PROSEGUR COMPAÑÍA DE SEGURIDAD, S.A. AND SUBSIDIARIES

INTERIM FINANCIAL INFORMATION - QUARTERLY REPORT

Interim financial report for the third quarter of 2018

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

PROSEGUR

RESULTS FOR JANUARY - SEPTEMBER 2018

Million euros

CONSOLIDATED RESULTS	2017	2018	% Var.
Sales	**3,184.3**	**2,828.9**	**-11.2%**
EBITDA	**371.0**	**331.6**	**-10.6%**
Margin	*11.7%*	*11.7%*	
Depreciation Property, plant and Equipment	(77.0)	(90.3)	**17.4%**
Amortization Intangible assets	(18.7)	(17.7)	**-5.5%**
EBIT	**275.3**	**223.6**	**-18.8%**
Margin	*8.7%*	*7.9%*	
Financial Results	(31.3)	13.2	**-142.2%**
EBT	**244.0**	**236.8**	**-2.9%**
Margin	*7.7%*	*8.4%*	
Taxes	(98.9)	(82.2)	**-16.9%**
Net Result	**145.1**	**154.6**	**6.6%**
Minority Interests	34.0	38.6	**13.6%**
Consolidated Net Result	**111.1**	**116.0**	**4.4%**
Margin	*3.5%*	*4.1%*	
Earnings per share (Euros per share)	**0.2**	**0.2**	**4.4%**

BUSINESS PERFORMANCE

- Turnover decreased to 11.2% compared with 2017, due to changes in exchange rates and the application of IAS 29 and 21.42, with a negative impact of 20.4%, offset by pure organic growth of 8.1% and inorganic growth of 1.2%.

- EBIT decreased to by 18.8% compared with 2017 to 223.6 million euros, with margin over sales of 7.9%, mainly as a result of the application of IAS 29 and 21.42 to Argentina’s results, which has been designated a hyperinflationary economy.

- Net consolidated income amounted 116.0 million euros, which represents an increase of 4.4% with respect to 2017.

INTERIM FINANCIAL REPORT (JANUARY - SEPTEMBER 2018)

(Millions of euros)

- As a consequence of the restructuring process implemented in 2017, the impact on EBIT was 3.4 million euros while an impact of 9.6 million euros was recorded under the tax heading. Without both these effects, the income statement for the nine months to September 2017 is as follows:

Million euros

CONSOLIDATED RESULTS	2017 Adjusted	2018	% Var.
Sales	**3,184.3**	**2,828.9**	**-11.2%**
EBITDA	**374.4**	**331.6**	**-11.4%**
Margin	*11.8%*	*11.7%*	
Depreciation of Property, Plant and Equipment	(77.0)	(90.3)	**17.4%**
Amortization of Intangible Assets	(18.7)	(17.7)	**-5.5%**
EBIT	**278.7**	**223.6**	**-19.8%**
Margin	*8.8%*	*7.9%*	
Financial Results	(31.3)	13.2	**-142.2%**
EBT	**247.4**	**236.8**	**-4.3%**
Margin	*7.8%*	*8.4%*	
Taxes	(89.3)	(82.2)	**-7.9%**
Net Result	**158.1**	**154.6**	**-2.2%**
Minority Interests	34.0	38.6	**13.6%**
Consolidated Net Result	**124.1**	**116.0**	**-6.5%**
Margin	*3.9%*	*4.1%*	
Earnings per share (Euros per share)	**0.2**	**0.2**	**-6.5%**

1. BUSINESS PERFORMANCE

The most significant movements in the consolidated income statement for the period from January to September 2018 and 2017 are as follows:

a) Sales

Prosegur's sales in the first nine months of 2018 amounted 2,828.9 million euros, compared with 3,184.3 million euros in the same period of 2017, a decline of 11.2%. From the total decrease, 8.1% corresponds to pure organic growth, 1.2% corresponds to inorganic growth associated to the acquisitions and disposals carried out in 2017 and 2018 and the effects of exchange rates and the application of IAS 29 and 21.42 has represented a decrease in sales of 20.4%.

The main differences in turnover due to inorganic growth attributable to changes in the perimeter of consolidation of Prosegur are:

In 2017

- In Australia Cash Services Australia Pty Limited was consolidated from February 2017. The turnover contributed to the Group in January 2018 was 0.5 million euros.
- In South Africa, the customer portfolio acquired from the company CSS Tactical Proprietary Limited was consolidated from March 2017. The turnover contributed to the Group in January to February 2018 was 1.1 million euros.
- In Spain, the companies of the Grupo Contesta were consolidated from September 2017. The turnover contributed to the Group in January to August 2018 was 12.0 million euros.
- In Paraguay, a number of assets acquired from Omni S.A. were consolidated from December 2017. The turnover contributed to the Group in February to September 2018 was 2.1 million euros.

