



Message from the CEO

For yet another year, this Annual Report gives us the opportunity to review the milestones that we have achieved as a group and set out the main lines of action in each business.

In our last report we focused primarily on the Prosegur Cash listing on Spanish stock markets and the importance of this for the group as a whole. Said operation received an extraordinarily warm welcome from the market and now stands as a major generator of value for the entire group.

With the listing complete, in 2018 we began the process of updating our strategy. Said process is based on a medium-term view and strict coherence with the fundamentals that have established Prosegur as one of the global leaders in the private security industry.

A strategy to drive our development

Thus, we have configured three areas of priority action: digitalisation, innovation and growth.

The concept of digitalisation is a response to the imperative of evolving our working approaches and methodologies. Prosegur is a company that has secured prodigious growth. A significant proportion of this growth has been inorganic, with more than thirty acquisitions in the last decade alone. Incorporating such a vast diversity of companies has generated some complexity in our systems. However, current technology offers innumerable opportunities to streamline such processes. Which is why we have launched an ambitious transformation project, seeking to furnish the group with the agility, scalability and operating excellence it needs to forge a successful near future.

At Prosegur we are deploying the platforms and tools needed to drive considerable simplification of our internal management. To this end, we have begun modernising our technological architecture and revised our processes. The aim is to be more efficient and more competitive. We want to ensure that we are fully capable of adopting new technologies and fully understanding our customers and their requirements.

Customers are likewise central to innovation. We at Prosegur understand that innovating first and foremost means listening to clients. And subsequently working to generate security solutions that deliver on their expectations and address their needs.

As part of our innovation process, we have developed a common methodology for the company as a whole, shaped around three different focal points. The first seeks to improve our existing portfolio of products and services. The second aims to identify trends and capitalise on emerging opportunities by harnessing our existing capabilities. And lastly, we intend to launch more disruptive initiatives, sharing our resources and incorporating the opportunities offered by open innovation.

The third core component of our vision for the company is growth in operations. Prosegur's busi-

ness activities are conducive to generating economies of scale. Therefore, shaping efficient growth will ensure an unrivalled position and help us to remain a global leader of the security industry.

Our development strategy is entirely coherent with the group's history. We thus continue to drive solid organic growth, bolstered by value-generating acquisitions. The ten operations completed during the year focused on strengthening our position in existing markets, as well as opening the company to new regions. In 2018 alone we expanded our international presence to eight new markets, seeing our footprint extend to 25 countries.

A year shaped by sharp currency devaluation

I would now like to review the main indicators for the year. Total group revenues stood at EUR 3.939 billion, a figure that was down 8.2 percent compared to 2017. However, I would point out the excellent performance secured by our operations, which in local currency terms posted growth of 8 percent.

As for profitability figures, EBITDA stood at EUR 456 million compared to EUR 522 million in 2017. EBIT amounted to EUR 301 million, while in 2017 the same was EUR 392 million. The EBIT margin for the full year stood at 7.7 percent, down from 9.1

percent reported in 2017. Finally, the company secured net profit of EUR 180 million. This figure was 18.3 percent less than in 2017, chiefly as a result of adverse exchange rates.

I would particularly draw attention to the company's efforts to counteract the negative currency impact, which is chiefly evident in cash generation. Operating cash flow in 2018 stood at EUR 343 million, improving nearly 4 percent compared to 2017. This means an EBITDA-to-cash conversion ratio of over 75 percent, indicating the success of financial discipline policies, as well as our working capital management models.

The group's net financial debt expanded by EUR 173 million in 2018, reaching EUR 425 million. Nonetheless, our debt level remains low, with a ratio of net financial debt to EBITDA of 0.9x, which remains short of our internal limit of 2.5.

Another standout factor in the year was the average cost of debt declining by nearly 60 basis points, shifting from 2.23 percent to 1.65 percent. Said debt optimisation has allowed us to drive down our finance costs by more than 50 percent.

Overall, Prosegur boasts an optimal financial position, laying the foundations from which to drive

our digital transformation, innovation projects and growth strategy.

Sustained robust growth for our operations in local currency terms

Looking at how our three business units performed, Prosegur Security generated revenues of EUR 1.946 billion, representing a dip of 8.0 percent compared to 2017. However, as was the case for the group as a whole, revenues in local currency terms reflected growth. The unit also reported EBIT of EUR 54 million, down from EUR 66 million in 2017, while the EBIT margin stood at 2.8 percent.

Looking beyond the financial indicators, one highlight was the company's entrance into the United States, the largest private security market in the world. Prosegur has made several acquisitions in physical security, technology and cybersecurity, helping to focus growth in the market via the development of integrated security solutions.

Also highly significant was turnover growth in transformation products and integrated security solutions, which now account for 23 percent of the unit's total revenues. As a result, our Integra initiative has consolidated its standing in the

market, with particularly strong take-up among major clients.

Meanwhile, Prosegur Cash reported turnover of EUR 1.732 billion in 2018, down 10.0 percent compared to 2017. However, in local currency terms the unit posted growth of 12 percent. The EBIT margin shrank from 18.7 percent to 15.5 percent. The main drivers behind narrowing margins were the exchange rate effect, the application of hyperinflation accounting standards and the merger costs resulting from acquisitions.

Prosegur Cash invested close to EUR 100 million in its inorganic growth strategy. It is also worth pointing to the good trend recorded by new product sales, which sustained good sales growth momentum, accounting for 11.8 percent of turnover in 2018.

Prosegur Alarms recorded sales of EUR 262 million in 2018, up 4.4 percent on the previous year. The unit sustained faster growth than the industry average, reaching a total of 547,000 connections. This figure represents net total growth of 10 percent compared to 2017.

Other standout aspects in the year include greater use of our Prosegur Smart application, which is now harnessed by 15 percent of the total customer

base. We have also launched a series of programmes aimed at improving our customer retention rate, driving portfolio classification and introducing process improvements.

Talent as the fulcrum of change

In this climate of change and constant development, Prosegur intends to attract, develop and retain the best qualified professionals. We therefore strive to furnish them with the knowledge and tools that they need to leverage their skills, as well as providing them with opportunities to grow within the company.

We are consequently enhancing our Prosegur Corporate University platform, adding more self-training content in topics associated with digitalisation. At the same time, we are conducting transformational leadership and digital knowledge assessments, helping to identify leaders at the company who are capable of driving the progress that we are targeting. In short, we seek to train professionals and furnish them with decision-making capabilities, within a framework of fully transparent relations with employees.

These are very important concepts to us, and ones we hope to convey to the rest of the industry



as far as possible. We at Prosegur work actively to improve industry standards across all markets within our footprint. Said commitment is evident in aspects such as creating quality employment, worker health and safety, regulatory compliance, respect for human rights and good governance. We will likewise continue to promote policies and procedures that address environmental and social matters.

Our operations have always been grounded on the firm values that identify us as a company and shape our conduct. I firmly believe that Prosegur's activities have a positive impact on society. This is

largely thanks to the figure of the security guard. These are professionals who each and every day demonstrate an unyielding commitment to the well-being and protection of individuals. And whose hard work contributes to security for our society as a whole.

Prosegur can and must drive change. However, I am certain that our principles will remain steadfast. We will continue to honour our commitment to customers, employees and shareholders alike. And we will continue to ensure that Prosegur represents an attractive project for all of the company's stakeholders.

For yet another year, I would like to thank you for your trust and reiterate the entire Prosegur team's commitment to making this company a true leader in the security industry.

Christian Gut
Chief Executive Officer