

G4S plc

Half Year Results
27 August 2008

A World of Security Solutions



Nick Buckles

Chief Executive Officer

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Agenda

Results Highlights	Nick Buckles
Financial Summary	Trevor Dighton
Business Review and Strategy Update	Nick Buckles
Q&A	

Results Highlights

* At constant exchange rates

- **Very strong organic turnover growth of 10.5%**
- **Group turnover* up 19.3% to £2,697 million**
- **PBITA* up 19.4% to £174.8 million**
- **Margin* maintained at 6.5%**
- **Invested £533 million net in acquisitions**
- **Cash flow generation up 35.6% to £132.5 million, 77% of PBITA**
- **Adjusted earnings per share increased by 26.3% to 7.2 pence**
- **Interim dividend up 30% to 2.75 pence per share (DKK 0.2572)**
- **Strong performance achieved across all regions and service lines**
- **Excellent progress on integration of GSL and ArmorGroup, completed May 2008**
- **Expect to continue good performance for the full year**

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Financials

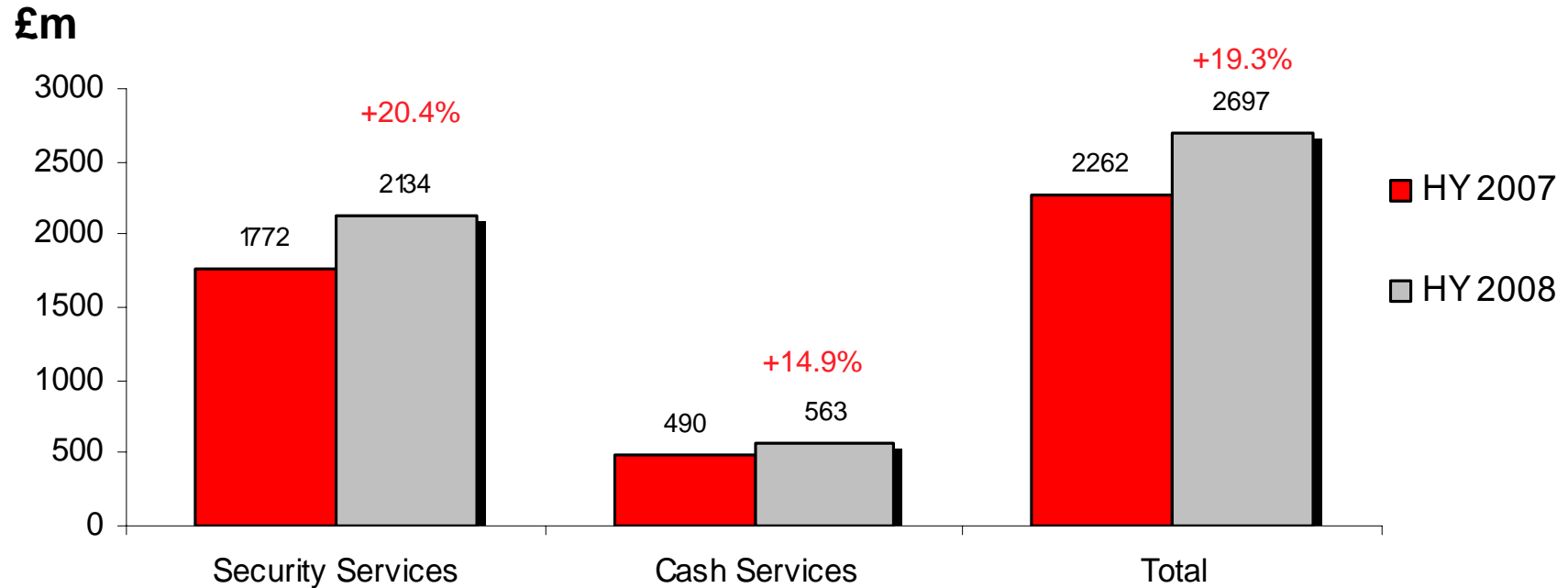
Trevor Dighton
Chief Financial Officer

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Continuing Turnover by Business Line

