Prosegur Compañía de Seguridad, S.A. and subsidiaries

Condensed Consolidated Interim Financial Statements for the nine-month period ended 30 September 2017

Consolidated Interim Directors' Report

2017

(With Limited Review Report Thereon)

(*Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)*

KPMG Auditores, S.L.
Paseo de la Castellana, 259 C
28046 Madrid

Limited Review Report
on the Condensed Consolidated Interim Financial Statements

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

To the Shareholders of
Prosegur Compañía de Seguridad, S.A. commissioned by the Company´s Directors

Report on the Condensed Consolidated Interim Financial Statements

Introduction

We have carried out a limited review of the accompanying condensed consolidated interim financial statements (the “interim financial statements”) of Prosegur Compañía de Seguridad, S.A. (the "Company”) and subsidiaries (the “Group”), which comprise the statement of financial position at 30 September 2017, and the income statement, statement of comprehensive income, statement of changes in equity, cash flows statement and the explanatory notes (all condensed and consolidated) for the nine-month period then ended. The Directors of the Company are responsible for the preparation of these interim financial statements in accordance with International Accounting Standard (IAS) 34 “Interim Financial Reporting” as adopted by the European Union. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of Review

We conducted our limited review in accordance with the International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with prevailing legislation regulating the audit of accounts in Spain and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the accompanying interim financial statements.

Conclusion

Based on our limited review, which can under no circumstances be considered an audit, nothing has come to our attention that causes us to believe that the accompanying interim financial statements for the nine-month period ended 30 September 2017 have not been prepared, in all material respects, in accordance with International Accounting Standard (IAS) 34 “Interim Financial Reporting”, as adopted by the European Union, for the preparation of condensed interim financial statements.

Emphasis of Matter

We draw your attention to the accompanying note 2, which states that the interim financial statements do not include all the information required in complete consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The accompanying interim financial statements should therefore be read in conjunction with the Group's consolidated annual accounts for the year ended 31 December 2016. This matter does not modify our conclusion.

Report on Other Legal and Regulatory Requirements

The accompanying consolidated interim management report for the nine-month period ended 30 September 2017 contains such explanations as the Directors of the Company consider relevant with respect to the significant events that have taken place in this period and their effect on the interim financial statements. The consolidated interim management report is not an integral part of the interim financial statements. We have verified that the accounting information contained therein is consistent with that disclosed in the interim financial statements for the nine-month period ended 30 September 2017. Our work is limited to the verification of the consolidated interim management report within the scope described in this paragraph and does not include a review of information other than that obtained from the accounting records of Prosegur Compañía de Seguridad, S.A. and subsidiaries.

KPMG Auditores, S.L.

(Signed on original in Spanish)

María Lacarra Caminero

26 January 2018

PROSEGUR COMPAÑIA DE SEGURIDAD, S.A. AND SUBSIDIARIES

Condensed consolidated interim financial statements
for the nine-month period ending 30 September 2017

(Translation from the original in Spanish. In the event of discrepancy, the Spanish language version prevails)

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I. CONSOLIDATED INCOME STATEMENT – COSTS BY FUNCTION

(In thousands of euros)		Nine-month period ending 30 September	
	Note	**2017**	**2016**
Revenue	5	3,184,291	2,843,587
Costs to sell	6, 7	(2,436,267)	(2,196,184)
Gross profit		**748,024**	**647,403**
Other income		977	6,666
Sale and administrative expenses	6, 7	(462,288)	(406,890)
Other expenses	8	(9,657)	(18,781)
Investment accounted for using the equity method	13	(1,726)	(2,991)
Operating profit/loss (EBIT)		**275,330**	**225,407**
Finance income	9	4,518	38
Finance expenses	9	(35,866)	(36,580)
Net financial expenses		(31,348)	(36,542)
Profit before tax		**243,982**	**188,865**
Income tax expense	19	(98,915)	(95,810)
Post-tax profit from continuing operations		**145,067**	**93,055**
Profit/(loss) for the period from interrupted operations		-	-
Consolidated profit for the period		**145,067**	**93,055**
Attributable to:			
Owners of the parent		111,095	93,073
Non-controlling interests		33,972	(18)
Earnings per share from continuing operations attributable to the owners of the parent (Euros per share)			
- Basic	16	0.19	0.16
- Diluted	16	0.19	0.16
Earnings per share from interrupted operations attributable to the owners of the parent (Euros per share)			
- Basic		-	-
- Diluted		-	-

The Notes included on pages 10 to 41 form an integral part of these condensed consolidated interim financial statements

II. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(In thousands of euros)	Nine-month period ended 30 September	
	2017	**2016**
Profit for the period	**145,067**	**93,055**
Other comprehensive income:		
Items which are reclassified to profit and loss		
Translation differences of financial statements of foreign operations	(147,035)	7,505
Total comprehensive income for the period, net of tax	**(1,968)**	**100,560**
Attributable to:		
- Owners of the parent	(10,077)	100,483
- Non-controlling interests	8,109	77
	(1,968)	**100,560**

The notes included on pages 10 to 41 form an integral part of these condensed consolidated interim financial statements

III. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(In thousands of euros)	Note	30 September 2017	31 December 2016
ASSETS			
Property, plant and equipment	11	573,277	558,021
Goodwill	11	537,317	528,366
Other intangible assets	11	225,707	256,736
Investments accounted for using the equity method	13	27,070	30,234
Non-current financial assets	12	12,651	9,600
Deferred tax assets		153,773	185,628
Non-current assets		**1,529,795**	**1,568,585**
Inventory	15	101,748	86,654
Trade and other receivables		1,013,637	943,225
Current tax asset		138,476	147,061
Non-current assets held for sale	11	56,924	64,701
Cash and cash equivalents	14	1,232,147	824,634
Current assets		**2,542,932**	**2,066,275**
Total assets		**4,072,727**	**3,634,860**
EQUITY			
Share capital	16	37,027	37,027
Share premium	16	25,472	25,472
Treasury shares	16	(53,079)	(53,315)
Translation differences		(591,543)	(470,371)
Accumulated earnings and other reserves		2,001,769	1,212,118
Equity attributable to equity holders of the Parent		**1,419,646**	**750,931**
Non-controlling interests		94,580	569
Total equity		**1,514,226**	**751,500**
LIABILITIES			
Financial liabilities	18	718,300	1,223,597
Deferred tax liabilities		97,346	108,161
Provisions	17	224,078	238,612
Non-current liabilities		**1,039,724**	**1,570,370**
Trade and other payables		757,180	785,693
Current tax liabilities		90,985	123,929
Financial liabilities	18	609,617	358,383
Provisions	17	8,188	4,374
Other current liabilities		52,807	40,611
Current liabilities		**1,518,777**	**1,312,990**
Total liabilities		**2,558,501**	**2,883,360**
Total equity and liabilities		**4,072,727**	**3,634,860**

The Notes included on pages 10 to 41 form an integral part of these condensed consolidated interim financial statements

IV. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

PERIOD ENDED 30 SEPTEMBER 2017

(In thousands of euros)	Equity attributable to equity holders of the Parent						Non-controlling interests	Total equity
	Share Capital (Note 16)	Share premium (Note 16)	Treasury shares (Note 16)	Translation differences	Accumulated earnings and other reserves	Equity attributable of equity holder of the parent		
Balance at 1 January 2017	**37,027**	**25,472**	**(53,315)**	**(470,371)**	**1,212,118**	**750,931**	**569**	**751,500**
Total comprehensive income for the period ended 30 September 2017	-	-	-	(121,172)	111,095	(10,077)	8,109	**(1,968)**
Dividends for 2016	-	-	-	-	(34,066)	(34,066)	-	**(34,066)**
Other movements (Note 16)	-	-	236	-	712,622	712,858	85,902	**798,760**
Balance at 30 September 2017	**37,027**	**25,472**	**(53,079)**	**(591,543)**	**2,001,769**	**1,419,646**	**94,580**	**1,514,226**

The Notes included on pages 10 to 41 form an integral part of these condensed consolidated interim financial statements

PERIOD ENDED 30 SEPTEMBER 2016

(In thousands of euros)	Equity attributable to equity holders of the Parent							
	Share Capital (Note 16)	Share premium (Note 16)	Treasury shares (Note 16)	Translation differences	Accumulated earnings and other reserves	Equity attributable of equity holder of the parent	Non-controlling interests	Total equity
Balance at 1 January 2016	**37,027**	**25,472**	**(53,493)**	**(514,517)**	**1,205,467**	**699,956**	**(330)**	**699,626**
Total comprehensive income for the period ended 30 September 2016	-	-	-	7,410	93,073	100,483	77	**100,560**
Dividends for 2016	-	-	-	-	(68,189)	(68,189)	-	**(68,189)**
Other movements	-	-	178	-	1,522	1,700	765	**2,465**
Balance at 30 September 2016	**37,027**	**25,472**	**(53,315)**	**(507,107)**	**1,231,873**	**733,950**	**512**	**734,462**

The Notes included on pages 10 to 41 form an integral part of these condensed consolidated interim financial statements

V. CONSOLIDATED CASH FLOW STATEMENT

(In thousands of euros)	Note	Nine-month period ending 30 September 2017	2016
Cash flows from operating activities			
Profit/(loss) for the period		**145,067**	**93,055**
Adjustments for:			
Depreciation and amortisation	6, 11	95,716	85,036
Impairment losses on non-current assets	8, 11	92	388
Impairment losses on trade receivables and stock	8, 15	6,758	13,726
Investments accounted for using the equity method	13	1,726	2,991
Change in provisions	17	41,025	36,980
Finance income	9	(4,518)	(38)
Finance expenses	9	35,866	36,580
(Gains)/losses on derecognition and sale of property, plant and equipment	8	1,330	3,366
Income tax	19	98,915	95,810
Changes in working capital, net of the effect of acquisitions and translation differences			
Inventory	15	(22,471)	(22,078)
Trade and other receivables		(98,354)	(151,281)
Trade and other payables		11,847	40,562
Payment of provisions	17	(31,765)	(16,304)
Other liabilities		14,469	20,782
Cash from operating activities			
Interest paid		(30,581)	(25,022)
Income tax paid		(143,628)	(105,781)
Net cash from operating activities		**121,494**	**108,772**
Cash flows from investing activities			
Proceeds on sales of non-current assets held for sale	11	2,522	-
Proceeds from sale of financial assets		-	7,763
Interest collection		1,322	68
Acquisition of subsidiaries, net of cash and cash equivalents	21	(21,208)	(3,119)
Acquisition of property, plant and equipment	11	(133,937)	(91,230)
Acquisition of intangible assets	11	(23,464)	(8,528)
Acquisition of joint ventures, net of cash and cash equivalents	13	-	(19,890)
Acquisition of financial assets		(3,409)	(1,376)
Net cash used in investing activities		**(178,174)**	**(116,312)**
Cash flows from financing activities			
Collections from sales of treasury shares	16	805,834	-
Payments from purchases of treasury shares	16	(2,084)	-
Proceeds from loans and borrowings	18	66,248	121,907
Payments for loans and borrowings	18	(306,924)	(43,097)
Payments for other financial liabilities		(12,500)	(36,663)
Dividends paid	16	(54,611)	(48,501)
Net cash used in financing activities		**495,963**	**(6,354)**
Net increase/(decrease) in cash and cash equivalents		439,283	(13,894)
Cash and cash equivalents at the beginning of period		824,634	316,434
Effect of exchange differences		(31,770)	(8,993)
Cash and cash equivalents at the end of the period		**1,232,147**	**293,547**

The Notes included on pages 10 to 41 form an integral part of these condensed consolidated interim financial statements

VI. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. General information

Prosegur is a business group comprised of Prosegur Compañía de Seguridad, S.A. (the “Company”) and its subsidiaries (hereinafter Prosegur) that provides private security services in the following countries: Spain, Portugal, France, Germany, Argentina, Brazil, Chile, Peru, Uruguay, Paraguay, Mexico, Colombia, Singapore, India, China, South Africa and Australia.

