G4S

Interim Management Statement
7th May 2013

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Helen Parris, Director of Investor Relations

Nick Buckles, Chief Executive Officer

Ashley Almanza, Chief Financial Officer

QUESTIONS FROM

Robert Plant, JP Morgan

Kean Marden, Jefferies

Laurent Brunelle, Exane BNP Paribas

Tom Sykes, Deutsche Bank

Stephen Rawlinson, Whitman Howard

Paul Checketts, Barclays Capital

Ed Steele, Citigroup

Steve Woolf, Numis Securities

George Gregory, UBS

Daniel Patterson, SEB

Andrew Ripper, Merrill Lynch

Introduction

Helen Parris, Director of Investor Relations
Thank you, good morning everyone and welcome to our Interim Management Statement Conference Call today. I'm joined by Nick Buckles, our Chief Executive and Ashley Almanza, our new CFO.

Nick will make some very brief comments today and then we'll open up the call for Q&A. So now I'll hand over to Nick, thank you.

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Results Highlights

Nick Buckles, Chief Executive Officer
Good morning everybody and thanks for joining the call at clearly short notice. In terms of the first quarter, organic growth was pretty good, around 6%. But unfortunately the margins suffered, we were down 0.6 of a percent. Due principally to the continued challenging economic environment in Continental Europe, renewed and continuing pricing pressure in the UK and Ireland Cash business and also in the UK Government with the new contracts coming on, volume growth is good, but underlying growth in some of the existing contracts had been weaker, hitting the margin there.

There's also a one off £6m charge in the Africa region which is mainly relating to the write off of receivables in Djibouti. So clearly a big chunk of the first quarter margin issue was the one off. But basically when we reviewed in detail the forecast going forward for the year, these challenging trading conditions and some of the trends we've seen in the first quarter and some new information which has come to light in the last few weeks has meant that we do expect the margin deterioration to continue for most of the year.

One of the issues which has arisen in the last month, or last few weeks actually, is the loss of our very major contract in Holland, in terms of the Ministry of Justice who are closing around 30 prisons. We've had that contract for a number of years, it's about 35 - 40 million revenue and we were expecting - and that's euros - we were expecting a 20 million extension in the second half. Basically because they're shutting 30 prisons we've got to reduce that whole contract by the end of the year, with the costs of 700 staff being removed.

Clearly we've got improvement plans ongoing. The pricing pressure in the UK and Ireland, as I mentioned, has been an issue. A lot of the new contracts we started to the back end of last year haven't delivered in terms of profitability. But we've got a cost reduction plans in place in the overall business and certainly our plan is to increase prices and margins in the second half on the UK and Ireland Cash businesses.

On the positive side, organic growth has been good, as I mentioned Developing Markets has performed strongly, organic growth going up to 12% and margins holding up well aside from the Africa issue.

Looking forward our confidence in the growth story absolutely remains, we've got a great geographic foot print. Our pipeline is still strong with over £4bn of annual revenue which we expect decisions from in the next 12 months.

In terms of outsourcing we're currently bidding on some good opportunities in the UK, South Africa and Australia.

So a disappointing first quarter, a disappointing outlook, three main areas of weakness, UK and Ireland Cash, underlying UK Government volumes and Europe, particularly driven by the poor economy there, but particularly driven by the loss of the Dutch prison contract.

So that concludes my wrap up, I'm now very happy to take questions.

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Questions and Answers

Telephone Operator
Ladies and gentlemen if you would like to ask a question please press *1 on your telephone keypad. If you change your mind and wish to withdraw your question please press *1 again. You will be advised when to ask your question.

And our first question this morning comes from the line of Robert Plant, with JP Morgan in London. Please go ahead.

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Robert Plant, JP Morgan
Morning Nick, morning Helen, in terms of the 60 basis points lower guidance, do you think there's more upside or downside risk on that, in particular I'm thinking about the fact that the high margin UK tagging contract comes up for rebid, that could lead, even if you decided to bid for the contract to £15m less profit, is that baked into this guidance? Thanks.

