Securing Your World

13 March 2013

G4S plc
Preliminary results announcement for the year ended 31 December 2012

Developing markets, outsourcing trends and an on-going focus on business improvement has continued to drive underlying growth despite challenging economic environment

	2012	Change	2011**
Turnover – total	£7,501m	+10.4%	£6,797m
Turnover - excluding Olympics*	**£7,297m**	**+8.1%**	**£6,750m**
Organic growth*	**+6.9%**		
PBITA*- excluding Olympics***	**£516m**	**+6.0%**	**£487m**
Operating margin*	**7.1%**		**7.2%**
Adjusted EPS	**21.2p**	**+3.4%**	**20.5p**
EPS attributable to equity shareholders of G4S plc ****	3.4p		12.9p
Recommended total dividend per share	**8.96p**	**5%**	**8.53p**
Cash conversion*	**95%**		**84%**

* excluding Olympic and Paralympic Games contract revenue of £204m (2011:£47m) and PBITA of £nil (2011:£3m)
**at constant exchange rates and adjusted for discontinued businesses
*** PBITA is defined as profit before interest, taxation, amortisation of acquisition-related intangible assets, acquisition-related costs and exceptional items
**** this includes exceptional items of £88m related to the Olympic Games contract, £45m of restructuring costs and a £63m loss related to discontinued operations. For a full reconciliation please see p.23

Underlying sales up 8.1% and improved organic growth of c.7%. Adjusted EPS 21.2p (excluding the Olympic Games contract)

- Organic growth of 10% in developing markets with revenue of £2,387m (33% of group total and targeting 50% by 2019)
- Group PBITA margin of 7.1%
- Commenced new contracts of c.£200m annual value with the UK government in 2012
- Vanguarda, Brazil acquisition announced in September performing in line with expectations
- Olympic Games contract loss of £70m and related costs of £18m result in exceptional loss of £88m
- Following a strategic review, G4S' US Government Solutions business classified as held for sale
- Achieved annual cash conversion of 95%, exceeding target of 85%
- Based on the positive organic growth outlook, the recommended full year dividend has been increased by 5% to 8.96p

Continued focus on business improvement

- Service excellence centres have been established for core services: manned security and cash solutions – part of a programme to support gross margins and profit improvement initiatives
- Restructuring led to £35m annualised savings, with related costs of £45m which have been taken as an exceptional item, a large proportion of which relates to Continental Europe and restructuring of the technology businesses in the Americas region

Security remains core to global strategy and continues to provide growth opportunities

- Strong global contract pipeline of £3.5bn per annum across a diverse range of sectors

Nick Buckles, Chief Executive Officer, commented:

Our 2012 financial results reflect the significant exceptional costs associated with the Olympic contract and our overhead reduction programme together with the large impairment charge related to the discontinued US Government Solutions business.

Despite these issues, the underlying business has performed well in 2012 with an acceleration in organic turnover growth to 7% and with margins holding at over 7%. The acceleration in organic growth was due largely to a number of new North American commercial and UK government contracts and continued strong growth in developing markets and was achieved despite continued economic challenges in Europe.

Our developing markets business now accounts for a third of group revenues and continues to grow strongly and our recent acquisitions in Brazil, Vanguarda and Interativa, are performing well.

The breadth of our portfolio in over 125 countries continues to present many new growth opportunities and we continue to see good opportunities for outsourcing in key sectors such as government, financial institutions, aviation, oil and gas, mining and ports. Our market leading businesses, broad customer base and £3.5bn per annum contract pipeline give us confidence in the outlook for the group.

For further enquiries, please contact: +44 (0) 1293 554400

Nick Buckles	Chief Executive Officer
Trevor Dighton	Chief Financial Officer
Helen Parris	Director of Investor Relations

Media enquiries:

Adam Mynott	Director of Media Relations	+44 (0) 1293 554400
David Allchurch/Ed Orlebar	Tulchan Group	+44 (0) 20 7353 4200

High resolution images are available for the media to view and download free of charge from www.vismedia.co.uk.

Notes to Editors:

G4S is the world's leading international secure outsourcing solutions group, which specialises in outsourced business processes and facilities in sectors where security and safety risks are considered a strategic threat.

G4S is the largest employer quoted on the London Stock Exchange and has a secondary stock exchange listing in Copenhagen. G4S has operations in more than 125 countries and 620,000 employees. For more information on G4S, visit www.g4s.com.

Presentation of Results:

A presentation to investors and analysts is taking place today at 0900hrs at the London Stock Exchange.

Webcast

http://view-w.tv/p/707-803-12486/en

Telephone Dial-in Facility
The details for the telephone dial-in facility are as follows:-

Dial In Numbers
Standard International Access +44 (0) 20 3003 2666-
UK Toll Free 0808 109 0700
USA Toll Free 1 866 966 5335
Denmark Toll Free 8088 8649
Password: G4S

Replay Details
To listen to a replay of the presentation which will be available for 7 days after the event, here are the details:
Standard International Access +44 (0) 20 8196 1998
UK Toll Free 0800 633 8453
USA Toll Free 1 866 583 1035
Denmark Toll Free 8088 7109
Access PIN: 8952850

Annual Report & Accounts
The company's annual report and accounts is due to be published week commencing 15 April 2013

Capital Markets Day
G4S will hold a Capital Markets Day in London on 21 May 2013

Annual General Meeting
The company's annual general meeting will be held in London on 6 June 2013

FINANCIAL SUMMARY

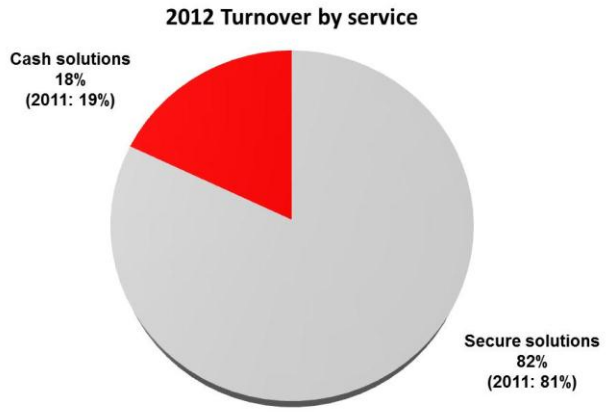
Results

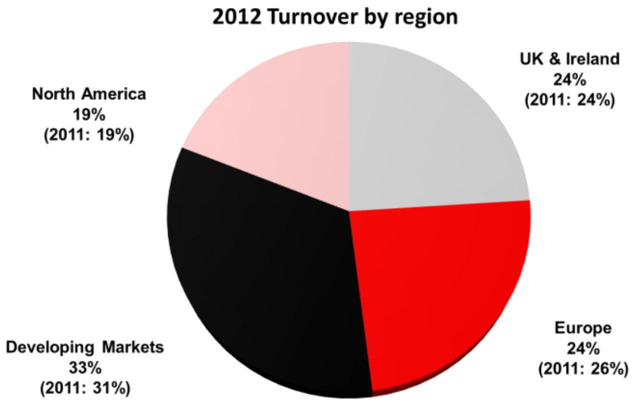
The results which follow have been prepared under International Financial Reporting Standards, as adopted by the European Union (adopted IFRSs). The revenue from the Olympic Games contract has been excluded from the tables on pages 4 to 14 unless otherwise stated. The contract loss and additional costs resulted in a total loss of £88m which was booked as an exceptional item.