6 months ended 30 June 2008



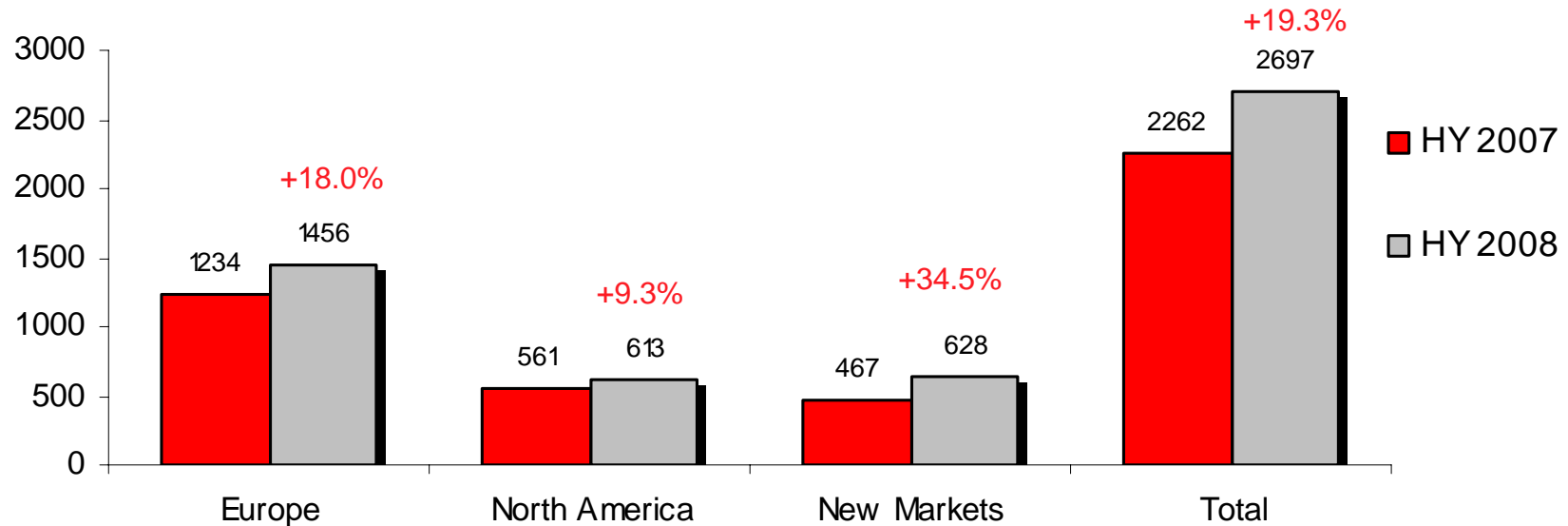
Note : At 2008 exchange rates

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Continuing Turnover by Geography

6 months ended 30 June 2008

£m



Note : At 2008 exchange rates

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Organic Turnover Growth

6 months ended 30 June 2008

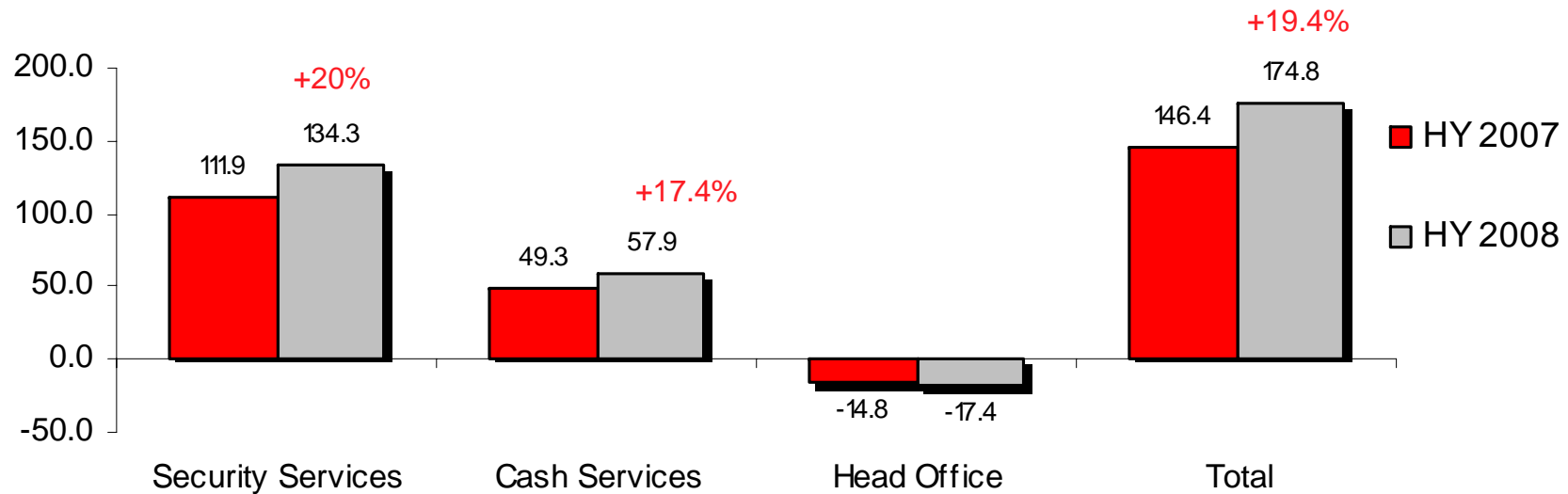
	Europe	North America	Developed Markets	New Markets	Total
Security Services	9.5%	6.9%	8.5%	17.4%	10.4%
Cash Services	11.0%	(2.6)%	9.5%	15.6%	10.6%
Total	9.9%	6.2%	8.8%	17.1%	10.5%