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Nick Buckles, Chief Executive Officer
The tagging contract is a big moving part in both the forecast and next year. In terms of the forecast, we have actually, although not announced it, won an extension of the contract through to early next year. So that's in the numbers currently. But the underlying volumes in the existing contract as actually down about 15% in terms of people on tag. And so there's a positive in that the contract is extended, although we did extend it on lower prices than our current to see it through to February next year. But the underlying volumes on that contract, as I say, are down 15% and that does have quite a big operational leverage impact on the bottom line.

So some of the downturn in the tagging contract, if we win it, for next year is already baked into this year's forecast; so we don't expect a downside on that contract this year.

In terms of prison places, you know, on our four prisons we run, the additional prisoner places contract, which is pretty profitable, again because the prison population is falling we expect the additional prisoner places profitability, which is pretty significant, to fall during the year, which is down to a reduced prison population basically. So some of the underlying economics in the Government business have been reduced by falling volumes.

Robert Plant, JP Morgan
And those two points Nick about less volumes in prisons, less volumes in tagging are captured in today's statement?

Nick Buckles, Chief Executive Officer
Correct.

Robert Plant, JP Morgan
Okay, thanks Nick.

Telephone Operator
Our next question comes from the line of Kean Marden, with Jefferies in London. Please go ahead.

Kean Marden, Jefferies
Morning, I've got quite a few so I'll try and rattle through them if that's okay Nick. Can I just ascertain specifically your comments regarding full year guidance for margins? So are you guys trying to communicate here a 60 basis point reduction for the full year or that margins will remain down year on year for the reminder of the year?

Nick Buckles, Chief Executive Officer
It's pretty much the same thing I think. We're expecting our margins - you know if we're six tenths down in the first quarter, looking at the forecast and looking at some of the moving parts and some of the weakening performances which we didn't expect, that we would expect our year end margin, you know, roughly to be down a similar number.

Clearly we're very early in the year and we've had to do a lot of detail worked over the weekend on the forecast, but that's where our current thinking is.

Kean Marden, Jefferies
Okay, and then just thinking about it gross and net, so obviously you have engaged in cost reduction measures last year, which were obviously intended to give you some EBIT

margin improvement this year. So should we think about the minus 60 sort of being minus 80 basis points from the five points that you outlined in the statement, offset by 20 basis points of cost reduction?

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Nick Buckles, Chief Executive Officer
Sorry I don't quite get that Kean?

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Kean Marden, Jefferies
Well you were basically - if we look at your 60 basis point year on year margin reduction, the cost reduction measures that you put in place last autumn should deliver you a 20 basis point margin increase this year. So to get to minus 60, the gross impact of the five points in your statement today presumably is minus 80?

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Nick Buckles, Chief Executive Officer
I guess so, but they're baked into the forecast, so we haven't gone through the forecast and said - how much would the cost reductions have been. So basically Europe is down a level which we would have expected not to have been down so far due to cost reduction. So the six tenths is where we believe we are against market expectation in terms of our internal forecast.

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Kean Marden, Jefferies
Right, and then are there any working capital implications - just in terms of the mix of obviously your business growing in turnover terms, but seeing lower margins?

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Nick Buckles, Chief Executive Officer
No, we'll still be heading for at least 85% of profits as cash generated, in fact, you know I'm pretty confident we'll be more than that but that's something that we expect to continue to achieve.

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Kean Marden, Jefferies
Okay, and Ashley has obviously been there all of what - five days, six days maybe?

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Nick Buckles, Chief Executive Officer
He's been CFO for six days, but he's been with us about a month and six days.

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Kean Marden, Jefferies
I'm just wondering in terms of your thoughts collectively around the shape of the balance sheet, because that 2.7 times net debt to EBITDA number doesn't look like it's going to decline appreciably this year, would you think that's a fair comment?

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Nick Buckles, Chief Executive Officer
I'll pass that over to you Ashley.

