

# Group 4 Securicor

Preliminary Results to 31 December 2005

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# Nick Buckles

## Chief Executive Officer

Introduction

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# Results Highlights

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- **Strong organic turnover growth of 7%**
- **Group turnover up 8.2% to £4,130 million**
- **PBITA up 16% to £254 million**
- **Margin improvement of 0.5% to 6.2%**
- **Cash flow generation of £198 million, 80% of PBITA**
- **Adjusted earnings per share increased to 11.1p**
- **Recommended final dividend up 21% to 2.24 pence per share (DKK 0.2435)**
- **Challenges remain in some European manned security markets**
- **Very good performances from Cash Services division, the US and New Markets overall**
- **Overall strong set of results for first full year of operation**

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# Trevor Dighton

## Chief Financial Officer

Financial Summary

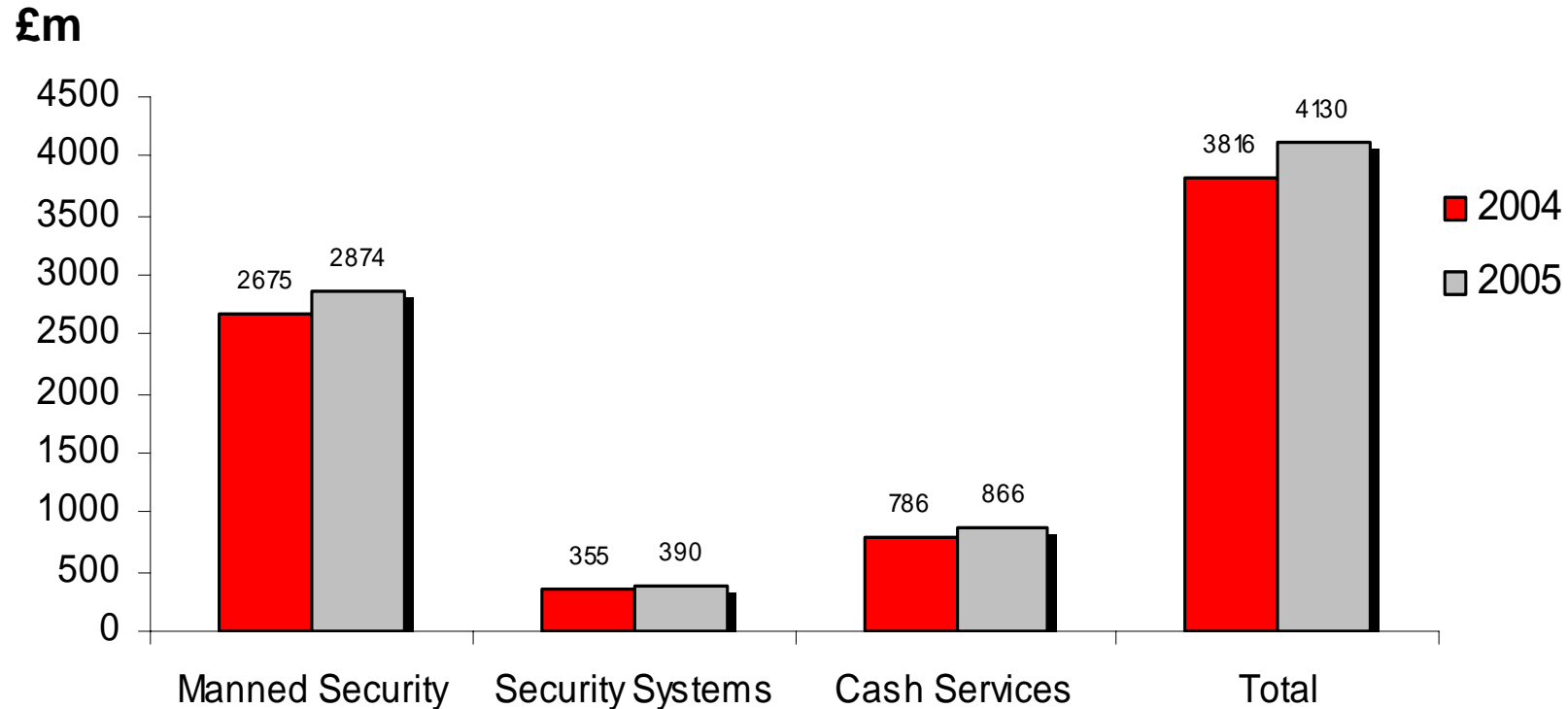
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# Continuing Turnover by Business Line

## 12 months ended 31 December 2005

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**Note : At constant exchange rates and with prior year comparatives being pro forma for the combined group**