Group Turnover

Turnover of Continuing Businesses	2012 £m	2011 £m
Turnover at constant exchange rates excluding Olympic Games contract	7,297	6,750
Exchange difference	-	169
Olympic Games contract	204	47
Total continuing business turnover	7,501	6,966

Turnover increased by 5.5% to £7,297 million or by 8.1% at constant exchange rates. Organic turnover growth was 6.9%.





Organic Turnover Growth incl Olympic Games contract *	Europe	North America	Developed Markets	Developing Markets	Total
Secure solutions	11%	11%	11%	10%	10%
Cash solutions	-1%	8%	0%	10%	3%
Total	8%	11%	9%	10%	9%

** Calculated to exclude acquisitions and disposals, and at constant exchange rates*

Organic Turnover Growth excl Olympic Games contract *	Europe	North America	Developed Markets	Developing Markets	Total
Secure solutions	5%	11%	7%	10%	8%
Cash solutions	-1%	8%	0%	10%	3%
Total	4%	11%	6%	10%	7%

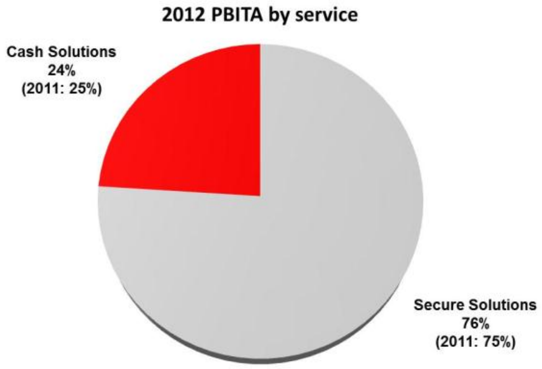
** Calculated to exclude acquisitions and disposals, and at constant exchange rates*

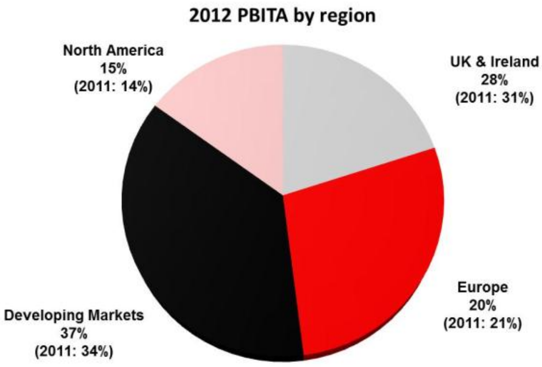
Group Profit

PBITA * of Continuing Businesses	**2012** **£m**	**2011** **£m**
PBITA at constant exchange rates excluding Olympic Games contract	516	487
Exchange difference	-	12
Olympic Games contract	-	3
Total continuing business PBITA	516	502
PBITA margin at constant exchange rates excluding Olympic Games contract	7.1%	7.2%

** PBITA is defined as profit before interest, taxation, amortisation of acquisition-related intangible assets, acquisition-related costs and exceptional items*

PBITA was £516 million up 6.0% at constant exchange rates excluding the Olympic Games contract and up 2.8% in total at actual rates. The PBITA margin was 7.1%.





Cash Flow and Financing

Cash Flow	**2012** **£m**	**2011** **£m**
Operating cash flow	492	421
Operating cash flow / PBITA (excluding associates)	95%	84%

Operating cash flow, excluding the Olympics contract, as analysed on page 25, was £492 million in the period, representing 95% of PBITA. This exceeded our target of 85% through continual analysis of all aspects of the operating cash cycle to improve cash collections. Net cash invested in current year acquistions was £93 million. Net debt at the end of the period, as analysed on page 24, was £1,802 million (December 2012: £1,616 million) which was impacted by an Olympic Games related receivable of £75 million which was received in February 2013.

Adjusted earnings per share

Adjusted earnings per share	2012 excluding Olympics £m	2011 excluding Olympics at constant exchange rates £m	2011 £m
PBITA from continuing operations	516	487	502
Interest (before pensions)	(104)	(94)	(95)
Tax (before pensions interest)	(92)	(88)	(91)
Minorities	(22)	(17)	(17)
Adjusted profit attributable to shareholders	298	288	299
Average number of shares (m)	1,403	1,405	1,405
Adjusted EPS (p)	21.2	20.5	21.3

Adjusted earnings per share, reconciled to basic earnings per share on page 23, increased by 3.4% at constant exchange rates and remained broadly unchanged at actual exchange rates.

EXCEPTIONAL ITEMS

London 2012 Games Security Contract
In February 2013, the group announced that it had agreed a financial settlement with the London Organising Committee of the Olympic and Paralympic Games in respect of the provision of the security workforce for the London 2012 Olympic and Paralympic Games. The terms of the settlement meant that the group incurred an overall loss on the contract of approximately £70 million, additional costs mainly relating to charitable donations and external fees of £11 million, and further sponsorship and marketing costs of £7 million, all of which were taken as an exceptional charge in 2012.

Restructuring Costs
During 2012 the group undertook a detailed review of the overhead structure across all reporting levels and geographies in order to maximise efficiency and eliminate duplication. Restructuring generated a headcount reduction of over 1,500 positions. This resulted in an exceptional cost of £45 million in the year as follows:

	Headcount reduction	People costs £m	Other Costs £m	Total Costs £m
UK	58	3	0	3
Continental Europe	257	12	8	20
North America	132	4	0	4
Developing Markets	1,019	10	3	13
Head Office	48	2	3	5
Total	1,514	31	14	45

This restructuring will result in annualised cost savings of around £35 million, whilst an additional £10 million has been invested in the Service Excellence Centres and in sales and marketing. The group plans to achieve further cost savings in the medium-term through procurement efficiencies and business process redesign.