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Continuing PBITA by Business Line

6 months ended 30 June 2008

£m



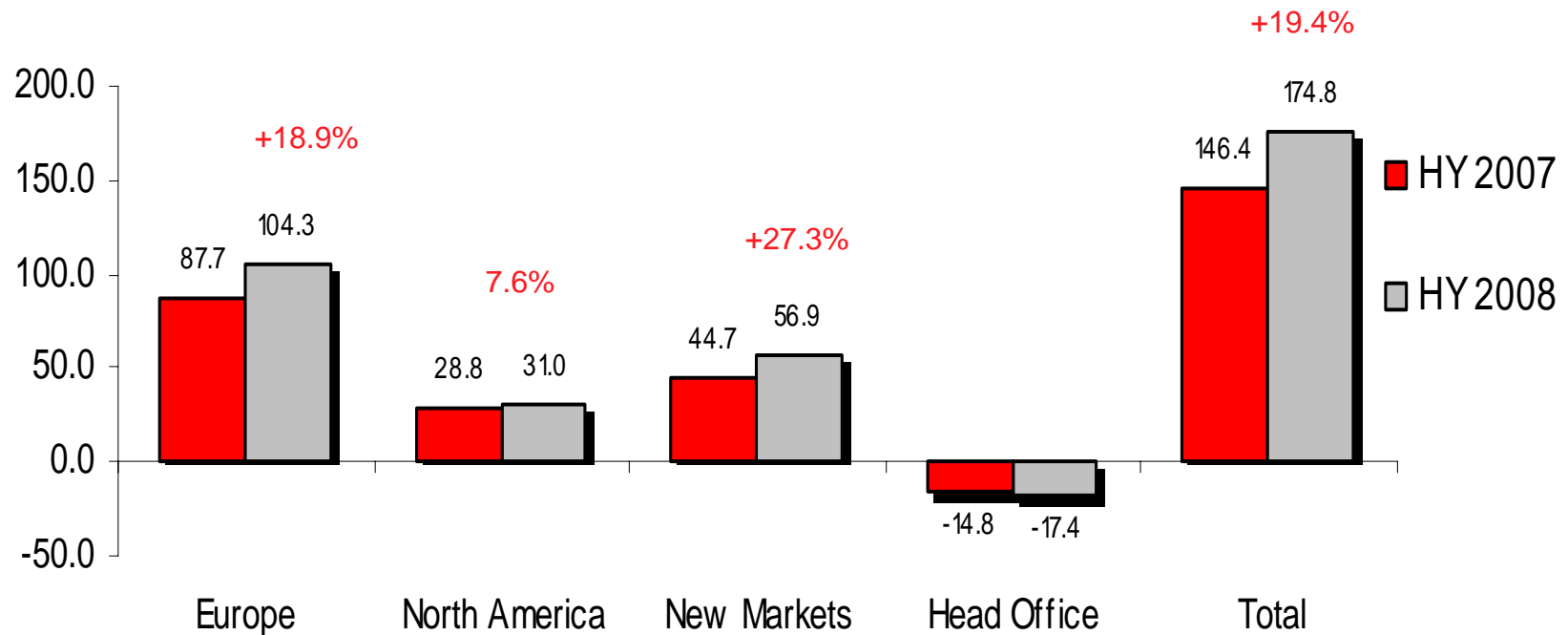
Note : At 2008 exchange rates

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Continuing PBITA by Geography