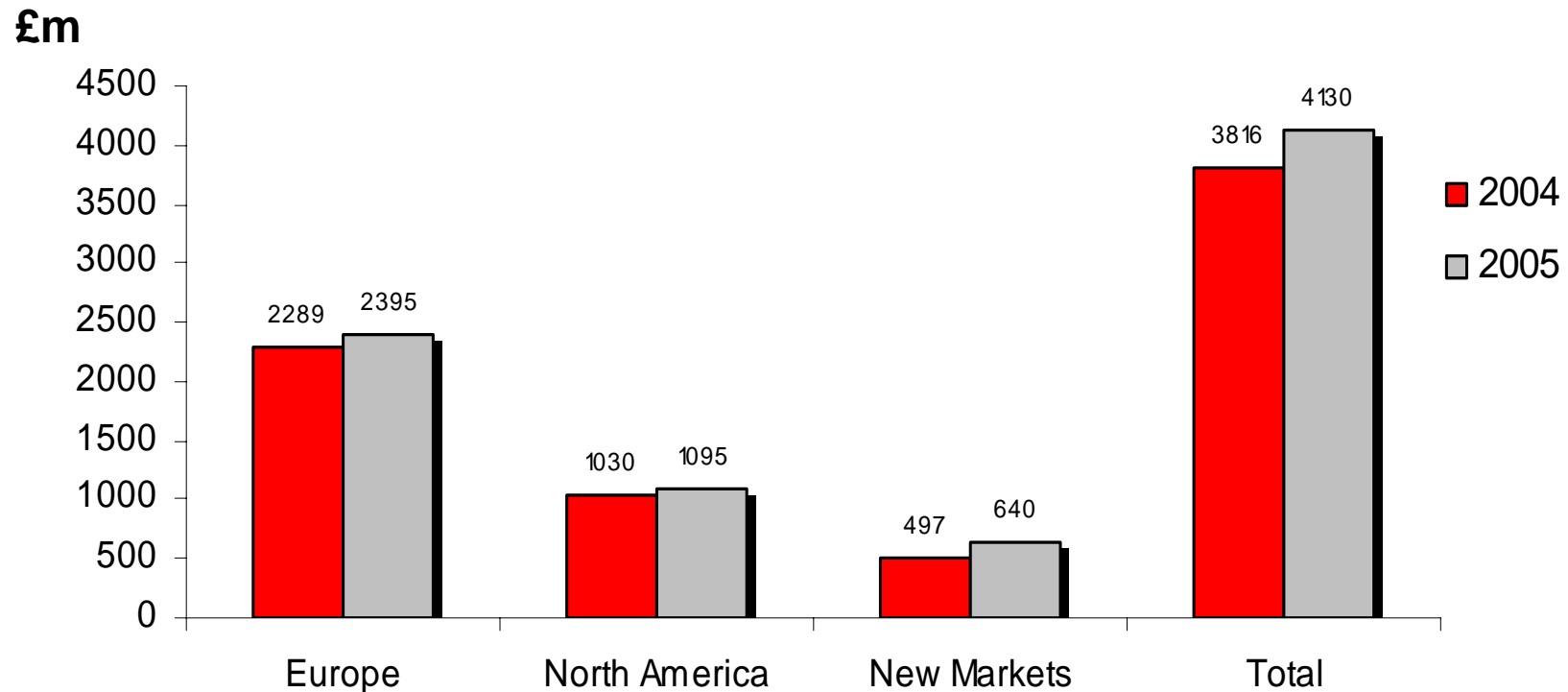
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# Continuing Turnover by Geography

## 12 months ended 31 December 2005

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**Note : At constant exchange rates and with prior year comparatives being pro forma for the combined group**