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Ashley Almanza, Chief Financial Officer
Yeah thanks Nick. Yeah I think broadly I would agree with that and as Nick has alluded to on the back of this forecast process a number of business improvement plans and you know focusing on both profits and cash flow.

So in the near term I would agree with your comment, but we've also got some disposals in the pipeline and we have to take a hard look at discretionary spend, both operating expense and capital expenditure, to overtime, create a combination of improved operating efficiency and therefore operating cash flow and portfolio efficiency to strength out balance sheet somewhat from where it is today.

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Nick Buckles, Chief Executive Officer
And then you know we've talked before about disposals, divestments, our criteria for divestments they haven't changed, there's five clear criteria around margin targets, in terms of the better parent, in terms of reputational damage, reputational risk and you know we have been going through, as we've talked about for the last few months a number of businesses which fit that criteria. And so there will be some disposals coming up over the next few months.

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Kean Marden, Jefferies
Would it be fair to characterise it on the weaker areas of your business that have catalysed today's announcement are probably the business units that are more likely to not be part of the Group in a year or two's time?

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Nick Buckles, Chief Executive Officer
No, no I think that - no I think the issue is UK and Ireland Cash, I mean we've talked that I can go into that in a bit more detail. They, as I mentioned, took on a lot - in the UK a lot of contracts towards the end of last year in ATMs and ATM engineering particularly. We are now clearly the market leader on ATM engineering, but we're not making money on those contracts, so we've got some work to do in terms of operational improvement.

The pricing in the UK has been tough now for two years. The volumes are reducing because of low interest rates in the traditional business and you know getting that cost out quickly is the key challenge. Our run rate isn't where we expect it to be on UK and Ireland Cash the moment, we've got a lot of work to do in the next couple of months to get the business performing well in the second half, but certainly they are clearly businesses we expect to keep in the future.

The UK Government I mentioned some of the underlying trading issues there, we clearly expect to keep that. The European businesses, you know underlying profitability has been a challenge, but the biggest issue by far is the loss of this Dutch prisons contract, which has not only got a good profit contribution and a high revenue, but there's also exit costs associated with that contract.

So I wouldn't say that our current issues are around businesses we expect to dispose of, no.

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Kean Marden, Jefferies
Okay, I'll stop there, thanks guys.

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Telephone Operator
Our next question comes from the line of Laurent Brunelle, with Exane in Paris. Please go ahead.

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Laurent Brunelle, Exane BNP Paribas
Good morning I have two questions if I may, the first a follow up on margins, can you maybe breakdown the 60 bps decline let's say by reason - between the different elements please?

And second looking at the top line can you update us on the current pipeline, do you expect the ramp up of contracts to fuel a top line acceleration by the end of this year, or do you expect the organic is going to remain around 6%?

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Nick Buckles, Chief Executive Officer
Yeah, I think I heard them. In terms of the 60 basis points decline, I mean we're looking at forecast profitability and roughly, very roughly that's split into four buckets, almost equal, but not quite. One is UK and Ireland Cash, one is UK Government, one is Europe and the rest really is the Africa Djibouti issue combined with the sale of RSS, well actually that's not a margin issue but that's a profit issue. So I think you could almost say roughly speaking there's a couple of tenths around UK and Ireland Cash, UK Government and Europe basically.

And then in terms of organic growth a month or two ago I said that I expected our Developing Markets organic growth to be strong this year, it is 12%. We certainly expect that to continue for the year. Developed Markets, with the UK Government start-ups last year, we'll expect that to slow down a bit in the second half, because we haven't got as, you know, clearly the number wins coming through in second half. So Developed Markets might be slightly lower in the second half, but overall organic growth I think, you know, the 5 to 6% mark for the year is still absolutely right.

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Laurent Brunelle, Exane BNP Paribas
The 5 to 6% you said, sorry?

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Nick Buckles, Chief Executive Officer
Yeah, it's 6% at the moment, but it depends, Developing Markets will continue to be strong, but you know UK Government at the moment is double digit, that won't be as high as that in the second half.

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Laurent Brunelle, Exane BNP Paribas
Okay, thank you.

