



ASHLEY ALMANZA,
Group Chief Executive Officer

INTEGRATED SOLUTIONS IN A CONNECTED WORLD

Our Secure Solutions business delivered underlying revenue growth of 3% and profit margins rose from 6.2% to 6.5% reflecting the benefits of commercial discipline, service innovation and productivity gains. As expected, this was offset by the effect of challenging trading conditions in a number of Cash Solutions markets and a strong comparative performance in Retail Cash Solutions in 2017. Overall, the Group delivered underlying earnings in line with the previous year.

Our sales wins in the second half of 2018 have underpinned a good start to the year and this, together with growing technology-enabled services in both our cash and security businesses, supports a positive outlook for 2019.

“Since 2013, underlying revenues have grown by 18% and Adjusted EPS by 56%, while we have generated operating cash flow of nearly £3 billion. The Group’s strong cash generation has enabled us to invest in technology and pay dividends of more than £850 million. At the same time, we have invested in the successful development of products and services for our customers and strengthened the Group’s balance sheet.

The Group is reviewing separation options for the Global Cash Division. We believe that a separation has the clear potential to enhance the focus and success of both the Secure Solutions and the Cash Solutions businesses and to unlock substantial shareholder value.”

STRATEGIC CONTEXT

Our customers operate in an increasingly connected world and this trend is set to continue driven by global investment in infrastructure, communications, technology and artificial intelligence and data applications. The rapid growth in connectivity brings substantial social and economic benefits. It also creates complex risks and threats for our customers and we continue to invest in the people, skills and technology needed to provide our customers with the industry-leading solutions that help them to operate safely, reliably and efficiently in a connected world.

Central to our customer value proposition is our understanding of our customers’ objectives and our assessment of their opportunities, risks and threats. Over the past five years we have invested in the skills and organisational capacity required to provide professional assessments that provide the foundation for the innovative solutions that we design and deliver in both Secure Solutions and Cash Solutions.

We believe that G4S has considerable competitive advantage in our increasingly connected world. G4S possesses the scale, resources and capabilities necessary to develop and deliver the innovative solutions needed by our customers, and our unique global market positions enable us to offer this to customers on a consistent basis across the globe. We are not complacent about our competitive advantage and have continued to invest in the people, skills and technology needed to be an industry leader and to offer and deliver an outstanding value proposition to our customers. I’m pleased to say that, despite tough trading conditions in 2018, these investments are delivering benefits for customers and shareholders

£7.3bn

Underlying revenue in 2018

546,000

Employees

90+

Countries of operation across six continents

STAKEHOLDER CONSIDERATIONS FOR THE SEPARATION REVIEW

In evaluating the rationale for the separation, the directors will consider the potential benefits to all stakeholders including customers, employees, shareholders and the communities in which we operate. We believe that separation would produce enhanced strategic, commercial and operational focus and that this has the potential to strengthen innovation, customer service and margins.

Our aim is to create two strong independent companies each being an exciting, rewarding and fulfilling business in which to work.

in many of our key markets. The board and executive team are excited by our plans to extend these services across the Group as a whole.

PROGRESS WITH THE GROUP'S TRANSFORMATION

The transformation programme we launched at the end of 2013 has continued to deliver substantial benefit in a number of important areas:

- **Values and Culture:** We have established and promoted simple and clear corporate values that build a culture based on Integrity, Respect, Safety, Security, Service Excellence, Innovation and Teamwork. Our regular management and employee engagement surveys show that employees positively identify with these G4S values (see page 6).
- **Health & Safety:** We have invested in people, training and systems and the Group's fatalities have significantly reduced over the past six years. Any fatality is one too many and zero harm remains our goal.
- **Focus:** The implementation of our portfolio programme has improved our strategic, commercial and operational focus and produced over £560 million proceeds.
- **Financial performance:** Since 2013 the Group's underlying revenues have increased by 18% and underlying earnings per share have increased by 56%.
- **Financial strength and dividends:** The balance sheet has been strengthened and £850 million in dividends have been paid to shareholders.
- **Innovation:** We have developed new products and services which integrate our security personnel, risk consulting, technology and data analysis to provide our customers with innovative, industry leading solutions that address their security or cash management needs. The Group's technology-enabled revenues have grown over the past six years to £2.8 billion for 2018. This is having a positive impact on our revenue mix, more than offsetting the effects of competition in manned security services.
- **Organisational capability:** We developed the strength and depth of organisational resource, capability and controls in each of Secure Solutions