Discontinued businesses
Following a strategic review, the group has decided to divest its US Government Solutions business to a parent able to add or create more value than we are able to, being a non-US parent with restricted access to important commercial data and limited ability to manage the business and share best practice. Related turnover of £468 million (2011: £542 million) and PBITA of £9 million (2011: £20 million) have been classified as discontinued and the sale is expected to complete in the next six months. The business' assets have been written down by £35 million to their estimated recoverable value. Other businesses classified as discontinued include the Swedish cash solutions business, a justice services business in the US and the businesses in Poland, all of which have been sold in the year.

Secure solutions

* At constant exchange rates	Turnover £m		PBITA £m		Margins		Organic Growth
	2012	2011	2012	2011	2012	2011	2012
Europe *	2,705	2,583	190	192	7.0%	7.4%	5%
North America *	1,311	1,182	76	73	5.8%	6.2%	11%
Developing Markets *	1,991	1,733	152	132	7.6%	7.6%	10%
Total secure solutions *	6,007	5,498	418	397	7.0%	7.2%	8%
Exchange differences	-	127	-	8			
At actual exchange rates	6,007	5,625	418	405			

The secure solutions business performed well in the year with excellent organic growth of 8%, assisted by strong UK government, US commercial and developing markets growth. Margins were down slightly at 7.0% due to the effect of UK government contract phasing.

Europe

* At constant exchange rates	Turnover £m		PBITA £m		Margins		Organic Growth
	2012	2011	2012	2011	2012	2011	2012
UK & Ireland *	1,312	1,200	115	116	8.8%	9.7%	8%
Continental Europe *	1,393	1,383	75	76	5.4%	5.5%	2%
Total Europe *	2,705	2,583	190	192	7.0%	7.4%	5%

Organic growth in **Europe** was 5% and margins were down slightly at 7.0% due to the effect of UK government contract phasing.

There was excellent organic growth of 8% in the **UK & Ireland** with the main growth drivers being the integrated services business, which provides facilities services to UK government and a growing number of commercial organisations, and the utilities services business which is consolidating its position as a leading meter reading and smart meter installation business.

Organic growth in the UK government sector was 13% and included major contract wins and extensions such as:

- Total facilities management for the Ministry of Justice at more than 340 court buildings across the Midlands, Wales and the North of England which was mobilised in February 2012.

- The provision of transport and accommodation for asylum applicants for the UK Border Agency for two regions - the Midlands and the East of England and the North East, Yorkshire and Humberside which completed the transition from previous suppliers in December. This is a significant achievement as it was a complex mobilisation involving multiple stakeholders.

- Outsourcing services for Lincolnshire Police – the first contract of its kind to be awarded by a British Police Authority. This contract mobilised in April 2012 and the transition has gone extremely smoothly with excellent service delivery and will result in savings of £28m over ten years as well as enabling investment in new technologies. The Lincolnshire contract includes a framework agreement for ten other police forces and G4S is continuing to have discussions with a number of police forces regarding similar outsourcing propositions.

- The opening and on-going management of the newest and one of the largest prisons in the UK, HMP Oakwood which opened in April 2012 and which now holds over 1,200 prisoners.

G4S has been selected by the Department of Work & Pensions to join only a handful of companies eligible to compete to deliver contact centre services across the UK. In addition, a five year contract to provide electronic monitoring in Scotland starts in April this year and G4S was recently granted a two year extension on the Medway Youth Training Centre contract until March 2015. G4S Integrated Services has been awarded its largest FM contract in the healthcare sector for the Pennine Acute Hospitals NHS Trust in Greater Manchester and the Care & Justice Services business was awarded a contract to supply electronic monitoring equipment to the Ministry of Justice in **France.** The pipeline of UK government outsourcing opportunities remains strong, particularly in areas such as rehabilitation, facilities management, police and health sectors.

The UK commercial business was awarded extensions to contracts with major corporates such as British Airways and Shell, the latter having awarded contracts at 50 additional sites in seven new countries in 2012. G4S Utility Services also won a number of significant smart meter installation and data management contracts for British Gas and other major utility providers. The pipeline of new major commercial contracts remains strong in the UK, particularly within the media and financial sectors.

Trading conditions in **Ireland** remained challenging in 2012; however the bidding pipeline, especially in the area of security systems, looks encouraging for the remainder of the year.

The **Continental Europe** region performed reasonably against an uncertain economic backdrop. Overall organic growth was 2%. The European parliament contract in **Belgium** ended in May 2012 but G4S **Luxembourg** was successful in winning the security contract for the European parliament in Luxembourg in April 2012. Margins were down slightly due to challenging economic conditions throughout the region. To counteract this, a number of efficiency initiatives were implemented which reduced direct and overhead employee headcount numbers by around 250, alongside a number of location closures throughout Europe. This will help support margins in Europe over the next 18 months.

Revenues for the security systems business, which accounts for around 20% of Continental European secure solutions revenues, were similar to the prior year.

There were some notable strong performances in the region - in **Sweden**, G4S won a secure solutions contract with AB Volvo from April 2012 for three years and the security systems business grew strongly. In addition there were contract wins in **Belgium, Norway, Finland, Austria** and **Denmark** for customers in government, retail, transportation and telecoms sectors. The business in **Greece** has performed well despite the challenges of the economic crisis and several new contracts have started recently with organisations such as the US Embassy and Hellenic Petroleum.

Organic growth in most **Eastern European** markets has now stabilised to the low single-digit level overall, but there have been declines in **Hungary** and the **Czech Republic** offset by excellent growth in **Ukraine** and **Uzbekistan**. A significant contract has been won with a major steel manufacturer in **Ukraine** and contracts have also been won recently in **Slovakia** for companies in sectors such as manufacturing, electronics and retail. The group divested its businesses in **Poland** in September.

North America

* At constant exchange rates	Turnover £m		PBITA £m		Margins		Organic Growth
	2012	2011	2012	2011	2012	2011	2012
North America *	1,311	1,182	76	73	5.8%	6.2%	11%

Organic growth in **North America** was strong at 11%, assisted by a strong performance in the US commercial business and the start-up of the CATSA aviation contract in Canada. Margins were lower compared to the prior year due to a decline in major infrastructure system projects. The US security systems business worked on a number of systems integration projects for Tampa Airport, Iberdrola, and the Port of Tacoma and has a record order book representing more than 12 months' work in hand.

In the **United States** the commercial sector had its strongest year on record with a continuing positive outlook and a strong visible sales pipeline. Recent contract awards have been in the technology, healthcare, distribution, chemical, manufacturing and retail sectors. G4S commenced the provision of security solutions for a major automotive company from January 2012 valued at $70 million per annum for three years. The group's largest commercial contract with Bank of America was extended until 2014 and G4S North America has been awarded a secure solutions contract with Google for some of its locations in the United States and data centres in Belgium and Finland.

