

Chief Executive's review

Since 2013, revenues from core businesses have grown by 17% and Adjusted EPS by 48% while generating operating cash flow of £2.5 billion.

The Group's strong cash generation has enabled us to invest in growth, pay dividends of more than £700 million and at the same time strengthen the Group's financial position, reducing net debt/Adjusted EBITDA to 2.4x at the end of 2017.

Over the same period we have created innovative new products and services for our customers and we greatly improved safety performance for our employees.

We are continuing to invest in growth, technology and productivity in order to capitalise on our strong positions and to support our aim of delivering sustainable, profitable growth.

OUR STRATEGY

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.

Our business

The Group has two business segments, each with a number of key service lines:

Secure Solutions, comprising:

- Security: incorporating risk consulting software, manned security, software and systems and integrated security solutions
- Facilities management: including integrated security and FM services
- Care & Justice Services: comprising custody, health, transportation, care and rehabilitation in the UK and Australia

Cash Solutions, comprising:

- Cash transportation, cash processing and ATM services
- Smart safes and cash recycling
- Cash Technology: comprising software and service solutions

2017 Results highlights – core businesses

Revenues rose by 3.2% to £7.4 billion. The combination of growing revenues and improved productivity saw the Group's adjusted earnings per share rise by 5.9% to 17.9 pence per share. The Group generated operating cash flow of £527 million, equivalent to 106% of Adjusted PBITA in line with our guidance of a normalised rate of over 100%.



Ashley Almanza, Group Chief Executive Officer



PEOPLE AND VALUES

Organisation

Over the past four years we have invested in sales, business development, technology and our support and control systems, processes and resources. We now have sufficient strength and depth in these areas to enable us to implement the next, critical phase of our organisational development and with effect from 1 January 2018 we have reorganised the Group-wide management of our core business. The principal features of this change are:

- Creation of a Global Cash Solutions division
- Consolidation of our Secure Solutions businesses into four regions: Americas, Europe & Middle East, Africa and Asia

Our new organisation will enable us to strengthen further our strategic, commercial and operational focus in each of our core service lines. We will continue to build and utilise shared services for the provision of efficient and fit-for-purpose support functions to all businesses and this element of our organisational development has significant unrealised potential.

The biographies of the leaders of our principal businesses are set out on pages 70 and 71.

As outlined in the market growth section on pages 8 and 9, technology is a growing part of our Secure Solutions and Cash Solutions services.

In **Secure Solutions**, we continue to build our capabilities to design and deliver integrated security solutions – combining people and technology to offer our customers more efficient and valuable security solutions (see pages 24 to 27). Today we have more than £2.45 billion technology-related security revenues.

Our integrated approach to designing and delivering security solutions helps us to differentiate our value proposition in order to win, retain and grow contracts with key customers.

Our new Secure Solutions organisation will enable us to increase collaboration and co-ordination across all of our markets which, in turn, will enable us to rationalise and target our product and business development, improve global account development, harmonise marketing and transfer operational best practices more rapidly.

Our Care & Justice Services are concentrated in the UK & Australia where we have significant resource and capability to win and deliver complex public services. Our focus is on rigorous pre-bid evaluation of contracts and operational delivery. We expect the overall cash generation of these services to improve as certain legacy contracts expire over the next 18 to 24 months.

In our **Global Cash Solutions** division we have proven expertise in providing technology-enabled cash solutions and services that improve the control, ease of use and efficiency of our customers' cash management. In the United States we have established a market-leading position in the provision of cash management technology for large format retail stores. We believe that our proven cash management technology and our people provide G4S with a substantial opportunity to

extend and grow new products and services across our global markets. At the end of 2017 G4S cash management technology was deployed at over 19,500 locations in North America, Europe, Asia Pacific and Africa, an increase of more than 30% over the prior year. We also made progress in improving productivity in a number of markets and we now have plans to apply these improvements across all of our cash solutions businesses.

I am confident that our new organisation will enable G4S to take full advantage of the exciting growth opportunities in our markets and to successfully execute our strategy.

Our CSR approach and contribution to society

As a global leader in security and related services, corporate social responsibility is very important to G4S and it forms a key part of our strategy. We are trusted to care for some of the world's most valuable assets and to ensure the safety, protection and welfare of people around the world, often in complex and demanding operating environments.

Conducting our business in a way which is ethically responsible, safe and consistent with the company's values and standards, is an essential element of our business model.

