Ashley Almanza
Chief Executive

Securing Your World

Agenda

- Business review
- Interim results
- Capital structure and placing
- Outlook

November : Strategy update

Agenda

- **Business review**
- Interim results
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Business Review - Initial Assessment

- Strong market positions, especially in higher-growth developing markets
- Material growth opportunities
- Expertise in core businesses of security, cash and outsourcing
- Balance sheet stretched
- Resource and capability gaps exist in key areas
- Strategic focus:
  - Under-investing in some high growth markets/sectors
  - Restructure or exit/dispose in some markets
  - Invested in non-core / non-material businesses
- Capital discipline and portfolio management to be optimised
- Cash flow management not optimised
- Review of operational and organisational efficiency
- Contract and operational risk management needs strengthening

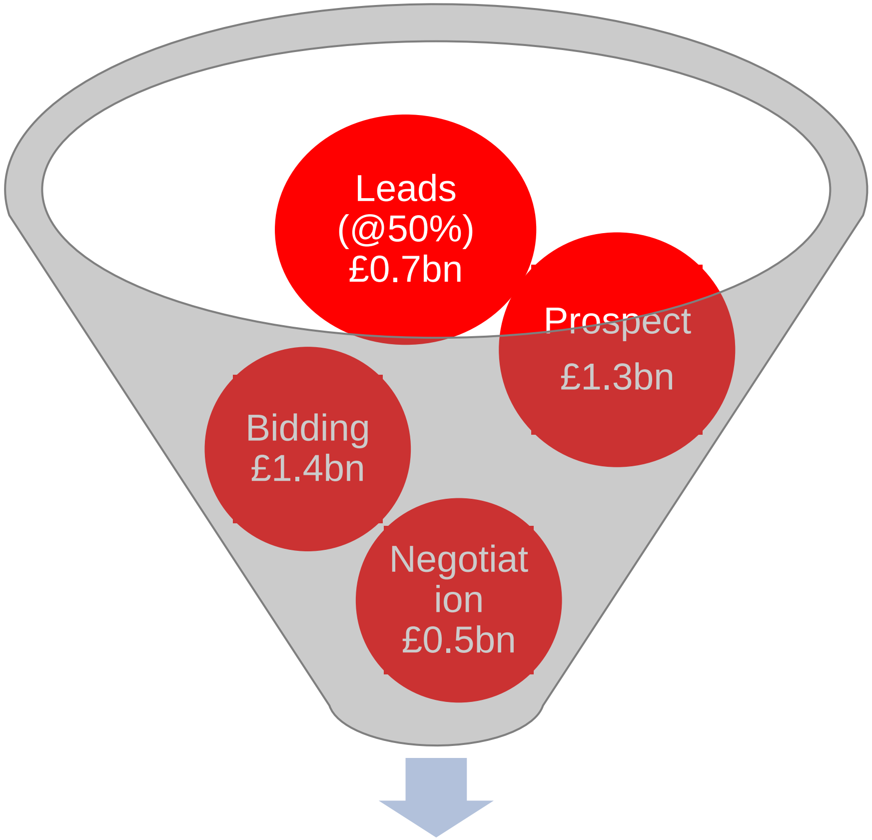
Future management of the business

- Review strategic focus, including portfolio
- Restructure under-performing businesses
- Capital discipline with focus on returns and risk
- Strengthen balance sheet: cash flow, disposals, placing
- Strengthening senior management cadre
- Targeted investment in organisational capacity and capability
- Performance and reward:
  - Quality of sales and earnings; sharp focus on <u>all</u> components of cash flow
- Enhance risk management, including H&S, operations and contract life cycle management
- Balanced assessment of investment opportunities: organic and M&A

Focus on delivering sustainable, profitable growth

Global sales pipeline at 30 June 2013

Annual Contract Value – award expected in next twelve months



Total opportunities
Pipeline £4bn

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Figures in the following slides are extracted from the company's unaudited interim results

H1 2013 Results Highlights

- Organic growth of 5.4%; 13% organic growth in developing markets
- PBITA of £201m (2012: £202m). Margin 5.5% (2012: 5.9%)
- Estimated restructuring cost of c£30-35m for UK, Ireland and Europe: 2013/14
- Will continue to look for opportunities to save costs across the group
- Review of group's assets and liabilities resulted in one off charge of £180m
- Cash generated by continuing operations of £218m. Net debt of £1.95 bn
- Underlying EPS of 6.6 pence includes pension interest charge (2012: 7.6p)
- Interim dividend unchanged: 3.42p per share

2012 Profit & Loss reconciliation

£m	June 2012	December 2012
PBITA as reported in 2012	236	516
Discontinued businesses	(16)	(18)
Other adjustments	(20)	(32)
Total underlying 2012 at actual FX	**200**	**466**
FX	2	8
Total underlying 2012 at current FX	202	474
Implied margin at actual FX	**5.9%**	**6.7%**
Underlying EPS at actual FX	7.5p	17.4p

