

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934.

For the quarterly period ended September 28, 1997

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934.

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

COMMISSION FILE NUMBER 1-14260

WACKENHUT CORRECTIONS CORPORATION

-----  
(Exact name of registrant as specified in its charter)

Florida

65-0043078

-----  
(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer Identification No.)

4200 Wackenhut Drive #100, Palm Beach Gardens, Florida

33410-4243

-----  
(Address of principal executive offices)

(Zip code)

(561) 622-5656

-----  
(Registrant's telephone number, including area code)

Not Applicable

-----  
Former name, former address and former fiscal year, if changed since  
last report.

Indicate by check mark whether the registrant (1) has filed all reports required  
to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during  
the preceding twelve (12) months (or for such shorter period that the registrant  
was required to file such report), and (2) has been subject to such filing  
requirements for the past 90 days.

Yes  No

At November 3, 1997, 22,155,542 shares of the registrant's Common Stock were  
issued and outstanding.

## WACKENHUT CORRECTIONS CORPORATION

## PART I - FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

The following consolidated financial statements of Wackenhut Corrections Corporation, a Florida corporation (the "Corporation") have been prepared in accordance with the instructions to Form 10-Q and, therefore, omit or condense certain footnotes and other information normally included in financial statements prepared in accordance with generally accepted accounting principles. In the opinion of management, all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of the financial information for the interim periods reported have been made. Results of operations for the thirty-nine weeks ended September 28, 1997 are not necessarily indicative of the results for the entire fiscal year ending December 28, 1997.

WACKENHUT CORRECTIONS CORPORATION  
CONSOLIDATED STATEMENTS OF INCOME  
FOR THE THIRTEEN WEEKS ENDED  
SEPTEMBER 28, 1997 AND SEPTEMBER 29, 1996  
(IN THOUSANDS EXCEPT PER SHARE DATA)  
(UNAUDITED)

	THIRTEEN WEEKS ENDED	
	----- SEPTEMBER 28, 1997 -----	SEPTEMBER 29, 1996 -----
Revenues	\$ 55,104	\$ 36,785
Operating expenses (including amounts related to The Wackenhut Corporation ("Parent") of \$803 and \$1,018)	45,594	30,837
Depreciation and amortization	1,947	948
Contribution from operations	7,563	5,000
G&A expense (including amounts related to Parent of \$396 and \$358)	2,762	2,061
Operating income	4,801	2,939
Interest income (including amounts related to Parent of \$42 and (\$118))	128	455
Income before income taxes and equity income of affiliate	4,929	3,394
Provision for income taxes	1,923	1,263
Income before equity income of affiliate	3,006	2,131
Equity income of affiliate, net of income tax provision of \$123 and \$175	182	280
Net income	\$ 3,188	\$ 2,411
Earnings per share	\$ 0.14	\$ 0.11
Weighted average shares outstanding	22,771	22,642

The accompanying notes to consolidated financial statements are an integral part of these statements.

WACKENHUT CORRECTIONS CORPORATION  
CONSOLIDATED STATEMENTS OF INCOME  
FOR THE THIRTY-NINE WEEKS ENDED  
SEPTEMBER 28, 1997 AND SEPTEMBER 29, 1996  
(IN THOUSANDS EXCEPT PER SHARE DATA)  
(UNAUDITED)

	THIRTY-NINE WEEKS ENDED	
	----- SEPTEMBER 28, 1997 -----	SEPTEMBER 29, 1996 -----
Revenues	\$ 147,840	\$ 99,635
Operating expenses (including amounts related to Parent of \$3,531 and \$2,623)	123,160	84,053
Depreciation and amortization	4,605	2,554
Contribution from operations	20,075	13,028
G&A expense (including amounts related to Parent of \$1,167 and \$1,074)	8,213	6,457
Operating income	11,862	6,571
Interest income (including amounts related to Parent of (\$50) and (\$9))	946	1,752
Income before income taxes and equity income of affiliate	12,808	8,323
Provision for income taxes	4,995	3,092
Income before equity income of affiliate	7,813	5,231
Equity income of affiliate, net of income tax provision of \$434 and \$289	679	462
Net income	\$ 8,492	\$ 5,693
Earnings per share	\$ 0.37	\$ 0.26
Weighted average shares outstanding	22,666	22,058

The accompanying notes to consolidated financial statements are an integral part  
of these statements.