The services provided by Prosegur fall within the following activity lines:

- Security
- Cash
- Alarms

Prosegur is organised and structured across the following geographical regions:

- Europe
- Latin America (Latam)
- Asia-Oceania and Africa (AOA)

Prosegur is controlled by Gubel, S.L., a company incorporated in Madrid, holding 50.075% of the shares of Prosegur Compañía de Seguridad, S.A.. Gubel, S.L prepares consolidated financial statements which includes Prosegur's financial statements.

Prosegur Compañía de Seguridad, S.A. is a public limited company, whose shares are listed on the Madrid, Bilbao, Valencia and Barcelona Stock Exchanges and which are traded through the Spanish Stock Exchange Interconnection System (electronic trading system) (SIBE). The Company was incorporated in Madrid on 14 May 1976 and is registered on the Madrid Trade Register. Prosegur Compañía de Seguridad, S.A. has its registered business address in Madrid, at Calle Pajaritos, no. 24.

Its corporate purpose is described in article 2 of its company by-laws. The Company is primarily engaged in the following services and activities through its subsidiary companies:

- The surveillance and protection of establishments, assets and people.
- The transport, deposit, safekeeping, counting and classification of currency and notes, bonds, securities and other objects that, due to their economic value or their danger, may require special protection.
- The installation and maintenance of security apparatuses, devices and systems.

The consolidated and individual annual accounts of Prosegur Compañía de Seguridad, S.A. for the year 2016 were approved at the General Shareholders' Meeting held on 29 May 2017.

Structure of Prosegur

Prosegur Compañía de Seguridad, S.A. is the parent company of a group comprising various subsidiary companies, as listed in Appendix I to the Notes to the consolidated annual accounts at 31 December 2016. Prosegur also holds a number of Joint Arrangements (Notes 15, 16 and Appendix II of the Notes to the consolidated annual accounts as at 31 December 2016).

Prosegur also holds stakes of under 20% in the share capital of other entities over which it has no significant influence (Note 17 to the consolidated annual accounts for the year ended 31 December 2016).

The principles applied when drawing up the consolidated annual accounts of Prosegur and when defining the scope of the consolidated group are explained in Note 35.2 and Note 2, respectively, to the consolidated annual accounts at 31 December 2016.

2. Basis of presentation, estimates made and accounting policies

These condensed consolidated interim financial statements of Prosegur for the nine-month period ending30 September 2017 have been prepared in accordance with IAS 34 - Interim financial reporting.

In accordance with the provisions of IAS 34, interim financial reports are prepared with the sole intention of updating the content of the latest consolidated annual accounts prepared by Prosegur, with emphasis on new activities, events and circumstances that have occurred during the nine-month period ending 30 September 2017, without duplicating the information previously published in the consolidated annual accounts for the year 2016.

With this in mind, and to ensure that the information contained in these condensed consolidated interim financial statements is readily understandable, these statements should be read in conjunction with Prosegur's consolidated annual accounts for the year ended 31 December 2016, which were prepared in accordance with International Financial Reporting Standards (IFRS), adopted for use within the European Union and approved by current European Council Regulations and other applicable provisions of the financial regulatory framework (IFRS-EU).

The estimates, made in reliance on best available information, are the same as those indicated in the Notes to the consolidated annual accounts for the year 2016. During the nine-month period ending 30 September 2017, there were no significant changes in the estimates made at year-end 2016.

Except for Appendix I, the accounting policies applied in preparing these condensed consolidated interim financial statements at 30 September 2017 are the same as those applied in preparing Prosegur’s consolidated annual accounts at 31 December 2016, details of which are included in Note 35 of those consolidated annual accounts.

Corporate income tax for the nine-month period ending 30 September 2017 is calculated using the effective tax rate expected to apply to earnings for the year.

Comparative information

The condensed consolidated interim financial statements include, for comparative purposes and in addition to the consolidated figures for the nine-month period ending 30 September 2017, figures for the same period of the previous year. This comparative information appears alongside each of the entries on the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement, the consolidated statement of changes in equity and the notes to the condensed consolidated interim financial statements, but not on the consolidated statement of financial position , which presents consolidated figures as at 31 December 2016.

3. Changes in the composition of the Group

Appendix I to the consolidated annual accounts for the year ended 31 December 2016 provides relevant information on the Group companies that were consolidated at that date.

The following companies were set up in the first nine months of 2017:

- ✓ In February 2017, the company BIP Serviços de recepçao e portaria Ltda. was set up in Brazil.
- ✓ In February 2017, the company BIP Serviços de Vigilancia Patrimonial Ltda. was set up in Brazil.
- ✓ In February 2017, the company Prosegur Holding SIS Ltda. was set up in Brazil.
- ✓ In May 2017, the company Prosegur Alarm Hizmetleri Anonim Sirket was set up in Turkey.

4. Events taken place since year-end 2016

Further to the content of Note 3 regarding changes in the composition of the Group, the most relevant events and transactions whichhave taken place during the first nine months of 2017 are described below:

On 13 January 2017, the Company fileda contentious-administrative appeal before the National Court, asking for the ruling of the National Markets and Competition Commission (CNMC) to be overturned and seeking also temporary suspension of payment of the penalty imposed on the Company. On 9 June 2017, Prosegur duly delivered to the National Court a bank guarantee for the sum of 39,420 thousand euros. No final judgment is expected to be handed down this year.

Financing arrangements

On 10 February 2017, the Company arranged two immediately available syndicated credit facilities, both at a term of five years and subject to a limit of 300,000 thousand euros and 200,000 thousand euros, respectively. At 30 September 2017, no amount had been utilised under those facilities.

On 17 March 2017, Prosegur floated 25% of the shares in its subsidiary, Prosegur Cash, S.A., at a price of 2 euros per share on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges; they are traded through the Spanish Stock Exchange Interconnection System (electronic trading system, known as SIBE).

On 7 April 2017, the stock market flotation greenshoe period came to an end, having managed to place a further 2.5% with investors, thus bringing the total floatation to 27.5% of the shares of Prosegur Cash, S.A. Prosegur now controls 72.5% of Prosegur Cash, S.A.following the floatation.

On 28 April 2017, Prosegur arranged a three-year syndicated financing facility through its subsidiary Prosegur Australia Investments Pty, for the sum of 70,000 thousand Australian dollars. At 30 September 2017, the amount utilised under the loan amounted to 70,000 thousand Australian dollars (equivalent value at 30 September 2017: 46,434 thousand euros).

5. Revenue

Total revenue for the periods ended 30 September 2017 and 2016 is as follows:

	Thousands of euros Period ending 30 September	
	2017	**2016**
Rendering of services	3,060,264	2,728,901
Goods sold	5,033	8,637
Operating lease revenues	118,994	106,049
Total revenues	**3,184,291**	**2,843,587**

Revenue from operating leases includes revenues obtained from alarm system rentals.
See Note 10 for further information on revenues by segment.

6. Selling, general and administrative expenses

The main expense items under the heading selling, general and administrative expenses on the income statement for the nine-month periods ended 30 September 2017 and 2016 are listed below:

		Thousands of euros	
		Period ending 30 September	
		2017	**2016**
Supplies		142,200	136,338
Employee benefit expenses	(Note 7)	1,946,399	1,738,308
Operating leases		27,430	35,113
Supplies and external services		182,741	165,915
Depreciation and amortisation		48,108	39,166
Other expenses		89,389	81,344
Total selling costs		**2,436,267**	**2,196,184**
Supplies		5,307	3,495
Employee benefit expenses	(Note 7)	238,898	205,657
Operating leases		33,310	28,912
Supplies and external services		80,313	77,414
Depreciation and amortisation		47,608	45,870
Other expenses		56,852	45,542
Total sale and administrative expenses		**462,288**	**406,890**

Total supply costs included on the consolidated income statement for the nine-month period ending 30 September 2017 amounted to 147,507 thousand euros (2016: 139,833 thousand euros).

7. Employee benefit expenses

Employee benefit expenses for the nine-month periods ending 30 September 2017 and 2016 were as follows:

	Thousands of euros	
	Period ending 30 September	
	2017	**2016**
Salaries and wages	1,578,750	1,427,226
Social Security	418,193	377,343
Other employee benefit expenses	99,555	88,977
Termination payments	88,799	50,419
Total employee benefits expense	**2,185,297**	**1,943,965**

Note 35.18 to Prosegur's consolidated annual accounts at 31 December 2016 states that the 2014 Plan, which is connected to the creation of value during the 2012-2014 period, was approved at the General Shareholder's Meeting held on 29 May 2012.

At the General Meeting held on 28 April 2015, the shareholders approved the 2017 Plan of long-term incentives for the Managing Director and Senior Management of Prosegur. The 2017 Plan is essentially linked to value creation during the 2015-2017 period and envisions the delivery of incentives in cash, which will be pegged to the share price in the case of certain beneficiaries.

Regarding the 2014 and 2017 long-term incentive plans for the Managing Director and Senior Management of Prosegur, an expense has been registered under the salaries and wages caption to reflect the commitment of 3,457 thousand euros accruing in the first nine months of 2017.

8. Other expenses

Other expenses on the income statement for the nine-month periods ending 30 September 2017 and 2016 were as follows:

	Thousands of euros Period ending 30 September	
	2017	**2016**
Impairment losses on trade receivables	(5,845)	(12,767)
Impairment losses on non-current assets	(92)	(388)
Net gains/(losses) on disposal of property, plant and equipment / Held for sale	(1,330)	(3,366)
Other expenses	(2,390)	(2,260)
Total other expenses	**(9,657)**	**(18,781)**

9. Net financial expenses

Net finance costs for the nine-month periods ending 30 September 2017 and 2016 were as follows:

	Thousands of euros Period ending 30 September	
	2017	**2016**
Interest paid	(22,923)	(20,730)
Interest received	222	38
Net gains/ (losses) on foreign currency transactions	4,296	(5,880)
Financial cost of leasing transactions	(1,695)	(1,788)
Other net financial income and costs	(11,248)	(8,182)
Total net financial expenses	**(31,348)**	**(36,542)**

10. Segment reporting

The Board of Directors is the chief operating decision maker of Prosegur and, together with the Audit Committee, reviews the internal financial information of Prosegur for the purpose of evaluating its performance and allocating resources.

The business is a vital part of the organisation and is represented in the General Business Divisions, which are responsible for the design of security solutions for customers and cover the main lines of business: Security, Cash and Alarms, which are therefore the main segments of the Group.

- Security: this mainly includes surveillance and protection of establishments, goods and persons and activities related to technological security and cyber security solutions.

- Cash: principally the transportation, storage, safekeeping, counting and classification of coins and banknotes, securities and other items that require special protection due to their economic value or associated risk.

- Alarms: includes installation and maintenance of residential alarms, as well as the alarm monitoring service by the Alarms Receiving Centre (ARC).