Additional examples of major contract awards include: worldwide security services for GE - building on a long-standing service relationship - and compliance and investigations services for Gallagher Bassett, where G4S will staff and manage the Special Investigations Unit responsible for investigating fraudulent workers' compensation claims.

The group has already taken steps to mitigate the cost impact of the Patient Protection and Affordable Care Act (PPACA) during 2013 and is evaluating the most effective way to mitigate the increase to the cost base thereafter. Most of the health plans currently provided to G4S employees already meet the current requirements of the PPACA and so it is not expected to have a significant impact on US margins.

2012 was a challenging year for the group's US Government Solutions business as a result of a significant reduction in US federal government spending in both the US domestic government sector and in contracts for overseas landmine clearance. The group has announced it has decided to divest the business to a parent able to add or create more value than G4S is able to, being a foreign parent with limited control over the operations of the business and restricted access to the data required to run the business successfully.

In **Canada**, the organic growth rate was more than 30% driven mainly by the CATSA aviation security contract which started on 1 November 2011. The contract is for security at 21 airports in the Pacific region of Canada and has expected revenue of more than CAD$ 400 million over the initial five-year term.

Developing Markets

* At constant exchange rates	Turnover £m		PBITA £m		Margins		Organic Growth
	2012	2011	2012	2011	2012	2011	2012
Asia *	671	615	39	34	5.8%	5.5%	9%
Middle East *	381	371	33	31	8.7%	8.4%	5%
Africa *	357	326	29	31	8.1%	9.5%	9%
Latin America & Caribbean *	582	421	51	36	8.8%	8.6%	14%
Total Developing Markets *	1,991	1,733	152	132	7.6%	7.6%	10%

In **Developing Markets**, revenue growth was 15% and organic growth was excellent at 10% with margins maintained overall.

Organic growth in **Asia** was 9% and margins were up from 5.5% to 5.8% due to improved business performance in a number of countries. There was strong organic revenue growth in **Thailand, Philippines, China** and **Indonesia**. The business in **India**, the largest market in the region for the group, has refocused its activity on high growth, higher margin contracts and achieved a good performance with double-digit revenue growth and strongly improved margins. The group exited **Pakistan** during October 2012.

A manned security contract with the United Nations in **Papua New Guinea** started in August. There was modest revenue growth in **Australia** with recent wins including DP World and Bechtel and a new immigration contract offsetting the loss of the Western Australia prisoner transportation contract and there is positive growth momentum in Australia going into 2013. The offender monitoring contract in **New Zealand** was extended to the end of 2013.

In the **Middle East**, organic growth was 5% helped by double-digit growth rates in **Lebanon** and **Egypt** but was offset by weakness in some systems businesses in the region. Margins improved compared to the prior year due to one-off government legislated payments made in **Saudi Arabia** in H1 2011. Recent contract wins include an electronic monitoring contract in **Saudi Arabia** and in **UAE** for the Abu Dhabi Educational Council and Dubai Airport. The group exited the US Embassy contract in Kabul, **Afghanistan** in July.

Africa performed strongly with organic growth of 9% particularly in **Kenya**, **Morocco** and **DRC**. Margins were lower at 8.1%, due to contract losses in **Nigeria** however the business appears to have stabilised there. New contracts won or renewed are mainly in key strategic sectors such as automotive, aviation, mining, oil and gas and foreign embassies, including the US embassy in the **Ivory Coast**. The current bidding pipeline in Africa is very strong – particularly in financial services, mining and embassies, with increasing numbers of both multi-country, pan-African and larger scale bids.

The **Latin America and Caribbean** region has performed well with organic growth of 14% and improved margins as a result of strong performances across most countries. There have also been a number of strategic contract wins, for example in the financial services, government, mining and oil and gas sectors. In September, the group announced it had extended its presence in **Brazil** significantly with the acquisition of Vanguarda, a leading security solutions provider which provides G4S with a manned security licence in Brazil. The group was also successful in bidding for security systems contracts in Brazil, winning a significant contract with Telebras and a contract for the Manaus football stadium.

Cash Solutions

* At constant exchange rates	Turnover £m		PBITA £m		Margins		Organic Growth
	2012	2011	2012	2011	2012	2011	2012
Europe *	780	785	78	83	10.0%	10.6%	-1%
North America *	114	106	5	2	4.4%	1.9%	8%
Developing Markets *	396	361	52	47	13.1%	13.0%	10%
Total Cash Solutions *	1,290	1,252	135	132	10.5%	10.5%	3%
Exchange differences	-	42	-	5			
At actual exchange rates	1,290	1,294	135	137			

The cash solutions business delivered a solid performance overall with organic revenue growth of 3% despite the continuation of low interest rates having a negative impact on developed markets growth opportunities. Overall margins were maintained at 10.5%, with improvements in North America and developing markets margins offset by the impact of contract phasing in Europe.

Organic growth in **Europe** declined by 1%. In the **UK & Ireland**, revenues declined by 1% as a result of the loss of two ATM contracts in the middle of 2011 which also impacted margins. Performance began to improve towards the end of the year as three major new contracts commenced and as a result of a cost reduction programme in Ireland. The new contracts are for financial institutions providing outsourcing of cash processing, cash machine replenishment and engineering at bank branches and remote sites. The engineering is provided on a full 24/7 basis – an industry first.

Outside the UK, margins improved through strong underlying business performance and cost cutting measures. In **Sweden**, the cash solutions business was sold in February 2012. Elsewhere in Continental Europe, organic growth was positive, helped by product development in the **Netherlands**, strong performances across all services in **Belgium** and productivity improvements in **Finland**. **Serbia** achieved double-digit growth.

In **North America**, the performance of the cash solutions business in **Canada** was improved through stronger alignment in key sectors with the Canadian secure solutions business in the first half of 2012. This has resulted in contract awards and extensions with key customers in the retail and financial services sectors.

Organic growth in **Developing Markets** was good at 10% and margins improved slightly overall due mainly to an improved performance in the Middle East cash solutions businesses. In particular the businesses in **Saudi Arabia** and **UAE** achieved an improved performance and excellent growth. Strong margins were achieved in **Hong Kong**, aided by successfully negotiating price increases with a number of key customers. In **Ecuador**, three leading financial institutions - Banco Bolivariano, Banco Internacional and Produbanco - have selected G4S to provide cash-in-transit services to more than 250 bank branches around the country. With services set to begin in May 2013, the seven year contract has an overall value of £26m. In **South Africa**, in January 2013 G4S acquired Deposita the South African market leader in cash devices and related cash-in-transit, cash processing and insurance services for the retail sector. The Deposita technology will broaden the G4S Cash360 technology offering, especially in other developing markets.

