

G4S plc

Half Year Results
26 August 2010

Securing Your World



Nick Buckles

Chief Executive Officer

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Agenda

Results Highlights	Nick Buckles
Financial Summary	Trevor Dighton
Business Review & Focus on Brazil	Nick Buckles
Q&A	

Results Highlights

* At constant exchange rates

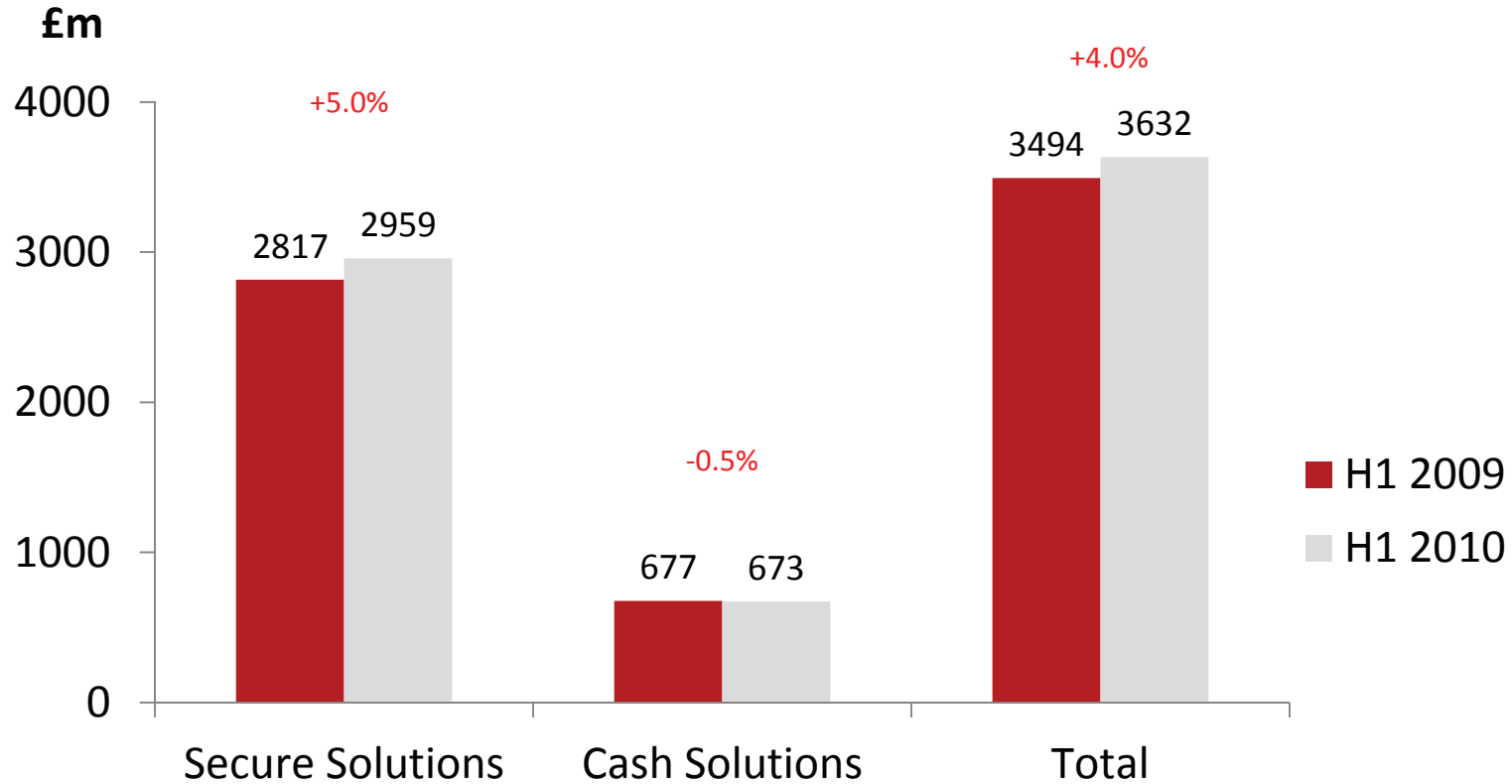
- **Group turnover* up 4% to £3,632 million**
- **Organic turnover* growth of 2%**
- **New Markets organic turnover growth of 7%**
- **PBITA* up 3% to £238 million**
- **Margin* maintained at 6.6%**
- **Operating cash flow generation 72% of PBITA**
- **Adjusted EPS increased by 4.5% to 9.3 pence**
- **Interim dividend up 5% to 3.17 pence per share**
- **Expect growth to improve in H2**