6 months ended 30 June 2008

£m

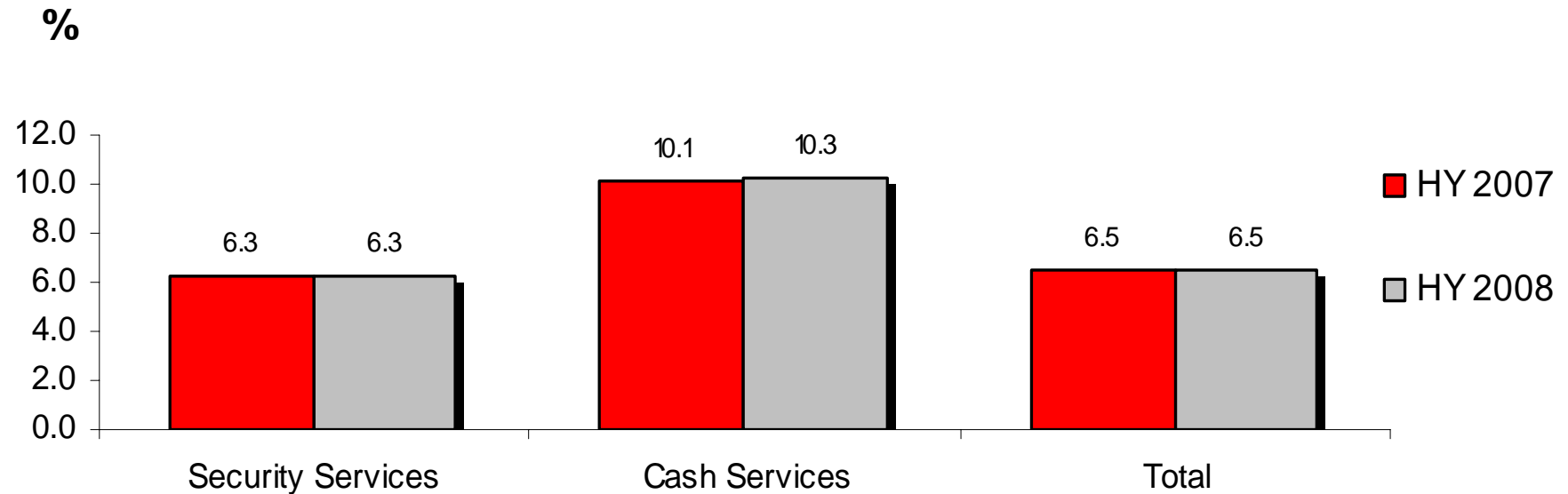


Note : At 2008 exchange rates

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Continuing PBITA Margin by Business Line

6 months ended 30 June 2008

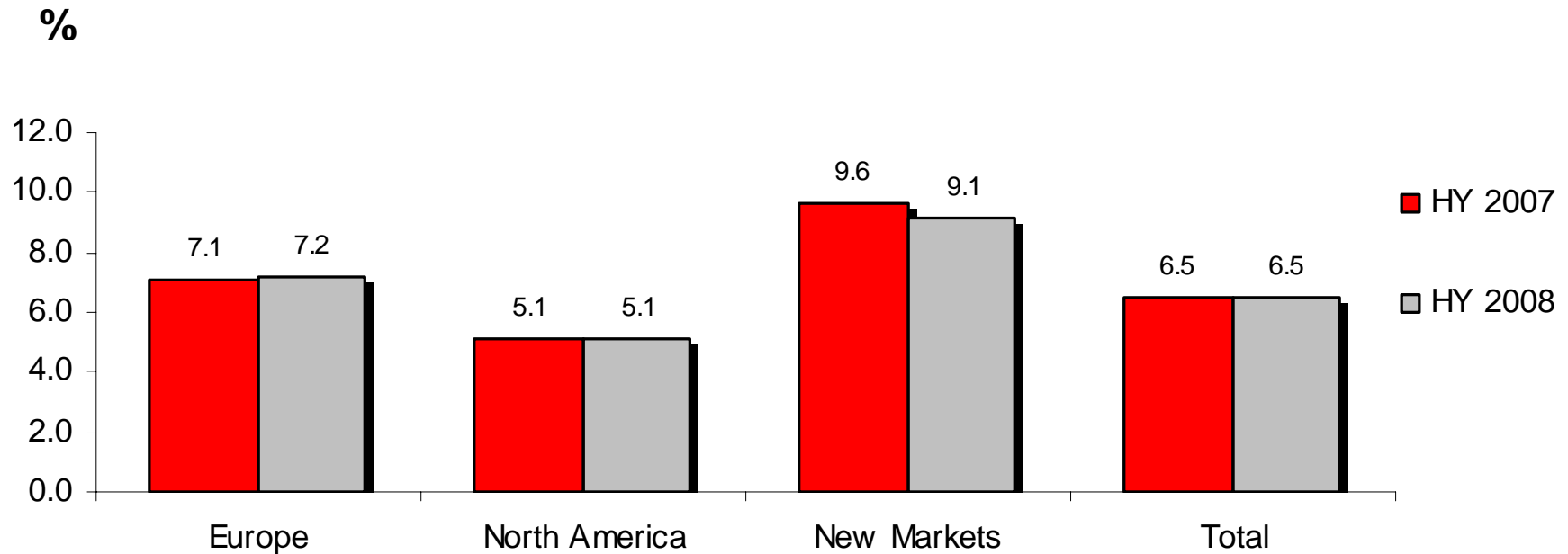


Note : At 2008 exchange rates

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Continuing PBITA Margin by Geography