Corporate functions are supervised by the Global Support Divisions, which cover the Economic-Finance, Human Resources and External Relations, Risk Management, Legal, M&A, Strategy and Product Development departments. The following secondary segments are identified in geographical terms:

- Europe, which includes the following countries: Spain, Germany, France, Luxembourg (although no operations take place in this country, it is included because of the existence of the Luxembourg company Pitco Reinsurance, S.A., engaged in insurance coverage) and Portugal.

- AOA, which includes the following countries: Singapore, India, China, South Africa and Australia.

- LatAm (Latin America), which includes the following countries: Argentina, Brazil, Chile, Colombia, Mexico, Paraguay, Peru and Uruguay.

The Board of Directors uses earnings before interest and tax (EBIT) to assess segment performance, considering that this indicator best reflects the results of the Group’s different activities.

Total assets allocated to segments do not include other current and non-current financial assets, non-current assets held for sale or cash and cash equivalents, as these are managed at Prosegur Group level.

Total liabilities allocated to segments do not include loans and borrowings, except for finance lease payables, as these are managed at Prosegur Group level.

Details of ordinary income by geographical segment for the nine-month periods ended 30 September 2017 and 2016 are as follows:

Thousands of euros	Europe		AOA		Latam		Total	
	30 September 2017	30 September 2017	30 September 2017	30 September 2017	30 September 2017	30 September 2017	30 September 2017	30 September 2017
Total sales	1,230,708	1,130,627	121,262	102,978	1,832,321	1,609,982	3,184,291	2,843,587

Details of sales and EBIT by business are as follows:

Thousands of euros	Cash		Security		Alarms		Total	
	at 30 September 2017	at 30 September 2016	at 30 September 2017	at 30 September 2016	at 30 September 2017	at 30 September 2016	at 30 September 2017	at 30 September 2016
Sales to external customers	1,436,076	1,232,400	1,562,063	1,442,627	186,152	157,164	3,184,291	2,843,587
EBIT	255,182	209,738	42,739	27,616	3,198	9,012	275,330	225,407

Unallocated revenue in 2016 refers to the sold company Sociedad de Distribución y Canje y Mensajería, Ltda, for a total amount of Euros 11,396 thousand.

Unallocated costs comprise support costs of the Security and Alarms business, and extraordinary costs incurred during the year which cannot be considered as specifically arising from any of the three businesses.

EBIT and earnings after tax from continuing operations breakdown were as follows:

	Thousands of euros	
	30 September 2017	**30 September 2016**
EBIT allocated to segments	301,119	246,366
EBIT not allocated	(25,789)	(20,959)
EBIT of the period	275,330	225,407
Net financial expenses	(31,348)	(36,542)
Profit before tax	243,982	188,865
Income tax	(98,915)	(95,810)
Post-tax profit from continuing operations	145,067	93,055
Non-controlling interests	33,972	(18)
Profit for the period attributable to owners of the parent	**111,095**	**93,073**

Details of assets allocated to segments and a reconciliation with total assets at 30 September 2017 and 31 December 2016 are as follows:

Thousands of euros	Cash		Security		Alarms		Not allocated to segments		Total	
	at 30 September 2017	at 31 December 2016	at 30 September 2017	at 31 December 2016	at 30 September 2017	at 31 December 2016	at 30 September 2017	at 31 December 2016	at 30 September 2017	at 31 December 2016
Assets allocated to segments	1,347,606	1,397,466	982,269	942,058	175,594	160,485	265,536	236,364	2,771,005	2,736,373
Other unallocated assets	-	-	-	-	-	-	1,301,722	898,487	1,301,722	898,487
Other non-current financial assets	-	-	-	-	-	-	12,651	9,600	12,651	9,600
Non-current assets held for sale	-	-	-	-	-	-	56,924	64,253	56,924	64,253
Other current financial assets	-	-	-	-	-	-	-	-	-	-
Cash and cash equivalents	-	-	-	-	-	-	1,232,147	824,634	1,232,147	824,634
	1,347,606	1,397,466	982,269	942,058	175,594	160,485	1,567,258	1,134,851	4,072,727	3,634,860

Details of liabilities allocated to segments and a reconciliation with total liabilities at 30 September 2017 and 31 December 2016 are as follows:

Thousands of euros	Cash		Security		Alarms		Not allocated to segments		Total	
	at 30 September 2017	at 31 December 2016	at 30 September 2017	at 31 December 2016	at 30 September 2017	at 31 December 2016	at 30 September 2017	at 31 December 2016	at 30 September 2017	at 31 December 2016
Liabilities allocated to segments	**654,583**	**713,612**	**455,394**	**490,266**	**87,212**	**75,150**	**101,481**	**91,213**	**1,298,670**	**1,370,241**
Other unallocated liabilities	-	-	-	-	-	-	**1,259,831**	**1,513,119**	**1,259,831**	**1,513,119**
Loans and borrowings	-	-	-	-	-	-	1,259,831	1,513,119	1,259,831	1,513,119
	654,583	**713,612**	**455,394**	**490,266**	**87,212**	**75,150**	**1,361,312**	**1,604,332**	**2,558,501**	**2,883,360**

11. Property, plant and equipment, goodwill and other intangible assets

11.1. Property, plant and equipment

During the first nine months of 2017, Prosegur's investments in property, plant and equipment amounted to 133,937 thousand euros (at 30 September 2016: 91,230 thousand euros). These investments relate mainly to acquisitions and fitting-out of bases and armoured vehicles in Argentina and Brazil.

The corresponding charge to the consolidated income statement for the nine-month period ending 30 September 2017 was 65,595 thousand euros (at 30 September 2016: 54,946 thousand euros).

Derecognitions due to disposals or other means, net of accumulated depreciation and amortisation, for the first nine months of 2017 amounted to 6,718 thousand euros (at 30 September 2016: 7,104 thousand euros).

At 30 September 2017, no assets were subject to restrictions on title or ownership and none had been pledged as security for specific transactions.

11.2. Non-current assets held for sale

At 31 December 2016, investment property was recognised under Non-current assets held for sale, since Prosegur believed it was highly likely that they will be sold in 2017, and accounted for the entire balance of that heading.

Non-current assets held for sale in the nine-month period at 30 September 2017 is as follows:

	Thousands of euros Period ended 30 September 2017
Balance at the start of the period	64,701
Derecognition due to disposals or other means	(2,701)
Translation differences	(5,076)
Balance at the end of the period	**56,924**

The derecognitions reported in the first nine months of 2017 were due to down to the sale of one floor and eight parking spaces for a total amount of 45,173 thousand Argentine pesos (equivalent to 2,701 thousand euros at the time of the transaction), yielding a loss of 279 thousand euros (see Note 8).

11.3. Goodwill

Detail of movement in Goodwill during the nine-month period ending 30 September 2017 is as follows:

	Thousands of euros
Balance at 31 December 2016	**528,366**
Additions to consolidated group (Note 21)	26,918
Translation differences	(17,967)
Balance at 30 September 2017	**537,317**

(*) Additions calculations relating to business combinations are provisional and may be adjusted at any point within the year following the acquisition date.

During the nine-month period ending 30 September 2017, goodwill was incorporated from three business combinations (Note 21).

At 30 September 2017, there were no additional items triggering impairment with regard to recognised goodwill.

Detail of movement in Goodwill during the nine-month period ending 30 September 2016 is as follows:

	Thousands of euros
Balance at 31 December 2015	**494,151**
Additions to consolidated group	5,487
Translation differences	14,975
Balance at 30 September 2016	**514,613**

During the same period, goodwill was incorporated from the following business combinations:

	Country	2016	
		% ownership	Thousands of euros
MIV Gestión S.A.	Spain	100%	837
Dognaedis Lda.	Portugal	100%	1,423
Beagle Watch Armed Response Proprietary Limited	South Africa	75%	3,156
Procesos Técnicos de Seguridad y Valores SAS	Colombia	100%	71
			5,487

11.4. Other intangible assets

Additions in the first nine months of 2017 included the purchase on 16 March 2017 of a client portfolio in South Africa from the company CSS Tactical Proprietary Limited. This portfolio has been valued at its purchase price, which totalled 65,880 thousand South African rand (4,626 thousand euros), consisting of a cash payment of 41,410 thousand South African rand (2,908 thousand euros) and a deferred payment as security for any liabilities that may subsequently emerge for the sum of 24,470 thousand South African rand (1,718 thousand euros). The useful life of this portfolio has been set at 10 years.

A portfolio of clients was also acquired in Paraguay on 13 September 2017. This portfolio has been valued at its purchase price of 72,030,259 thousand guaraní (10,727 thousand euros).

12. Financial assets

The breakdown of available-for-sale financial assets and other current and non-current financial assets at 30 September 2017 and at 31 December 2016 is as follows:

	Thousands of euros	
	30/09/2017	**31/12/2016**
Available-for-sale financial assets	7,887	5,359
Deposits and guarantees	4,028	3,493
Other non-current financial assets	736	748
Total non-current financial assets	**12,651**	**9,600**

a) Available-for-sale financial assets

During the first nine months of 2017, no significant financial assets available for sale were purchased, sold, issued or settled.

13. Investments accounted for using the equity method

13.1. Joint arrangements

The main joint arrangements of Prosegur relate to companies engaged in the Cash business in India and South Africa. These joint arrangements are structured as separate vehicles and Prosegur has a share of their net assets. Consequently, Prosegur has classified these shareholdings as Joint Ventures.

Detail of movement in investments in joint ventures accounted using the equity method for the nine-month periods ending 30 September 2017 and 2016 are as follows:

	Thousands of euros	
	30/09/2017	**30/09/2016**
Balance at January 1	**30,234**	**18,328**
New additions	-	19,890
Share of profit/ (loss)	(1,726)	(2,991)
Sale	-	(5,171)
Translation differences	(1,438)	5,141
Balance at September 30	**27,070**	**35,197**

The main figures for investments accounted for using the equity method at year-end 2016 are included in Appendix III to the consolidated annual accounts for the year ended 31 December 2016.

Additions during the nine-month period ending 30 September 2016 related mainly to the subscription by Prosegur of shares representing 33.33% of the share capital of the South African company SBV Services Proprietary Limited, which operates in the cash and valuables in transit sector. This transaction was completed on 25 February 2016.

The terms of the contract whereby Prosegur subscribed the shares in SBV are discussed in Note 15 to the 2016 consolidated annual accounts of Prosegur.

In January 2016, a joint venture was incorporated in India for the Alarms business, under the name SIS Prosegur Alarms Monitoring and Response Services Pte, Ltd.

Prosegur has no significant contingent liability commitments in any of the joint ventures accounted for under the equity method.

14. Cash and cash equivalents

This heading was as follows at 30 September 2017 and 31 December 2016:

	Thousands of euros	
	30/09/2017	**31/12/2016**
Cash and banks	627,358	799,429
Current bank deposits	604,789	25,205
	1,232,147	**824,634**

The effective interest rate on current bank deposits was 5.17% (at 31 December 2016: 13.46%), while the average term during which deposits were held in the first nine months of 2017 was 249 days (at 31 December 2016: 54 days).

15. Inventory

Inventory was as follows at 30 September 2017 and 31 December 2016:

	Thousands of euros	
	30/09/2017	**31/12/2016**
Work in progress	44,203	33,276
Goods for resale, fuel and other	54,319	50,726
Operating materials	2,140	2,300
Uniforms	6,517	6,502
Inventory impairment	(5,431)	(6,150)
	101,748	**86,654**

No inventories have been pledged as collateral to secure debt obligations.