Review of group's assets and liabilities

- Outcome of review at half year:
  - £132m impairment to PBITA relating to impairment of fixed assets and debtors and recognition of liabilities
  - £48m impairment to balance sheet relating to acquisition goodwill
  - £85m impairment charge to discontinued operations
  - Revised treatment of 'one-off' profits e.g. profits on disposal of businesses and sale and leasebacks

Profit and Loss – Continuing operations

Six months ended 30 June 2013

£m	2013					2012 at constant FX					
	Underlying Results	Acquisition items and discontinued operations	Restructure	Impairment and other items	Total	Underlying Results	Acquisition items and discontinued operations	Impairment and other items	Restructure	Olympics	Total
Turnover	3,648	-	-	-	3,648	3,402	-	-	-	80	3,482
PBITA	201	-	(4)	(132)	65	202	-	19	(22)	(50)	149
Interest (incl. pensions)	(65)	-	-	-	(65)	(54)	-	-	-	-	(54)
Amortisation & acquisition expenses	-	(39)	-	(48)	(87)	-	(45)	-	-	-	(45)
PBT	136	(39)	(4)	(180)	(87)	148	(45)	19	(22)	(50)	50
Tax	(33)	10	1	3	(19)	(32)	12	(4)	3	10	(11)
Discontinued operations	-	(5)	-	(85)	(90)	-	(6)	-	-	-	(6)
PAT	103	(34)	(3)	(262)	(196)	116	(39)	15	(19)	(40)	33

Regional performance highlights

Africa

- 6% organic growth, partly impacted by major projects in Nigeria included in the prior year comparison which have now been completed
- Good PBITA progression to £20m (2012: £15m)
- Strong pipeline

Americas

- 5% organic growth – impacted by reductions to US Border control contract and protest protection for US financial institutions. Good pipeline.
- PBITA maintained at £50m (2012: £50m) – negative impact from increased workers compensation claims provisioning, contract transition incentives in 2012 and continued poor performance of Brazil technology business
- Agreed sale of Canadian cash solutions business for c£67m and Colombian secure archiving business for c£35m, both subject to customary closing conditions
- Sale of US Government Solutions and RSS businesses progressing to schedule

Regional performance highlights cont'd

Asia Middle East

- Organic growth of 16% and PBITA up by £5m to £50m
- Strong PBITA performances in Australia, New Zealand and the Middle East, partly offset by start up costs in China and completion of temporary work in Indonesia

Europe

- Negative organic growth of -2% and lower PBITA (-£6m) at £45m (2012: £51m) due to Dutch prison closures and weaker trading in a number of countries
- Restructuring programme in European region underway
- Recent contract wins encouraging

Regional performance highlights cont'd

UK & Ireland

- Organic growth of 5% and PBITA slightly lower (-£2m) at £60m (2012: £62m) due primarily to weaker performances in the UK and Ireland cash solutions businesses
- Strong pipeline in utility services
- Cash solutions UK restructuring underway
- Ireland - good progress on restructuring plan
- UK Government contracts

Cash Flow and Net Debt

Six months ended 30 June 2013/12. 12 months ended 31 December 2012

£m	Jun-13	Jun-12	Dec-12
Net cash generated by operations	221*	212	372
Tax paid	(51)	(42)	(85)
Investment in business – capex	(80)	(60)	(137)
Investment in business – finance leases	(12)	(11)	(21)
Investment in business – acquisitions	(26)	2	(68)
Net interest	(71)	(65)	(111)
Total dividends	(84)	(86)	(139)
Other financing transactions	(11)	(6)	3
Translation adjustments	(34)	(11)	-
Net debt at the beginning of the period	(1,802)	(1,616)	(1,616)
Net debt at the end of the period	(1,950)	(1,683)	(1,802)

*Includes £76m inflow from Olympics contract (2012: £12m) and £60m of deferred payments from 2012

Improved cash flow management a priority

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Reasons for placing

- Balance sheet repair is required
  - Net debt/EBITDA of 3.2x at 30 June 2013
  - Risk of credit downgrade with associated c£25-30m per annum cost
- Self-help programme underway
  - Announced sale of two businesses in Canada and Colombia to raise c.£100m proceeds overall – 13.5x 2012 PBITA
  - US Gov't Solutions, RSS and other anticipated disposals to raise a further c£150m
  - Further portfolio management
  - Tighter working capital management
- Placing of 140.9 million new shares

Reasons for placing (cont'd)

Balance sheet repair provides flexibility to:

- Invest in the business to support organic growth, particularly in developing markets
- Business and product development resource
- Infill acquisitions
- Portfolio change from a position of strength
- Underpin competitive position when bidding for large projects

Providing the foundation to deliver sustainable, profitable growth

Strengthening balance sheet

- Net debt/EBITDA at 30th June: 3.2x
- Expect to announce disposals of c£100m
- Anticipated further disposals of c£150m (US/other)
- Equity placing of 140.9m shares
- **Pro-forma Net debt/EBITDA : 2.2x**