and Cash Solutions that enabled us to create the Global Cash Division and to consolidate Secure Solutions into four regions in January 2018. This paved the way for the separation review that we announced in December 2018.

SEPARATION REVIEW

Following the establishment of our Global Cash Solutions division on 1 January 2018, the board announced in December 2018 that the company is reviewing options for the separation of the Cash Solutions business from the Group. The company has appointed accounting, legal, tax, financial and other advisors and is evaluating a wide range of separation options, both public and private, with the aim of maximising shareholder value, having due regard for the interests of customers, employees, pensioners, partners and other key stakeholders.

In parallel with the review, the company is taking steps to enable it to commence the process of separation in the second half of the year. A final decision on separation may be subject to approval by shareholders following a recommendation by the board. The date of a potential shareholder meeting is yet to be fixed and is subject to the timing and completion of a number of key work-streams. The company expects to provide a detailed update at the half year results in August.

In the event of separation, we believe that the successor security and cash management businesses will be very well positioned to sustain their leading market positions by investing in growth plans for their core products, services and solutions. The separation review will therefore include potential portfolio actions to further improve the focus and financial flexibility of the successor Groups in the event of separation.

Since announcing the separation review, the Group has received unsolicited expressions of interest in acquiring the Global Cash Solutions and/or Retail Cash Solutions businesses. Whilst all credible proposals will be evaluated by the board, no assurance can be provided at this stage that any of these expressions of interest will lead to a proposal or transaction and the Group will continue to vigorously pursue all strategic options.

SECURE SOLUTIONS – STRATEGY, PERFORMANCE AND OUTLOOK

STRATEGY:

Our purpose is to create sustainable value by delivering industry leading, technology-enabled security solutions and outstanding service for our customers.

Our Secure Solutions strategy addresses the positive, long-term demand for security services. We do this by designing and delivering industry leading security solutions including:

- Risk consulting.
- Premium on-site, mobile and remote security professionals.
- Investigations.
- Integrated security systems: design, build, operate and maintain.
- Monitoring and response security operations.
- Data analytics and pre-emptive & predictive security operations.

We operate in over 90 countries around the world, providing our customers with unmatched global coverage.

PERFORMANCE AND OUTLOOK

During 2018, our Secure Solutions business delivered organic revenue growth of 3.0%. Despite tightening labour supply and intense competition in manned security services in some geographies, our commercial discipline, productivity programmes, growing technology-enabled security revenues meant that we strengthened our Adjusted PBITA margin in all four regions and the overall Secure Solutions Adjusted PBITA margin rose from 6.2% to 6.5%.

CASH SOLUTIONS – STRATEGY, PERFORMANCE AND OUTLOOK

STRATEGY:

Our strategy is to provide industry leading software, hardware, systems and services that improve the security, control and efficiency of our customers' cash management. We deliver services including:

- Cash Technology services comprising:
 - Cash technology focused on the efficient management of cash, including Retail Cash Solutions, the leading software and service solution for large retail formats in North America.
 - Deposita, CASH360 and G4S Pay solutions for medium and small retail formats.
 - Bank process automation.
- Conventional Cash services including Cash in transit (CIT), cash processing and automated teller machine (ATM) services.

In order to achieve economies of scale, we have built number one or number two positions in 41 of the 44 countries in which we operate. In all of these markets, a very large share of the overall cash handling and cash management market remains in the hands of banks, retailers and other businesses whose primary function is not cash handling. We believe that these banks and businesses will continue to outsource cash management services to G4S.