Details of movement in impairment losses for the nine-month periods ending 30 September 2017 and 30 September 2016 are as follows:

	Thousands of euros	
	30/09/2017	**30/09/2016**
Balance at January 1	(6,150)	(5,360)
Additions	(913)	(959)
Applications and other	1,144	1,707
Translation differences	488	(189)
Balance at September 30	**(5,431)**	**(4,801)**

16. Equity

16.1. Share capital

Share capital comprises the following:

	Thousands	Thousands of euros			
	Number of shares	Share capital	Share premium	Treasury shares	Total
1 January 2016	617,125	37,027	25,472	(53,493)	9,006
31 December 2016	617,125	37,027	25,472	(53,315)	9,184
30 September 2017	617,125	37,027	25,472	(53,079)	9,420

At 30 September 2017, the share capital of Prosegur Compañía de Seguridad, S.A. amounted to 37,027 thousand euros, divided into 617,124,640 shares each having a par value of 0.06 euros and all fully subscribed and paid up. The shares are quoted on the Madrid, Bilbao, Valencia and Barcelona Stock Exchanges and are traded on the Spanish Stock Exchange Interconnection System (electronic trading system, known as SIBE).

16.2. Share premium

The share premium amounts to 25,472 thousand euros and is freely available. It remained unchanged throughout the year 2016 and also during the nine-month period ending 30 September 2017.

16.3. Treasury shares

Changes in treasury shares during the nine-month period ending 30 September 2017 were as follows:

	Number of shares	Thousands of euros
Balance at 31 December 2016	**18,694,870**	**53,315**
Other distributions	(67,035)	(236)
Balance at 30 September 2017	**18,627,835**	**53,079**

16.4. Dividends

Dividends paid by the parent company during the nine-month periods ending 30 September 2017 and 30 September 2016 were as follows:

	Period ending at 30 September 2017			Period ending at 30 September 2016		
	% of Nominal	Gross euros per share	Amount (thousands of euros)	% of Nominal	Gross euros per share	Amount (thousands of euros)
Ordinary shares	147.49	0.09	54,611	130.99	0.08	48,501
Other shares (no vote, redeemable, etc.)	-	-	-	-	-	-
Total dividends paid	**147.49**	**0.09**	**54,611**	**130.99**	**0.08**	**48,501**
a) Dividends charged to profit/loss	147.49	0.09	54,611	130.99	0.08	48,501
b) Dividends charged to reserves or share premium	-	-	-	-	-	-
c) Dividends in kind	-	-	-	-	-	-

On 17 January 2017, the third payment of the dividend charged to 2015 earnings was made. The total pay-out was 17,047 thousand euros (at a rate of 0.02762500 euros, gross, per outstanding share, equivalent to 0.02237625 euros, net, per share).

On 12 April 2017, the fourth and final payment of the dividend charged to 2015 earnings was made. The total pay-out was 17,047 thousand euros (at a rate of 0.02762500 euros, gross, per outstanding share, equivalent to 0.02237625 euros, net, per share).

The General Shareholders' Meeting held on 29 May 2017 approved the distribution of a dividend of 0.0552 euros per outstanding share on each payment date, giving a total maximum dividend of 34,066 thousand euros, considering that capital was divided into 617,124,640 shares at 30 September 2017. The amount not paid out as a dividend out of the total maximum agreed, due to treasury shares existing on each payment date, will be posted to voluntary reserves.

On 13 July 2017, the first payment of the dividend charged to unrestricted reserves was made. The total pay-out was 17,033 thousand euros (at a rate of 0.02760000 euros, gross, per outstanding share, equivalent to 0.02235600 euros, net, per share).

The remaining payment, bringing the total dividend to 0.0552 euros per share as agreed –considering that capital is divided into 617,124,640 shares at 30 September 2017– was paid in October 2017.

16.5. Earnings per share

- ***Basic***

Basic earnings per share are calculated by dividing the profit from continuing operations attributable to the owners of the parent by the weighted average number of common shares outstanding during the period, excluding own shares acquired by the Company.

	Thousands of euros	
	30/09/2017	**30/09/2016**
Profit for the year attributable to owners of the parent	111,095	93,073
Weighted average number of ordinary shares outstanding	598,476,842	598,398,931
Basic earnings per share	**0.19**	**0.16**

- ***Diluted***

Diluted earnings per share are calculated by adjusting the profit for the period attributable to the owners of the parent company and the weighted average number of common shares outstanding to take into account all the dilutive effects of potential common shares.

	Thousands of euros	
	30/09/2017	**30/09/2016**
Profit for the year attributable to owners of the parent	111,095	93,073
(Diluted) weighted average number of ordinary shares outstanding	598,476,842	598,398,931
Diluted earnings per share	**0.19**	**0.16**

16.6. Other movements

On 17 March 2017, Prosegur floated 25% of the shares in its subsidiary, Prosegur Cash, S.A., at a price of 2 euros per share on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges; they are traded through the Spanish Stock Exchange Interconnection System (electronic trading system, known as SIBE).

On 7 April 2017, the stock market floatation greenshoe period came to an end, having managed to place a further 2.5% with investors, thus bringing the total floatation to 27.5% of the shares of Prosegur Cash, S.A. As a result, Prosegur now controls 72.5% of the shares of the Prosegur Cash Group and therefore maintains control over the Prosegur Cash Group. Accordingly, the transaction has been reported in these condensed consolidated interim financial statements as a transaction involving own equity instruments.

The impact of this transaction amounted to 824,992 thousand euros and the associated expenses were 28,010 thousand euros. As a result, the net positive impact recognised from the disposal of these equity instruments amounts to 796,983 thousand euros.

Prosegur Cash has entered into a liquidity provider's agreement in a bid to stimulate liquidity and the regular trading and pricing of its shares. At 30 September 2017, Prosegur Cash, S.A. held treasury shares totalling 2,084 thousand euros.

17. Provisions

Labour-related risks

Provisions for labour-related risks are calculated individually, based on the estimated likelihood of success or failure of the lawsuit of claim. In addition, an internal assessment is conducted of the likelihood of reaching settlements under each of the lawsuits based on past experience. The final provision to be recognised is then determined on this basis.

The provision for labour-related risks mainly includes provisions for employment lawsuits in Brazil. Due to the country's labour legislation process the proceedings take a long time, leading to a provision of 76,580 thousand euros in 2017 (in 2016: 61,605 thousand euros).

This heading also includes a provision of 7,620 thousand euros (31 December 2016: 12,839 thousand euros) in relation to the business combination with Transpev in 2005.

Legal risk

Provisions for legal risks relate mainly to civil lawsuits, which are analysed on a case-by-case basis. Payment of these provisions is highly probable, though both the value and the timing of the final payment are uncertain and depend upon the outcome of the proceedings currently under way. There was no significant change in the total provision during the first nine months of 2017.

Restructuring

A restructuring provision has been recognised for the company Brinks Deutschland GmbH, which was acquired in 2013. Payment of the provision is highly probable. During the first nine months of 2017, payments of 860 thousand euros were made, these being the only change during the period.

Employee benefits

As discussed in Note 5.2 to the consolidated annual accounts for the year ended 31 December 2016, Prosegur has defined benefit plans in Germany, Brazil and France. The actuarial assessment made by qualified actuaries regarding the value of the arranged benefits is updated annually. The last update took place at year-end 2016 and applies to the current period.

The defined benefit plans in Germany and France consist of retirement allowances. In Brazil, they consist of post-retirement medical coverage, a requirement under Brazilian Act 9656.

Accrued obligations to personnel

These provisions include the incentive payable in cash under the 2014 and 2017 Plan.

During this period, a provision of 3,457 thousand euros was charged to earnings for the period. This amount includes the fair value adjustment of the share price for the 2014 Plan and the corresponding accrual for the 2017 Plan.

In 2017, a total of 1,526 thousand euros was posted in relation to the 2014 Plan, which was fully settled in the first nine months of 2017.

The fair value of incentives pegged to the share's listed price was estimated on the basis of the listed price of the Prosegur share at the period-end or at the time of payment.

Tax risks

This mainly reflects a total of Euros 72,210 thousand in connection with tax risks in Brazil and Argentina.

Tax risks in Brazil relate mainly to municipal and state claims for indirect taxes, along with provisions from the Nordeste business combination. In Argentina, they are related to several insignificant amounts individually related to direct and indirect municipal and provincial taxes.

Provisions for tax risks were down when compared with the situation at 31 December 2016. This is mainly due to the tax amnesty process for federal taxes in Brazil in relation to tax risks that had been provisioned for since the lawsuit was not expected to have a favourable outcome for the company.

Prosegur uses “the most likely result” approach when measuring uncertain tax positions. Significant tax risk is determined on the basis of opinions of external experts and a thorough analysis of existing case law. In addition, internal studies are also carried out of similar cases which have occurred in the past at Prosegur or at other companies. .

Each tax contingency is analysed in detail at the end of every quarter. This analysis covers the quantification, classification and level of provision associated with the risk. At year-end an independent expert delivers a letter containing an analysis and assessment of these parameters for all the main risks. The level of provision is based on said letters.

Comcare Australia

In the first nine months of 2017, payments of 742 thousand euros were made to cover commitments associated with Australia's occupational accident insurance plan, giving a total provision of 4,625 thousand euros (31 December 2016: 4,763 thousand euros), of which 863 thousand euros expire in the short term (31 December 2016: 1,195 thousand euros).

18. Financial liabilities

The breakdown of the balances under this heading on the consolidated statement of financial position at 30 September 2017 and at 31 December 2016 are as follows:

Thousands of euros	30/09/2017		31/12/2016	
	Non-current	**Current**	**Non-current**	**Current**
Debentures and other negotiable securities	-	505,205	498,883	10,312
Loans and borrowings	685,654	52,764	648,433	167,785
Finance lease payables	13,367	9,836	14,439	9,466
Credit accounts	-	16,208	48,570	139,143
Other debts	19,279	25,604	13,272	31,677
	718,300	**609,617**	**1,223,597**	**358,383**

Note 24 of the consolidated annual accounts for the year ended 31 December 2016 provides details of the most significant entries that made up the balance at that date.

By listing 27.5% of the shares in its subsidiary Prosegur Cash, S.A. in 2017, Prosegur has used the cash proceeds to repay virtually all the credit accounts.

During the nine-month period ending 30 September 2017, there were no non-payments or breaches of contract in relation to loans and credit facilities granted to Prosegur.

Syndicated credit facility (Spain)

On 12 June 2014, Prosegur entered into a new five-year syndicated credit facility of 400,000 thousand euros in order to delay the maturities of part of Prosegur's debt. On 18 March 2015, the syndicated credit facility was amended to change its maturity date to 18 March 2020. On 10 February 2017, this same syndicated financing arrangement was repaid and replaced by two new syndicated credit facilities for 300,000 thousand euros and 200,000 thousand euros, respectively, both at a term of five years. As of 30 September 2017, no amount had been utilised under either syndicated facility.

Syndicated loan (Spain)

In December 2016, Prosegur arranged a three-year syndicated facility through its subsidiary, Prosegur Cash, S.A., for the sum of 600,000 thousand euros. At 30 September 2017, the amount utilised under the syndicated loan amounted to 600,000 thousand euros (at 31 December 2016, utilised funds amounting to 600,000 thousand euros). The interest rate is pegged to the Euribor rate plus a spread.