WACKENHUT CORRECTIONS CORPORATION  
CONSOLIDATED BALANCE SHEETS  
SEPTEMBER 28, 1997 AND DECEMBER 29, 1996  
(IN THOUSANDS EXCEPT SHARE DATA)

	SEPTEMBER 28, 1997	DECEMBER 29, 1996
	----- (UNAUDITED)	-----
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash	\$ 24,889	\$ 44,368
Accounts receivable, net	32,803	24,879
Other	7,363	6,066
Total current assets	----- 65,055	----- 75,313
Property and equipment, net	34,474	18,975
Investments in and advances to affiliates	5,767	1,810
Deferred charges, net	11,170	7,522
Unamortized cost in excess of net assets of acquired companies, net	1,816	2,224
Other	5,867	967
	----- \$ 124,149	----- \$ 106,811
	=====	=====
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 4,363	\$ 4,020
Accrued payroll and related taxes	4,515	4,558
Accrued expenses	6,404	3,717
Current portion of long-term debt	12	12
Deferred income tax liability, net	1,095	876
Total current liabilities	----- 16,389	----- 13,183
Deferred income taxes, net	----- 10,437	----- 5,434
Long-term debt	----- 405	----- 225
<b>Shareholders' equity:</b>		
Preferred stock, \$.01 par value, 10,000,000 shares authorized	---	---
Common stock, \$.01 par value, 30,000,000 shares authorized, 22,066,644 and 21,937,992 shares issued and outstanding	221	219
Additional paid-in capital	74,057	72,986
Retained earnings	22,840	14,348
Cumulative translation adjustment	(200)	416
Total shareholders' equity	----- 96,918	----- 87,969
	----- \$ 124,149	----- \$ 106,811
	=====	=====

The accompanying notes to consolidated financial statements are an integral part of these balance sheets.

WACKENHUT CORRECTIONS CORPORATION  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE THIRTY-NINE WEEKS ENDED  
SEPTEMBER 28, 1997 AND SEPTEMBER 29, 1996  
(IN THOUSANDS)  
(UNAUDITED)

THIRTY-NINE WEEKS ENDED

	SEPTEMBER 28, 1997	SEPTEMBER 29, 1996
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 8,492	\$ 5,693
Adjustments to reconcile net income to net cash provided by operating activities--		
Depreciation and amortization expense	4,605	2,554
Equity income of affiliates	(1,113)	(751)
Changes in assets and liabilities --		
(Increase) decrease in assets:		
Accounts receivable	(8,208)	(4,850)
Other current assets	(1,496)	(2,766)
Other assets	(927)	42
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	3,345	353
Accrued payroll and related taxes	96	(190)
Deferred income tax liability - current	231	20
Deferred income taxes - non-current	5,003	2,522
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 10,028	\$ 2,627
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments in affiliates	(2,844)	---
Capital expenditures	(18,278)	(8,811)
Deferred charge expenditures	(9,599)	(2,991)
NET CASH USED IN INVESTING ACTIVITIES	\$ (30,721)	\$ (11,802)

(Continued)

The accompanying notes to consolidated financial statements are an integral part of these statements.

WACKENHUT CORRECTIONS CORPORATION  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE THIRTY-NINE WEEKS ENDED  
SEPTEMBER 28, 1997 AND SEPTEMBER 29, 1996  
(IN THOUSANDS)  
(UNAUDITED)

(Continued)

	THIRTY-NINE WEEKS ENDED	
	SEPTEMBER 28, 1997	SEPTEMBER 29, 1996
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net proceeds from issuance of common stock	\$ ---	\$ 51,593
Proceeds from exercise of stock options	1,073	719
Retirement of debt	(21)	(783)
Proceeds from debt	201	---
Advances from Parent	62,614	72,847
Repayments to Parent	(62,308)	(72,847)
	-----	-----
NET CASH PROVIDED BY FINANCING ACTIVITIES	\$ 1,559	\$ 51,529
	-----	-----
Effect of exchange rate changes on cash	(345)	190
Net (decrease) increase in cash	(19,479)	42,544
Cash, beginning of period	44,368	909
	-----	-----
CASH, END OF PERIOD	\$ 24,889	\$ 43,453
	-----	-----
<b>SUPPLEMENTAL DISCLOSURES:</b>		
Impact on equity from tax benefit related to the exercise of options issued under the company's non- qualified stock option plan	\$ ---	\$ 1,157
	-----	-----

The accompanying notes to consolidated financial statements are an integral part of these statements.

WACKENHUT CORRECTIONS CORPORATION  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

1. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies followed for the quarterly financial reporting are the same as those disclosed in Note 2 of the Notes To Consolidated Financial Statements included in the Corporation's Form 10-K filed with the Securities and Exchange Commission on March 28, 1997 for the fiscal years ended December 29, 1996, December 31, 1995 and January 1, 1995. Certain prior year amounts have been reclassified to conform with current year financial statement presentation.