Financials

Trevor Dighton
Chief Financial Officer

Continuing Turnover by Business Line

6 months ended 30 June 2010



Note: At 2010 exchange rates

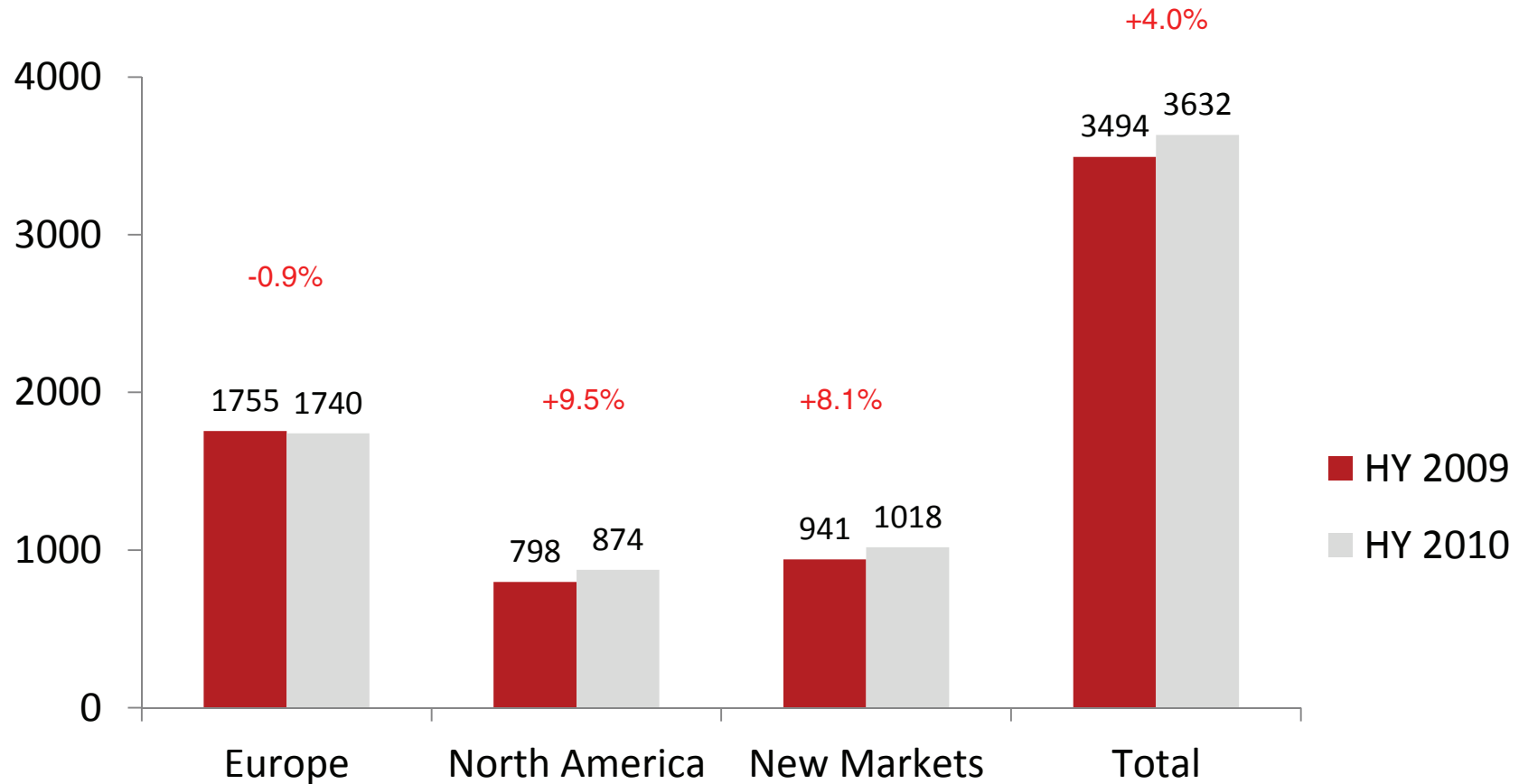
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Continuing Turnover by Geography

6 months ended 30 June 2010

£m



Note: At 2010 exchange rates

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Organic Turnover Growth

6 months ended 30 June 2010

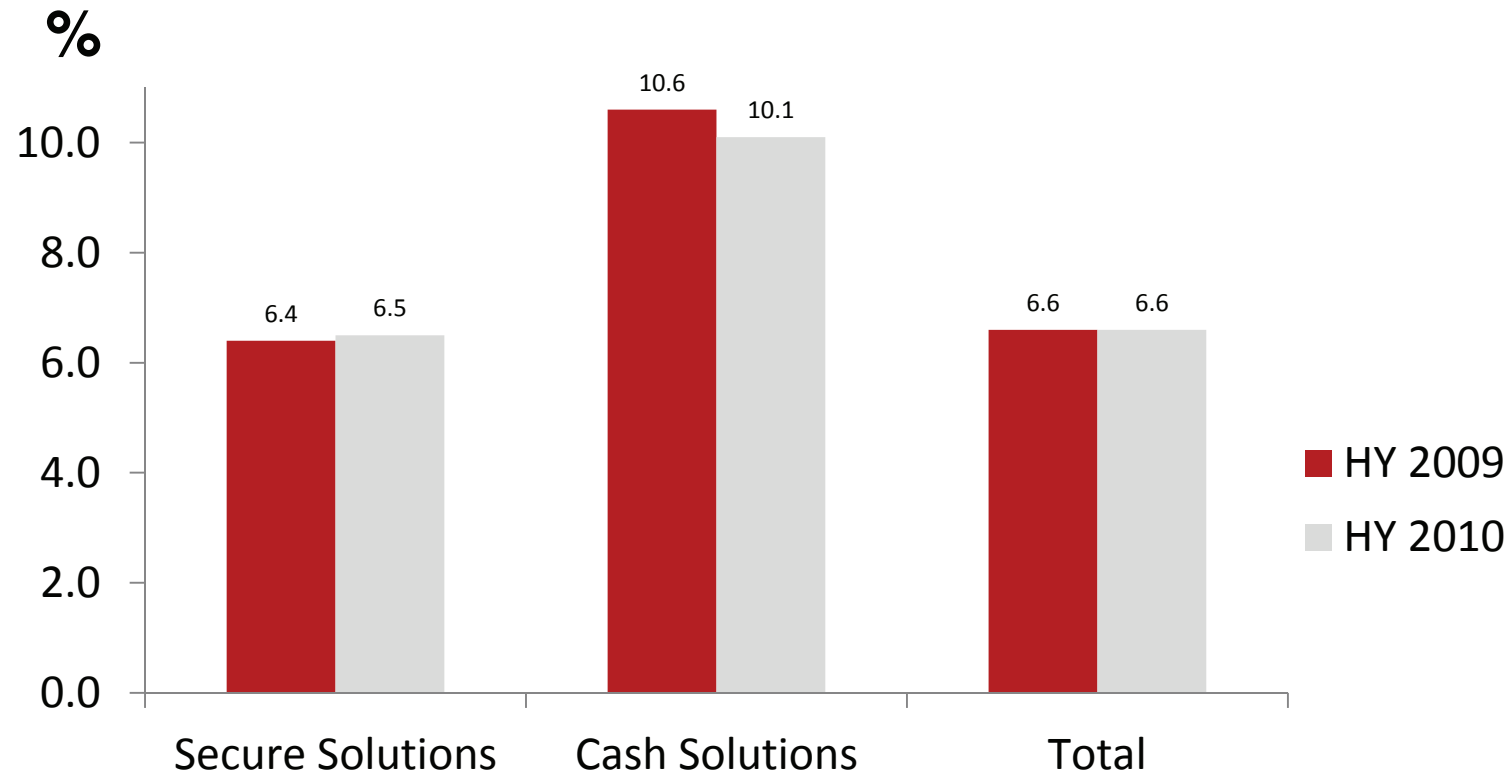
	Europe	North America	Developed Markets	New Markets	Total
Secure Solutions	-0.4%	1.8%	0.4%	7.6%	2.4%
Cash Solutions	-2.3%	-1.1%	-2.2%	4.5%	-0.6%
Total	-0.9%	1.6%	-0.1%	7.1%	1.8%

