Security Systems

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	Turnover £m		EBITA * £m		Margins	
	H106	H105	H106	H105	H106	H105
At 2006 exchange rates						
Europe	170.9	164.1	12.7	11.8	7.4%	7.2%
North America	1.4	1.7	0.0	0.0	0.0%	0.0%
New Markets	29.3	21.6	3.6	2.0	12.3%	9.3%
Exchange differences		(1.6)		(0.1)		
At actual exchange rates	201.6	185.8	16.3	13.7	8.1%	7.4%

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\* Includes share of associates



# Security Systems

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- Continued good performances from **Denmark, UK** and **Israel** due to strong market positions and excellent technical competencies
- Lack of specialisation or critical mass in **Netherlands, France, Belgium** and **Germany** affecting H1 performance
- **New Markets** achieved organic growth of 26%, with impressive performances from **Africa** and **Middle East**
- Integration of European systems businesses into Security Services should be completed by year end

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# Cash Services

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	Turnover £m		EBITA * £m		Margins	
	H106	H105	H106	H105	H106	H105
At 2006 exchange rates						
Europe	352.8	335.0	23.5	24.0	6.7%	7.2%
North America	44.0	39.2	0.5	2.6	1.1%	6.6%
New Markets	56.6	49.5	7.8	6.4	13.8%	12.9%
Exchange differences		(9.1)		(0.8)		
At actual exchange rates	453.4	414.6	31.8	32.2	7.0%	7.8%

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\* Includes share of associates



# Cash Services

## Europe

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### Germany

- Operating at a significant loss, impacting divisional results
- No improvement in market conditions in 2006
- Pricing environment remains difficult
- New business won at increased prices
- Major contract lost at much reduced prices
- Disposal discussions expected to be completed in the second half

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# Cash Services

## Europe

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### UK

- Strong margins and good growth record maintained
- Service levels continue to be high, customer satisfaction is good
- Won some business from Post Office
- Attack levels remain high, but police support is helping in some areas
- Opportunities from traditional services and new product areas

### Others

- Good margins maintained in the **Netherlands**
- Strong growth and margin improvement in **France**
- **Hungary, Ireland** and **Belgium** performing well
- **Sweden** continues to improve, despite continued attacks

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# Cash Services

## North America & New Markets

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### Canada

- Slightly improved organic growth
- Margins still impacted by operating costs relating to 2005 robbery
- New management team in place
- Benefiting from focus on direct labour costs and contract pricing

### New Markets

- Continued strong organic growth of 16.6%
- Particularly strong growth and margin development in **Latin America, Middle East and Africa**

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# Strategy & Outlook

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# Growth opportunities

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- Further opportunities in **New Markets**, as cash services businesses move through development phases
- Global coverage ensures strong point of differentiation to service **International Accounts**
- On-going opportunities in new and existing markets for **Global Risks** and **Justice Services**
- Continued development of product innovation and expertise in a number of areas

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# Margin progression

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- Continue to drive growth in traditional sectors
- Tight cost control
- Effective management of resources
- Focus on bringing underperforming businesses into line with group's margin targets

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# Acquisitions & Divestments

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- Acquisition strategy remains unchanged
- Bolt-ons across all service areas – several acquired during the period
- Fill geographic gaps in Security Services, including **Brazil, Spain, Portugal** and **South Korea**
- Carefully selected acquisitions in Cash Services
- The right businesses, in the right markets, with the opportunity to deliver appropriate level of return on investment

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# Overall Summary & Outlook

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- Solid set of results – continuing to build on the platform created by the merger
- Despite challenges in some markets, businesses performing well overall
- Germany cash services expected to be sold in the second half
- Security systems and manned security to be combined by the year end
- Expecting to achieve strong underlying performance in 2006
- Good earnings growth to continue into the future

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# Q&A

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# Group 4 Securicor

Interim Results to 30 June 2006

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