

SECURING YOUR WORLD

“Since 2013, the year in which we commenced the transformation of G4S, the Group’s continuing businesses have grown revenues by 15% and EPS by 45% while generating operating cash flow of £1.9 billion.

Our investment in organic growth, innovation and productivity is clearly evident in the Group’s improving performance and financial position as reflected in our 2016 results. G4S now has much stronger foundations, growing competitive capabilities and an attractive array of market opportunities, which underpin our aim of delivering sustainable profitable growth.”

Ashley Almanza, Group Chief Executive Officer

Strategy – transforming G4S:

Our strategy addresses the positive long-term demand for security and related services and our enduring strategic aim is to demonstrate the values and performance that make G4S the company of choice for customers, employees and shareholders. We aim to do this by delivering industry-leading, innovative solutions and outstanding service to our customers, by providing engaging and rewarding work for employees and by generating sustainable growth and returns for our shareholders.

The Group has materially improved its focus over the past three years and implements its strategy across two main business segments:

Secure Solutions, comprising:

- Security services, software, technology and systems
- Care and Justice services focused on custody, detention, care and rehabilitation in the UK and Australia

Cash Solutions comprising secure transportation, processing, recycling and storage of cash and valuables in domestic and international markets.

In 2013, we set out our strategy to transform G4S and I am pleased to report that in 2016 we made further, substantial progress in each of the key programmes in our strategic plan:



People and values:

Our people and values are critical to the successful execution of our strategy. We have been strengthening our organisation by investing in talent through recruitment, internal development, promotion and training. In 2015 449,000 colleagues participated in a global employee survey and in 2016 we used that information and feedback to engage actively with our colleagues across the Group. Since 1 January 2016, we have two new regions – Asia Pacific and Middle East & India (replacing Asia Middle East) which brought additional executive resource and focus to these important markets.

In October 2016, Tim Weller succeeded Himanshu Raja as Chief Financial Officer. Tim is a highly accomplished executive with extensive commercial and financial experience in global businesses. Tim previously served as a non-executive director on our board and it is greatly to our advantage that he already has deep understanding of G4S and our transformation programme. I thank Himanshu for the contribution he made over the past three years.

As a result of the very substantial investment made in recruitment, development and training since 2013, G4S today has a much stronger global leadership team. In turn, this places the Group in a stronger position to achieve our strategic goals in the coming years. During 2016 we launched our new Group values. These clear values reflect the standards we set for the way in which we conduct our business. Through our behaviours and actions, we are working to embed these values in the culture of our organisation. I firmly believe that these values are vital to the long-term success of G4S. They are described in further detail on page 15.

Customer relationships and service excellence:

During 2016 we continued to embed a customer and market focussed approach to sales operations and customer service management. In addition to adopting a standard sales management system we have established a Net Promoter Score model across the Group to measure and respond to customer satisfaction scores (see page 20). Alongside these measures we continue to invest in strategic account management to ensure that we anticipate and serve our customers' needs.

Growth and Innovation:

During 2016, G4S won new contracts with an annual value of over £1.3 billion and total contract value of £2.5 billion. At the same time, we replenished our pipeline which now has an annual value of £6.8 billion and sustained average contract retention rates of around 90%. We expect demand for our services to

grow by around 4% to 6% per annum over the medium term and we continue to see the benefit of investing in product and service development. Our technology, software and systems revenues grew strongly and now account for 13% of continuing business revenues. This included substantial progress with services such as Symmetry (integrated access control system) and secure integration, Retail Cash Solutions and Deposita (cash management). Further information on these solutions can be found on pages 21, 22 and 23. In our Secure Solutions business, technology-enabled services and solutions contributed over £1.5 billion in revenues in 2016.

Operational excellence and Productivity:

Our operational excellence and productivity programmes delivered further benefits, allowing us to continue to invest in product and service development whilst at the same time improving the Group's profit before interest, tax and amortisation (PBITA). Some of our emerging markets businesses are at a much earlier stage in our transformation programme but in our developed markets we expect to extract greater efficiencies through the implementation of automated, lean business processes and we will be piloting this initiative in Ireland during 2017.