OUTLOOK

The group expects the outlook for Continental European markets to continue to be challenged by the economic environment, despite the proactive measures the group has taken through the cost reduction exercise.

The North American commercial and UK government businesses performed extremely strongly in 2012 and although the outlook is still very positive, it will be difficult to maintain such high growth going into 2013. Developing markets (which now represent 33% of group revenues and 37% of group profits) continue to perform well and the group expects strong double-digit growth in developing markets in 2013.

Developing markets growth, investment in key sector expertise and outsourcing trends continue to be key business growth drivers and so, overall, the group expects to see good continuing organic growth and margins to be maintained. The breadth of the group's portfolio in 125 countries continues to present many new growth opportunities; market leading businesses in many countries, a broad customer base and the current £3.5 billion per annum contract pipeline provide confidence in the outlook for the group.

OTHER FINANCIAL ISSUES

Acquisitions and divestments

The group invested a total net amount of £93 million in 2012 in acquisitions, with the main acquisition being **Vanguarda**, a leading Brazilian security company. Other acquisitions included safety and fire training consultancies in the Netherlands, Belgium and Ireland.

During 2012, G4S disposed of its Swedish cash solutions business and a loss making electronic monitoring business in the US.

Following a strategic review, the group has decided to divest its US Government Solutions business to a parent able to add or create more value than we are able to, being a non-US parent with restricted access to important commercial data and limited ability to manage the business and share best practice. The sale is expected to complete during 2013 and the business has been classified as discontinued in the 2012 results.

The group's acquisition strategy will continue to focus on niche opportunities which will both help to deliver our strategic objectives and meet our financial performance criteria. We prioritise acquisitions that:

- build market share in key countries
- drive organic growth
- access key sectors where security and safety are a strategic threat
- introduce or build new service lines such as facilities management in the UK and risk consulting internationally
- access key geographic markets

The group expects to invest up to £200 million in acquisitions in 2013 and will continue to be active in its divestment strategy where businesses are not in line with the group's strategy or where an alternative parent could add or drive more value from a business.

Financing and interest

The group has a prudent approach to its balance sheet whilst maintaining the flexibility to pursue acquisitions when appropriate. G4S has had an investment grade rating since March 2009 when Standard & Poor's assessed the group BBB Stable. However, subsequent to the G4S Olympic contract announcement on 13 July 2012 and the G4S plc board review in September, Standard & Poor's revised the rating to BBB- Stable in November. The group's objective is to manage its business and finances so that it continues as an investment grade entity and to continue to maintain a net debt to EBITDA ratio of around 2 to 2.5 times. The group is currently well financed, has a diverse range of finance providers and the maturity profile is long term. Borrowings are principally in pounds sterling, US dollars and euros reflecting the geographies of significant operational assets and profits.

As at 31 December 2012, net debt was £1,802 million and our headroom was £856 million. The group has sufficient borrowing capacity to finance its current investment plans.

Net interest payable on net debt was £101 million. This is a net increase of 2% over the 2011 cost of £99 million, due principally to the increase in the group's net debt.

The average cost of gross borrowings during the year, net of interest rate hedging, was 4.3% compared to 4.9% in 2011.

Taxation

The effective tax rate for the year on adjusted earnings was 22%, consistent with 2011. The cash tax rate is 22.9% compared to 18.5% in 2011. Our target is to maintain the effective tax rate at the current level.

Retirement benefit obligations

The group's funding shortfall on funded defined retirement benefit schemes, on the valuation basis specified in IAS19 Employee Benefits, was £436 million before tax or £335 million after tax (31 December 2011: £295 million and £212 million respectively). The main scheme is in the UK. The latest completed full actuarial valuations were undertaken as at 5 April 2009 in respect of all three sections of the UK scheme. The valuations as at 5 April 2012 are currently in progress. However, all actuarial assumptions were reviewed and updated as at 31 December 2012.

The net pension obligation has increased significantly since 31 December 2011 mainly due to the actuarial loss in the period arising from the financial environment and the resulting low interest rates applicable for discounting the liabilities. The discount rate used to calculate the obligation has decreased to 4.5%, compared to 5.0% used at 31 December 2011. Additional company contributions of £37 million were paid into the schemes during 2012.

We believe that, over the very long term in which retirement benefits become payable, investment returns should eliminate the deficit reported in the schemes in respect of past service liabilities. However, in recognition of the regulatory obligations upon pension fund trustees to address reported deficits, the group's deficit recovery plan will see cash contributions made to the scheme of approximately £38 million in 2013 with annual increments thereafter still subject to negotiation.

Dividend

The board recommends a final dividend of 5.54p per share (DKK 0.4730). This represents an increase of 8% on the final dividend for 2011. The interim dividend was 3.42p per share (DKK 0.3220) and the total dividend, if approved, will be 8.96p per share (DKK 0.7950), representing an increase of 5% on the total dividend for 2011.

The group expects to continue to increase dividends broadly in line with normalised adjusted earnings.

13 March 2013

Consolidated income statement
For the year ended 31 December 2012

	Notes	2012 Ex. Olympics £m	2012 Olympics £m	2012 Total £m	2011 £m
Continuing operations					
Revenue	2	7,297	204	7,501	6,966
Profit from operations before amortisation and impairment of acquisition-related intangible assets and exceptional items (PBITA)	2	516	-	516	502
Amortisation and impairment of acquisition-related intangible assets		(86)	-	(86)	(96)
Acquisition-related expenses		(7)	-	(7)	(2)
Exceptional items:					
Loss on Olympics contract		-	(70)	(70)	-
Other costs on Olympics		-	(11)	(11)	-
Sponsorships costs on Olympics		-	(7)	(7)	-
Restructuring costs		(45)	-	(45)	-
Aborted acquisition and legal costs		-	-	-	(55)
		(45)	(88)	(133)	(55)
Profit from operations before interest and taxation (PBIT)	2,3	378	(88)	290	349
Finance income	6	94	-	94	111
Finance costs	7	(206)	(3)	(209)	(203)
Profit before taxation (PBT)		266	(91)	175	257
Taxation:					
Before amortisation and impairment of acquisition-related intangible assets and exceptional items				(90)	(92)
On amortisation and impairment of acquisition-related intangible assets				25	25
On acquisition-related expenses				2	1
On exceptional items				21	13
				(42)	(53)
Profit after taxation				133	204
Loss from discontinued operations	4			(63)	(6)
Profit for the year				70	198
Attributable to:					
Equity holders of the parent				48	181
Non-controlling interests				22	17
Profit for the year				70	198
Earnings per share attributable to equity shareholders of the parent	10				
For profit from continuing operations:					
Basic and diluted				7.9p	13.3p
For profit from continuing and discontinued operations:					
Basic and diluted				3.4p	12.9p
Dividends declared and proposed in respect of the year	9				
Interim dividend of 3.42p per share (2011:3.42p)				48	48
Final dividend of 5.54p per share (2011: 5.11p)				78	72
Total dividend of 8.96p per share (2011: 8.53p)				126	120