The Group is committed to sustainability and the core principles of the UN Global Compact are reflected in our policies, values and business activities today.

We recognise that business has an important role in the achievement of the UN Sustainable Development Goals. On page 18 of this report we highlight where G4S is helping to advance these goals and make a positive difference to society and communities around the world.

We expect all colleagues to uphold G4S' values in whatever role they play. In return, our commitment is to provide meaningful work, fair reward and the opportunity to develop. Our employees often work in inherently hazardous environments and we equip and train our employees to ensure they are as safe as possible.

We regularly ask stakeholders from inside and outside the company to provide input into an analysis of our material CSR issues to help set priorities. See page 83 for more information on the CSR materiality review that was undertaken in 2017.

Our CSR approach covers a broad range of areas, with three material priorities: health and safety, human rights and anti-bribery and corruption.

In June 2017, G4S was selected as a constituent company of the FTSE4Good Index, recognising our strong commitment to social responsibility and sustainable business practices.

£2.45bn

Technology-related security revenues in 2017

Zero harm

Is our health and safety goal

47%

Reduction in employee fatalities from 2016 to 2017

Chief Executive's review *continued*

Culture – Embedding our values

Underpinning our culture are the Group's values which govern and guide the conduct of everyone at G4S.

Employee-communication programme

Following the launch of our values in March 2016 we conducted an extensive employee engagement programme to raise awareness and deepen understanding of G4S' corporate values. We have developed a training programme for managers and our values are an essential part of induction and training for new employees. We are embedding our values into existing processes, governing all aspects of our business including sales, operations and performance management. Where actions are required – for example, an improvement in the safety performance of a particular business – leaders and managers will have specific objectives in order to make sure the actions are prioritised appropriately (see Key Performance Indicators page 32).

Speak Out

We continue to encourage colleagues to "Speak Out" if they are aware of behaviour which is not consistent with our values or policies. There are many ways in which colleagues can raise concerns, with supervisors or managers, with their local HR team or through the global, independent whistleblowing systems. Our case management system provides improved visibility of whistleblowing cases from across the Group, and provides vital information to our Group Ethics Steering Committee.

I believe that the conduct of the vast majority of our employees is consistent with our values and that this has been – and remains – the cornerstone of our customer service and commercial success. We know, however, that even isolated instances of poor conduct are unacceptable and can be very damaging. It is therefore important that we continue to promote good conduct and the use of Speak Out.

Health & Safety

The wellbeing and safety of our employees and those in our care remains a key priority for the Group executive and global leadership teams. We work in an inherently hazardous industry: we travel extensively and many of our colleagues 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 a sustained programme to strengthen our health and safety policies, practices and training performance across the Group with the aim of improving safety.

The number of road-traffic fatalities has decreased by 48% since 2013 when the first G4S road-safety programme was launched. There has also been a reduction in attack-related fatalities in our Cash Solutions businesses. However, the number of armed attacks has not changed and so we continue to work with the relevant authorities to mitigate the elevated risk in some of our services. Sadly, during 2017, 25 of our colleagues lost their lives in work-related accidents and attacks, compared with 47 fatalities in 2016.

Although we are pleased that there are clear signs of an overall cultural shift within G4S in our approach to safety we also know that there is more to do and our plans reflect this. We are firmly committed to improving our health and safety performance and our goal remains zero harm.



CUSTOMERS AND SERVICE EXCELLENCE

In both Secure Solutions and Cash Solutions we have been investing in innovative products and service excellence, to grow the business with new contracts for new and existing customers, and to improve customer retention, which averages around 90%, reflecting our exit from some low-margin contracts and retaining some of the Group's largest contracts in 2017 – as discussed in this report.



TECHNOLOGY AND INNOVATION

Increasingly our customer offering includes technology in the form of systems and software. Technology-related security revenues were £2.45 billion (2016: £2.2 billion) in 2017.

Overall we won new business with an annual contract value of £1.4 billion and total contract value of £2.5 billion in 2017.



OPERATIONAL EXCELLENCE AND PRODUCTIVITY

In 2017, our operational excellence and productivity programmes delivered further benefits, providing the Group with the financial flexibility to invest in service and product development as well as improving the Group's adjusted profit before interest, tax and amortisation (Adjusted PBITA) from core businesses by 4.2% to £496 million.

With our more focused business designed around service delivery, there is further opportunity to streamline general and administrative processes and share resources to generate greater efficiency. The Secure Solutions, Global Cash Solutions and Care & Justice Services segments will share facilities, infrastructure and functional services. Our detailed plans will enable us to begin implementing changes and to realise the first phase of these benefits during 2018 and 2019.