In 2018

- In Central America, the companies of the Grupo Almo were consolidated from June 2018. The turnover contributed to the Group in June to September 2018 was 9.5 million euros.
- In Philippines, the companies of the ATPI Group were consolidated from July 2018. The turnover contributed to the Group in July to September 2018 was 6.5 million euros.

- In Brazil, the companies of the Logmais Group were consolidated from July 2018. The turnover contributed to the Group in July to September 2018 was 1.5 million euros.

The table below details Prosegur's sales by business:

Million euros			
Sales	**Prosegur Total**		
	2017	**2018**	**% Var.**
Security	**1,562.0**	**1,425.4**	**-8.7%**
% of total	*49.1%*	*50.4%*	
Cash	**1,436.1**	**1,217.5**	**-15.2%**
% of total	*45.1%*	*43.0%*	
Alarms	**186.2**	**186.0**	**-0.1%**
% of total	*5.8%*	*6.6%*	
Total sales	**3,184.3**	**2,828.9**	**-11.2%**

By business, Security operations in the first nine months of 2018 generated turnover of 1,425.4 million euros, 8.7% less than in the same period last year. The turnover of the Cash business fell by 15.2% to 1,217.5 million euros. Sales of alarms stood at 186.0, decreasing by 0.1%.

b) Operating income

Operating income (EBIT) for January to September 2018 was 223.6 million euros, while in the same period of 2017 was 275.3 which represents a decrease of 18.8%. The EBIT margin as a percentage of sales in January to September 2018 was 7.9%, compared with 8.7% in the same period last year. Isolating the effect of the corporate restructuring, which ended in 2017, the EBIT to sales margin for the nine months to September 2017 was 8.8%.

This fall includes the negative effect of the sharp depreciation of the main Latin American currencies in August and September, combined with the application of IAS 29 in Argentina in compliance with IFRS requirements to restate non-monetary items using the exchange rate at the end of the period rather than the average rate for each month. This adjustment was applied retrospectively from 1 January 2018. The closing exchange rate used for Argentina has been 47.6352 and the percentage of inflation has been 31.54%.

This change in accounting standards had no effect on cash flow.

c) Financial results

Prosegur's net financial positive results in the nine months from January to September 2018 amounted to 13.2 million euros, compared with a net financial negative results of 31.3 million euros in the same period of 2017, an overall decrease of 44.5 million euros. The main changes in the financial results reported are:

- The net interest expense in the nine months from January to September 2018 amounted to 22.4 million euros, compared with 35.6 million euros in the same period of 2017, a decline of 13.2 million euros, mainly due to the impact in 2017 of the early cancellation of a syndicated loan and a reduction in the debt of subsidiaries subject to higher costs in 2018.

- Net financial income from exchange differences amounted to 11.5 million euros in January to September 2018 period compared to net financial income from exchange differences in 2017 which amounted to 4.3 million euros, which means an increase of 7.2 million euros, as a result of the differences arising from transactions in foreign currency other than the functional currency of each country, mainly in Argentina.

- Net financial income generated on the Group’s net cash position in January to September 2018 period amounted to 24.1 million euros. No income was recorded under this heading in this period of 2017, mainly because this item reflects the first-time application of IAS 29 and IAS 21.42 in 2018 and the Group’s exposure to currency devaluation in Argentina.

Net income

Net consolidated income for the nine months from January to September 2018 was 116.0 million euros, compared with 111.1 million euros in the same period of 2017, an increase of 4.4%.

The effective tax rate was 34.7% in the third quarter of 2018 compared with 40.5% in the third quarter of 2017, a decrease of 5.8 percentage points due to the impact of the corporate restructuring carried out by the Company in 2017. The total tax expense in the third quarter of 2017 was 9.6 million. If we isolate this effect, the effective tax rate would have been 36.1% in the third quarter of 2017, compared with 34.7% in the third quarter of 2018.

2. SIGNIFICANT EVENTS AND TRANSACTIONS

Significant events

Change in the shareholder structure

In January 2018, Invesco Limited reduced its shareholding to less than 1% of Prosegur's total outstanding shares.

Financing

On 8 February 2018 the Company issued uncovered bonds with a nominal amount of 700 million euros maturing on 8 February 2023. The bonds are traded on the secondary market on the Irish Stock Exchange. The bonds accrue an annual coupon of 1.00% payable yearly in arrears.

On 2 April 2018 uncovered bonds issued on 2 April 2013 for a nominal amount of 500 million euros were amortised on maturity.

Business combinations

On 8 June 2018 Prosegur reached an agreement with the Almo Group to acquire 60% of its transport operations for high value items in Latin America, with an additional commitment to acquire the remaining 40% over the next three years.