2. EARNINGS PER SHARE

Statement of Financial Accounting Standards No. 128, "Earnings per Share" requires the disclosure of basic and diluted earnings per share for periods ending after December 15, 1997 and, upon adoption, will require restatement of prior periods to conform with the new disclosure format. The computation under SFAS No. 128 differs from the primary and fully diluted earnings per share computed under APB Opinion No. 15 primarily in the manner in which potential common stock is treated. Basic earnings per share is computed by dividing net income by the weighted-average number of common shares outstanding. In the computation of diluted earnings per share, the weighted-average number of common shares outstanding is adjusted for the effect of all potential common stock.

The pro forma basic and diluted earnings per share computed according to SFAS No. 128 are as follows:

	THIRTEEN WEEKS ENDED	
	----- SEPTEMBER 28, 1997 -----	SEPTEMBER 29, 1996 -----
Basic earnings per share	\$ 0.14	\$ 0.11
Diluted earnings per share	0.14	0.11

	THIRTY-NINE WEEKS ENDED	
	----- SEPTEMBER 28, 1997 -----	SEPTEMBER 29, 1997 -----
Basic earnings per share	\$ 0.39	\$ 0.27
Diluted earnings per share	0.37	0.26



## WACKENHUT CORRECTIONS CORPORATION

## 3. DOMESTIC AND INTERNATIONAL OPERATIONS

A summary of domestic and international operations is presented below:

	THIRTY-NINE WEEKS ENDED	
	SEPTEMBER 28, 1997	SEPTEMBER 29, 1996
-----		
(in thousands)		
REVENUES		
Domestic operations	\$ 120,291	\$ 77,524
International operations	27,549	22,111
-----		
Total revenues	\$ 147,840	\$ 99,635
=====		
OPERATING INCOME		
Domestic operations	\$ 8,847	\$ 4,352
International operations	3,015	2,219
-----		
Total operating income	\$ 11,862	\$ 6,571
=====		

	SEPTEMBER 28, 1997	DECEMBER 29, 1996
	-----	-----
(in thousands)		
IDENTIFIABLE ASSETS		
Domestic operations	\$ 105,501	\$ 96,872
International operations	18,648	9,938
-----		
Total identifiable assets	\$ 124,149	\$ 106,811
=====		

## 4. FINANCING INSTRUMENTS

In June 1997, the Corporation entered into a \$30 million multi-currency revolving credit facility with a syndicate of banks, the proceeds of which may be used for working capital, acquisitions and general corporate purposes. The credit facility also includes a letter of credit of up to \$10 million for the issuance of standby letters of credit. As of November 3, 1997, no amounts were outstanding under this facility.

In June 1997, the Corporation also entered into an \$80 million operating lease facility that has been established to acquire and develop new correctional institutions used in its business. As a condition of this facility, the Corporation unconditionally agreed to guarantee certain obligations of First Security Bank, National Association, a party to the aforementioned operating lease facility. As of November 3, 1997, approximately \$47 million of properties were under development.

## WACKENHUT CORRECTIONS CORPORATION

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL  
CONDITION AND RESULTS OF OPERATIONS

## FINANCIAL CONDITION

In June 1997, the Corporation entered into a \$30 million multi-currency revolving credit facility with a syndicate of banks, the proceeds of which may be used for working capital, acquisitions and general corporate purposes. The credit facility also includes a letter of credit of up to \$10 million for the issuance of standby letters of credit. As of November 3, 1997, no amounts were outstanding under this facility.

In June 1997, the Corporation also entered into an \$80 million operating lease facility that has been established to acquire and develop new correctional institutions used in its business. As a condition of this facility, the Corporation unconditionally agreed to guarantee certain obligations of First Security Bank, National Association, a party to the aforementioned operating lease facility. As of November 3, 1997, approximately \$47 million of properties were under development. In addition, the Corporation had outstanding four standby letters of credit with a bank in the aggregate amount of approximately \$220,000.

In June 1997, the Corporation purchased the Queens Private Correctional Facility, a 66,000 square foot building currently being as a 200-bed federal detention facility, for \$6.6 million. The Corporation also invested another \$4.7 million to renovate the building.

On July 18, 1997, Atlantic Shores Healthcare, Inc. a wholly-owned subsidiary of Wackenhut Corrections Corporation, completed the purchase of an 86-bed psychiatric hospital in Fort Lauderdale, Florida for \$6 million. The hospital has been renamed Atlantic Shores Hospital.