Under the terms of the contract, the entire loan is to be fully repaid upon maturity in 2019.

Debentures and other negotiable securities

On 2 April 2013, vanilla bonds were issued for a nominal amount of 500,000 thousand euros, maturing on 2 April 2018. The bonds are listed on the secondary market on the Irish Stock Exchange. They accrue a coupon of 2.75% per year payable yearly on maturity.

Bailment

Prosegur has signed an agreement in Australia for bailment facilities for the supply of cash to automated teller machines belonging to Prosegur. Under the terms of the contract, the cash is the property of the supplier of the bailment facilities. Prosegur has access to this money for the sole purpose of loading cash into its own ATMs, which are supplied under the terms of this contract. Settlement of the relevant assets and liabilities is carried out via regulated clearing systems and includes the right to set off balances. Accordingly, no assets and liabilities are shown in these condensed consolidated interim financial statements for this item. The amount of cash in circulation at 30 September 2017 amounted to 48,000 thousand Australian dollars (equivalent to 31,800 thousand euros) (at 31 December 2016 it was 67,600 thousand Australian dollars, equivalent to 46,650 thousand euros).

Loan with financial institutions (South Africa)

In order to partially finance the subscription of shares representing 33.33% of the share capital of the South African company SBV Services Proprietary Limited, Prosegur arranged a four-year bullet loan on 29 January 2016 for the sum of 272,000 thousand South African rand (equivalent at 30 September 2017 to 17,060 thousand euros and equivalent at 31 December 2016 to 18,814 thousand euros).

Syndicated loan (Australia)

On 28 April 2017, Prosegur arranged a three-year syndicated financing facility through its subsidiary Prosegur Australia Investments Pty, for the sum of 70,000 thousand Australian dollars. At 30 September 2017, the funds utilised under the loan amounted to 70,000 thousand Australian dollars (equivalent value at 30 September 2017: 46,434 thousand euros).

Other debts

Note 24 of the consolidated annual accounts for the year ended 31 December 2016 provides details of the most significant entries that made up the balance at that date.

Other debts mainly relate to payments pending in relation to business combinations carried out in both the present period and prior years. The decrease is due to payments mainly in relation to Nordeste, amounting to 10,224 thousand euros in 2017.

19. Tax position

Tax costs are recognised in the interim accounting period based on the best estimate of the average weighted effective tax rate expected for the annual accounting period. The amounts calculated for tax costs in this interim accounting period may need to be adjusted in subsequent periods should estimates of the annual effective rate change.

	Thousands of euros Period ending 30 September	
	2017	**2016**
Current tax	77,875	113,445
Deferred tax	21,040	(17,635)
Total	**98,915**	**95,810**

	Thousands of euros Period ending 30 September	
	2017	**2016**
Income tax expenditure	98,915	95,810
Profit before tax	243,982	188,865
Effective tax rate	**40.54%**	**50.73%**

The effective tax rate is 40.5% in the third quarter of 2017, compared with 50.7% in the same period of 2016, which reflects a drop of 10.2 percentage points due to the higher impact in 2016 of the corporate restructuring that the Company initiated two years ago. Excluding these effects, the effective tax rate is 36.1% in the third quarter of 2017, compared with 34.8% in the same period in 2016.

On 10 May 2016, Prosegur received notice of the start of inspection proceedings concerning certain aspects of its Spanish corporate income tax return, specifically in relation to whether the Company was entitled in 2011 to depreciate its assets in the period desired in exchange for creating or maintaining jobs, and also in relation to the deductibility of remuneration paid to directors from 2011 to 2014.

Furthermore, on the same date notice was received of the start of inspection proceedings at Prosegur Compañía de Seguridad (absorbing company) as the surviving entity of the merger of the companies Prosegur Transporte de Valores and Prosegur Activa España (both absorbed companies). These proceedings also relate to corporate income tax and partially as regards the Company's entitlement in 2011 to depreciate its assets in the period desired in exchange for creating or maintaining jobs.

As a consequence of such inspections, the following documents were signed:

- Certificate of agreement regarding freedom of amortisation.
- Certificate of disagreement regarding remuneration of directors, with payment due of 390,145.61 euros and 30,267.58 euros in interest.

With regard to the certificate of disagreement, pleas have been submitted since Prosegur expects a favourable outcome. These pleas are currently awaiting a response from the Technical Office of the State Tax Authorities.

The Company is also involved in two legal proceedings against the Spanish taxation authorities, which are awaiting ruling, deriving from additional tax assessments signed on a contested basis. The first assessment was contested in 2012 and refers to corporate income tax for 2005, 2006 and 2007, representing a total tax debt of Euros 8,268 million. To date this litigation is pending ruling by the Spanish High Court. The second assessment was contested in 2014 and refers to corporate income tax for 2008 and 2009, representing a total tax debt of Euros 16,072 million. To date this litigation is pending ruling by the Central Economic Administrative Court.

The other Group companies are subject to their corresponding local jurisdictions. Since current tax law is somewhat ambiguous and open to various interpretations, additional tax liabilities could arise in the event of an inspection. In any event, the directors of the Company believe that the liabilities that could arise would not have a significant effect on these condensed interim financial statements

20. Contingencies

Note 28 to the consolidated annual accounts for the year ended 31 December 2016 provides relevant information on contingent assets and liabilities at that date.

On 22 April 2015, the National Markets and Competition Commission (CNMC) filed proceedings against Prosegur, Prosegur Servicios de Efectivo España, S.L.U. and Loomis España, S.A. for alleged anti-competitive practices under the laws of the European Union. On 10 November 2016, the Competition Court of the CNMC imposed a fine of 39,420 thousand euros on Prosegur and its subsidiary.

On 13 January 2017, Prosegur filed a contentious-administrative appeal before the National Court, asking for the ruling of the CNMC to be overturned and seeking also temporary suspension of payment of the penalty imposed on the Company.

On 13 February 2017, the National Court agreed to hear the appeal announced by Prosegur and initiated preliminary proceedings, prior to the appeal being brought. To date, Prosegur has yet to officially lodge the appeal, meaning therefore that National Court has yet to hear the case and deliver its decision on the merits of the appeal.

The National Court did, however, accept Prosegur's request for injunctive relief on 31 March 2017 and therefore suspended the enforceability of the CNMC's ruling as to the payment of the fine, subject to the condition that Prosegur, within the maximum term of two months, post a surety or other guarantee covering the amount of the fine. On 9 June 2017, Prosegur duly delivered to the National Court a bank guarantee for the sum of 39,420 thousand euros.

Prosegur alone will assume full responsibility and shall meet all costs involved in defending Prosegur and Prosegur Servicios de Efectivo España, S.L. and will therefore have exclusive authority on how to mount and control that defence and on how to pursue the legal proceedings.

The ruling eventually handed down by the National Court regarding the decision reached by the CNMC may give rise to additional liabilities once that judgment is delivered. Whatever the outcome, the Company's Directors do not believe that the liabilities that could arise would have a significant impact on the financial statements.

21. Business combinations

Changes in goodwill during the first nine months of 2017 are discussed in Note 11.3.

21.1. Goodwill included in 2017

Net assets acquired and goodwill recognised due to the three incorporations completed in the first nine months of 2017 were as follows:

Thousands of euros	Cash payment	Deferred amount at fair value	**Total purchase price**	Fair value of identifiable net assets	**Goodwill**
Business combinations [1]	**24,694**	**13,985**	**38,679**	**11,761**	**26,918**

[1] Calculations relating to business combinations are provisional and may be adjusted at any point within the year following the acquisition date**.**

Goodwill is not tax-deductible.

The cash outflow incurred to acquire these businesses, net of cash acquired, was as follows:

Thousands of euros	Cash payment	Cash and cash equivalents acquired	**Cash outflow for the acquisition**
Business combinations	24,694	(3,486)	**21,208**

The following assets and liabilities were generated from all acquisitions:

(Thousands of euros)	Carrying amount of the acquiree	Fair value
Cash and cash equivalents	3,486	3,486
Property, plant and equipment	7,206	7,206
Inventory	33	33
Trade and other receivables	5,016	5,016
Current tax assets	128	128
Current tax liabilities	(284)	(284)
Trade and other payables	(2,264)	(2,264)
Deferred tax assets	280	280
Deferred tax liabilities	(833)	(1,158)
Other financial assets	142	142
Financial debt	(1,690)	(1,690)
Provisions for risks and expenses	(235)	(235)
Other intangible assets	16	1,101
Identifiable net assets acquired	**11,001**	**11,761**

21.2. Goodwill reported in 2016 and not reviewed in 2017

Details of the net assets acquired and goodwill recognised for additions made in 2016 whose value has not been revised in 2017 are as follows:

Thousands of euros	Segment to which allocated	Cash payment	Deferred amount at fair value	**Total purchase price**	Fair value of identifiable net assets	**Goodwill**
MIV Gestión S.A.	Europe	698	443	**1,141**	832	**309**
Dognaedis Lda.	Europe	60	1,451	**1,511**	445	**1,066**
Beagle Watch Armed Response Proprietary Limited	AOA	2,155	3,311	**5,466**	2,297	**3,169**
Procesos Técnicos de Seguridad y Valores S.A.S.	LatAm	156	-	**156**	85	**71**
Indiseg Evolium Group, S.L.	Europe	961	600	**1,561**	898	**663**
Toll Transport Pty Ltd	AOA	7,218	4,545	**11,763**	5,934	**5,829**
		11,248	**10,350**	**21,598**	**10,491**	**11,107**

Goodwill is not tax-deductible.

The cash outflow incurred to acquire these businesses, net of cash acquired, was as follows:

Thousands of euros	Country	Cash payment	Cash and cash equivalents acquired	**Cash outflow for the acquisition**
MIV Gestión S.A.	Spain	698	(240)	**458**
Dognaedis Lda.	Portugal	60	(9)	**51**
Beagle Watch Armed Response Proprietary Limited	South Africa	2,155	(35)	**2,120**
Procesos Técnicos de Seguridad y Valores S.A.S.	Colombia	156	(3)	**153**
Indiseg Evolium Group, S.L.	Spain	961	-	**961**
Asset Purchase from Toll Transport Pty Ltd	Australia	7,218	-	**7,218**
		11,248	(287)	**10,961**

MIV Gestión, S.A.

On 8 January 2016, Prosegur acquired 100% of the company MIV Gestión S.A., a Spanish security firm that provides international transit services for valuable and vulnerable goods. The total purchase price was 1,141 thousand euros, comprising a cash payment of 698 thousand euros, a deferred payment of 360 thousand euros falling due in 2016 and 2017 and a contingent deferred payment of 83 thousand euros.

The acquired business was included in the consolidated accounts on 8 January 2016.

The following assets and liabilities were generated from the acquisition:

(Thousands of euros)	**Carrying amount of the acquiree**	**Fair value**
Cash and cash equivalents	240	240
Property, plant and equipment	17	17
Other non-current assets	10	10
Trade and other receivables	475	475
Trade and other payables	(427)	(427)
Current tax liabilities	(8)	(8)
Other intangible assets	-	701
Deferred tax	(1)	(176)
Identifiable net assets acquired	**306**	**832**

The goodwill on this acquisition was allocated to the Europe segment and mainly reflects the profitability of the business and the significant synergies expected to arise as a result of the acquisition. The intangible assets are associated with customer relationships (701 thousand euros), with a useful life of five years.