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Continuing PBITA Margin by Business Line

6 months ended 30 June 2010



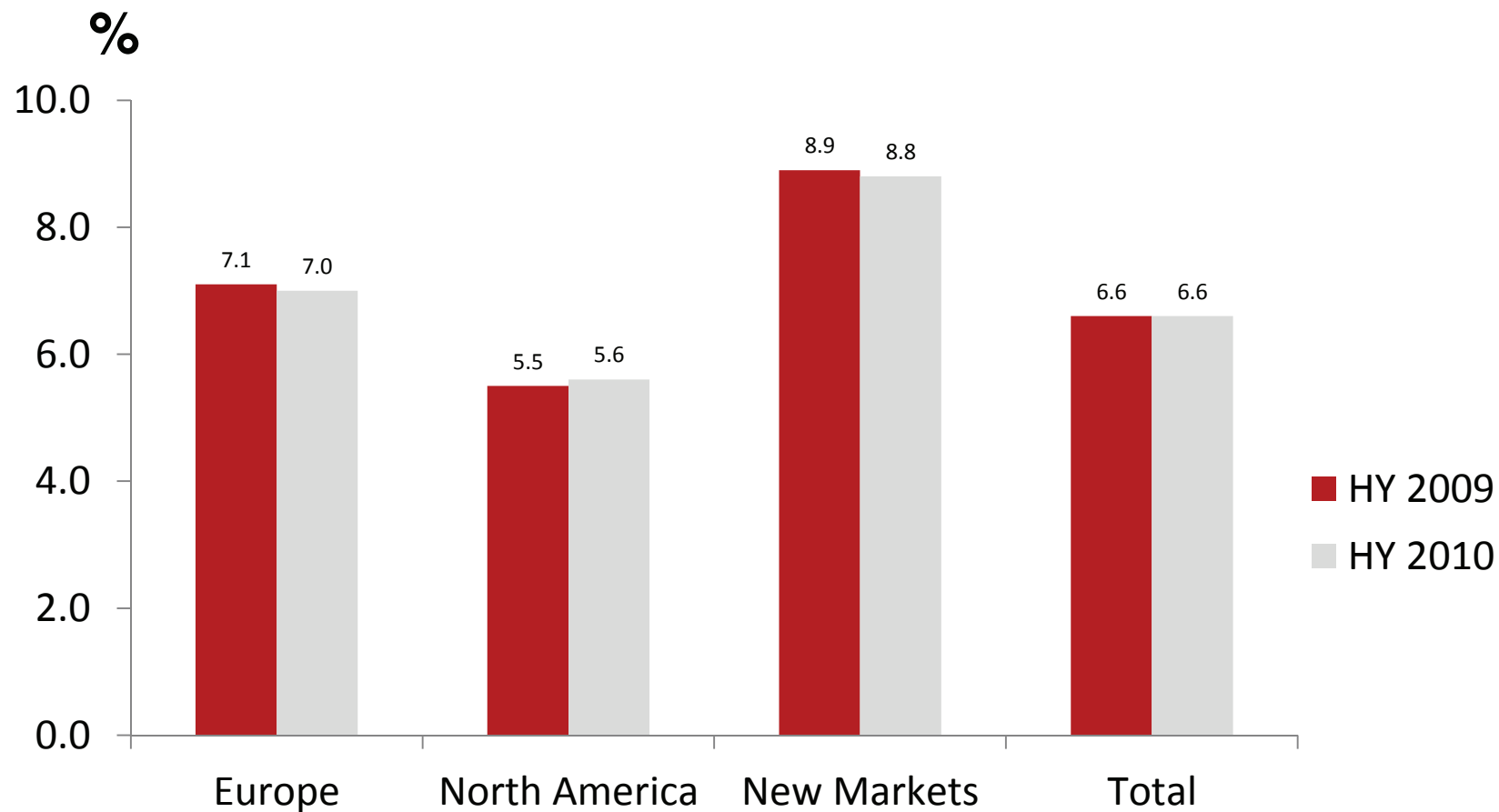
Note: At 2010 exchange rates

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Continuing PBITA Margin by Geography