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Telephone Operator
Our next question comes from the line of Tom Sykes, with Deutsche Bank London. Please go ahead.

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Tom Sykes, Deutsche Bank
Yes, thank you, good morning everybody. I just wondered if you could clarify, have there been any changes in accounting policy or revenue recognition on any of the contracts in this statement at all?

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Nick Buckles, Chief Executive Officer
No.

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Tom Sykes, Deutsche Bank
There aren't, okay thank you. And then in terms of your comments on pricing, you obviously mentioned UK contracts, UK Government as well as the Cash Services, in terms of the sort of pipeline of UK Government, could you maybe sort of talk about what you think is happening on prices there and maybe any changes in contract type or structure that you think may affect the profitability on the pipeline as you see it coming forward? And what's the pricing like on sort of the more vanilla guarding contracts in the Developing and Developed world please?

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Nick Buckles, Chief Executive Officer
In terms of the UK Government pipeline it's ever changing. Just recently we've learnt that there's probably going to be a couple of PFI prisons come out next year, so that's a new change which we didn't expect. And clearly those types of contracts will continue to be good margin.

We're bidding a lot more now for BPO type outsourcing contracts and the margins tend to be better on those, particularly first generation. But typically as I've said before when we're rebidding on second and third generation contracts the margins are clearly much lower than you build up over a five to seven year period.

So we know we've got the UK tagging contract extended to next year, but clearly if we win that, which we hope to, the margin will be reduced even from the reduced level of this year. So we've got that to build into next year's view.

But we have got a number of bidding opportunities coming up in the second half, so we've talked about court fines, we've talked about probation and we do expect to bid on those and they are typically first generation and we would expect that margins to be reasonably good on those.

But I think, you know, the underlying UK Government margin which had been double digit in the past clearly isn't going to be at that level in the future, which is what we've been saying for a couple of years or so.

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Tom Sykes, Deutsche Bank
Okay.

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Nick Buckles, Chief Executive Officer
Then in terms of general Manned Security pricing - I mean it's a tough market when you haven't got a differentiated product and clearly out strategy has always been around having a differentiated product and being able to combine with technology, incident management, etc.

Margin pressure is always there on rebids on Manned Security, it's particularly prevalent in Continental Europe where the market isn't growing. And there's a lot more customers coming out to bid in Continental Europe because they know the pricing environment is so tough.

But in the UK and US pretty much the same, it's site by site, we can still win business, we can still retain business. We don't have as many reasons to go out for price increases as we do in Continental Europe and hence the performance tends to be a bit more robust.

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Tom Sykes, Deutsche Bank
Okay, thanks very much.

Telephone Operator
Our next question comes from the line of Stephen Rawlinson, with Whitman Howard London. Please go ahead.

Stephen Rawlinson, Whitman Howard
Good morning chaps, just a couple of questions from me. Firstly with regard to currently the margin level, I mean does this mean that we should be looking at this sort of level from 2014 onwards? That seems to be the sense of what I'm getting from what you're saying.

And secondly you've referred in the conversation this morning to more cost improvement coming through, but that isn't referred to in the text, you just refer to ongoing cost improvements. Are we going to see you redouble your efforts in that particular area and if so what sort of number might we expect?

Nick Buckles, Chief Executive Officer
In terms of go forward our plan will be to get back to 7%. Not saying we're going to do that in 2014 but you know clearly we will get plans in place to get there as quickly as we can. And some of the issues that we've got at the moment can be fixed, like UK and Ireland Cash Solutions I'm pretty confident we can get those margins back up in time. UK Government probably more difficult, and Europe clearly some of that issue is a one off with the loss of the Netherlands contract but six tenths off for this year is about where we expect to be. But going forward we would expect to build that back up with some business improvement.

In terms of ongoing cost reductions we will be working over the next six weeks or so, we've got our Capital Markets coming up in mid June, to flesh out some of those plans and start to build them into our go forward estimates basically.

Telephone Operator
Our next question comes from the line of Paul Checketts with Barclays in London. Please go ahead.