One example of where we are introducing more streamlined processes is in our manned security business with a new lean-business process called "Javelin" (see page 29), which combines HR, operations, finance and back-office functions, and should ensure we schedule our people more efficiently and are able to reduce the time between when we do the work and when we bill for it, and provide accurate and timely management information to customers. Javelin was launched in Ireland in November 2017 and we will be commencing implementation in the UK during 2018.

>£1.4bn

Annual contract value of new business won in 2017

48%

Reduction in annual road fatalities since 2013



FINANCIAL AND COMMERCIAL DISCIPLINE

The new capital and contract processes we introduced in 2013 are helping us to apply capital with greater consistency and rigour. Strengthening our working

capital management was also a priority for our finance and line management in 2017 and we have maintained the increased weighting of operating cash flow in our annual incentive plans. I am pleased to report that at 31 December 2017, our net debt to Adjusted EBITDA had reduced to 2.4x, down from 2.8x at the end of 2016.

Portfolio programme

The portfolio programme we announced in 2013 has materially improved our strategic focus and the programme is substantially complete. Since 2013 we have divested 41 businesses (with annual revenues of c.£1.3 billion and Adjusted PBITA of £46 million), realising gross proceeds of approximately £520 million. In 2017 we closed four businesses and sold a further nine, realising gross proceeds of £166 million.

Performance

Statutory results

Revenue growth was 3.1% and earnings per share rose by 18.8%. A more detailed review of the statutory results can be found on page 38, and a reconciliation to results from core businesses is provided on page 44.

Core business performance

Supported by the continuous investment in sales and business development resource and new technology-enabled services, revenues rose by 3.2% to £7.4 billion. Consistent with the commercial practice we adopted several years ago, we have continued to be very disciplined on contract bidding and, whilst this constrained revenue growth in some markets, it underpins sustained profitable growth. The combination of growing revenues and improved productivity saw the Group's adjusted earnings per share rise by 5.9% to 17.9 pence per share. In 2017 the Group generated operating cashflow of 106% of Adjusted PBITA (2016: 133%).

Net debt

Growth in profits and robust cash flow generation, together with net disposal proceeds of £156 million, helped reduce the Group's net debt to Adjusted EBITDA to 2.4x (2016: 2.8x) in line with our plans.

Market Environment

The global demand outlook for security services remains positive as we outline in more detail on pages 8 and 9. We expect this positive demand to continue around the world in 2018 with the possible exception of the Middle East where the effect of prevailing fiscal and macro-economic conditions remains uncertain.

In the UK & Ireland region, the Brexit negotiations have created some uncertainty around UK GDP growth, but, in this market, we believe G4S is a defensive business, with a number of long-term contracts. We continue to invest in innovative products and services for customers to drive growth in the region.

Outlook

The outlook for the Group is positive. G4S' strong market positions, growing technology-enabled revenues, positive cash generation, commercial discipline and on-going productivity programmes provide substantial confidence that the Group is very well positioned to deliver a strong performance over the next three years. To realise this potential G4S is investing in:

- Sales, technology and new products, services and solutions to support our aim of growing revenues from core businesses by an average of 4-6% per annum
- Restructuring and efficiency programmes to deliver recurring operating gains of £70 million to £80 million by 2020, through efficient organisation design and leaner processes. Additional refinancing gains of around £20 million are also anticipated by 2020. A portion of these gains will be re-invested in growth, with the majority expected to benefit the bottom line

We intend to remain soundly financed with average operating cash flow conversion of more than 100% of Adjusted PBITA and a net debt to Adjusted EBITDA ratio of less than 2.5x. Priorities for excess cash will be investment, dividends and, in the near term, further leverage reduction.

Following the achievement of the Group's leverage-reduction target, the directors propose a 5% increase in the final dividend to 6.11p (DKK 0.5097) reflecting the board's confidence in the Group's performance and prospects. Our policy is to increase the dividend in line with the long-term growth in earnings.

Our customers and our colleagues are at the core of G4S and, in closing, I would like to thank our customers for placing their trust in G4S and to pay tribute to our 570,000 colleagues who serve our customers every day.

Ashley Almanza

Group Chief Executive Officer

Watch our 2017 results and 2018 outlook online at: www.g4s.com/investors.



See page 44 for the basis of results of core businesses and an explanation of Alternative Performance measures is on page 35.