Through its subsidiary Prosegur Global CIT Row S.L.U., Prosegur effected a business combination in July 2018, acquiring 51% of the ATPI group. This group is based in the Philippines and is mainly engaged in the management and transport of cash.

On 9 July 2018 Prosegur also effected a business combination whereby it acquired 100% control of the Brazilian company Logmais. Through this operation, Prosegur Brasil, S.A. entered the correspondent banking market, under the cash business segment.

Designation of Argentina as a hyperinflationary economy

This is based on indicators relating to the economic climate in Argentina, including a cumulative inflation rate of over 100% over the last three years. As a result, hyperinflationary accounting has been applied to the Prosegur Group's financial statements for the nine months ended 30 September 2018. The financial information provided for the previous financial year has not been restated.

The inflation rates used to prepare the report are the Argentine wholesale price index (henceforth the WPI) to 31 December 2016 and the Consumer Price Index (CPI) from 1 January 2017. The WPI is mainly weighted towards manufactured and primary goods, and is less representative of the activities that are developed, while the CPI is weighted towards the goods and services that represent household spending.

Events after the end of the reporting period

Through its subsidiary Prosegur Global SIS ROW SLU, on 1 October 2018 Prosegur acquired 100% of the shares of Focal Investigation & Security Agency Pte Ltd, a company located in Singapore engaged in the provision of surveillance services.

3. CONSOLIDATED FINANCIAL INFORMATION

The consolidated financial information has been prepared under International Financial Reporting Standards (IFRS) applicable at 30 September 2018. These accounting principles were applied both in 2018 and 2017.

Prosegur has applied IAS 29, and consequently IAS 21.42, for the first time, treating the Argentine economy as hyperinflationary from 1 July 2018, as noted in point 2. These standards have been applied retrospectively from 1 January 2018.

In the absence of a specific guideline of IAS 8, for cases in which the currency of presentation is different from the hyperinflationary currency, Prosegur has adopted the accounting policy of recording changes in equity associated to currency effect under the heading of other reserves. IAS 29 does not consider that these changes give rise to gains or losses in the income statement, but consider them as adjustments to equity.

The impacts for the application of IAS 29 and IAS 21.42 on equity have been recorded under "Retained earnings and other reserves" for a positive net amount of 42.8 million euros, which includes a positive amount of 86.4 million euros for the application of IAS 29 and a negative amount of 43.6 million euros for currency devaluation. Additionally, the translation differences as of December 31, 2017 associated with Argentina have been reclassified to the item "Retained earnings and other reserves" for a negative amount of 421.9 million euros.

The financial statements were prepared applying IFRS 9 and IFRS 15 from 1 January 2018.

As disclosed in the Interim condensed consolidated financial statements for the six months to 30 June 2018, the impact of the first application of IFRS 9 is due to a change in the methodology for calculating credit losses over the life of a financial asset.

In line with IFRS 15, as disclosed in the Interim condensed consolidated financial statements for the six months to 30 June 2018, revenues are recognised when the customer obtains control of the goods and services. Revenues associated with each of the obligations exercised under a contract must be separately identified, classified and accrued.

Additionally, with the application of IFRS 15, the carrying amount of an asset includes the incremental costs of obtaining a contract (mainly sales commissions and other third-party expenses), and it has been charged in the income statement to the same extent in which income related with the asset has varied.

Million euros

CONSOLIDATED BALANCE SHEET	31/12/2017	30/09/2018
Non current assets	**1,480.6**	**1,601.0**
Property, plant and equipment	587.0	645.3
Goodwill	520.4	577.1
Intangible assets	245.0	215.8
Investment properties	-	36.9
Investments in associates	29.8	26.6
Non current financial assets	12.1	14.2
Other non current assets	86.3	85.1
Current assets	**2,343.0**	**2,047.1**
Inventories	70.7	71.7
Debtors	1,100.1	1,019.4
Non current assets held for sale	51.0	0.9
Treasury and other financial assets	1,121.2	955.1
ASSETS	**3,823.6**	**3,648.1**
Equity	**1,143.4**	**1,138.5**
Share capital	37.0	37.0
Treasury shares	(53.1)	(52.8)
Retained earnings and other reserves	1,085.1	1,068.2
Minority interests	74.4	86.1
Non-Current Liabilities	**947.7**	**1,627.9**
Debts with credit institutions and other financial liabilities	717.3	1,394.1
Other non-current liabilities	230.4	233.8
Current Liabilities	**1,732.5**	**881.7**
Debts with credit institutions and other financial liabilities	701.0	77.5
Trade and other payables	987.4	759.5
Other current liabilites	44.1	44.7
EQUITY AND LIABILITIES	**3,823.6**	**3,648.1**