Beagle Watch Armed Response Proprietary Limited

On 28 January 2016, Prosegur acquired 57% of Beagle Watch Armed Response Proprietary Limited, a South African security firm specialising in monitoring residential alarms. The total purchase price was 42,251 thousand South African rand (equivalent on the acquisition date to 2,415 million euros), comprising a cash payment of 37,697 thousand South African rand (equivalent on the acquisition date to 2,155 thousand euros), and a deferred amount to secure possible liabilities amounting to 4,554 thousand South African rand (equivalent on the acquisition date to 260 thousand euros). In addition, Prosegur has increased its shareholding in Beagle Watch Armed Response Proprietary Limited to 18% by subscribing to a capital increase for a total amount of 53,369 thousand South African rand (equivalent on the acquisition date to 3,051 million euros), thus bringing Prosegur's shareholding in the company to 75%. Payment for that share issue was made on 16 March 2017.

The acquired business was included in the consolidated accounts on 28 January 2016.

The following assets and liabilities were generated from the acquisition:

(Thousands of euros)	**Carrying amount of the acquiree**	**Fair value**
Cash and cash equivalents	35	35
Property, plant and equipment	186	186
Trade and other receivables	2,389	2,389
Inventory	20	20
Trade and other payables	(167)	(167)
Other liabilities and expenses	(6)	(6)
Financial liabilities and other non-current liabilities	(112)	(112)
Current tax liabilities	(8)	(8)
Deferred tax	(40)	(40)
Identifiable net assets acquired	**2,297**	**2,297**

The resulting goodwill was allocated to the AOA segment and mainly reflects the profitability of the business and the significant synergies expected to arise as a result of the acquisition.

Dognaedis, Lda.

On 14 March 2016, Prosegur acquired 100% of Dognaedis, Lda. S.A., a Portuguese company specialising in cybersecurity services. The total purchase price was 1,511 thousand euros, comprising a cash payment of 60 thousand euros and a contingent deferred payment totalling 1,451 thousand euros.

The acquired business was included in the consolidated accounts on 14 March 2016.

The following assets and liabilities were generated from the acquisition:

(Thousands of euros)	Carrying amount of the acquiree	Fair value
Cash and cash equivalents	9	9
Property, plant and equipment	13	13
Trade and other receivables	150	150
Current tax assets	22	22
Trade and other payables	(51)	(51)
Current tax liabilities	(4)	(4)
Other current liabilities	(117)	(117)
Non-current financial liabilities	(140)	(140)
Other intangible assets	251	723
Financial debt	(45)	(45)
Deferred tax	-	(115)
Identifiable net assets acquired	**88**	**445**

The goodwill on this acquisition was allocated to the Europe segment and mainly reflects the profitability of the business and the significant synergies expected to arise as a result of the acquisition.

Procesos Técnicos de Seguridad y Valores, S.A.S.

On 29 April 2016, Prosegur acquired 100% of Procesos Técnicos de Seguridad y Valores S.A.S., a Colombian firm specialising in cash management services, including the processing, packaging and recycling of banknotes and coins. The total purchase price was 512,000 thousand Colombian pesos (equivalent on the acquisition date to 156 thousand euros), comprising a single cash payment of 512 million Colombian pesos (equivalent on the acquisition date to 156 thousand euros).

The acquired business was included in the consolidated accounts on 29 April 2016. The following assets and liabilities were generated from the acquisition:

(Thousands of euros)	Carrying amount of the acquiree	Fair value
Cash and cash equivalents	3	3
Property, plant and equipment	35	35
Trade and other receivables	450	450
Current tax assets	121	121
Trade and other payables	(501)	(501)
Current tax liabilities	(23)	(23)
Identifiable net assets acquired	**85**	**85**

The goodwill on this acquisition was allocated to the Latam segment and mainly reflects the profitability of the business and the significant synergies expected to result from the acquisition.

Indiseg Evolium Group, S.L.

On 3 November 2016, Prosegur acquired 100% of Indiseg Evolium Group, S.L., a Spanish company specialising in cybersecurity services. The total purchase price was 1,561 thousand euros, comprising a cash payment of 961 thousand euros and a contingent deferred payment of 600 thousand euros.

The acquired business was added to the consolidated group on 3 November 2016.

The following assets and liabilities were generated from the acquisition:

(Thousands of euros)	Carrying amount of the acquiree	Fair value
Cash and cash equivalents	-	-
Property, plant and equipment	25	25
Trade and other receivables	819	819
Trade and other payables	(379)	(379)
Financial liabilities	(268)	(268)
Other intangible assets	-	935
Deferred tax	-	(234)
Identifiable net assets acquired	**197**	**898**

The goodwill on this acquisition was allocated to the Europe segment and mainly reflects the profitability of the business and the significant synergies expected to arise as a result of the acquisition. The intangible assets acquired are associated with customer relations (935 thousand euros) and have a useful life of eight years.

Toll Transport Pty Ltd

On 4 November 2016, Prosegur acquired a bundle of assets from Toll Transport Pay Ltd. in Australia. The total purchase price was 18,115 thousand Australian dollars (equivalent on the acquisition date to 11,763 thousand euros), comprising a cash payment of 11,115 thousand Australian dollars (equivalent on the acquisition date to 7,218 thousand euros), and a deferred amount to secure possible liabilities of 7,000 thousand Australian dollars (equivalent on the acquisition date to 4,545 thousand euros).

The acquired assets were added to the consolidated accounts on 4 November 2016.

The following assets and liabilities were generated from the acquisition:

(Thousands of euros)	**Carrying amount of the acquiree**	**Fair value**
Cash and cash equivalents		
Property, plant and equipment	3,458	3,458
Trade and other payables	(248)	(248)
Other intangible assets	-	3,892
Deferred tax	-	(1,168)
Identifiable net assets acquired	**3,210**	**5,934**

The resulting goodwill was allocated to the AOA segment and mainly reflects the profitability of the business and the significant synergies expected to arise as a result of the acquisition. The intangible assets are associated with customer relations (3,892 thousand euros) and have a useful life of 13 years.

22. Related-party transactions

Prosegur is controlled by Gubel S.L., a company incorporated in Madrid that owns 50.075% of the Company's shares. The remaining 49.925% is held by various shareholders, the main ones being Oppenheimer Acquisition Corporation with 5.665%, AS Inversiones, S.L. with 5.328%, FMR LLC with 3.962%, Cantillon Capital Management LLC with 3.050% and Invesco Limited with 1.879%.

Goods and services purchase

In October 2005, a lease agreement was signed with Proactinmo S.L.U. (controlled by Gubel, S.L.) for a building located at calle Santa Sabina, 8, in Madrid, adjacent to a building located at calle Pajaritos, 24. In December 2015, a novation of the lease was signed so as to bring the annual rent to 1,012 thousand euros in line with market conditions and to extend the term of the contract from five to ten years, which can be extended by an additional year. The total expense associated with the lease agreement in the first nine months of 2017 was 772 thousand euros (at 30 September 2016: 856 thousand euros).

In December 2015, a lease was signed with Proactinmo S.L.U. (controlled by Gubel, S.L.) for the rental of the building located in Calle Pajaritos, no. 24, in Madrid. The duration of the contract is for ten years, renewable for one year, as it has been updated according to market conditions. The total expense associated with the lease agreement in the first nine months of 2017 was 538 thousand euros (at 30 September 2016: 587 thousand euros).

Both leases are at market prices.

Remuneration of board members and key management personnel

1. Remuneration of directors

Remuneration payable to members of the Board of Directors during the nine-month period ending 30 September 2017 and 2016 amounted to 1,916 thousand euros (1,987 thousand euros at 30 September 2016).

2. Remuneration of senior management personnel:

Senior management personnel are those Prosegur employees who exercise, either on a de facto or de jure basis, senior management functions reporting directly to the governing body or chief executive officer, including those holding powers of attorney that relate to the corporate object and are not restricted to specific areas or business.

Total remuneration payable to all senior managers at Prosegur during the nine-month periods ending 30 September 2017 and 2016 was as follows:

	Thousands of euros	
	30/09/2017	**30/09/2016**
Total remuneration accrued by Senior Management	1,933	2,952

The total commitment acquired by the Company at 30 September 2017 in relation to the incentives under the 2017 Plan is recognised under liabilities and amounts to 11,238 thousand euros (Note 17).

Loans to related parties

At 30 September 2017, there were no loans to related parties.

Investments and positions held by the members of the Board of Directors of the parent and their related parties at other companies

Neither the members of the Board of Directors nor their related parties hold any investments or positions or conduct any activities at companies engaged in identical, similar or complementary corporate objectives to those of the Company, outside the scope of Prosegur.

Information required by article 229 of the Spanish Corporate Enterprises Act

Pursuant to the terms of articles 228, 229 and 230 of the Restated Text of the Corporate Enterprises Act (Ley de Sociedades de Capital) enacted by Royal Legislative Decree 1/2010 of 2 July, as amended by Act 31/2014 on the improvement of corporate governance, no situations arose during the first nine months of 2017 in which the board members or their related parties were in direct or indirect conflict with the Company's own interests.

The firm J&A Garrigues, S.L.P. has been providing Prosegur, in a recurring manner and since long before the appointment of Fernando Vives as a director of the Company, services of legal and tax advice, within the ordinary course of business and in market conditions. Prosegur does not work exclusively with the firm J&A Garrigues, S.L.P., receiving legal and tax advice from other firms. The fees received by J&A Garrigues, S.L.P. from Prosegur are not significant for the firm in material terms and nor do they represent a significant amount on Prosegur's consolidated annual accounts. At 30 September 2017, fees amounted to 1,155 thousand euros (471 thousand euros at 30 September 2016). Additionally, Prosegur has provided guarding services to the law firm J&A Garrigues, S.L.P. during the first nine months of 2017. Guarding services billed to J&A Garrigues, S.L.P. during the first nine months of 2017 amounted to 424 thousand euros (406 thousand euros at 30 September 2016).

On the other hand, these services are rendered through other partners in the firm different from Fernando Vives, whose remuneration as a partner of J&A Garrigues, S.L.P. is totally independent and not linked in any way to the firm's invoicing to Prosegur. Therefore, the Board of Directors considers that the business relationship between the firm J&A Garrigues, S.L.P. and Prosegur, due to its recurring nature in the ordinary course of business, is non-exclusive and its limited importance in the aforementioned terms, does not in any way affect the independent nature of Fernando Vives for performing the role of director of Prosegur and being qualified as independent.

23. Subsequent events after the reporting date

On 27 November 2017, Prosegur, acting through its subsidiary Prosegur Cash, fixed the terms of a bond issue for a nominal total of 600,000 thousand euros, due to mature on 4 February 2026. The issue was placed on the euro market under the fixed-income placement programme of Prosegur Cash. The prospectus for the programme was approved by the Central Bank of Ireland on 10 November 2017.

The bonds have been issued at a price of 99.252% of their nominal value and pay a coupon of 1.375% per year payable yearly in arrears. The issue was closed and paid up on 4 December 2017, subject to compliance with standard terms and conditions for this kind of placement. An application has been made to have the bonds admitted to trading on the regulated market of the Irish Stock Exchange.

In December 2017, Cantillon Capital Management LLC reduced its shareholding in Prosegur to below 3%.

On 18 December 2017, the subsidiary Prosegur Cash agreed to pay out an ordinary interim dividend of 0.0716 euros, gross, per outstanding share, giving a maximum dividend of 107,400 thousand euros.