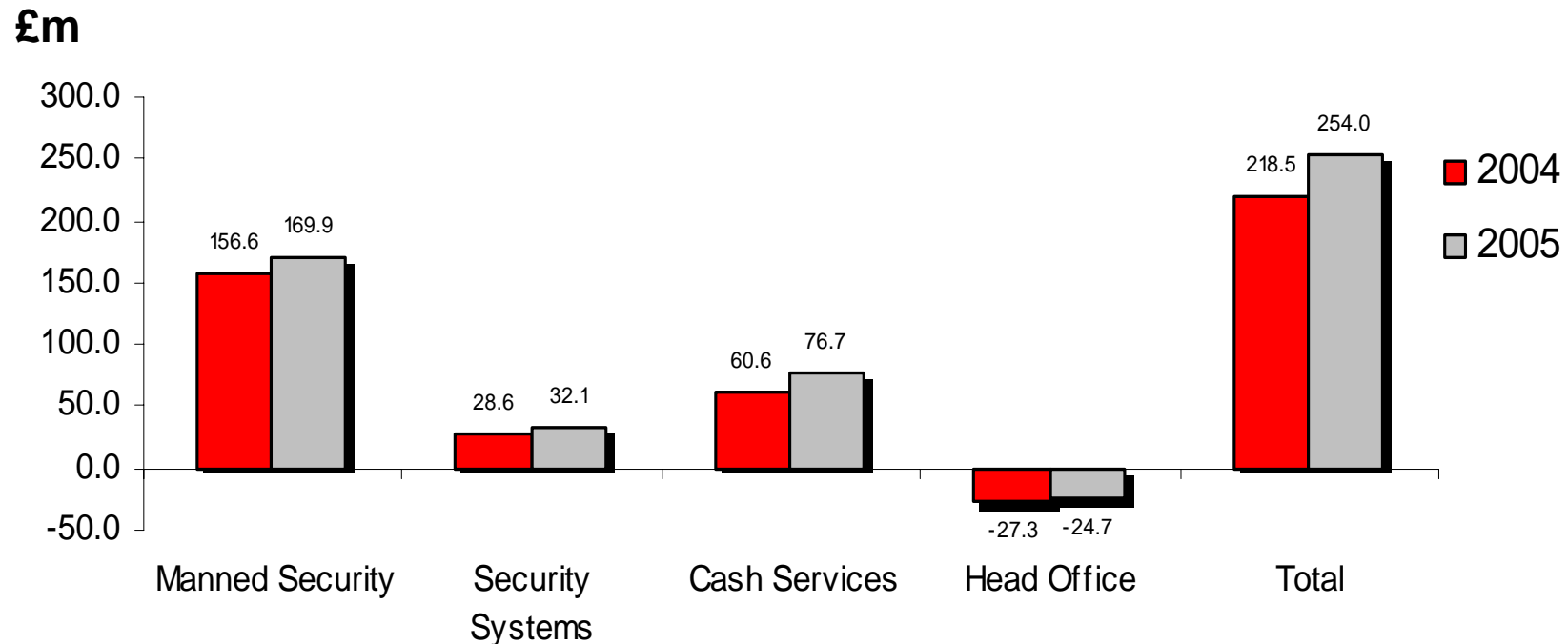
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# Continuing PBITA by Business Line

## 12 months ended 31 December 2005

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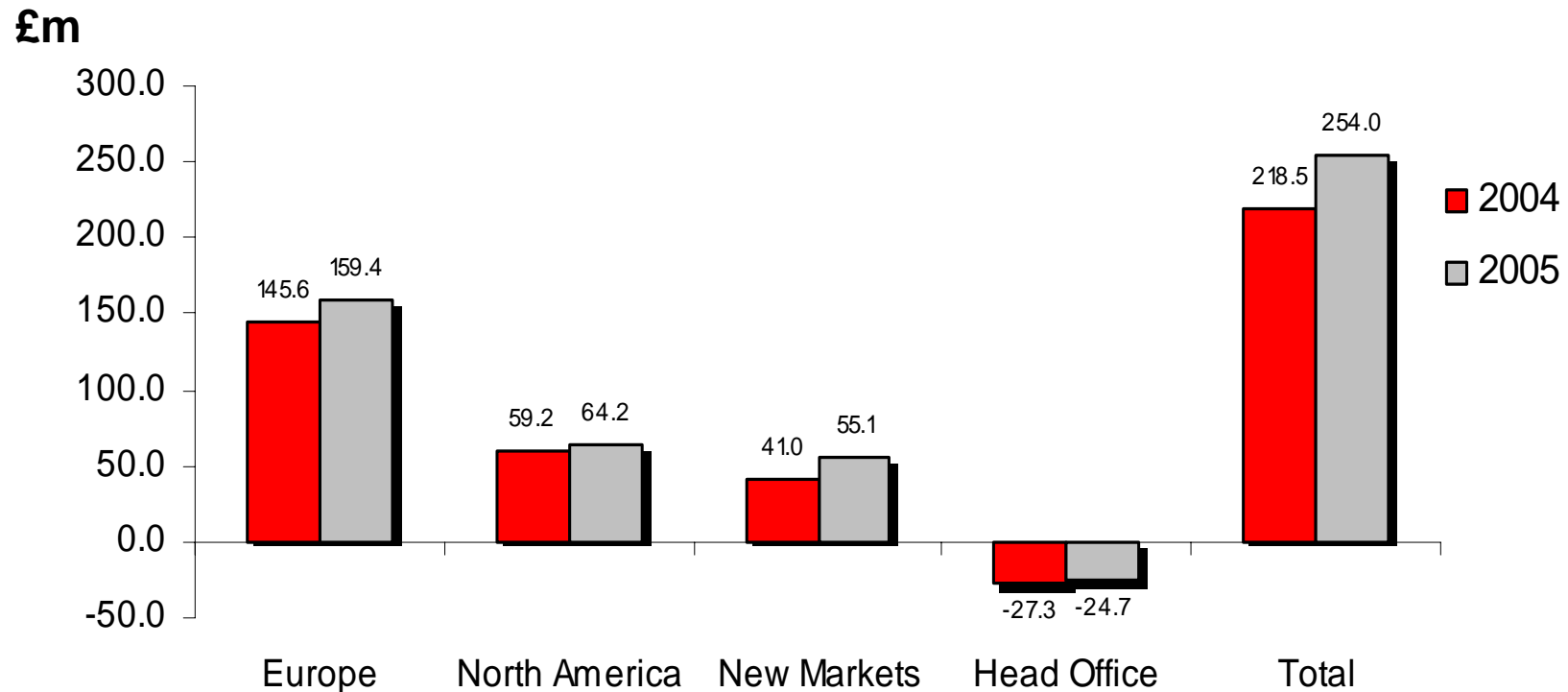
**Note : At constant exchange rates and with prior year comparatives being pro forma for the combined group**