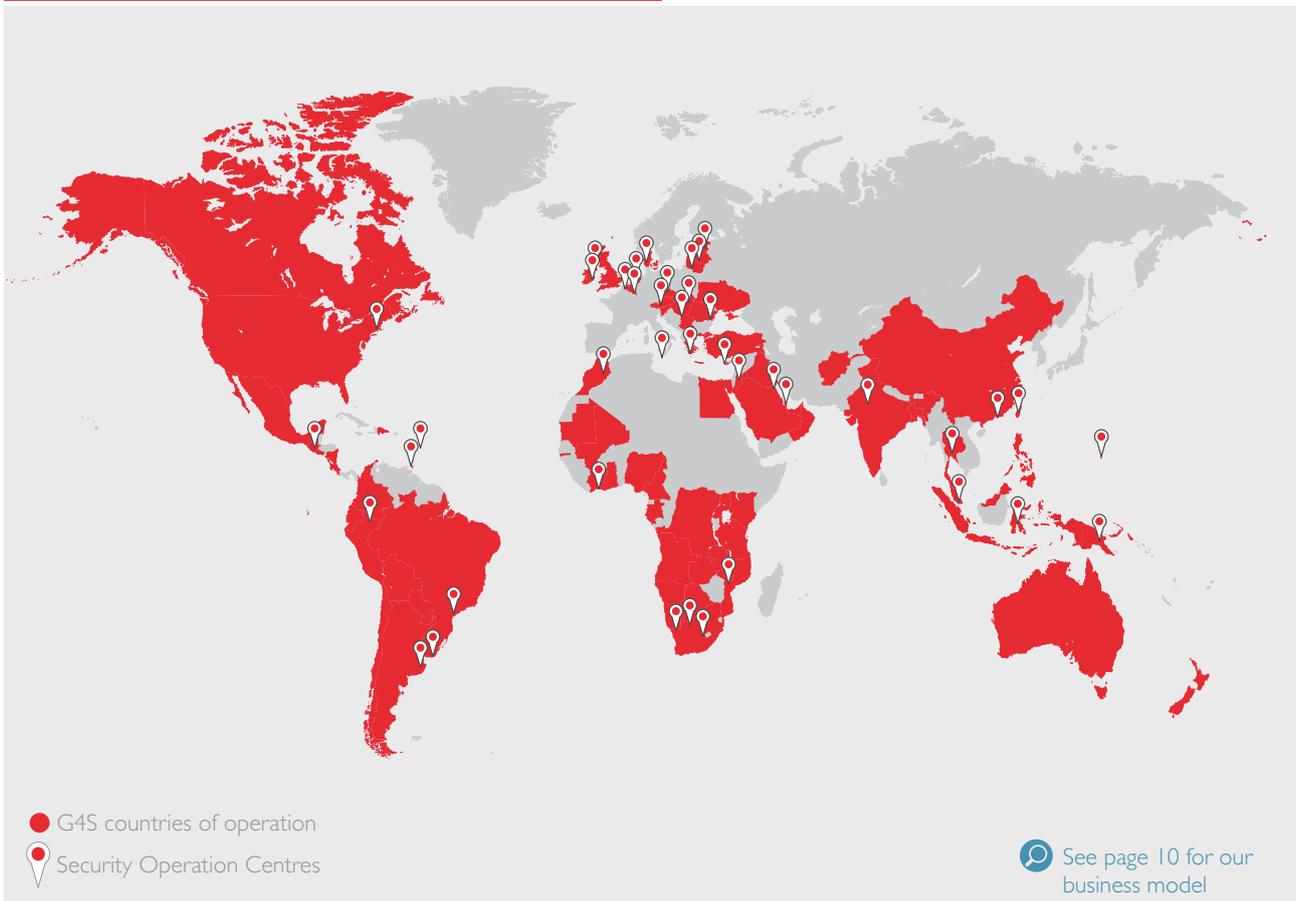
Health & Safety:

The safety and wellbeing of our employees and those in our care is a key priority for the group executive team and the global leadership team. Our goal is zero harm and to achieve this we are striving to ensure that every G4S employee understands and complies with safe and secure working practices. We work in an inherently hazardous industry: many of our employees travel extensively and many are trained and deployed to protect our customers and their property. As a result, road traffic accidents and criminal attacks are inherent risks we face in delivering some of our services. We have therefore invested in considerable improvements to our health and safety policies, practices, training and resources across the Group. Whilst we have made progress in significantly reducing road traffic fatalities, we faced a sharp increase in both the number and intensity of armed attacks, particularly in our emerging markets Cash Solutions businesses. As a direct result of this increase, I regret to report that 47 colleagues lost their lives in the line of duty in 2016. We are working with peer companies and the police to mitigate these attacks. We pay tribute to the courage and service of colleagues who lost their lives and we remain committed to our goal of zero harm.

>£1.5bn

Revenue from technology-enabled services in continuing businesses in 2016

G4S SECURE SOLUTIONS: GLOBAL RESOURCE & CAPABILITY



16.6%
Increase in earnings from continuing businesses in 2016

Financial and commercial discipline:

Since 2013 we have strengthened capital investment processes and we are applying capital with greater consistency and rigour. Strengthening our working capital management processes was a key priority for our finance and line management teams in 2016 and the weighting of operating cash flow in our annual incentive plans was increased accordingly. I am pleased to report that we saw a significant improvement in working capital management and operating cash flow in 2016.

We have also strengthened contract approval processes, whether they require significant capital investment or not.

Portfolio programme:

Our portfolio programme has materially improved our strategic focus. Since 2013 we have divested 29 businesses (with annual revenues of c.£1 billion and PBITA of £25 million), realising proceeds of £345 million, and a further 27 businesses (with revenues of c.£445 million) are being sold or exited. In 2016 we closed four businesses and sold a further 12, realising proceeds of £82 million, including £52 million in respect of the UK Utilities business and reached agreement for the sale of G4S Israel for £88 million. The impact on our 2015 results from continuing businesses due to re-presentation of portfolio businesses is provided on page 34.

Performance:

Continuing business performance

Supported by the continuous investment in organic sales and business development, revenues rose by 6.3% to £6.8 billion. In addition, our investment in technology and innovation was clearly reflected in the favourable change in our revenue mix, with revenues from technology, software and systems now accounting for 13% of Group revenues (2015:10%).

The combination of growing revenues and improved productivity saw the Group's PBITA rise by 9.7% to £454 million, whilst earnings per share rose by 16.5% to 15.9 pence per share. The increase in profit and more effective working capital management saw operating cash flow rise by more than 61% to £638 million.

Statutory results

Revenue growth was 10.6% and profit before tax increased by 279.5%. A more detailed review of the statutory results can be found on page 32, with a reconciliation to results from continuing businesses provided on page 33.

Net debt and dividend:

Growth in profits and operating cash flow, together with disposal proceeds of £82 million helped reduce the Group's net debt to EBITDA to 2.8x (2015: 3.4x). In line with our intention to maintain dividends until net debt to EBITDA is below 2.5x, the board is recommending that the final dividend be maintained at 5.82p per share (DKK 0.5029), bringing the total dividend for the full year to 9.41p per share – unchanged from the previous year.

ONE G4S

The scale and breadth of G4S is a key strength and our 'One G4S' approach will help us to achieve strategic, commercial and operational alignment and to maximise synergies – both revenue and cost – across the Group. We are striving for One G4S through consistency in the following areas:

- Brand and marketing
- Product and service development
- Sales and operating models
- Processes for line and support functions
- Common values and culture

Outlook:

During 2016, the Group made good progress with its transformation strategy. We now have much stronger foundations, growing competitive capabilities and an attractive array of market opportunities. We believe that the long-term demand for our core services remains positive and that the Group's transformation strategy will produce further performance improvements and underpin our aim of delivering sustainable, profitable growth. Finally, I would like to thank all of our colleagues across the world whose expertise and dedication to our customers and G4S is reflected in the substantial progress made by the Group in 2016.

Ashley Almanza

Group Chief Executive Officer



Watch the CEO Review online at www.g4s.com/investors