Paul Checketts, Barclays Capital
Morning everyone. Cash Solutions, Nick can you go into a bit more detail in what has changed there since the full year results when it felt like you were more confident that margins had troughed?

Nick Buckles, Chief Executive Officer
Yeah I mean at the full year results we'd only had January's trading, and basically revenues are overall holding up reasonably well, we're only minus 2% growth in the first quarter in the UK. But the issue is describing a number of moving parts so there's been quite a bit of reduction to service in the network type of business, i.e. the cash in transit particularly with bank, branch reductions and just fewer, fewer services being requested by banks and retailers. And they have a particularly short term impact on underlying run rates so basically about 80% of that revenue comes off the bottom line until you reduce network costs.

But at the same time we took on quite a bit of business for ATM engineering, particularly for RBS and Lloyds, which has involved us recruiting a large number of staff and all the associated costs with taking on that revenue and getting the service right. As I mentioned earlier we're by far the largest engineering provider now in the UK but we're not making money on that service and that used to be a strong, double digit margin business. So although the revenue overall isn't down that much there's quite a bit of mix change within that.

There's also other issues like a lot of the ATMs that were traditionally run by the banks are moving to the IAD market, the independent market, so we've lost a lot of volume on bank ATMs which have gone to the independents who either use a different supplier or self-replenish. So there's quite a bit of volume reduction on the ATM side as well.

And finally in terms of cash processing volumes one of our large processing banks has lost a major retailer which has gone to a competitor and that's caused a bit of an impact in the underlying cash processing business, again because it's quite a fixed cost.

So lots of different moving parts in there. The real underlying issue though is that pricing is at lower levels than it's been for five years and we've taken a lot of cost out over those five years in terms of two man to one man crew. But we've got to start pricing accordingly to make double digit plus margins and that's something we're going to start doing in the second half.

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Paul Checketts, Barclays Capital
Great and why are you selling RSS? Can you just go through that please?

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Nick Buckles, Chief Executive Officer
Yeah RSS we've had it outside of the proxy structure basically because it's - but it's a very similar level of service so RSS is the Regulated Secure Solutions for the nuclear industry. So this is the commercial nuclear security. It's a similar type of staff, quality of staff, ex-military, highly trained, and we had it outside of the proxy structure because clearly it wasn't classified. And then when we stood back and looked at its sort of core operations it sits much more closely with the work that the former WSI business does in terms of they do nuclear weapons security, this does nuclear power security but it's regulated in a similar way. It is a standalone business that doesn't sit really with a commercial strategy and it is very much a ring fenced unit. So it made a lot more sense

to combine it with the former WSI/Government Solutions business than leave it as a standalone regulated business within our commercial portfolio.

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Telephone Operator
Our next question is from the line of Ed Steele with Citi in London. Please go ahead.

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Ed Steele, Citigroup
Morning everyone, three questions please. The first is about the pricing dynamic in Cash Services in the UK. As I understand it it's pretty much a duopoly with you and Loomis. Is it Loomis that are price discounting aggressively please, is that what's going on? That's the first question.

Second question is on the disposal candidates. Is the Dutch business in that now and was it in the 500 million or so revenue that might be disposed that you mentioned at the prelim results? And associated with that question is the Dutch business now making profits even with this change in the prison supply business please?

And my third question is one really for Ashley on the balance sheet. 2.7 times is where you were last year and it sounds like you'll be somewhere similar this year. Are we now not able to do that 200 million or so of acquisitions this year or are we able to do that and still not do any sort of equity adjustment please?

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Nick Buckles, Chief Executive Officer
Do you want to do that one first Ashley and I'll come back to the other two?

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Ashley Almanza, Chief Financial Officer
Okay so our balance sheet, a couple of points. Although we've got 200 million out there as a sort of indicative acquisitions spin, what we actually spend is going to be a function of the quality of the opportunities and when they come along.