Consolidated statement of comprehensive income

For the year ended 31 December 2012

	2012	2011
	£m	£m
Profit for the year	**70**	198
Other comprehensive income		
Exchange differences on translation of foreign operations	**(95)**	(65)
Change in fair value of net investment hedging financial instruments	**(4)**	-
Change in fair value of cash flow hedging financial instruments	**(6)**	8
Actuarial losses on defined retirement benefit schemes	**(177)**	(73)
Tax on items taken directly to equity	**37**	9
Other comprehensive income, net of tax	**(245)**	(121)
Total comprehensive income for the year	**(175)**	77
Attributable to:		
Equity holders of the parent	**(194)**	62
Non-controlling interests	**19**	15
Total comprehensive income for the year	**(175)**	77

Consolidated statement of changes in equity

For the year ended 31 December 2012

	Attributable to equity holders of the parent						
	Share capital 2011	Share premium 2011	Retained earnings 2011	Other reserves 2011	Total 2011	NCI reserve 2011	Total 2011
	£m	£m	£m	£m	£m	£m	£m
At 1 January 2011	353	258	420	546	1,577	46	1,623
Total comprehensive income attributable to equity shareholders of the parent	-	-	110	(48)	62	15	77
Dividends declared	-	-	(114)	-	(114)	(10)	(124)
Own shares purchased	-	-	-	(13)	(13)	-	(13)
Own shares awarded	-	-	(9)	9	-	-	-
Transactions with non-controlling interests	-	-	(19)	-	(19)	(1)	(20)
Equity-settled transactions	-	-	1	-	1	-	1
At 31 December 2011	353	258	389	494	1,494	50	1,544

	Attributable to equity holders of the parent						
	Share capital 2012	**Share premium 2012**	**Retained earnings 2012**	**Other reserves 2012**	**Total 2012**	**NCI reserve 2012**	**Total Equity 2012**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
At 1 January 2012	**353**	**258**	**389**	**494**	**1,494**	**50**	**1,544**
Total comprehensive income attributable to equity shareholders of the parent	**-**	**-**	**(126)**	**(68)**	**(194)**	**19**	**(175)**
Dividends declared	**-**	**-**	**(120)**	**-**	**(120)**	**(18)**	**(138)**
Own shares purchased	**-**	**-**	**-**	**(6)**	**(6)**	**-**	**(6)**
Own shares awarded	**-**	**-**	**(2)**	**2**	**-**	**-**	**-**
Transactions with non-controlling interests	**-**	**-**	**2**	**-**	**2**	**4**	**6**
At 31 December 2012	**353**	**258**	**143**	**422**	**1,176**	**55**	**1,231**

Consolidated statement of financial position

At 31 December 2012

	Notes	2012 £m	2011 £m
ASSETS			
Non-current assets			
Goodwill		**2,123**	2,205
Other acquisition-related intangible assets		**204**	269
Other intangible assets		**87**	87
Property, plant and equipment		**512**	531
Investment in associates		**3**	9
Trade and other receivables		**129**	162
Deferred tax assets		**179**	157
		3,237	3,420
Current assets			
Inventories		**128**	123
Investments		**56**	70
Trade and other receivables		**1,497**	1,546
Cash and cash equivalents		**469**	433
Assets classified as held for sale	11	**229**	35
		2,379	2,207
Total assets		**5,616**	5,627
LIABILITIES			
Current liabilities			
Bank overdrafts		**(17)**	(53)
Bank loans		**(18)**	(47)
Loan notes		**(40)**	-
Obligations under finance leases		**(18)**	(16)
Trade and other payables		**(1,196)**	(1,251)
Current tax liabilities		**(41)**	(48)
Provisions		**(32)**	(30)
Liabilities associated with assets classified as held for sale	11	**(52)**	(29)
		(1,414)	(1,474)
Non-current liabilities			
Bank loans		**(327)**	(885)
Loan notes		**(1,999)**	(1,180)
Obligations under finance leases		**(43)**	(48)
Trade and other payables		**(18)**	(19)
Retirement benefit obligations		**(471)**	(344)
Provisions		**(45)**	(41)
Deferred tax liabilities		**(68)**	(92)
		(2,971)	(2,609)
Total liabilities		**(4,385)**	(4,083)
Net assets		**1,231**	1,544
EQUITY			
Share capital		**353**	353
Share premium and reserves		**823**	1,141
Equity attributable to equity holders of the parent		**1,176**	1,494
Non-controlling interests		**55**	50
Total equity		**1,231**	1,544

Consolidated statement of cash flows

For the year ended 31 December 2012

	Notes	2012 £m	2011 £m
Profit before taxation		**175**	257
Adjustments for:			
Finance income		**(94)**	(111)
Finance costs		**209**	203
Depreciation of property, plant and equipment		**121**	120
Amortisation and impairment of acquisition-related intangible assets		**86**	96
Amortisation of other intangible assets		**24**	17
Acquisition-related expenses		**7**	2
Profit on disposal of property, plant and equipment and intangible assets other than acquisition-related		**(3)**	(11)
Profit on disposal of subsidiaries		**(2)**	(33)
Equity-settled transactions		**-**	1
Operating cash flow before movements in working capital		**523**	541
Increase in inventories		**(14)**	(20)
Increase in receivables		**(117)**	(123)
Increase in payables		**6**	77
Decrease in provisions		**(5)**	(7)
Decrease in retirement benefit obligations		**(37)**	(40)
Net cash flow from operating activities of continuing operations		**356**	428
Net cash flow from operating activities of discontinued operations		**16**	21
Cash generated by operations		**372**	449
Tax paid		**(85)**	(77)
Net cash flow from operating activities		**287**	372
Investing activities			
Interest received		**6**	17
Cash flow from associates		**3**	4
Purchases of property, plant and equipment and intangible assets other than acquisition-related		**(160)**	(173)
Proceeds on disposal of property, plant and equipment and intangible assets other than acquisition-related		**23**	31
Acquisition of subsidiaries		**(101)**	(165)
Net cash balances acquired		**15**	6
Disposal of subsidiaries		**19**	37
Sale of investments		**-**	10
Net cash used in investing activities		**(195)**	(233)
Financing activities			
Dividends paid to non-controlling interests		**(19)**	(10)
Dividends paid to equity shareholders of the parent		**(120)**	(114)
Other net movement in borrowings		**324**	239
Transactions with non-controlling interests		**6**	(18)
Interest paid		**(117)**	(119)
Repayment of obligations under finance leases		**(22)**	(17)
Own shares purchased		**(6)**	(13)
Net cash flow from financing activities		**46**	(52)
Net increase in cash, cash equivalents and bank overdrafts	*12*	**138**	87
Cash, cash equivalents and bank overdrafts at the beginning of the year		**370**	306
Effect of foreign exchange rate fluctuations on cash held		**(36)**	(23)
Cash, cash equivalents and bank overdrafts at the end of the year		**472**	370