6 months ended 30 June 2010



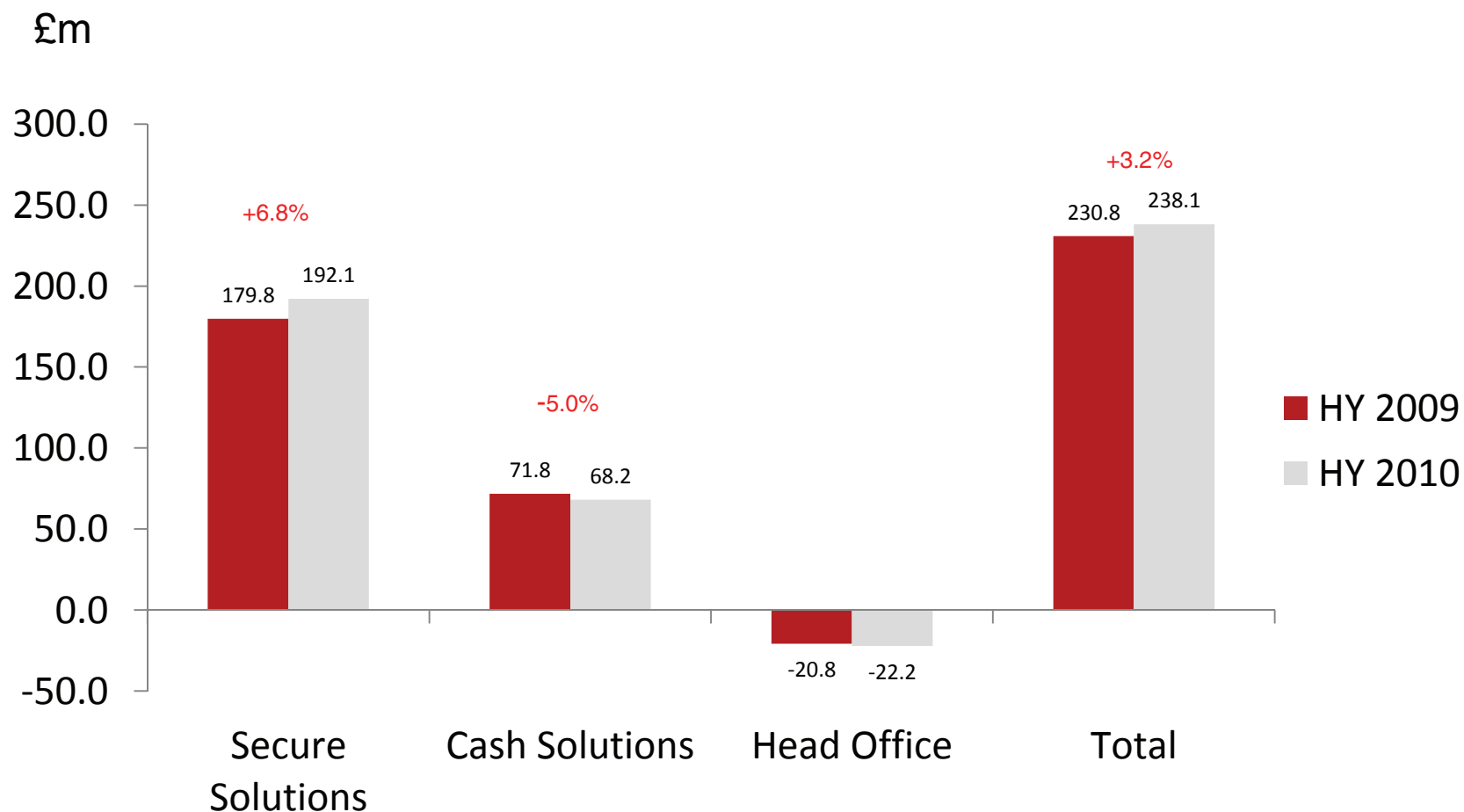
Note: At 2010 exchange rates

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Continuing PBITA by Business Line