On 19 December 2017, the Company agreed to pay out an extra interim dividend of 0.45371 euros, gross, per share outstanding, thus giving a maximum total dividend of 279,996 thousand euros, and an ordinary interim dividend of 0.11648 euros, gross, per share outstanding, thus giving a maximum total dividend of 71,883 thousand euros.

APPENDIX I. – Summary of the main accounting policies

Standards effective as of 1 January 2017 and that may require changes to accounting policy and to the basis of presentation

The accounting policies adopted for the purpose of drawing up the condensed consolidated interim financial statements for the nine-month period ending 30 September 2017 are the same policies followed when drawing up the consolidated annual accounts for 2016,Note 35 to the consolidated annual accounts for the year ended 31 December 2016.

In addition, the following regulations published by the IASB and the IFRS Interpretations Committee and adopted by the European Union for application in Europe came into effect in 2017 and were therefore taken into account when drawing up these condensed consolidated interim financial statements:

Regulations		Must be applied: financial years starting as of: IASB effective date
Amendments to IAS 12	Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses (issued in January 2016)	1 January 2017
Amendments to IAS 7	Amendments to IAS 7 – Disclosure initiative (issued in January 2016)	1 January 2017
Improvements to IFRS 2014-2016	Annual improvements to IFRSs 2014-2016 cycle	1 January 2017

-Amendment to IAS 12: Clarifications on the recognition of deferred tax assets for unrealised losses. Effective for annual periods beginning on or after 1 January 2017.

-Amendment to IAS 7: Disclosure to enable users of financial statements evaluate changes in liabilities arising from financing activities. Effective for annual periods beginning on or after 1 January 2017.

-Annual improvements to IFRS 2014–2016. Improves the following standards: IFRS 1 - First-time Adoption of International Financial Reporting Standards; IFRS 12 - Disclosure of Interests in Other Entities; IAS 28 - Investments in Associates and Joint Ventures. The amendment to IFRS 12 is effective from 1 January 2017, while the amended IFRS 1 and IAS 28 will be effective as of 1 January 2018.

The application of these standards and interpretations had no significant impact on these condensed consolidated interim financial statements.

At the date these condensed consolidated interim financial statements were prepared, the following IFRSs, amendments and IFRIC interpretations had already been released by the IASB but were not compulsory:

	Must be applied:

Regulations		**financial years starting as of: IASB effective date**
IFRS 15	Revenue from contracts with customers (issued in May 2014)	1 January 2018
IFRS 9	Financial instruments (issued in July 2014)	1 January 2018
IFRS 16	Leases (issued in January 2016)	1 January 2019
Amendment to IAS 40	Amendment to IAS 40 - Transfers of investment property	1 January 2018
Amendment to IFRS 8	Operating segments	To be determined
IFRIC 22	Interpretation of IFRIC 22 - Foreign currency transactions and advance consideration	1 January 2018
Amendment to IFRS 2	Classification and measurement of share-based payment transactions	1 January 2018
IFRIC 23	Uncertainty over income tax treatments	1 January 2019

The Group has not applied any of these standards or interpretations prior to their effective date.

IFRS 15 - Revenue from contracts with customers will be effective for years starting 1 January 2018 onward. The Group expects to adopt and reflect IFRS 15 in its annual accounts for the year ending 31 December 2018. After conducting a preliminary assessment of the potential impact IFRS 15 would have on its consolidated annual accounts, the Group has concluded that it will have a significant impact on its consolidated statement of financial position. It is not expected to have a significant impact on the consolidated income statement.

The Group is currently analysing the potential impact of the adoption of IFRS 16 for its consolidated annual accounts. To estimate this impact, the Group needs to calculate, among other factors, the term of the relevant leases, taking into account whether or not the agreements can be cancelled early and whether the term can be unilaterally extended by one of the parties and, in both cases, with what level of certainty, which will in turn depend on the expected use of the assets located in the underlying leased properties.

The Group is still carrying out this calculation process. Based on the analysis conducted to date, the Group expects the application of IFRS 16 in 2019 to have a significant impact on its consolidated statement of financial position due to the different accounting treatment of certain property leases currently recognised as operating leases. No significant impact is expected in relation to the consolidated income statement.

As of the date of these condensed consolidated interim financial statements, and with the exception of IFRS 16, none of these standards is expected to have a significant impact on the Group's condensed consolidated interim financial statements.

PROSEGUR COMPAÑÍA DE SEGURIDAD, S.A. AND SUBSIDIARIES

Consolidated interim management report
for the nine-month period
ended 30 September 2017

Contents

Consolidated interim management report for the nine-month period ended 30 September 2017

1. Events to have taken place since the close of 2016

The most relevant events and transactions to have taken place during the first nine months of 2017 are as follows:

On 13 January 2017, the Company lodged a contentious-administrative appeal before the National Court, asking for the ruling of the National Markets and Competition Commission (CNMC) to be overturned and seeking also temporary suspension of payment of the penalty imposed on the company. On 9 June 2017, Prosegur posted security to the National Court by means of a bank guarantee totalling 39.4 million euros. No final judgment is expected to be handed down this year.

On 10 February 2017, the Company arranged two immediately available syndicated credit facilities, both at a term of five years and subject to a limit of 300.0 million euros and 200.0 million euros, respectively. As of 30 September 2017, no amount had been utilised under either facility.

On 17 March 2017, Prosegur floated 25% of the shares in its subsidiary, Prosegur Cash, S.A., at a price of 2 euros per share on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges; they are traded through the Spanish Stock Exchange Interconnection System (electronic trading system, known as SIBE).

On 7 April 2017, the stock market flotation greenshoe period came to an end, having managed to place a further 2.5% with investors, thus bringing the total floatation to 27.5% of the shares of Prosegur Cash, S.A. Prosegur now controls 72.5% of the Company following the floatation.

On 28 April 2017, Prosegur arranged a three-year syndicated financing facility through its subsidiary Prosegur Australia Investments Pty, for a sum of 70 million Australian dollars. At 30 September 2017, the capital utilised under the loan amounted to 70.0 million Australian dollars (equivalent value at 30 September 2017: 46.4 million euros).

2. Business performance

Prosegur's consolidated sales during the first nine months of 2017 amounted to 3,184.3 million euros (at 30 September 2016: 2,843.6 million euros), up 12.0% in total, of which 11.1% corresponds to pure organic growth and 0.3% to inorganic growth, while the exchange rate effect contributed 0.6%.

2.1. Sales by business area

The following table provides a breakdown of consolidated sales by business areas:

	Millions of euros	
	September 2017	**September 2016**
Security	1,562.0	1,442.6
% of total	*49.1%*	*50.7%*
Cash	1,436.1	1,243.8
% of total	*45.1%*	*43.8%*
Alarms	186.2	157.2
% of total	*5.8%*	*5.5%*
Total Prosegur	**3,184.3**	**2,843.6**

2.2. Margins

Consolidated operating profit (EBIT)* for the first nine months of 2017 amounted to 275.3 million euros (at 30 September 2016: 225.4 million euros). The EBIT margin at the end of the first nine months of 2017 was 8.7% (at 30 September 2016: 7,9%).

Stripping out the effect of the corporate restructuring process, the EBIT margin at 30 September 2017 was 8.8%, while the margin for the previous year was 8.1%. This growth has been driven by an increase in sales, with highlights here including the Security business in the Europe segment.

*EBIT: Earnings before interest and tax

The EBIT margin is as follows:

	Millions of euros at 30 September 2017
	Prosegur
Sales	3,184.3
EBIT	275.3
EBIT margin	8.7%
EBIT (without restructuring costs)	278.7
EBIT margin (without restructuring costs)	8.8%

	Millions of euros at 30 September 2016
	Prosegur
Sales	2,843.6
EBIT	225.4
EBIT margin	7.9%
EBIT (without restructuring costs)	230.9
EBIT margin (without restructuring costs)	8.1%

2.3. Outlook for the fourth quarter of 2017

During the first nine months of 2017, the Group reported sharp growth thanks to a winning combination of improving profitability plus steady cost-to-income and cost control. In the fourth quarter of 2017, the Group expects to see widespread organic growth in sales across all business units, despite the existing currency differences. This marks a moderate departure from the positive exchange rate scenario especially apparent in the first half of the year.

By business line, we would highlight the improvement in profit margins reported by the Security business in the first nine months of 2017. This improvement is mainly down to the increased sales of technological solutions as part of the Company's mix of Security products, as well as the intensive process of shielding profitability currently under way in Brazil. These measures are essentially structural improvements we can expect to continue over the coming three months of the year.

Further highlights include the solid increase in sales of Security services in Europe, mainly due to the award in early 2017 of major contracts in Spain. Meanwhile, the Latam region is likely to see more muted growth in this segment as we move forward since the Company's is currently seeking to improve profitability and recover business in Brazil rather than growing sales.

Turning to the Alarms business, the growth in the number of connections reported in the first nine months of 2017 surpassed the total growth reported in 2016. We are therefore extremely optimistic as we look forward to the last three months of the year, because if the Company manages to keep up its current pace it could double the number of new connections in 2017 versus 2016.

The main profitability indicators for the Alarms business remain healthy, showing a churn rate of 10% and an average monthly instalment per connection (ARPU) up 6% on the previous year.

By region, we expect the Alarms business to continue seeing the heaviest growth in Latin America; a region in which the market penetration of immediate-response security services has yet to reach the levels seen in Europe. At any rate, the growth reported in both regions is comfortably above the average growth for the industry in each region.

Turning to the CASH business, the last quarter of the year is expected to see similar growth to the levels reported in previous years, despite having lost the exchange rate tailwind effect and the non-recurring business that emerged in the first half of the year. The Group also expects new products to gradually account for more and more of the product mix and these products are expected to perform similarly as we finish out the year. Despite the uncertainty of the currency effect and fierce levels of competition in certain markets, we do not expect to see any significant change in this business line.

During the nine-month period ended 30 September 2017, there were no other events or circumstances shaping the performance of the businesses that might lead to expectations of possible risk or uncertainties for the last quarter of the year, and nor were there any significant liabilities beyond those mentioned in the interim financial statements at 30 June 2017.

3. Investments

Prosegur's investments are analysed in every case by the corresponding technical and operating areas and the management control department, which estimate and examine the strategic importance, period and returns of the investments before these are approved. They are then laid before the Investment Committee for a final decision on whether to proceed with the investment. Investments that exceed 1 million euros are laid before the Board of Directors for approval.

During the first nine months of 2017, investment in property, plant and equipment totalled 140.9 million euros (at 30 September 2016: 100.0 million euros), mainly in Spain, Argentina y Brazil.

4. Financial management

Prosegur calculates its net financial debt as follows: total of current and non-current external debt (excluding other non-banking debts) plus net derivative financial instruments and less cash and cash equivalents.

Financial debt at 30 September 2017 amounted to 50.9 million euros (at 31 December 2016: 712.4 million euros).

The ratio of net financial debt to equity at 30 September 2017 was 0.03% (at 31 December 2016: 0,95). The change is down to the inflow of capital following the stock market floatation of Prosegur Cash.

5. Treasury stock

Movements in treasury stock during the first nine months of 2017 were as follows:

	No. of shares	Millions of euros
Balance at 31 December 2016	18,694,870	53,315
Other employee benefits	(67,035)	(236)
Balance at 30 September 2017	**18,627,835**	**53,079**

6. Environment

At 30 September 2017, Prosegur had no environmental contingencies, legal claims or income and expenses relating to the environment.