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# Continuing PBITA by Geography

## 12 months ended 31 December 2005



Note : At constant exchange rates and with prior year comparatives being pro forma for the combined group

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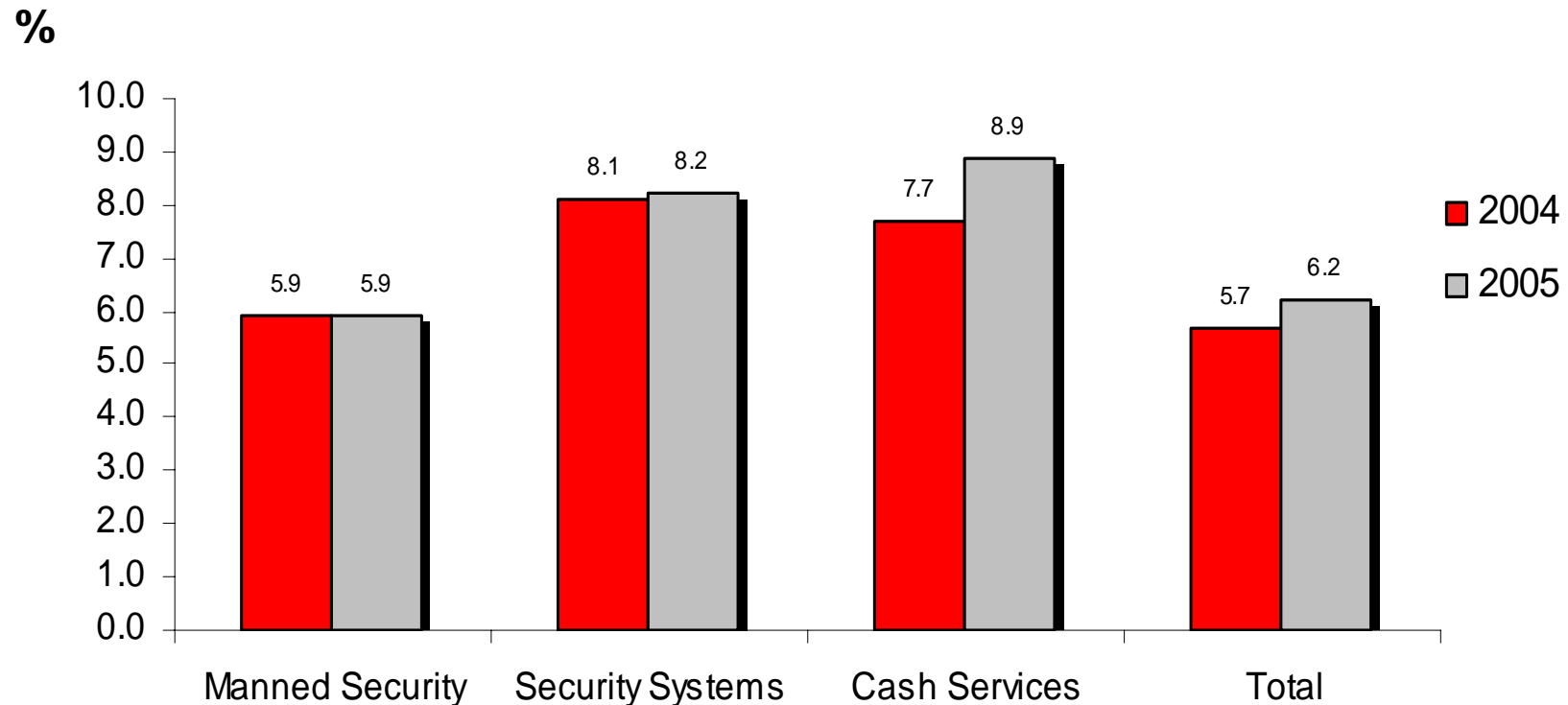