6 months ended 30 June 2007



Note : At 2008 exchange rates

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Profit and Loss Account

6 months ended 30 June 2008

£m	2008	2007
PBITA	174.8	138.9
Interest (before pensions)	(37.5)	(26.8)
PBT (before amortisation and pensions interest)	137.3	112.1
Amortisation	(30.4)	(18.9)
Pensions interest	2.5	2.8
PBT	109.4	96.0
Tax	(29.3)	(27.1)
Discontinued operations	-	(0.5)
PAT	80.1	68.4

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Taxation

6 months ended 30 June 2008

£m	Pre amortisation and pensions interest	Amortisation and pensions interest	Total
Profit/(loss) before tax	137.3	(27.9)	109.4
Tax (charge)/ credit	(37.1)	7.8	(29.3)
Tax rate	27.0%		

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Earnings per Share

6 months ended 30 June 2008

£m	2008	2007 at constant FX	2007 at actual FX
PBITA from continuing operations	174.8	146.4	138.9
Interest (before pensions)	(37.5)	(27.8)	(26.8)
	137.3	118.6	112.1
Tax	(37.1)	(33.6)	(31.8)
Adjusted PAT	100.2	85.0	80.3
Minorities	(5.7)	(7.1)	(7.1)
Adjusted profit attributable to shareholders	94.5	77.9	73.2
Average number of shares (m)	1,310.3	1,274.4	1,274.4
Adjusted EPS (p)	7.2p	6.1p	5.7p

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Balance Sheet

30 June 2008

£m	June 2008	June 2007	December 2007
Goodwill and other intangibles	2,166	1,525	1,590
Tangible fixed assets	460	358	401
Other non-current assets	147	128	164
Current assets (excl cash)	1,251	937	1,059
Current liabilities (excl debt)	(1,163)	(842)	(1,018)
Non-current liabilities (excl debt)	(310)	(207)	(268)
Net debt	(1,134)	(802)	(805)
Net assets	1,417	1,097	1,123

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Financing

At 27 August 2008

- £1087m multi-currency revolving credit facility at 0.225% over LIBOR maturing 2012
- USPP \$550m at 5.77% to 6.06% maturing 2014 to 2022
- USPP \$650m at 6.09% to 7.56% maturing 2013 to 2020

Operating Cash Flow

6 months ended 30 June 2008

£m	2008	2007
Group PBITA	173.0	137.5
Depreciation	53.7	47.6
Working capital movement	(33.1)	(43.2)
Cash generated from operations	193.6	141.9
Capital expenditure	(61.1)	(44.2)
Operating cash flow	132.5	97.7
Operating cash flow as % of PBITA	77%	71%

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Reconciliation of cash generated by operations 6 months ended 30 June 2008

£m	2008	2007
Operating cash flow (G4S definition)	132.5	97.7
Add back capital expenditure	61.1	44.2
Cash outflow on exceptional items and discontinued operations	(1.2)	(1.0)
Other	-	(2.7)
Additional pension contributions	(25.0)	(22.5)
Tax paid	(37.9)	(29.8)
Cash from operating activities (statutory definition)	129.5	85.9

Cash Flow

6 months ended 30 June 2008

£m	2008	2007
Cash from operating activities (statutory definition)	129.5	85.9
Interest	(42.7)	(23.5)
Net capital expenditure	(61.1)	(44.2)
Group dividend	(36.4)	(32.0)
Acquisitions and disposals	(533.0)	(118.6)
Share issues	276.8	0.9
Other	(10.9)	(4.5)
Movement in net debt	(277.8)	(136.0)
Exchange movement	(51.5)	7.3
Opening net debt	(804.9)	(672.8)
Closing net debt	(1,134.2)	(801.5)

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Acquisitions and disposals

6 months ended 30 June 2008

£m	
GSL	174.1
ArmorGroup	48.5
RONCO	31.7
MJM	12.8
Rock Steady	10.9
Other deals	32.0
Minority Buy-outs	44.1
	354.1
Acquired cash	(17.0)
Acquired Debt	225.0
Disposals	(29.1)
Total	533.0

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Pensions

6 months ended 30 June 2008

- Financial assumptions updated as at June
- Major UK schemes have been actuarially reassessed (Securicor in 2006, Group 4 in 2007)
- Calculations subject to short-term volatility
- Discount rate of 6.6% used for the UK
- Deficit increased to £149m from £136m at December 2007
- Increase in bond yields but decrease in asset values
- Additional cash contributions of £25m paid (no P&L implication)
- Hold 70% of assets in equities and continue to believe in long-term equity out-performance over bonds