6 months ended 30 June 2010



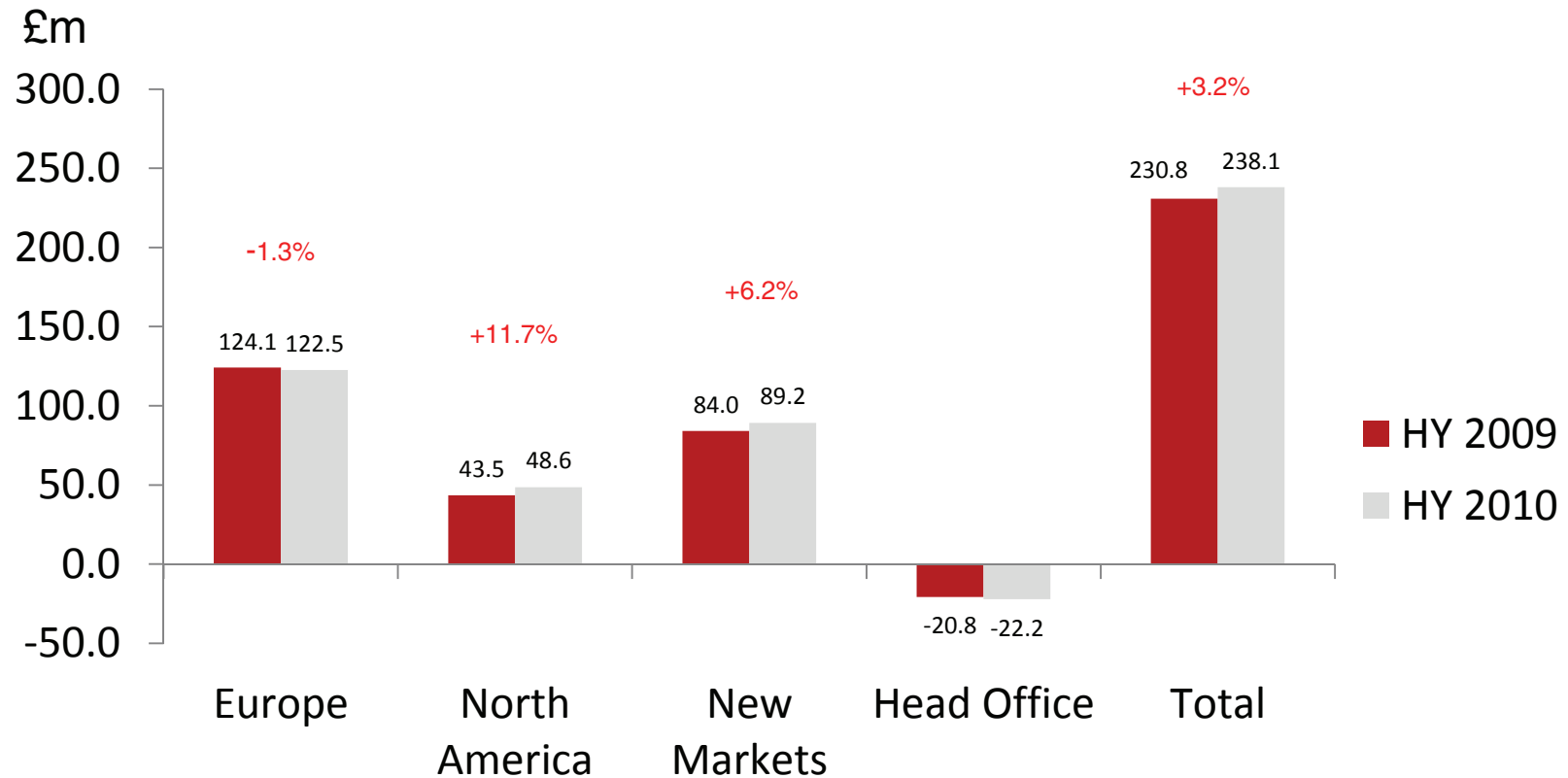
Note: At 2010 exchange rates

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Continuing PBITA by Geography

6 months ended 30 June 2010



Note: At 2010 exchange rates

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Profit and Loss Account

6 months ended 30 June 2010

£m	2010	2009
PBITA	238.1	230.1
Interest (before pensions)	(49.5)	(47.7)
PBT (before amortisation and pensions interest)	188.6	182.4
Amortisation	(43.0)	(43.6)
Pensions interest	(3.0)	(9.8)
PBT	142.6	129.0
Tax	(35.2)	(34.5)
Discontinued operations	(3.3)	(0.8)
PAT	104.1	93.7

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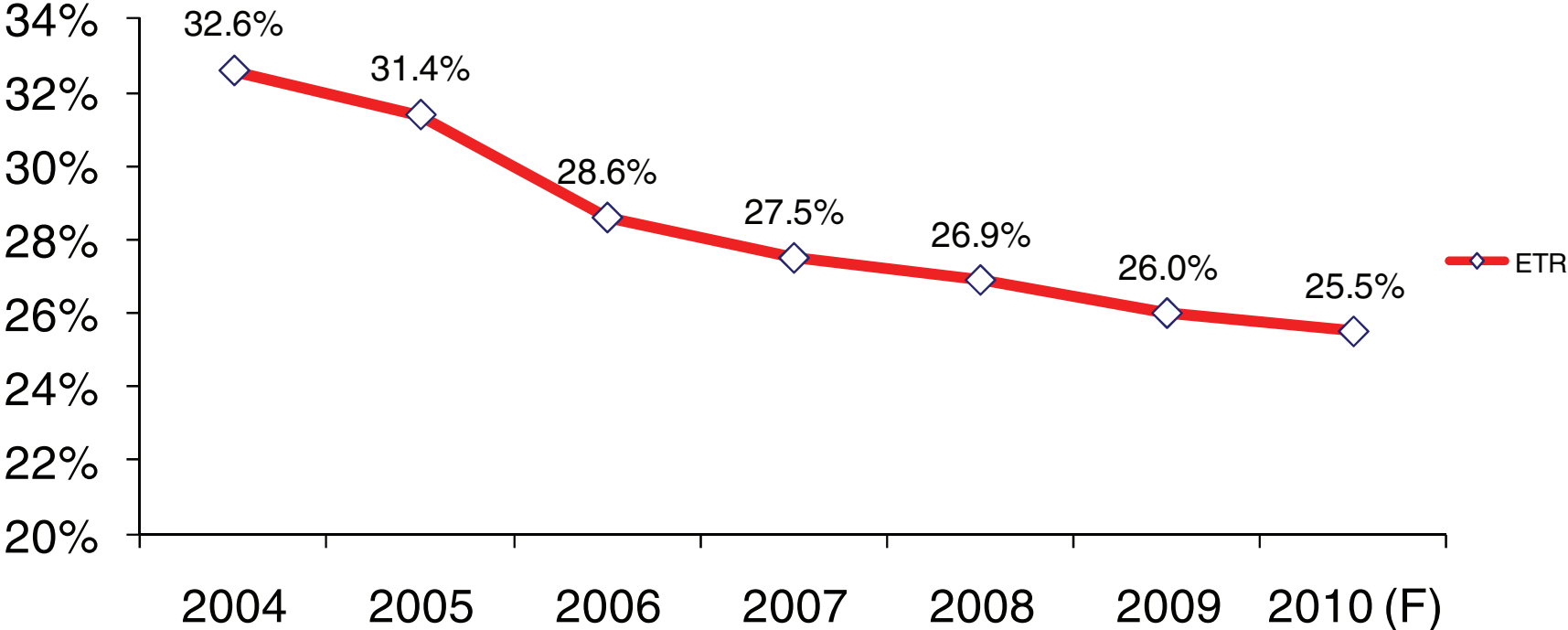
Taxation