# Continuing PBITA Margin by Business Line

## 12 months ended 31 December 2005

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**Note : At constant exchange rates and with prior year comparatives being pro forma for the combined group**

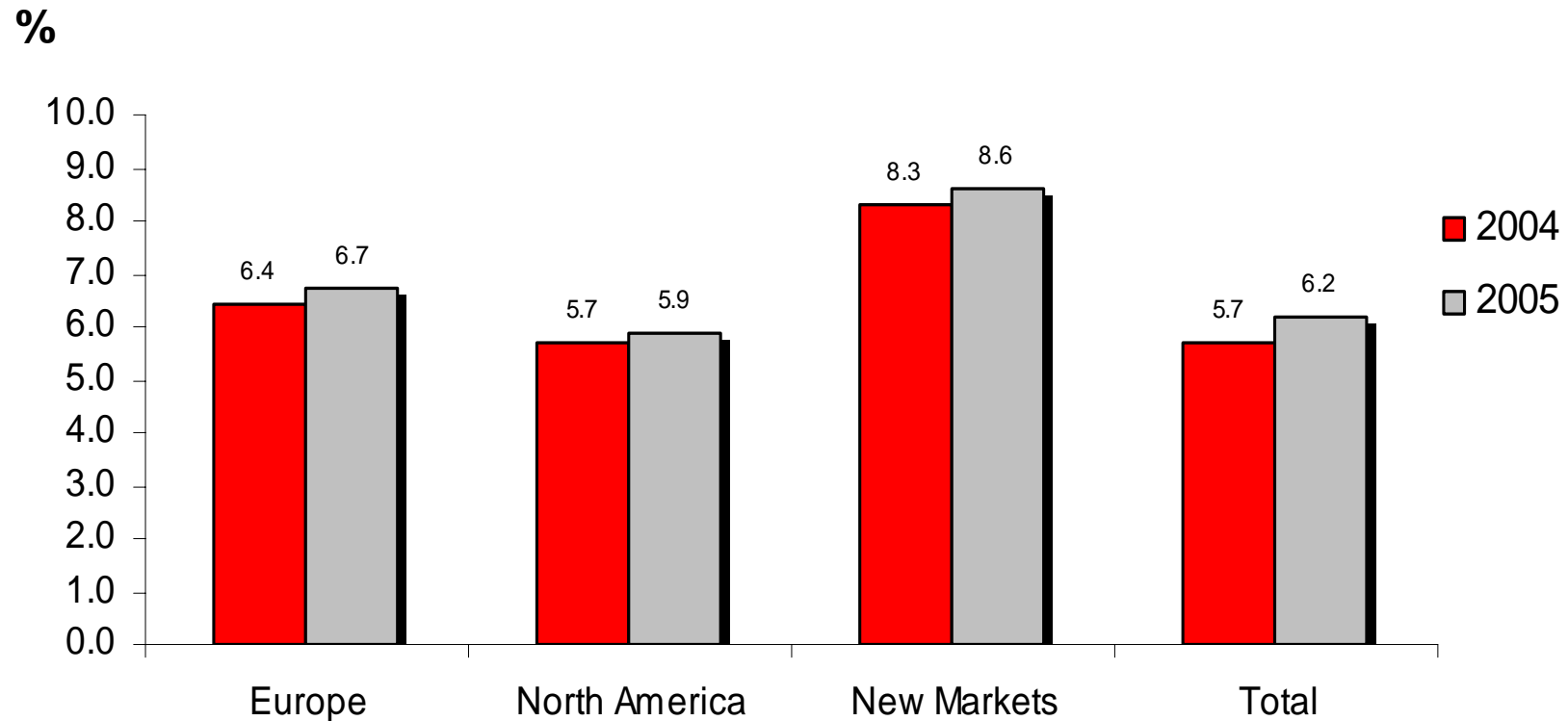
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# Continuing PBITA Margin by Geography

## 12 months ended 31 December 2005

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**Note : At constant exchange rates and with prior year comparatives being pro forma for the combined group**