Notes to the preliminary results announcement

1) Basis of preparation and accounting policies

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 December 2012 or 2011. Statutory accounts for 2011 have been delivered to the registrar of companies, and those for 2012 will be delivered in due course. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their reports and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The comparative income statement for the year ended 31 December 2011 has been re-presented for operations qualifying as discontinued during the current year. Revenue from continuing operations has been reduced by £556m and PBT has been decreased by £22m compared to the figures published previously. Further details of discontinued operations are presented within note 7. In addition, the comparative consolidated statement of financial position as at 31 December 2011 has been restated to reflect the completion during 2012 of the initial accounting in respect of acquisitions made during 2011. Adjustments made to the provisional calculation of the fair values of assets and liabilities acquired amount to £9m, with an equivalent increase in the reported value of goodwill.

2) Operating segments

The group operates in two core product areas: secure solutions and cash solutions which represent the group's reportable segments. For each of the reportable segments, the group's CEO (the chief operating decision maker) reviews internal management reports on a regular basis. The group operates on a worldwide basis and derives a substantial proportion of its revenue, PBITA and PBIT from each of the following geographical regions: Europe (comprising the United Kingdom and Ireland, and Continental Europe), North America, and Developing Markets (comprising the Middle East and Gulf States, Latin America and the Caribbean, Africa, and Asia Pacific).

Segment information for continuing operations is presented below:

Revenue by operating segment	**2012 £m**	2011 £m
Secure Solutions		
UK and Ireland	**1,516**	1,252
Continental Europe	**1,393**	1,475
Europe	**2,909**	2,727
North America	**1,311**	1,169
Middle East and Gulf States	**381**	368
Latin America and the Caribbean	**582**	427
Africa	**357**	346
Asia Pacific	**671**	635
Developing Markets	**1,991**	1,776
Total Secure Solutions	**6,211**	5,672
Cash Solutions		
Europe	**780**	817
North America	**114**	106
Developing Markets	**396**	371
Total Cash Solutions	**1,290**	1,294
Total revenue	**7,501**	6,966

Notes to the preliminary results announcement (continued)

2) Operating segments (continued)

Revenue by geographical area	**2012 £m**	2011 £m
Europe	**3,689**	3,544
North America	**1,425**	1,275
Developing Markets	**2,387**	2,147
Total revenue	**7,501**	6,966

PBITA by reportable segment	**2012 £m**	2011 £m
Secure Solutions		
UK and Ireland	**115**	119
Continental Europe	**75**	81
Europe	**190**	200
North America	**76**	72
Middle East and Gulf States	**33**	31
Latin America and the Caribbean	**51**	37
Africa	**29**	33
Asia Pacific	**39**	35
Developing Markets	**152**	136
Total Secure Solutions	**418**	408
Cash Solutions		
Europe	**78**	88
North America	**5**	2
Developing Markets	**52**	47
Total Cash Solutions	**135**	137
Total PBITA before head office costs	**553**	545
Head office costs	**(37)**	(43)
Total PBITA	**516**	502

PBITA by geographical area		
Europe	**268**	288
North America	**81**	74
Developing Markets	**204**	183
Total PBITA before head office costs	**553**	545
Head office costs	**(37)**	(43)
Total PBITA	**516**	502

Notes to the preliminary results announcement (continued)

Result by reportable segment	2012 £m	2011 £m
Total PBITA	516	502
Acquisition-related costs	(7)	(2)
Amortisation and impairment of acquisition-related intangible assets	(86)	(96)
Exceptional items	(133)	(55)
Total PBIT	290	349
Secure Solutions	344	334
Cash Solutions	116	113
Head office costs	(37)	(43)
Exceptional items	(133)	(55)
Total PBIT	290	349

3) Profit from operations before interest and taxation (PBIT)

The income statement can be analysed as follows:

Continuing operations	2012 Ex. Olympics £m	2012 Olympics £m	2012 Total £m	2011 Total £m
Revenue	7,297	204	7,501	6,966
Cost of sales	(5,682)	(274)	(5,956)	(5,414)
Gross profit	1,615	(70)	1,545	1,552
Administration expenses	(1,237)	(18)	(1,255)	(1,203)
PBIT	378	(88)	290	349

Included within administration expenses in the current year is £86m of amortisation of acquisition-related intangible assets, £7m of acquisition-related expenses and £45m of restructuring costs. The cost of sales relating to the Olympics contract of £263m includes the £70m loss in relation to the settlement of the London 2012 Olympics contract, and the additional £7m of sponsorship costs and £11m of other costs on the contract are included within administrative expenses.

Included within administration expenses in the prior year is £83m of amortisation of acquisition-related intangible assets and a £13m goodwill impairment charge relating to the group's businesses in Greece, £2m of acquisition-related expenses and £55m of aborted acquisition and legal costs. The aborted acquisition costs include debt finance underwriting fees, financing and hedging costs that arose on the proposed acquisition of ISS A/S which was terminated on 1 November 2011.

4) Discontinued operations

Operations qualifying as discontinued in 2012 comprise the cash and secure solutions businesses in Pakistan, which were disposed of in October 2012, a justice business in the United States of America, which was disposed of in April 2012 and our US Government Solutions business.

Operations qualifying as discontinued in 2011 comprised the cash and secure solutions businesses in Poland, which were disposed of in September 2012; the cash solutions business in Sweden, which was disposed of in February 2012 and the secure solutions business in Russia. The UK risk assessment business in Afghanistan was classified as held for sale in December 2011 however, upon the extension of a major contract, it has been reclassified as continuing as at 31 December 2012.

5) Acquisitions

The group undertook a number of acquisitions in the year. The total fair value of net assets acquired amounted to £17m which included the recognition of £31m of acquisition-related intangible assets, generating goodwill of £76m, satisfied by a total consideration of £93m, all of which has been paid in the year. Related costs of £7m were incurred and charged to the income statement.