6 months ended 30 June 2010

£m	Pre amortisation and pensions interest	Amortisation and pensions interest	Total
Profit/(loss) before tax	188.6	(46.0)	142.6
Tax (charge)/ credit	(48.1)	12.9	(35.2)
Tax rate	25.5%		

Effective Tax Rate

2004 - 2010



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Earnings per Share

6 months ended 30 June 2010

£m	2010	2009 at constant FX	2009 at actual FX
PBITA from continuing operations	238.1	230.8	230.1
Interest (before pensions)	(49.5)	(48.5)	(47.7)
Tax	(48.1)	(48.3)	(48.4)
Adjusted PAT	140.5	134.0	134.0
Minorities	(9.9)	(8.6)	(8.6)
Adjusted profit attributable to shareholders	130.6	125.4	125.4
Average number of shares (m)	1,404.3	1,402.5	1,402.5
Adjusted EPS (p)	9.3p	8.9p	8.9p

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Balance Sheet

30 June 2010

£m	June 2010	June 2009	December 2009
Goodwill and other intangibles	2,499	2,370	2,475
Tangible fixed assets	562	494	546
Other non-current assets	167	142	155
Current assets (excl cash)	1,577	1,422	1,502
Current liabilities (excl debt)	(1,294)	(1,162)	(1,258)
Non-current liabilities (excl debt)	(550)	(620)	(547)
Net debt	(1,515)	(1,386)	(1,433)
Net assets	1,446	1,260	1,440

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Operating Cash Flow

6 months ended 30 June 2010

£m	2010	2009
Group PBITA	236.2	229.5
Depreciation	72.7	67.3
Working capital movement	(67.8)	(56.0)
Cash generated from operations	241.1	240.8
Capital expenditure	(70.4)	(69.3)
Operating cash flow	170.7	171.5
Operating cash flow as % of PBITA	72%	75%

Reconciliation of cash generated by operations

6 months ended 30 June 2010

£m	2010	2009
Operating cash flow (Statutory definition)	181.4	168.6
Capital expenditure	(70.4)	(69.3)
Cash outflow on exceptional items and discontinued operations	(0.1)	11.3
Additional pension contributions	23.7	23.3
Tax paid	36.1	37.6
Cash from operating activities (G4S definition)	170.7	171.5

Cash Flow

6 months ended 30 June 2010

£m	2010	2009
Cash from operating activities (statutory definition)	181.4	168.6
Interest	(60.9)	(50.4)
Net capital expenditure	(70.4)	(69.3)
Group dividend	(58.5)	(51.7)
Acquisitions and disposals	(28.8)	(54.8)
Share issues	0.1	0.1
New finance leases	(3.0)	(6.6)
Other	(13.1)	(17.3)
Movement in net debt	(53.2)	(81.4)
Exchange movement	(28.0)	43.2
Opening net debt	(1,433.4)	(1,347.7)
Closing net debt	(1,514.6)	(1,385.9)