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# Profit and Loss Account

12 months ended 31 December 2005

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£m	2005	2004
<b>PBITA</b>	<b>254.0</b>	<b>165.5</b>
<b>Interest</b> (before pensions and financial instrument fair values)	<b>(35.1)</b>	<b>(18.0)</b>
<b>PBT</b> ( before amortisation, exceptional items, pensions interest and financial instrument fair values)	<b>218.9</b>	<b>147.5</b>
<b>Amortisation</b>	<b>(33.8)</b>	<b>(13.4)</b>
<b>Exceptional items</b>	<b>(22.2)</b>	<b>(151.0)</b>
<b>Pensions interest and financial instrument fair values</b>	<b>(5.4)</b>	<b>(1.3)</b>
<b>PBT</b>	<b>157.5</b>	<b>(18.2)</b>
<b>Tax</b>	<b>(58.0)</b>	<b>(7.5)</b>
<b>Discontinued operations</b>	<b>(8.8)</b>	<b>(39.7)</b>
<b>PAT</b>	<b>90.7</b>	<b>(65.4)</b>

Note : prior year comparative is Group 4 for full year and Securicor from 19 July  
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# Exceptional & Discontinued Items

12 months ended 31 December 2005

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£m	2005	2004
<b>Exceptional items</b>		
Post acquisition restructuring	(18.2)	(37.2)
Restructuring German cash services	(4.0)	-
Change in accounting estimates	-	(57.9)
Goodwill impairment	-	(55.9)
<b>Total</b>	<b>(22.2)</b>	<b>(151.0)</b>
<b>Discontinued operations</b>		
<b>Total</b>	<b>(8.8)</b>	<b>(39.7)</b>

Note : prior year comparative is Group 4 for the full year and Securicor from 19 July

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# Taxation

12 months ended 31 December 2005

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<b>£m</b>	<b>Pre amortisation, exceptional items, pensions interest and financial instrument fair values</b>	<b>Amortisation, exceptional items, pensions interest and financial instrument fair values</b>	<b>Total</b>
Profit / (loss) before tax	218.9	(61.4)	157.5
Tax (charge) / credit	(68.7)	10.7	(58.0)
Tax rate	31.4%		

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# Earnings per Share

12 months ended 31 December 2005

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£m	2005	2004
PBITA from continuing operations	254.0	215.7
Interest (before pensions and financial instrument fair values)	(35.1)	(40.0)
	218.9	175.7
Tax	(68.7)	(57.1)
Adjusted PAT	150.2	118.6
Minorities	(9.9)	(7.0)
Adjusted profit attributable to shareholders	140.3	111.6
Average number of shares (m)	1265.0	1264.0
Adjusted EPS (p)	11.1	8.8

Note : prior year comparative is pro forma for the combined group

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# Balance Sheet

31 December 2005

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<b>£m</b>	<b>2005</b>	<b>2004</b>
<b>Goodwill and other intangibles</b>	<b>1441</b>	<b>1375</b>
<b>Tangible fixed assets</b>	<b>355</b>	<b>339</b>
<b>Other non-current assets</b>	<b>167</b>	<b>162</b>
<b>Current assets (excl cash)</b>	<b>866</b>	<b>767</b>
<b>Current liabilities (excl debt)</b>	<b>(859)</b>	<b>(800)</b>
<b>Non-current liabilities (excl debt)</b>	<b>(343)</b>	<b>(347)</b>
<b>Net debt</b>	<b>(657)</b>	<b>(586)</b>
<b>Net assets</b>	<b>970</b>	<b>910</b>

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# Operating Cash Flow

12 months ended 31 December 2005

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£m	2005	2004
Group PBITA	248.7	213.3
Depreciation	81.4	78.6
Working capital movement	(42.3)	9.1
Cash generated from operations	287.8	301.0
Capital expenditure	(89.8)	(87.9)
Operating cash flow	198.0	213.1
Operating cash flow as % of PBITA	80%	100%

Note : prior year comparatives are pro forma for the combined business

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# Reconciliation of cash generated by operations

## 31 December 2005

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£m	2005
<b>Operating cash flow (G4S definition)</b>	<b>198.0</b>
<b>Add back capital expenditure</b>	<b>89.8</b>
<b>Cash spend on exceptional items</b>	<b>(38.0)</b>
<b>Additional pension contributions</b>	<b>(15.0)</b>
<b>Operating loss on discontinued operations</b>	<b>(1.7)</b>
<b>Adjustment for unwinding of sundry debt factoring arrangements</b>	<b>(5.6)</b>
<b>Tax paid</b>	<b>(53.0)</b>
<b>Cash from operating activities (statutory definition)</b>	<b>174.5</b>

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# Cash Flow

12 months ended 31 December 2005

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£m	2005	2004
Cash from operating activities (statutory definition)	174	137
Interest	(38)	(21)
Net capital expenditure	(89)	(83)
Group dividends	(40)	(3)
Acquisitions, disposals and others	(41)	(300)
Minority squeeze out	(10)	-
Movement in net debt	(44)	(270)
Exchange movement	(27)	24
Opening net debt	(586)	(340)
Closing net debt	(657)	(586)