Dividend

6 months ended 30 June 2008

- Interim dividend of 2.75p per share
- 30% increase on 2007
- Reaffirmed intention to reduce to 2.5 times cover for total dividend 2008

Nick Buckles

Chief Executive Officer

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Security Services

	Turnover £m		PBITA * £m		Margins	
	H108	H107	H108	H107	H108	H107
At 2008 exchange rates						
Europe	1,054.1	874.1	64.6	53.0	6.1%	6.1%
North America	570.8	518.2	30.8	27.8	5.4%	5.4%
New Markets	509.4	379.5	38.9	31.1	7.6%	8.2%
Exchange differences		(95.8)		(5.3)		
At actual exchange rates	2,134.3	1,676.0	134.3	106.6	6.3%	6.3%

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* Includes share of associates



Security Services

Europe

* At constant exchange rates	Turnover £m		PBITA £m		Margins		Organic Growth
	H108	H107	H108	H107	H108	H107	H108
UK & Ireland*	397.8	287.1	30.7	21.9	7.7%	7.6%	8.2%
Continental Europe *	656.3	587.0	33.9	31.1	5.2%	5.3%	10.1%
Total Europe *	1,054.1	874.1	64.6	53.0	6.1%	6.1%	9.5%

UK & Ireland

- Strong growth across all business lines contributing to organic growth of 8.2%
- Margin improvements in manned security
- Care and justice performance assisted by increased prisoner escorting and electronic monitoring volumes
- Completed a number of capability-building acquisitions in the first half of the year

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Security Services

Europe

* At constant exchange rates	Turnover £m		PBITA £m		Margins		Organic Growth
	H108	H107	H108	H107	H108	H107	H108
UK & Ireland*	397.8	287.1	30.7	21.9	7.7%	7.6%	8.2%
Continental Europe *	656.3	587.0	33.9	31.1	5.2%	5.3%	10.1%
Total Europe *	1,054.1	874.1	64.6	53.0	6.1%	6.1%	9.5%

Continental Europe

- Strong organic growth in the **Baltics, Greece** and **Austria**
- New aviation contracts (**Norway** and **Netherlands**) successfully commenced – margin improvements to flow through in second half
- **Sweden** recovery underway and showing marked improvements

Security Services

North America

* At constant exchange rates	Turnover £m		PBITA £m		Margins		Organic Growth
	H108	H107	H108	H107	H108	H107	H108
North America *	570.8	518.2	30.8	27.8	5.4%	5.4%	6.9%

United States

- Strong performance overall
- Good margin improvement in the commercial sector
- Start-up costs on a number of important retained contracts in the government sector
- Exelon nuclear contract transition to be complete by end of August

Canada

- Performing in line with our expectations
- Remedial actions resulted in improved margins in a tough market

Security Services

New Markets

* At constant exchange rates	Turnover £m		PBITA £m		Margins		Organic Growth
	H108	H107	H108	H107	H108	H107	H108
Asia *	179.4	128.9	14.9	10.9	8.3%	8.5%	16.5%
Middle East *	119.9	85.0	8.2	7.4	6.8%	8.7%	21.9%
Africa *	111.3	85.9	9.6	7.4	8.6%	8.6%	13.9%
Latin America & Caribbean *	98.8	79.7	6.2	5.4	6.3%	6.8%	17.8%
Total New Markets *	509.4	379.5	38.9	31.1	7.6%	8.2%	17.4%

Asia

- Organic growth of 16.5% and margins slightly lower than prior year due higher wage and fuel costs in some markets and inclusion of GSL
- Over 20% organic growth in **Macau** and **India**
- **India** won breakthrough contracts in aviation and healthcare sectors
- Indications **China** security market to be partially opened to foreign companies

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Security Services

New Markets

* At constant exchange rates	Turnover £m		PBITA £m		Margins		Organic Growth
	H108	H107	H108	H107	H108	H107	H108
Asia *	179.4	128.9	14.9	10.9	8.3%	8.5%	16.5%
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Latin America & Caribbean *	98.8	79.7	6.2	5.4	6.3%	6.8%	17.8%
Total New Markets *	509.4	379.5	38.9	31.1	7.6%	8.2%	17.4%

Middle East

- Strong organic growth of 21.9%
- **Saudi Arabia, Kuwait and Qatar** all performing strongly
- Margins slightly lower than prior year due to central cost allocation for ArmorGroup and Kabul contract - expect improvements in the second half