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Acquisitions

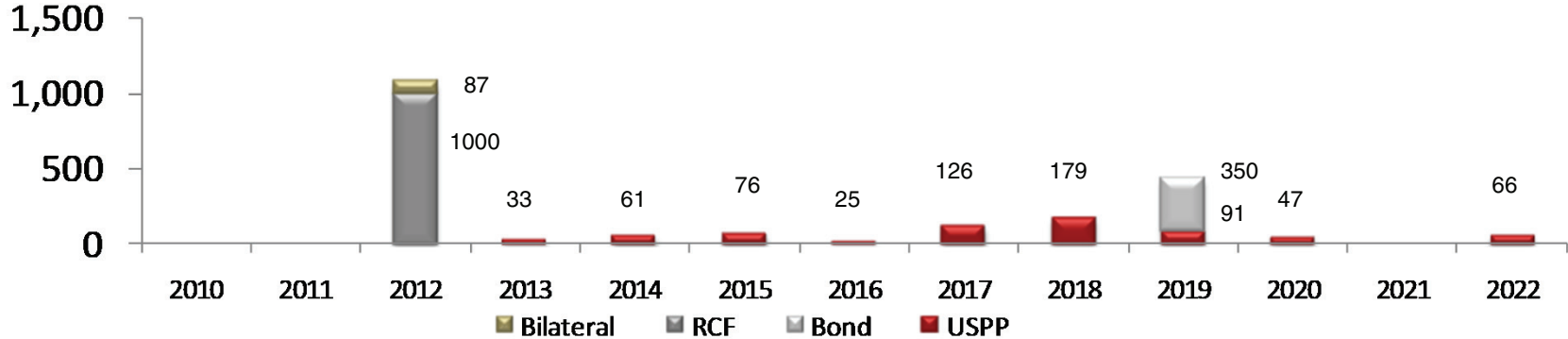
6 months ended 30 June 2010

	£m
Minority buyouts	4.1
Instalarme	25.3
Other	3.0
	32.4

Financing

At August 2010

Long term funding - maturity profile (£M)*



*including cross currency swaps

- Effective interest rate of 4.7% (2009: 4.9%)

Pensions

6 months ended 30 June 2010

- Financial assumptions updated as at June
- Major UK schemes were actuarially assessed as at March 09
- Calculations subject to short-term volatility
- Deficit increased to £413m from £328m at December 2009
- Discount rate of 5.3% used for the UK (5.7% at 31 December 2009)
- Asset values similar to 31 December 2009, lower bond yields and inflation assumptions
- Additional cash contributions of £24m paid (no P&L implication)
- Hold around 60% of assets in equities and continue to believe in long-term equity outperformance over bonds

Dividend

6 months ended 30 June 2010

- Policy remains to increase dividends broadly in line with underlying earnings growth
- Interim dividend of 3.17 pence (DKK 0.2877) per share
- 5% increase on 2009

Nick Buckles

Chief Executive Officer

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	Turnover £m		PBITA * £m		Margins	
	1H10	1H09	1H10	1H09	1H10	1H09
At 2010 exchange rates						
Europe	1,292.4	1297.4	79.4	79.4	6.1%	6.1%
North America	820.0	742.7	46.3	41.3	5.6%	5.6%
New Markets	846.5	776.5	66.4	59.1	7.8%	7.6%
Exchange differences		(2.5)		0.4		
At actual exchange rates	2,958.9	2,814.1	192.1	180.2	6.5%	6.4%

*Includes share of associates

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Europe

* At constant exchange rates	Turnover £m		PBITA £m		Margins		Organic Growth
	1H10	1H09	1H10	1H09	1H10	1H09	1H10
UK & Ireland*	571.7	555.4	45.1	44.1	7.9%	7.9%	2.9%
Continental Europe *	720.7	742.0	34.3	35.3	4.8%	4.8%	-2.8%
Total Europe *	1,292.4	1,297.4	79.4	79.4	6.1%	6.1%	-0.4%

UK & Ireland

- Strong growth in Care & Justice Services and Integrated Services
- **Ireland** – market still challenging
- Discussions with **UK** government should offer medium term opportunities
- Landmine clearance contract awarded for Oil and Gas major in **Iraq** and good pipeline of other similar opportunities

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Europe

* At constant exchange rates	Turnover £m		PBITA £m		Margins		Organic Growth
	1H10	1H09	1H10	1H09	1H10	1H09	1H10
UK & Ireland*	571.7	555.4	45.1	44.1	7.9%	7.9%	2.9%
Continental Europe *	720.7	742.0	34.3	35.3	4.8%	4.8%	-2.8%
Total Europe *	1,292.4	1297.4	79.4	79.4	6.1%	6.1%	-0.4%

Continental Europe

- Excellent cost controls have helped margins hold firm
- Larger markets in **Benelux** and **Scandinavia** stabilising
- No recovery in security systems yet – down 4% but margins held
- Some Eastern European economies and markets such as **Romania** and **Estonia** have deteriorated
- Won government contracts in the **Netherlands**
- Number of EM opportunities in markets such as **Cyprus, Turkey, Romania, Serbia, Hungary, Russia, Austria** and **Bulgaria**

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North America

* At constant exchange rates	Turnover £m		PBITA £m		Margins		Organic Growth
	1H10	1H09	1H10	1H09	1H10	1H09	1H10
North America *	820.0	742.7	46.3	41.3	5.6%	5.6%	1.8%

United States

- Good growth in both government and commercial sectors
- Acquisitions made in H2 2009 performing well
- Contract signed for Strategic Petroleum Reserve; awaiting NASA decision
- Encouraging contract pipeline in local government and healthcare sectors

Canada

- Good performance in a continuing tough market

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New Markets

* At constant exchange rates	Turnover £m		PBITA £m		Margins		Organic Growth
	1H10	1H09	1H10	1H09	1H10	1H09	1H10
Asia *	286.7	272.3	19.9	20.1	6.9%	7.4%	1.8%
Middle East *	235.3	205.3	18.8	16.4	8.0%	8.0%	14.6%
Africa *	164.3	157.5	17.7	15.2	10.8%	9.7%	4.2%
Latin America & Caribbean *	160.2	141.4	10.0	7.4	6.2%	5.2%	12.9%
Total New Markets *	846.5	776.5	66.4	59.1	7.8%	7.6%	7.6%

Asia

- Organic growth impacted by loss of contract in **Australia** – underlying organic growth 11.8%
- Margin affected by contract loss and regulatory cost increases in **Macau** and **Indonesia**
- Strong performances in **India** and **PNG**

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New Markets

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Total New Markets *	846.5	776.5	66.4	59.1	7.8%	7.6%	7.6%