Reference is made to Item 7, Part II of the Corporation's Annual Report on Form 10-K for the fiscal year ended December 29, 1996, filed with the Securities and Exchange Commission on March 28, 1997, for further discussion and analysis of information pertaining to the Corporation's results of operations, liquidity and capital resources.

## RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the Corporation's consolidated financial statements and the notes thereto.

COMPARISON OF THIRTEEN WEEKS ENDED SEPTEMBER 28, 1997 AND THIRTEEN WEEKS ENDED  
SEPTEMBER 29, 1996:

Revenues increased by 49.8% to \$55.1 million in the thirteen weeks ended September 28, 1997 ("Third Quarter 1997") from \$36.8 million in the thirteen weeks ended September 29, 1996 ("Third Quarter 1996"). The increase in revenues in Third Quarter 1997 compared to Third Quarter 1996 is primarily attributable to increased compensated resident days resulting from the opening of five facilities in the First Quarter of 1997 (South Bay Correctional Facility, South Bay, Florida in February 1997, Travis County Community Justice Center, Travis County, Texas in March 1997, Bayamon Regional Detention Center, Bayamon, Puerto Rico in March 1997, Queens Private Correctional Facility, Queens, New York in March 1997 and Fulham Correctional Center, Victoria, Australia in March 1997).

## WACKENHUT CORRECTIONS CORPORATION

The number of compensated resident days in domestic facilities increased to 1,156,912 in Third Quarter 1997 from 866,197 in Third Quarter 1996 and average facility occupancy in domestic facilities increased to 97.0% of capacity in Third Quarter 1997 compared to 96.6% in the same period in 1996. In addition, compensated resident days in Australian facilities increased to 162,158 from 109,848 for the comparable periods.

Operating expenses increased by 47.9% to \$45.6 million in Third Quarter 1997 compared to \$30.8 million in Third Quarter 1996, reflecting the operations of the five facilities that opened in First Quarter 1997.

Depreciation and amortization increased by 105.3% to \$1.9 million in Third Quarter 1997 from \$0.9 million in Third Quarter 1996. This increase represents deferred charge amortization attributable to the new facilities, in addition to depreciation associated with the purchase of two facilities.

Contribution from operations increased 51.2% to \$7.6 million in Third Quarter 1997 from \$5.0 million in Third Quarter 1996 due primarily to the operations of facilities opened during the First Quarter of 1997.

General and administrative expenses increased 34.0% to \$2.8 million in Third Quarter 1997 from \$2.1 million in Third Quarter 1996. This increase is attributable to increased business development activities in response to additional interest in the Corporation's services and infrastructure growth to support the Corporation's expanded operations.

Operating income increased by 63.3% to \$4.8 million in Third Quarter 1997 from \$2.9 million in Third Quarter 1996. As described above, the operations of newly opened facilities were the principal factors contributing to the increase in operating income during Third Quarter 1997.

Income before taxes and equity income increased by 45.2% to \$4.9 million in Third Quarter 1997 from \$3.4 million in Third Quarter 1996 due to the factors described above, offset by lower interest income resulting from a decrease in invested cash.

Provision for income taxes increased to \$1.9 million in Third Quarter 1997 from \$1.3 million in Third Quarter 1996 due to higher taxable income and a higher effective tax rate.

Equity income of affiliates decreased 35% to \$182,000 in Third Quarter 1997 from \$280,000 in Third Quarter 1996. This decrease is the result of the payment of management fees to the two joint venture partners beginning in the Fourth Quarter of 1996.

## WACKENHUT CORRECTIONS CORPORATION

COMPARISON OF THIRTY-NINE WEEKS ENDED SEPTEMBER 28, 1997 AND THIRTY-NINE WEEKS ENDED SEPTEMBER 29, 1996.

Revenues increased by 48.4% to \$147.8 million in the thirty-nine weeks ended September 28, 1997 ("First Nine Months 1997") from \$99.6 million in the thirty-nine weeks ended September 29, 1996 ("First Nine Months 1996"). The increase in revenues in First Nine Months 1997 compared to First Nine Months 1996 is primarily attributable to increased compensated resident days at: two facilities opened in the first half of 1996 (Willacy County Unit, Willacy County, Texas in January 1996, and Marshall County Correctional Facility, Marshall County, Mississippi in June 1996), one facility for which the Corporation assumed operational responsibility (Delaware County Prison, Delaware County, Pennsylvania in April 1996); and five facilities opened in the First Quarter of 1997 (South Bay Correctional Facility, South Bay, Florida in February 1997, Travis County Community Justice Center, Travis County, Texas in March 1997, Bayamon Regional Detention Center, Bayamon, Puerto Rico in March 1997, Queens Private Correctional Facility, Queens, New York in March 1997 and Fulham Correctional Center, Victoria, Australia in March 1997).