- **Net debt/EBITDA objective: ≤2.5x**

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Outlook

- 5.4% organic growth reflects robust demand for the group's services and products
- Strong potential in the global sales pipeline of £4 billion
- Focus is to invest in
  - top line growth
  - operational capacity
  - begin restructuring a number of businesses
- Expect 2013 to be a year of consolidation
- Actions to deliver benefits during 2014 onwards

Q&A

Appendix

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Earnings per Share

Six months ended 30 June 2013

£m	2013	2012 at constant FX	2012 at actual FX
PBITA from continuing operations	201	202	200
Interest (including pensions)	(65)	(54)	(54)
PBTA from continuing operations	136	148	146
Tax	(33)	(32)	(32)
Tax rate	24%	22%	22%
Adjusted PAT	103	116	114
Non-controlling interests	(10)	(9)	(9)
Adjusted profit attributable to shareholders	93	107	105
Average number of shares (m)	1,403	1,404	1,404
EPS (p)	6.6	7.6	7.5
DPS (p)	3.42	3.42	3.42

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Balance Sheet

30 June 2013

£m	June 2013	June 2012	December 2012
Goodwill and other intangibles	2,266	2,481	2,416
Tangible fixed assets	509	516	512
Other non-current assets	234	254	212
Current assets (excl cash)	1,855	1,720	1,817
Current liabilities (excl debt)	(1,298)	(1,381)	(1,322)
Non-current liabilities (excl debt)	(577)	(499)	(602)
Net debt	(1,950)	(1,683)	(1,802)
Net assets	1,039	1,408	1,231

Balance Sheet Review Analysis	£m
Current asset write-downs	17
Creditors, claims and provisions	40
Impairment of fixed assets	23
Impairment of receivables	52
Total included in PBITA	**132**
Impairment of goodwill	48
Total impact on results	**180**

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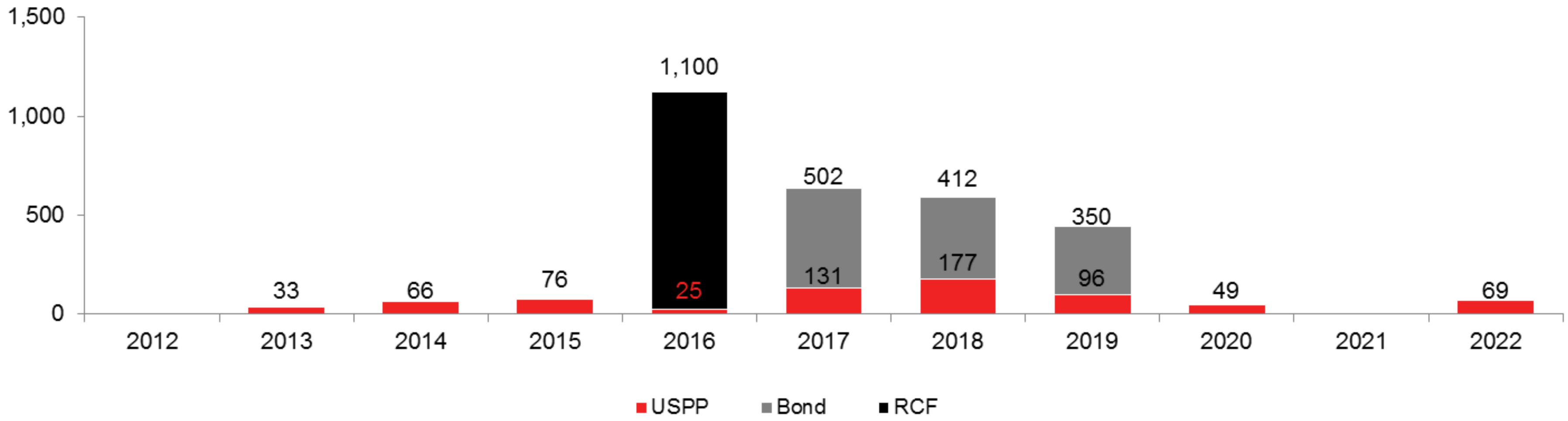
Financing

- Unutilised committed facilities of £765m
- Average interest rate of 4.0% on gross borrowings in H1 2013
- Flexible access to long-term capital markets remains key to financing strategy

Available funding – maturity profile (£m) *



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(* exchange rates @ 30/06/13, adjusted at hedged rates where applicable)

Pensions

Six months ended 30 June 2013

- Financial and actuarial assumptions updated as at June
- Calculations subject to short-term volatility
- Discount rate of 4.65% used for the UK
- Deficit decreased slightly to £404m from £436m at December 2012
- Additional cash contributions of £18m paid (no P&L implication)
- Cessation of future accruals in the UK
- Tri-annual evaluation in progress

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