Note : prior year comparative is Group 4 for the full year and Securicor from 19 July

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# Pensions

12 months ended 31 December 2005

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- **Measured and disclosed in accordance with IAS19**
- **Liabilities shown gross, tax asset separate**
- **Defined benefit schemes deficits**
  - **Dec 2005 £217m (£152m after tax)**
  - **Dec 2004 £220m (£154m after tax)**
- **Deficit unchanged**
  - **Asset values up by £166m**
  - **Compensating increase in liabilities principally due to a reduction in bond yields**
  - **Additional cash contributions before tax**
    - **2005 £15m**
    - **2006 £23.5m**
- **No P&L implications**

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# UK pensions assumptions

## 12 months ended 31 December 2005

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- **Actuarial**
  - **Mortality assumptions are current (2005)**
  - **Average age of scheme member 50**
  - **Life expectancy:**
    - 86 years for a current 50 year old man
    - 88 years for a current 50 year old woman
- **Financial**
  - **Discount rate adopted 5.3%**
  - **0.1% movement in discount rate alters pre-tax deficit by around £24m**
  - **Average investment return of fund over last 10 years is 9.2%**
- **Strategy**
  - **70% of assets held are equities**
  - **Believe in long-term equity outperformance over bonds**

# Dividend

12 months ended 31 December 2005

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- Dividends to be progressively increased so as to reduce cover to 2.5 times over the medium-term
- Final dividend of 2.24p per share (£28.3m)
- Increase of 21% on 2004 final dividend
- Will be paid in July
- Total dividend for year 3.54p per share (£44.7m)
- Increase of 31% on 2004 total dividend (ex-Securicor shareholders)
- Dividend cover (on adjusted EPS) 3.1 times

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# Nick Buckles

## Chief Executive Officer

Trading Review

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# Organic Turnover Growth

12 months ended 31 December 2005

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	Europe	North America	New Markets	Total
Manned Security	2.5%	8.5%	19.3%	7.1%
Security Systems	4.0%	63.2%	48.7%	8.0%
Cash Services	5.8%	(5.0%)	19.8%	6.2%
<b>Total</b>	3.7%	7.7%	21.1%	7.0%

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# Manned Security

	Turnover £m		EBITA * £m		Margins	
	2005	2004	2005	2004	2005	2004
At 2005 exchange rates						
Europe	1364.5	1325.5	73.3	75.5	5.4%	5.7%
North America	1014.6	958.6	61.0	54.8	6.0%	5.7%
New Markets	495.2	391.2	35.6	26.3	7.2%	6.7%
Exchange differences		(34.6)		(1.9)		
At actual exchange rates	2874.3	2640.7	169.9	154.7	5.9%	5.9%

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\* Includes share of associates





# Manned Security

## Europe

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### UK

- Negative organic growth for the full year
- Profitability ahead of target - good cost control and synergy benefits
- Customer retention rates maintained at around 85%
- G4S security officer licencing proceeding according to plan
- Achieved Approved Contractor Status on 2 March
- SIA deadlines expected to be maintained
- Price increase effective March 2006

### Netherlands

- Good performance
- Strong organic growth due to aviation expansion
- Market returned to stability, following completion of Falck divestment
- Further improvements expected in 2006

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# Manned Security

## Europe

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### France

- Industry unable to recover Government-mandated wage increases from customers
- New management team in place – improvements expected in 2006

### Other

- Good performances from Germany, Austria, Hungary, Baltic States and Luxembourg
- Profits in Greece reduced to normal levels following Olympics in 2004

# Manned Security

## North America

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### **Wackenhut**

- Strong performance continued - overall organic growth of 9%
- Particularly strong performance from Government & Nuclear Divisions
- Commercial sector performed ahead of expectations
- Margin improvement through good control of costs

### **Canada**

- Full year impact of a major contract loss
- Cost savings assisted in achievement of profit expectations
- Growth expected to return in 2006

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# Manned Security

## New Markets

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- Overall continued strong performance with 19.3% organic growth and margins at 7.2%
- **India, Middle East, Latin America, South East Asia and Central Asia** all performed ahead of expectations
- **South Africa** settled down, following conclusion of BEE negotiations & integration

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# Manned Security

## Justice Services

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### **Electronic Monitoring**

- Achieved global number 1 position in 2005
- New UK contracts commenced April 2005

### **Custody and Rehabilitation**

- Contracts performing in line with expectations
- Well positioned to take advantage of planned UK probation outsourcing