The number of compensated resident days in domestic facilities increased to 3,262,307 in First Nine Months 1997 from 2,255,492 in First Nine Months 1996 and average facility occupancy increased to 96.9% of capacity in First Nine Months of 1997 compared to 96.1% in 1996. In addition, compensated resident days in Australian facilities increased to 412,196 from 333,344 for the comparable periods.

Operating expenses increased by 46.5% to \$123.2 million in First Nine Months 1997 compared to \$84.1 million in First Nine Months 1996, reflecting the eight facilities that opened in 1996 and 1997, as described above.

Depreciation and amortization increased by 80.3% to \$4.6 million in the First Nine Months 1997 from \$2.6 million in the First Nine Months 1996. This increase represents deferred charge amortization attributable to the new facilities in addition to depreciation associated with the purchase of two facilities.

Contribution from operations increased by 54.1% to \$20.1 million in First Nine Months 1997 from \$13.0 million in First Nine Months 1996 due primarily to the opening of the South Bay Correctional Facility in February 1997, the openings of the Queens Private Correctional Facility, Travis County Community Justice Center and Fulham Correctional Center in March 1997, and a full nine months of operating results at the Marshall County Correctional Facility which opened in June 1996.

General and administrative expenses increased by 27.2% to \$8.2 million in First Nine Months 1997 from \$6.5 million in First Nine Months 1996. This increase is primarily attributable to increased business development activities in response to additional interest in the Corporation's services and infrastructure growth to support the Corporation's expanded operations.

Operating income increased by 80.5% to \$11.9 million in First Nine Months 1997 from \$6.6 million in First Nine Months 1996, primarily due to the operations of newly opened facilities, as described above.

## WACKENHUT CORRECTIONS CORPORATION

Income before taxes and equity income increased by 53.9% to \$12.8 million in First Nine Months 1997 from \$8.3 million in First Nine Months 1996 due to the factors described above, offset by lower interest income resulting from a decrease in invested cash.

Provision for income taxes increased to \$5.0 million in First Nine Months 1997 from \$3.1 million in First Nine Months 1996 due to higher taxable income and an increase in the Company's effective tax rate.

Equity income of affiliates increased 47% to \$679,000 for First Nine Months 1997 versus \$462,000 in First Nine Months 1996. The current year increase results from expansions at the H.M. Prison Doncaster, (Doncaster, England) in June 1996 and March 1997, and operations of two court escort contracts that commenced in May 1996.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

## WACKENHUT CORRECTIONS CORPORATION

## PART II - OTHER INFORMATION

## ITEM 1. LEGAL PROCEEDINGS

The nature of the Corporation's business results in claims or litigation against the Corporation for damages arising from the conduct of its employees or others.

Except for routine litigation incidental to the business of the Corporation, there are no pending material legal proceedings to which the Corporation or any of its subsidiaries is a party or to which any of their property is subject. The Corporation believes that the outcome of the proceedings to which it is currently a party will not have a material adverse effect upon its operations or financial condition.

## ITEM 2. CHANGES IN SECURITIES

Not applicable

## ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

## ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable

## ITEM 5. OTHER INFORMATION

Not applicable.

## ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits -

27 Financial Data Schedule (for SEC use only)

(b) Reports on Form 8-K - The Corporation did not file a Form 8-K during the third quarter of 1997.

WACKENHUT CORRECTIONS CORPORATION

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

November 12, 1997

/s/ JOHN G. O'ROURKE

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John G. O'Rourke  
Senior Vice President - Finance,  
Chief Financial Officer and Treasurer

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEET AT SEPTEMBER 28, 1997 AND THE CONSOLIDATED STATEMENT OF INCOME FOR THE FISCAL PERIOD ENDING SEPTEMBER 28, 1997.

1,000

9-MOS		
	DEC-28-1997	
	DEC-30-1996	
	SEP-28-1997	24,889
		0
		32,803
		0
		0
	65,055	32,790
		4,316
		124,149
	16,389	
		417
	0	
		0
		221
		96,698
124,149		0
	147,840	0
	127,765	
	0	
	0	
	0	
	12,809	
	5,001	
8,492		
	0	
	0	
		0
	8,492	
	.37	
	.37	