7. Alternative Performance Measures

In compliance with the ESMA Guidelines on Alternative Performance Measures (APMs), Prosegur now offers this additional information to help readers compare and understand its financial information and to make it more reliable. While the Company presents its results in accordance with generally accepted accounting principles (IFRS), the Management believes that certain Alternative Performance Measures provide useful additional financial information that should also be taken into account when appraising the company's performance. The Management also relies on these APMs when reaching financial, operational and planning decisions, and when assessing the Company's performance. Prosegur provides those APMs deemed relevant and useful for users to make decisions and it is convinced that these help provide a true and fair view of its financial information.

APM	Definition and calculation	Purpose
Working capital	A financial measure showing the Group's operational liquidity. Working capital is calculated as current assets less current liabilities, plus deferred tax assets less deferred tax liabilities, less non-current provisions.	Positive working capital is needed to ensure that a company is able to continue operating and has sufficient funds with which to meet its current debt obligations and imminent operating expenses. The management of working capital requires the Group to control inventories, accounts receivable and payable and cash.
CAPEX	Capex (*Capital Expenditure)* represents the money a company spends on equipment assets that generates a profit or return, or by increasing the value of existing fixed assets. CAPEX includes additions of both property, plant and equipment and of software as part of its intangible assets.	CAPEX is an important indicator of a company's life cycle at a given point in time. When a company experiences rapid growth, CAPEX will exceed the depreciation of its fixed assets, indicating that the value of its equipment is increasingly quickly. In contrast, CAPEX that is similar to or even below fixed asset depreciation is a clear sign that the company is experiencing capital depletion, and may be a symptom of the company's decline.
EBIT Margin Adjusted EBIT Margin	EBIT Margin is calculated as results from operating activities divided by total revenue. Adjusted EBIT Margin is calculated as results from operating activities, after eliminating the results that can not be assigned to any segment, divided by total revenue.	EBIT margin provides a view of the company's operating results in comparison with the total revenue. Adjusted EBIT Margin provides a view of the company´s operating pure results in comparison with the accrued revenue.
Organic Growth	Organic Growth is calculated as the increase or decrease in revenue between two periods adjusted for acquisition and divestitures and changes in exchange rate.	Organic Growth provides a view of the company's organic revenue growth.
Inorganic Growth	Company calculates Inorganic growth for a given period as the aggregation of all the revenues from all the acquired entities during the last 12 months.	Inorganic Growth provides a view of the company's increase or decrease of revenue due to M&A or Sales variations.
Effect of exchange rate fluctuations	The Group calculates the Effect of exchange rate fluctuations as the different of Revenues for the current year less revenues for the current year at exchange rates of previous year.	The Effect of exchange rate fluctuations provides the impact of the currencies in the company's revenues.
Net Financial Debt	The Group calculates Net Financial Debt as the sum of current and non-current financial liabilities (including other non-bank payables corresponding to deferred payments for M&A acquisitions and financial liabilities with Group companies) less cash and cash equivalents, less current investments in group companies,	Net Financial Debt provides the absolute figure of the Groups level of debt.
EBITA	EBITA is calculated on the Group's Consolidated profit for the year without factoring in loss from discontinued operation net of tax, income tax expenses, net finance income or cost and amortisation of goodwill or of intangible assets, but including amortisation of software.	EBITA provides a view of the company's earnings before interest, taxes and amortisation of goodwill or of intangible assets.
EBITDA	EBITDA is calculated on the Group's Consolidated profit without factoring in loss from discontinued operations net of tax, income tax expenses, net finance income or cost and any depreciation or amortisation of goodwill.	EBITDA provides an accurate view of what a company is earning or losing from its business. EBITDA excludes non-cash variables, which can vary significantly from one company to another, depending on the accounting policies applied. Depreciation and amortisation are non-monetary variables and are therefore of limited interest to investors.

The reconciliation of the alternative performance measures is as follows:

Working Capital (Millions of Euro)	**30.09.2017**	**31.12.2016**
Non-Current Assets held-for-sale	56.9	64.7
Inventories	101.7	86.7
Trade and other receivables	1,013.6	943.2
Current tax assets	138.5	147.1
Cash and cash equivalents	1,232.1	824.6
Deferred tax assets	153.8	185.6
Trade and other payables	(757.2)	(785.7)
Current tax liabilities	(91.0)	(123.9)
Financial liabilities	(609.6)	(358.4)
Other current liabilities	(52.8)	(40.6)
Deferred tax liabilities	(97.3)	(108.2)
Provisions	(232.3)	(243.0)
Total Working Capital	856.4	592.1

Adjusted EBIT Margin (Millions of Euro)	**30.09.2017**	**30.09.2016**
EBIT	275.3	225.4
Less: items not assigned	3.4	5.5
Adjusted EBIT	278.7	230.9
Revenues	3,184.3	2,843.6
Adjusted EBIT Margin	8.8%	8.1%

Organic Growth (Millions of Euro)	**30.09.2017**	**30.09.2016**
Revenues for current year	3,184.3	2,843.6
Less: Revenues for the previous year	2,843.6	2,942.5
Less: Inorganic Growth	7.7	7.7
Effect of exchange rate fluctuations	(15.7)	481.3
Total Organic Growth	317.3	374.7

Inorganic Growth (Millions of Euro)	**30.09.2017**	**30.09.2016**
Procesos Tecnicos de Seguridad y Valores	1.9	3.4
Toll+CSA	12.0	-
Others	(6.2)	4.3
Total Inorganic Growth	7.7	7.7

Effect of exchange rate fluctuations (Millions of Euro)	**30.09.2017**	**30.09.2016**
Revenues for current year	3,184.3	2,843.6
Less: Revenues for the current year at exchange rates of previous year	3,200.0	2,362.3
Effect of exchange rate fluctuations	(15.7)	481.3

Net Financial Debt (Millions of Euro)	**30.09.2017**	**31.12.2016**
Financial liabilities	1,327.9	1,582.0
Less: not assigned financial liabilities	-	-
Adjusted financial liabilities **(A)**	1,327.9	1,582.0
Not assigned financial liabilities with group companies **(B)**	-	-
Cash and cash equivalents	(1,232.1)	(824.6)
Less: not assigned cash and cash equivalents	-	-
Less: adjusted cash and cash equivalents **(C)**	(1,232.1)	(824.6)
Less: not assigned current investments in group companies **(D)**	-	-
Less: other financial current assets **(E)**	-	-
Total Net Financial Debt (A+B+C+D+E)	95.8	757.4
Less: other non-bank payables **(F)**	(44.9)	(45.0)
Total Net Financial Debt (excluding other non-bank payables corresponding to deferred payaments for M&A acquisitions) **(A+B+C+D+E+F)**	50.9	712.4

EBITA (Millions of Euro)	**30.09.2017**	**30.09.2016**
Consolidated profit for the year	111.1	93.1
Minority interests	34.0	-
Income tax expenses	98.9	95.8
Net finance costs	31.3	36.5
Amortizations	77.0	66.5
EBITA	352.3	291.9

EBITDA (Millions of Euro)	**30.09.2017**	**30.09.2016**
Consolidated profit for the year	111.1	93.1
Minority interests	34.0	-
Income tax expenses	98.9	95.8
Net finance costs	31.3	36.5
Depreciation and amortization	95.7	85.0
EBITDA	371.0	310.4

8. Subsequent events

On 27 November 2017, Prosegur Cash fixed the terms of a plain vanilla bond issue for a nominal total of 600 million euros, due to mature on 4 February 2026. The issue was placed on the euro market under the fixed-income placement programme of Prosegur Cash. The prospectus was approved by the Central Bank of Ireland on 10 November 2017.

The bonds were issued at a price of 99.252% of their nominal value and pay a coupon of 1.375% per annum payable yearly in arrears. The issue was closed and paid up on 4 December 2017, subject to compliance with standard terms and conditions for this kind of placement. An application was made to have the bonds admitted to trading on the regulated market of the Irish Stock Exchange.

In December 2017, Cantillon Capital Management LLC reduced its shareholding to below 3% of Prosegur.

On 18 December 2017, subsidiary Prosegur Cash agreed to pay out an ordinary interim dividend of 0.0716 euros, gross, per outstanding share, giving a maximum dividend of 107.4 million euros.

On 19 December 2017, the Company agreed to pay out an extraordinary dividend of 0.45371 euros, gross, per share outstanding, thus giving a maximum total dividend of 279.9 million euros, and an ordinary interim dividend of 0.11648 euros, gross, per share outstanding, thus giving a maximum total dividend of 71.9 million euros.

STATEMENT OF RESPONSIBILITY CONCERNING THE FINANCIAL STATEMENTS FOR THE FIRST NINE MONTHS OF 2017

The members of the Board of Directors of Prosegur Compañía de Seguridad, S.A. hereby confirm that, to the best of our knowledge, the selected financial information of Prosegur Compañía de Seguridad, S.A. and the condensed consolidated interim financial statements of Prosegur Compañía de Seguridad, S.A. and its subsidiaries, all corresponding to the first nine months of 2017 and approved for issue by the Board of Directors at a meeting held on 19 December 2017 and prepared in accordance with applicable accounting principles, offers a true and fair view of the equity, financial position and earnings of Prosegur Compañía de Seguridad, S.A. and of the subsidiaries that fall within its scope of consolidation, and that the respective interim management reports provide a reliable analysis of the information required.

Madrid, 19 December 2017

Mrs Helena Irene Revoredo Delvecchio
Chairman

Mr Isidro Fernández Barreiro
Vice-Chairman

Mr Christian Gut Revoredo
Chief Executive Officer

Mrs Chantal Gut Revoredo
Director

Mr Eugenio Ruiz-Gálvez Priego
Director

Mr Ángel Durández Adeva
Director

Mr Fernando Vives Ruíz
Director

Mr Fernando D'Ornellas Silva
Director

Certificate confirming that the Board of Directors of Prosegur Compañía de Seguridad, S.A., at a meeting held in Madrid on 19 December 2017, has prepared the financial report for the first nine months of 2017, said report comprising the following documents: selected non-consolidated financial information, the condensed consolidated interim financial statements and the interim management report of Prosegur Compañía de Seguridad, S.A. and its subsidiaries, and the directors' statement of responsibility, all corresponding to the first nine months of 2017. In accordance with article 35 of the Spanish Securities Market Act 24/1988, of 27 July, this documentation has been unanimously approved for issue by the Company's Board of Directors at a meeting held on today's date.

The aforementioned documents, which are presented as a single item, are transcribed on the preceding pages numbered in sequential order, on the front side only and all signed purely for the purpose of identification by the Secretary to the Board of Directors, and bearing the Company stamp.

In compliance with applicable law, the directors sitting on the Board of Directors on today's date now sign the last page of this document, to which I, in my capacity as Secretary to the Board of Directors, now certify in Madrid on 19 December 2017.

Signed: Mrs Sagrario Fernández Barbé
(non-member Secretary)

Mrs Helena Irene Revoredo Delvecchio Chairman	Mr Isidro Fernández Barreiro Vice-Chairman
Mr Christian Gut Revoredo Chief Executive Officer	Mrs Chantal Gut Revoredo Director
Mr Eugenio Ruiz-Gálvez Priego Director	Mr Ángel Durández Adeva Director
Mr Fernando Vives Ruíz Director	Mr Fernando D'Ornellas Silva Director