### **Detention & Escorting**

- UK Immigration contract commenced May 2005 - service levels and profitability improving
- Bidding on immigration detention facilities

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# Security Systems

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	Turnover £m		EBITA * £m		Margins	
	2005	2004	2005	2004	2005	2004
At 2005 exchange rates						
Europe	342.0	323.7	27.7	25.4	8.1%	7.8%
North America	3.1	1.9	0.4	0.2	12.9%	10.5%
New Markets	44.5	29.6	4.0	3.0	9.0%	10.1%
Exchange differences		(6.0)		-		
At actual exchange rates	389.6	349.2	32.1	28.6	8.2%	8.1%

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\* Includes share of associates



# Security Systems

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- Strong performances from **Denmark** and **Israel**
- **France** and **Finland** moved into profitability, after 2004 losses
- Continued excellent organic growth in **New Markets** supported by market entries
- Particularly positive developments in the **Middle East, Latin America** and **East Africa**

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# Cash Services

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	Turnover £m		EBITA * £m		Margins	
	2005	2004	2005	2004	2005	2004
At 2005 exchange rates						
Europe	688.6	640.2	58.4	44.7	8.5%	7.0%
North America	76.9	69.6	2.8	4.2	3.6%	6.0%
New Markets	100.5	75.7	15.5	11.7	15.4%	15.5%
Exchange differences		(11.5)		(1.0)		
At actual exchange rates	866.0	774.0	76.7	59.6	8.9%	7.7%

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\* Includes share of associates





# Cash Services

## Europe

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### UK

- Excellent performance underpinned by outstanding service quality
- Significant pay award
  - Offset by pricing and operational efficiencies
  - 4 year deal providing stability to the market
- Good growth and improving profitability
- ATM Engineering is a strong new product – major contract win
- Outlook continues to be positive

### Netherlands

- Strong growth and new long term banking contracts
- Margins improved and excellent cost control
- Heros to exit Dutch market – may provide opportunities
- Management team also responsible for Belgium – positive impact

# Cash Services

## Europe

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### Germany

- Losses reduced but remains slightly loss-making for the year
- Improved operational structure and cost control
- Heros bankruptcy provides opportunities
- Working hard to assist customers affected by market upheaval
- Impact expected to be positive

### Other

- Increased security and wage costs proved difficult to pass on to customers in **France**
- **Finland, Ireland** and **Belgium** performing well
- Signs of improvement in **Sweden** in Q405 – new management team driving the business forward
- Central Europe performing well but low market pricing affecting performance in **Poland**

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# Cash Services

## North America & New Markets

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### Canada

- Recovering from substantial robbery
- Additional security and insurance costs incurred
- New management team in place
- Further operational efficiencies anticipated
- Expected to be back on track during H1 2006

### New Markets

- Strong organic growth of around 20%
- All markets saw further developments in bank and ATM outsourcing
- Particularly strong growth in **South East Asia, Middle East and East Africa**

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# Strategy & Outlook

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# Strategic Review

## Growth Opportunities

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- Expected future growth across all product areas
- Further growth opportunities in **New Markets**
- Progression through development phases in various countries for **Cash Services**
- Expansion of **International Accounts**
- Provision of specialist services throughout the world at **Global Risks**
- New and existing market opportunities for **Justice Services**
- **Systems** capability continues to support manned security – complete security solutions in certain markets

Organic Growth Targets	
Manned Security Developed Markets	5%+
Manned Security Developing Markets	10%+
Security Systems	8%+
Cash Services	8%+
Justice Services	15%+

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# Strategic Review

## Margin Progression

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- Driving growth in existing sectors
- New product development and expansion
- Development of international accounts, G4S Global Risks, Justice Services overseas
- Continued tight cost control
- Effective management of resources
- Continued focus on bringing businesses operating below targets into line with group's profit expectations

Margin Targets	
Manned Security Developed Markets	6%+
Manned Security Developing Markets	
Security Systems	10%+
Cash Services	10%+
Justice Services	10%+

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# Strategic Review

## Acquisitions & Divestments

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- Focus on bolt-ons in key areas across all products which:
  - Add scale
  - Add expertise
  - Consolidate fragmented markets
- Fill geographic gaps in Security Services
- More selective about new country entries in Cash Services
- Meet relevant acquisition criteria

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# Overall Summary & Outlook

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- Successful integration, merger synergies achieved
- Continued good organic growth and margin improvement
- Overall very strong set of results during first full year of trading
- Some businesses require added focus – particularly European manned security and Germany cash services
- Plan to reduce dividend cover over the medium term
- Confident of strong future prospects of the business for 2006 and beyond

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# Q&A

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# Group 4 Securicor

Preliminary Results to 31 December 2005

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