Our improving unit economics, the strength of our market positions and our innovative cash and payment technology give us confidence that G4S Cash Solutions is well positioned to play a leading role in the next wave of cash management outsourcing. We have a market leading position in the large retailer segment in the United States and we are one of the market leaders globally in the small and mid-size business market segments.

Our technology is delivering significant savings for our customers and provides a valuable higher margin annuity revenue stream for G4S. Market penetration is low at this stage and we therefore see substantial potential for further growth. Indeed we believe that our cash technology services have the clear potential to produce profits greater than the profits from the Group's conventional cash services in the medium term.

PERFORMANCE AND OUTLOOK

During 2018, we continued to experience very good demand for our cash solutions technology and the number of bank and business locations that we serve grew from 19,800 locations to 23,300 locations. In North America, our operational scale grew in Retail Cash Solutions, resulting in our Adjusted PBITA margin growing to c.15% (2017: 11%) for this business.

In 2017, the Retail Cash Solutions business posted very strong revenue growth as we mobilised a large cash technology and services contract in North America. Whilst we had a number of significant contract wins in 2018, we did not have a similar mobilisation to that in 2017, leading to a reduction in Cash Solutions revenues of 9.3%. Adjusted PBITA fell by 17.1% reflecting the impact of ATM and bank branch closures in a number of markets and higher security costs in Africa (principally South Africa), partially offset by a £5 million benefit from the early completion of a bullion centre contract in the UK. Excluding Retail Cash Solutions, Cash Solutions revenues grew by 0.5%.

With the trends highlighted above, we believe good growth opportunities exist in all of our markets where we possess the infrastructure, technology, licenses and track record of reliable and efficient delivery, for banks and retailers to outsource more of their cash management activity to G4S. In addition, we expect our network and operational efficiency programmes to be accretive to profits through 2019 and 2020.

GROUP – PERFORMANCE AND OUTLOOK

PERFORMANCE

Underlying results

Group revenues increased 1.1% and Adjusted PBITA was in line with the prior year at £474 million.

The Group's adjusted earnings per share was unchanged at 16.7 pence per share. Operating cash flow in 2018 was 96% of Adjusted PBITA (2017:107%). The Group's net debt to Adjusted EBITDA at the year end was 2.7x (2017: 2.4x).

Statutory results

Revenue declined by 4.0% and earnings per share was down by 65.4%. In January 2019, we announced that we had reached settlement of a class action suit relating to claims for meal and rest breaks under California law, covering approximately 13,500 employees over the period 2001 and 2010. A provision and specific item for £100 million addressing the California claim has been reflected in the 2018 results. The cash outflow in respect of the settlement is expected to be made in the second half of 2019.

The Group has continuously updated its standard operating procedures in California and there are no other significant labour claims in California or elsewhere in the United States. A more detailed review of the statutory results can be found on page 44, and a reconciliation to underlying results is provided on page 50.

OUTLOOK

Our sales wins in the second half of 2018 have underpinned a good start to 2019. Our growing technology-enabled services in both our cash and security businesses, support the Group's positive outlook.

We believe the potential separation of the Cash Solutions business could provide G4S with the strategic, commercial and operational focus needed for the next stage of successful development of both the Cash Solutions and the Secure Solutions businesses. Combining technology with our established security offerings is strengthening our sales mix and contract retention, whilst the rapid development of our cash technology business has the clear potential to deliver profits greater than the global profits of our traditional cash business in the medium term.

Our business plan reflects our commitment to remain soundly financed with operating cash flow conversion of more than 100% of Adjusted PBITA and net debt to EBITDA of below 2.5x in the medium term. Priorities for excess cash will be investment, dividends and, in the near term, further leverage reduction.

The board has proposed to maintain the final dividend at 6.11p (DK 0.5321). Our policy is to increase the dividend in line with the long-term growth in earnings.

CUSTOMERS AND EMPLOYEES

Our customers and our colleagues are at the core of G4S. I would like to thank our customers for continuing to place their trust in G4S and to pay tribute to our 546,000 colleagues who serve our customers every day.

ASHLEY ALMANZA
Group Chief Executive Officer