Middle East

- Strong performances in **UAE, Qatar** and **Saudi Arabia**
- Excellent demand for event security in **UAE**
- Good pipeline of government agency contracts and southern **Iraq** oilfields
- Awarded UK embassy contract in **Afghanistan**
- Loss-making US embassy contract in **Afghanistan** to end in 2010

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New Markets

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Total New Markets *	846.5	776.5	66.4	59.1	7.8%	7.6%	7.6%

Africa

- Termination of low margin contracts in **South Africa** impacted organic growth but helped margins
- Strong growth in **Djibouti** helped by US army contract

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New Markets

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Total New Markets *	846.5	776.5	66.4	59.1	7.8%	7.6%	7.6%

Latin America and the Caribbean

- New high margin contracts signed in key sectors e.g. utilities and oil/gas
- Good growth across the region with **Argentina, Chile** and **Colombia** particularly strong
- Care and Justice services outsourcing opportunities in **Peru**
- Entry into **Brazil**

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Cash Solutions

	Turnover £m		PBITA * £m		Margins	
	1H10	1H09	1H10	1H09	1H10	1H09
At 2010 exchange rates						
Europe	447.6	457.9	43.1	44.7	9.6%	9.8%
North America	54.4	55.0	2.3	2.2	4.2%	4.1%
New Markets	171.4	164.1	22.8	24.9	13.3%	15.2%
Exchange differences		(12.5)		(1.2)		
At actual exchange rates	673.4	664.5	68.2	70.6	10.1%	10.6%

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* Includes share of associates



Cash Solutions

Europe

* At constant exchange rates	Turnover £m		PBITA £m		Margins		Organic Growth
	1H10	1H09	1H10	1H09	1H10	1H09	1H10
Europe *	447.6	457.9	43.1	44.7	9.6%	9.8%	-2.3%
North America *	54.4	55.0	2.3	2.2	4.2%	4.1%	-1.1%
New Markets *	171.4	164.1	22.8	24.9	13.3%	15.2%	4.5%
Total Cash Services *	673.4	677.0	68.2	71.8	10.1%	10.6%	-0.6%

Europe

- One-off restructuring costs in **Ireland** cash business has impacted Europe margin but should see improved margins in H2
- Successful completion of complex re-planning for Lloyds Banking Group in **UK**
- Sustained period of low interest rates has impacted service volumes
- Underlying margin held firm due to excellent cost controls, operational efficiency and investment in technology reducing attacks
- Number of European commercial and central banks considering cash cycle initiatives

Cash Solutions

North America

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	1H10	1H09	1H10	1H09	1H10	1H09	1H10
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North America

- Margins slightly improved
- Market continues to be challenging
- All major banking contracts secured for next 3-4 years

Cash Solutions

New Markets

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Total Cash Services *	673.4	677.0	68.2	71.8	10.1%	10.6%	-0.6%

New Markets

- Strong underlying organic and margin performance
- Results impacted by loss of large **South African** contract
- Underlying New Markets organic growth of 8.4% and margins unchanged excluding **South Africa**

Strategy Delivery

Focus on Brazil

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Acquisition Strategy

- Invested £32.4 million in H1 10 on capability-building acquisitions including Brazil
- Expect to invest up to £100 million FY 10 (incl. minority interests and deferred consideration payments)
- Meet relevant acquisition criteria
 - ROIC of 12.5% within 3 years for smaller acquisitions
 - ROIC of 10% within 3 years for strategic capability-building/market entry acquisitions

Strategy Delivery

Focus on Brazil

- Brazil is the 5th largest security market in the world – c. £4bn annual revenues
- Excellent economic growth prospects helped by vast natural resources including significant oil and gas discoveries
- Expectation of large one-off boosts from the World Cup in 2014 and the Olympic Games in 2016
- G4S has entered Brazil market through acquiring systems integration companies rather than via manned security due to legislation

Strategy Delivery

Focus on Brazil

Instalarme – acquired June 2010

- Acquired for £25.3m; Revenues c£20m in 2010
- Quality company offering good financial returns
- Electronic security software and hardware integration company
- Market leader in security systems for financial institutions
- National coverage
- Complex security systems integration and project management capabilities
- Recurring revenues

Plantech – initial 51% to be acquired in Aug 2010

- Revenues c£20m in 2010
- Provides fully integrated solutions to its customers
- Customers in key sectors such as ports, airports, transportation and healthcare
- Portfolio of 130 active multinational clients
- National coverage

Strategy Delivery

Focus on Brazil - outlook

- Combining Plantech with Instalarme, provides a complete security systems product offering and makes G4S the largest security systems company in Brazil
- Together they offer strong platform for future development in terms of management talent and in-house technical knowledge
- G4S Brazil will build on systems integration with risk consulting and win large scale outsourcing contracts - sub-contracting manned security element
- By 2012, G4S is targeting revenues of £50m and organic growth of 15% per annum in Brazil

Overall Summary & Conclusions

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Summary & Conclusions

- Good organic growth of 2% against difficult market back-drop
- Continued strong focus on cost control and driving efficiencies
- Signs of larger developed markets stabilising but deterioration in Eastern Europe and security systems still to recover
- New Markets growth continues to be excellent
- Strategically important entry into Brazil achieved
- Expect higher organic growth in H2 - builds on historic track record for revenue and profit growth
- Differentiated strategy will be a growth driver for the future
- Confident about performance for the full year and in 2011

Q&A

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