The second thing is as Nick indicated earlier on the call; we are looking at rationalising the portfolio and making some additional disposals. We're not through that work yet and it would be premature to say precisely where that's going to occur but I don't expect that there will be some disposal proceeds beyond what we've already announced. The perennial question with any portfolio programme is timing and we want to make sure that we get - you know we set this up in a way that gives the best results and that's not always necessarily the quickest result. So timing is a variable that, you know, we're going to control to maximise proceeds rather than just to maximise the timeline.

So I suppose to sum up we are looking to progressively strengthen the balance sheet through accommodation of measures, increasing operating efficiency, increasing operating cash flow, and there will be hopefully some strengthening of the balance sheet through the portfolio rationalisation over the next one to two years.

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Ed Steele, Citigroup
Understood. And do you think you can afford to make acquisitions as you do all of that balance sheet strengthening please?

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Ashley Almanza, Chief Financial Officer
I think that we can clearly afford to make bolt on acquisitions but I would expect that alongside those bolt on acquisitions we'll also be crystallising our disposal proceeds.

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Ed Steele, Citigroup
Understood. And do you rule out any equity issuance to rebuild the balance sheet a little bit like you did in 2008 please?

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Ashley Almanza, Chief Financial Officer
Nothing planned at the moment.

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Ed Steele, Citigroup
No, okay. Thank you very much.

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Nick Buckles, Chief Executive Officer
Just moving backwards through your questions Ed, the Dutch business we haven't highlighted any disposal candidates as yet other than the two US businesses. We're working through a number of issues and options as Ashley said but the Dutch business will still be profitable post the prison contract. It was a good margin contract but the underlying Manned Security business is pretty good as well. It will probably be a 3 to 4% margin business post the prison contract, but you know not in bad shape and it is the market leader.

And then moving backwards to the pricing dynamics in the UK, it's always difficult to say where a price rule starts and finishes. You're right, it is basically a duopoly there, there are a couple of other almost national players in the UK that come in and out of the market with low prices occasionally, but it is mainly us and Loomis. We are the market leader; we're two or three times bigger than Loomis. So whoever started the war and why it came about, we've got to be in a position to lead the market out of it. I think certainly Loomis have got restructuring costs coming through in the UK; they will be in a difficult position as well after losing a couple of contracts. And clearly our expectation is that we will lead the market in terms of getting our margins back up.

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Ed Steele, Citigroup
Understood. Thank you very much.

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Telephone Operator
Our next question comes from the line of Steve Woolf with Numis Securities. Please go ahead.

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Steve Woolf, Numis Securities
Morning guys. Just a follow up then on Ed's question, what then gives you the confidence that you'll be able to put up your prices in cash solutions in UK and Ireland in the second half given the competition? And if you've not won some of those contracts from Loomis obviously somebody else is, so it sounds like the others are sort of nipping around the edges and …

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Nick Buckles, Chief Executive Officer
We won the contracts from Loomis.

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Steve Woolf, Numis Securities
But again presumably then that's on the lower price so what gives you the confidence you can get that back up in the second half?

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Nick Buckles, Chief Executive Officer
Basically we are going to have, you know, a resolve to do so, basically we are 50% plus of the market, we offer an excellent service, our margins have fallen into single digits. The investment in this cash business and the risks we take means that we should be making double digit margins and that is our intention to get back to that level. We will go through a process of putting prices up basically.

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Steve Woolf, Numis Securities
Okay. Just then sort of two follow ups in terms of Africa, the £6m you’re flagging it, are you taking that as a one off? It sounds like you won't, you'll take it above the line, just wanted to check.

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Nick Buckles, Chief Executive Officer
Everything is going above the line.

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Steve Woolf, Numis Securities
And then in the Dutch business, is the exit costs already factored into what you're flagging with the margin within the overall 60 bps?

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Nick Buckles, Chief Executive Officer
Our best estimate of exit costs is factored into that yes.

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Steve Woolf, Numis Securities
Okay that's great. Thanks very much.

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Telephone Operator
Our next question comes from the line of George Gregory with UBS London. Please go ahead.