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Security Services

New Markets

* At constant exchange rates	Turnover £m		PBITA £m		Margins		Organic Growth
	H108	H107	H108	H107	H108	H107	H108
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Latin America & Caribbean *	98.8	79.7	6.2	5.4	6.3%	6.8%	17.8%
Total New Markets *	509.4	379.5	38.9	31.1	7.6%	8.2%	17.4%

Africa

- 13.9% organic growth and margins maintained at 8.6%
- Good growth in **Kenya, Namibia, Tanzania** and **Uganda**
- Very strong performance in **Morocco**
- ArmorGroup expands G4S footprint and service offering across the region

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Security Services

New Markets

* At constant exchange rates	Turnover £m		PBITA £m		Margins		Organic Growth
	H108	H107	H108	H107	H108	H107	H108
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Total New Markets *	509.4	379.5	38.9	31.1	7.6%	8.2%	17.4%

Latin America & Caribbean

- Organic growth of 17.8%
- Renegotiated **Colombia** tolls contract reducing overall margins as expected
- **Argentina, Peru** and **Guatemala** grew strongly

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Cash Services

	Turnover £m		PBITA * £m		Margins	
	H108	H107	H108	H107	H108	H107
At 2008 exchange rates						
Europe	402.1	359.5	39.7	34.7	9.9%	9.7%
North America	41.9	43.0	0.2	1.0	0.5%	2.3%
New Markets	119.0	87.2	18.0	13.6	15.1%	15.6%
Exchange differences		(28.7)		(2.3)		
At actual exchange rates	563.0	461.0	57.9	47.0	10.3%	10.1%

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* Includes share of associates



Cash Services

Europe

* At constant exchange rates	Turnover £m		PBITA £m		Margins		Organic Growth
	H108	H107	H108	H107	H108	H107	H108
Europe *	402.1	359.5	39.7	34.7	9.9%	9.7%	11.0%
North America *	41.9	43.0	0.2	1.0	0.5%	2.3%	-2.6%
New Markets *	119.0	87.2	18.0	13.6	15.1%	15.6%	15.6%
Total Cash Services *	563.0	489.7	57.9	49.3	10.3%	10.1%	10.6%

UK

- Good growth and strong margins maintained
- Additional “superbranches” to support future growth
- Very strong growth in ATM outsourcing with significant contract wins
- Cash management continuing to perform strongly
 - high quality service and robust control environment

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Cash Services

Europe

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Total Cash Services *	563.0	489.7	57.9	49.3	10.3%	10.1%	10.6%

- Very strong growth in **Romania** from bank outsourcing
- Good growth and margin improvements in **Hungary** and **Sweden**
- Around 20% growth in **Greece** from ATM servicing

Cash Services

North America

* At constant exchange rates	Turnover £m		PBITA £m		Margins		Organic Growth
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Total Cash Services *	563.0	489.7	57.9	49.3	10.3%	10.1%	10.6%

Canada

- Negative organic growth in a challenging market
- Management team continues to be strengthened
- New operational control system being deployed
 - will further improve customer service and cost controls
- Route and branch rationalisation to improve margins in the second half of the year

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Cash Services

New Markets

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Total Cash Services *	563.0	489.7	57.9	49.3	10.3%	10.1%	10.6%

- Strong organic growth across New Markets at 15.6%
- Margins very good at over 15%
- **South Africa** business grew nearly 20% across all sectors
- Continued strong ATM management growth in **Malaysia**
- New contracts in cash services and ATMs in **Thailand**
- Excellent growth in **Saudi Arabia**
- **Colombia** tolls impact has reduced margins as expected

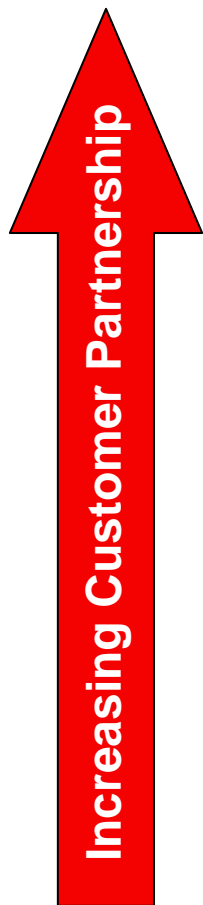
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Strategy & Acquisition Integration Update

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Strategy for Accelerated Growth & Development