Acquisitions in subsidiary undertakings principally includes the purchase of a 100% interest in Vanguarda Segurança e Vigilância Ltda "Vanguarda", a security personnel, security systems and monitoring services provider in Brazil.

Notes to the preliminary results announcement (continued)

6) Finance income

	2012 £m	2011 £m
Interest income on cash, cash equivalents and investments	**11**	10
Other interest income	**1**	8
Expected return on defined retirement benefit scheme assets	**82**	93
Total finance income	**94**	111

7) Finance costs

	2012 £m	2011 £m
Interest on bank overdrafts, loans and loan notes	**118**	105
Interest receivable on loan note related derivatives	**(10)**	-
Interest on obligations under finance leases	**4**	4
Other interest charges	**7**	4
Total group borrowing costs	**119**	113
Finance costs on defined retirement benefit obligations	**90**	90
Total finance costs	**209**	203

8) Taxation

	2012 £m	2011 £m
Current taxation expense	**(74)**	(62)
Deferred taxation credit	**32**	9
Total income tax expense for the year	**(42)**	(53)

9) Dividends

	Pence per share	DKK per share	2012 £m	2011 £m
Amounts recognised as distributions to equity holders of the parent in the year				
Final dividend for the year ended 31 December 2010	4.73	0.4082	**-**	66
Interim dividend for the six months ended 30 June 2011	3.42	0.2928	**-**	48
Final dividend for the year ended 31 December 2011	5.11	0.4544	**72**	-
Interim dividend for the six months ended 30 June 2012	3.42	0.3220	**48**	-
			120	114
Proposed final dividend for the year ended 31 December 2012	5.54	0.4730	**78**	

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting. If so approved, it will be paid on 14 June 2013 to shareholders who are on the register on 17 May 2013. The exchange rate used to translate it into Danish kroner is that at 12 March 2013.

Notes to the preliminary results announcement (continued)

10) Earnings/(loss) per share attributable to equity shareholders of the parent

	2012 £m	2011 £m
From continuing and discontinued operations		
Earnings		
Profit for the year attributable to equity holders of the parent	**48**	181
Number of shares (m)		
Weighted average number of ordinary shares	**1,403**	1,405
Earnings per share from continuing and discontinued operations (pence)		
Basic and diluted	**3.4p**	12.9p
From continuing operations		
Earnings		
Profit for the year attributable to equity holders of the parent	**48**	181
Adjustment to exclude loss for the year from discontinued operations (net of tax)	**63**	6
Profit from continuing operations	**111**	187
Earnings per share from continuing operations (pence)		
Basic and diluted	**7.9p**	13.3p
From discontinued operations		
Loss per share from discontinued operations (pence)		
Basic and diluted	**(4.5)p**	(0.4)p
From adjusted earnings		
Earnings		
Profit from continuing operations	**111**	187
Adjustment to exclude net retirement benefit finance cost/(income) (net of tax)	**6**	(2)
Adjustment to exclude amortisation and impairment of acquisition-related intangible assets (net of tax)	**61**	71
Adjustment to exclude acquisition-related expenses (net of tax)	**5**	1
Adjustment to exclude exceptional items (net of tax)	**115**	42
Adjusted profit for the year attributable to equity holders of the parent	**298**	299
Weighted average number of ordinary shares (m)	**1,403**	1,405
Adjusted earnings per share (pence)	**21.2p**	21.3p

In the opinion of the directors the earnings per share figure of most use to shareholders is that which is adjusted. This figure better allows the assessment of operational performance, the analysis of trends over time, the comparison of different businesses and the projection of future earnings.

11) Disposal groups classified as held for sale

At 31 December 2012, disposal groups classified as held for sale comprised the assets and liabilities associated with the US Government Solutions business which have been written down to their estimated realisable value by way of a £35m goodwill impairment charge.

At 31 December 2011, disposal groups classified as held for sale primarily comprises the assets and liabilities associated with the cash solutions business in Sweden, which was disposed of on 27 February 2012, the cash and secure solutions businesses in Poland, which was disposed of on 4 September 2012 and the UK risk assessment services business in Afghanistan, which has now been reclassified as continuing following the extension of a major contract.

Notes to the preliminary results announcement (continued)

12) Analysis of net debt

A reconciliation of net debt to amounts in the consolidated balance sheet is presented below:

	2012 £m	2011 £m
Cash and cash equivalents	**469**	433
Investments	**56**	70
Net cash and overdrafts included within disposal groups classified as held for sale	**20**	(10)
Net debt (excluding cash and overdrafts) included within disposal groups classified as held for sale	**10**	-
Bank overdrafts	**(17)**	(53)
Bank loans	**(345)**	(932)
Loan notes	**(2,039)**	(1,180)
Fair value of loan note derivative financial instruments	**105**	120
Obligations under finance leases	**(61)**	(64)
Total net debt	**(1,802)**	(1,616)

An analysis of movements in net debt in the year is presented below:

	2012 £m	2011 £m
Increase in cash, cash equivalents and bank overdrafts per consolidated cash flow statement	**138**	87
Sale of investments	**-**	(10)
Increase in debt and lease financing	**(302)**	(222)
Change in net debt resulting from cash flows	**(164)**	(145)
Borrowings acquired with subsidiaries	**(1)**	(5)
Net additions to finance leases	**(21)**	(11)
Movement in net debt in the year	**(186)**	(161)
Translation adjustments	**-**	(29)
Net debt at the beginning of the year	**(1,616)**	(1,426)
Net debt at the end of the year	**(1,802)**	(1,616)

Notes to the preliminary results announcement (continued)

Non GAAP measure – cash flow

The directors consider it is of assistance to shareholders to present an analysis of the group's operating cash flow in accordance with the way in which the group is managed, together with a reconciliation of that cash flow to the net cash flow from operating activities as presented in the consolidated cash flow statement.

Operating cash flow

For the year ended 31 December 2012

	2012 **£m**	2011 £m
Group PBITA	**516**	502
Depreciation, amortisation and profit on disposal of fixed assets	**140**	126
Movement in working capital and provisions	**(27)**	(73)
Net cash flow from capital expenditure	**(137)**	(134)
Operating cash flow	**492**	421

Reconciliation of operating cash flows	**2012** **£m**	2011 £m
Net cash flow from operating activities per consolidated cash flow statement	**287**	372
Net cash flow from capital expenditure	**(137)**	(134)
Add-back cash flow from exceptional items and discontinued operations	**220**	66
Add-back additional pension contributions	**37**	40
Add-back tax paid	**85**	77
Operating cash flow	**492**	421