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George Gregory, UBS
Good morning. If I could just clarify a couple of things. Firstly the 60 basis points of year on year margin movement, is that off the ex-Olympics margin of 7.1% or is it the reported of 6.9%?

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Nick Buckles, Chief Executive Officer
Off the ex-Olympics margin.

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George Gregory, UBS
It's the ex-Olympics 7.1, okay thank you very much. And secondly just in terms of the one off cost savings you're alluding to, I think you said at the full year results that there was no more activity to be undertaken. Just wondering what areas you'll be working on and then perhaps where that would be coming from. That would be great thanks.

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Nick Buckles, Chief Executive Officer
That's an area that we'll be working on in more detail over the next six weeks. You know we've got our service excellence centres set up to deliver margin improvement

plans in a number of businesses at any given time, and they are working on a number of businesses currently and we'll be able to report more on those at the capital markets.

We'll certainly be looking very hard on discretionary spend over the coming six months or so. We do that typically anyway but currently - our current thing is we're not envisaging another big restructure costs. We are saying it's just managing the businesses better and more effectively.

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George Gregory, UBS
Okay, thank you very much.

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Telephone Operator
Our next question comes from the line of Daniel Patterson with SEB Copenhagen. Please go ahead.

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Daniel Patterson, SEB
Good morning Nick, Ashley and Helen. Couple of questions. Firstly on the Continental Europe business. Again looking apart from the Dutch issues, I'm sensing that you know it's not new, that the market is challenging, but I'm sensing it's gotten incrementally worse in recent months. Is that true? And if yes, any flavour on which segments or which geographies apart from Netherlands that's sort of troubling you.

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Nick Buckles, Chief Executive Officer
Yeah I mean it's always tough in Europe and I think for the last couple of years we've expected some relief in terms of nominal GDP growth picking up. But even in the last two months estimates are being wound down as we speak. So the economic environment is very tough and actually the place probably where we're getting the most disappointing results currently is in Eastern Europe where we've got fantastic market positions, you know with a good economy out there we would be delivering high growth and high margins. But in place like Hungary, Romania, Czech, Slovakia, at the moment we're having a tough time basically just because of the macroeconomic environment.

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Daniel Patterson, SEB
And any particular sort of product segments?

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Nick Buckles, Chief Executive Officer
No it's across all services. I mean security systems particularly gets hit during a tough economic environment but it's really across all three service lines.

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Daniel Patterson, SEB
Okay. And regarding Developing Markets, you haven't mentioned much regarding margins there in Q1 so just a question, any issues at all in the Developing Markets in Q1?

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Nick Buckles, Chief Executive Officer
Only the Africa issue. If one pulls out the Africa issue our Developing Markets business is doing very well. We're very happy with its performance, it's 12% organic growth, margins are holding up well. And I guess you know it's just going back to some of our earlier discussions. Our 50% Developing Markets expectation by 2019, part of our strategic thinking in the last month or two and going forward is we expect to accelerate that 50% of our business by developing markets certainly by a factor which we're still working through basically.

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Daniel Patterson, SEB
Okay. And then my final question regarding the Dutch issues. You mentioned earlier that going forward it could be a 3 to 4% margin business. I'm sensing that it has been higher than that, is that correct? So the exit costs, you know even when they fall away next year it's not going to fully compensate for the loss of the prisons contract.

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Nick Buckles, Chief Executive Officer
I mean the prisons contract was probably about 12% of the revenue and making 8, 9% margins so you've probably got about a 1% to 1.5% across the business margin dilution by the loss of that contract per se.

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Daniel Patterson, SEB
Okay, that's very helpful thank you.

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Telephone Operator
Our next question comes from the line of Andrew Ripper with Merrill Lynch in London. Please go ahead.

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Andrew Ripper, Merrill Lynch
Hi there, morning. Got a couple for you. Just finishing on that Dutch point, when does the Dutch prisons work drop away?

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Nick Buckles, Chief Executive Officer
Started in end of February, early March, we had about a week's notice.

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Andrew Ripper, Merrill Lynch
Yeah okay. So about a nine month effect this year, okay.