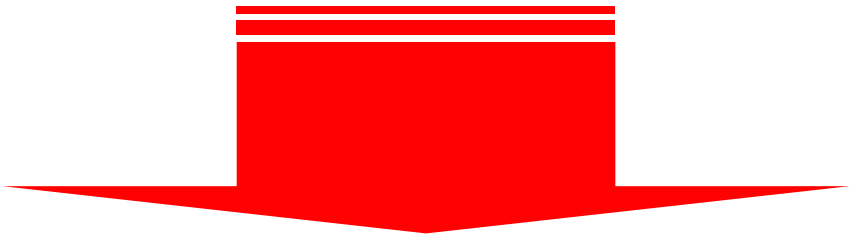
	Strategic Goals
Manage	Deliver fully outsourced solutions: <ul style="list-style-type: none">• Output based contracts• Ability to share in gains
Analysis & Design	Provide expertise: <ul style="list-style-type: none">• Market segmentation/specialisation• Risk assessment & consultancy• Solutions & bid design capability
Operate	Enhancement of core services with supervision & IT: <ul style="list-style-type: none">• Delivery of core services
Deliver across all services according to market need, in a phased and evolutionary implementation	

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Security Solutions Definition

Outsourcing business processes in sectors where security and safety risks are considered as a strategic threat involving :-

“the assessment and management of risk to ensure the safety and security of buildings, infrastructure, materials, valuables, people and society”



Long Term (5+ years) Contracts must be output based around delivery of the one or more of the following Customer's Business Objectives :-

- Revenue Growth
- Cost Management
- Asset or Risk Management
- Customer Service (end customer)

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Country Selection Principles



Implementation	
4.	Country Strategy Implementation Plan <ul style="list-style-type: none"> ▪ Structure ▪ Acquisition of companies or individuals ▪ Monitoring and measurement
3.	Market Assessment <ul style="list-style-type: none"> ▪ Assessment of markets ▪ Target capability-building acquisitions ▪ In country resource versus consultants
2.	Strategy Alignment <ul style="list-style-type: none"> ▪ New country management may be required ▪ Group resource versus local resource
1.	Agree Target Countries <ul style="list-style-type: none"> ▪ Requires suitable market metrics – size, growth, competitors, etc ▪ Requires appropriate solid business platform ▪ Priorities are UK, USA, Benelux , Scandinavia ▪ All regions to select one country as a minimum

Secure Solutions - Strategy Implementation

Priority Sectors

UK	Police, Defence, Events, Borders, Overseas Government
US	Borders, Chemicals & Petrochemicals, Ports, Overseas Government
Benelux	Health, Local Government, Airports/Ports
Others	Oil & Chemicals, Mining, Ports, Central Government

Cash Solutions - Strategy Implementation

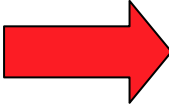
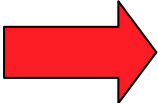
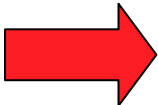
Key Service Lines

	UK	Hungary	Sweden	Belgium	Netherlands
Enhanced Strategy in Place	✓	✓	✓	✓	✓
Cash Centre Outsourcing	✓			✓	✓
End to End ATM Management	✓	✓	✓	✓	✓
Retail Solutions in Pilot	✓	✓	✓	✓	✓

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Acquisition Integration Overview

GSL

- GSL Corporate Head Office  G4S UK/Ireland office
- GSL Care & Justice Head Office  G4S Justice Services Head Office
- Operational Procurement savings  Vehicles, Comms etc

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Acquisition Integration Overview

ArmorGroup

- ArmorGroup Corporate Office  G4S Group Head Office
- Iraq, Afghanistan and specialist services  G4S UK/Ireland Head Office
- Remaining countries  G4S countries

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Acquisition Integration

Progress to date

	GSL	ArmorGroup
Deal complete	✓	✓
Competition approvals	✓	✓
Customer and employee communications	✓	✓
Senior teams announced	✓	✓
Care and Justice combined	✓	
Strategy alignment commenced	✓	✓
Branding commenced	✓	✓
Trading ahead of plan	✓	✓
Corporate end states agreed	✓	✓
Integration plans fully detailed (including synergies)	✓	✓

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Acquisition Strategy

- **Invested £533 million net in H108 on numerous bolt-on and capability-building acquisitions including;**
 - **UK, Africa, Serbia, USA, Middle East and Baltics**
- **Acquisition pipeline remains strong**
- **Expect to invest around £100 million in H208**
- **Meet relevant acquisition criteria**
 - **ROIC of 12% within 3 years for smaller deals**
- **Consider transformational deals with appropriate returns**

Overall Summary & Conclusions

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Summary & Conclusions

- **Strong start to the year across all services and regions**
- **Organic growth over 10% and EPS up 26.3%**
- **Excellent progress on integration of acquisitions - add to our skills base and expertise**
- **Strategy to drive accelerated growth and development being implemented**
- **Confident that strong results from the first half will continue throughout the year**

Q&A

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