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Nick Buckles, Chief Executive Officer
So it started to go, so it's been - we've lost about 250 of the 700 staff so far.

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Andrew Ripper, Merrill Lynch
Yeah okay. On the Cash business to the UK, obviously you disclose numbers for Europe overall, can you just give us a sense of order of magnitude please for UK Cash in 2012 revenue and profits?

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Nick Buckles, Chief Executive Officer
Probably the easiest way to describe it is UK and Ireland, we haven't talked about Ireland but the price war is even more fierce there and actually the economy has played a bigger role there and we have got a very aggressive competitor. But again we've got a market share of about 60%. But we expect those two businesses to be about 10 million down on prior year.

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Andrew Ripper, Merrill Lynch
Okay. And just in terms of '12, sense of revenues, 500 million, something like that?

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Nick Buckles, Chief Executive Officer
No it's only about 380.

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Andrew Ripper, Merrill Lynch
380. Okay.

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Nick Buckles, Chief Executive Officer
360, 370, that sort of level.

Andrew Ripper, Merrill Lynch
360, 370, okay. And how profitable was it last year please?

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Nick Buckles, Chief Executive Officer
It was close to double digits in the UK.

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Andrew Ripper, Merrill Lynch
Okay so around a 10% margin yeah? Okay. And could you just talk about the strategic rationale for keeping the cash business in the portfolio?

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Nick Buckles, Chief Executive Officer
Sure. In terms of we're in about 70 countries in Cash Solutions. In the Developed Markets we've got Canada, Belgium, Netherlands, UK and Ireland. And really they are standalone businesses but they run within the regional structure. And basically they provide good margins typically, good growth in a normal economic environment and we run them pretty well. But the challenge is - you know it's easy to say we've got a Cash division because that's how we show it in terms of the accounts but basically in Developing Markets which really includes everything outside of those five key businesses, we run it as a multiservice business. So our customers expect us to be able to do manned electronic and cash solutions. The service evolution in those developing markets is typically Manned Security, then Cash and then Systems. And so you know if we didn't have a Cash business we would develop them in developing markets basically because that's the way the market goes. You wouldn't refuse to do it, that would be a natural evolution of the security business.

And so Developed Markets business gives us transferred expertise into Developing Markets. You know our Developing Markets Cash business grew very well in the first quarter, the margins still held up very well and we've got a very strong differentiation against all the local players there.

And the other issue you've got to look at is in the Developing Markets management structure, if you were to separate Cash Solutions which from a customer perspective, as I said, doesn't work, you've got significant management dis-synergies as well. You would not get a strong enough management team through 80, 70 developing markets to run what are relatively small Cash Solutions businesses.

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Andrew Ripper, Merrill Lynch
Yeah I'm with you, I get it. Okay thank you. And then on tagging, Nick you mentioned volumes were down and you got I think some change in terms for the short extension you've got. Can you give us a sense of what your expectation is for the profit on the contract this year versus last year please?

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Nick Buckles, Chief Executive Officer
Yeah it's probably down about 7 or 8 million.

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Andrew Ripper, Merrill Lynch
Okay thank you. And then finally on the balance sheet Ashley, can you give us what the debt figure is today? I think you got some money in from Locog in the first quarter.

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Ashley Almanza, Chief Financial Officer
Yeah end of third quarter we were at about - 1.9 billion.

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Andrew Ripper, Merrill Lynch
1.9 billion, okay. Great, thanks guys.

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Telephone Operator
We currently have no questions coming through so just to remind you if you would like to ask a question please press star, one.

And as we have no questions I will hand you back to your host to conclude today's conference. Thank you.

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Nick Buckles, Chief Executive Officer
Yeah thanks everybody for doing the call, sorry for the short notice. Clearly disappointing results but shouldn't overlook the fact we've got a great overall platform. As I say the margin is down the first quarter, we do expect it to be down for the year, but we're going to be working very hard to get that margin back up to 7% over the coming couple of years. So thanks for your attention and I look forward to seeing you again soon.

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END