The main movements in the consolidated statement of financial position at 30 September 2018 since the end of 2017 are as follows:

a) Property, plant and equipment

Investments in property, plant and equipment in the nine months from January to September 2018 amounted 140.3 million euros. As a consequence of the application of IFRS 15, the Group has recognised an asset for the incremental costs of obtaining a contract. Similarly, as a result of the application of IAS 29, property, plant and equipment at 30 September 2018 has been adjusted for inflation in Argentina, as is a non-monetary item.

b) Goodwill

Changes in goodwill in the first nine months of 2018 correspond mainly to changes in the perimeter of consolidation.

c) Equity

Changes in net equity in the nine months to September 2018 are due to movements in net income for the period and in the reserve for accumulated exchange differences, the impact of the application of IAS 29 in Argentina and the impacts associated with the application of IFRS 9 and 15.

d) Net debt

Prosegur calculates net debt as the total of debt with credit institutions (current and non-current) less cash and cash equivalents and less other current financial assets.

Net debt at 30 September 2018 amounted to 457.9 million euros, which represents an increase of 206.1 million euros since 31 December 2017 (251.8 million euros). The increase in net debt is mainly due to the seasonal nature of the Group's working capital needs, payments for the acquisition of new subsidiaries and exchange rate effects.

At 30 September 2018 the annualised net debt to EBITDA ratio was 1.0 and the net debt to equity ratio was 0.4.

At 30 September 2018 financial liabilities corresponded mainly to:

- Uncovered bonds with a nominal amount of 699 million euros (including interest) maturing in February 2023.

- Uncovered bonds issued via the subsidiary Prosegur Cash, S.A. with a nominal amount of 599 million euros (including interest) maturing in February 2026.
- A 4-year bullet loan of 272 million South African rands (16.5 million euros) to part-finance the acquisition of SBV Services Proprietary Limited.
- Via its subsidiary Prosegur Australia Investments PTY Limited, until April 2017 the Prosegur Group had contracted a syndicated loan of 70 million Australian dollars maturing over three years.

The net cash flows generated in the nine months from January to September 2018 were as follows:

Million euros	
CONSOLIDATED CASH FLOW	**30/09/2018**
EBITDA	331.6
Adjustments to profit or loss	37.0
Income tax	(95.5)
Change in working capital	(92.0)
Interest payments	(22.0)
OPERATING CASH FLOW	**159.1**
Acquisition of Property, plant and equipment	(140.3)
Payments acquisition of subsidiaries	(53.6)
Dividend payments	(92.0)
Other payments/collections	(2.4)
CASH FLOW FROM INVESTMENT / FINANCING	**(288.3)**
TOTAL NET CASH FLOW	**(129.2)**
INITIAL NET DEBT (31/12/2017)	**(251.8)**
Net (Decrease) / Increase in treasury	(129.2)
Exchange rate effect	(76.9)
NET DEBT AT THE END OF Q3 (30/09/2018)	**(457.9)**

4. ALTERNATIVE PERFORMANCE MEASURES

To comply with the ESMA Guidelines on APMs, Prosegur discloses additional information in order to improve the comparability, reliability and/or comprehensibility of its financial information. The Company presents its financial statements in accordance with generally accepted accounting standards (IFRS). However, the Directors consider that certain Alternative Performance Measures provide additional useful financial information that should be taken into account when assessing its performance. The Directors also use these APMs when taking financial, operational and planning decisions, and when evaluating the Company's performance. Prosegur provides those APMs it considers users will find appropriate and useful for making decisions, and the Directors firmly believe that they present a true and fair view of its financial position.

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.
EBIT Margin	EBIT Margin is calculated as results from operating activities divided by total revenue.	EBIT margin provides a view of the company's operating results in comparison with the total revenue.
Adjusted EBIT Margin	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.	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.
Cash Flow Conversion	The Group calculates Cash Flow Conversion Rate as the ratio between EBITDA minus capital expenditures over EBITDA.	Cash Flow Conversion provides the capacity of cash generation of the company.
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, less other current financial assets.	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.

Working Capital (Millions of Euro)	**30.09.2018**	**31.12.2017**
Non-Current Assets held-for-sale	0.9	51.0
Inventories	71.7	70.7
Trade and other receivables	904.7	941.6
Current tax assets	114.7	158.5
Cash and cash equivalents	464.8	630.9
Other current financial assets	490.3	490.3
Deferred tax assets	85.1	86.3
Trade and other payables	(687.6)	(850.7)
Current tax liabilities	(70.1)	(122.3)
Financial liabilities	(75.4)	(701.0)
Liabilities held for sale	(0.2)	-
Other current liabilities	(44.7)	(44.1)
Deferred tax liabilities	(59.2)	(30.8)
Provisions	(166.0)	(214.1)
Total Working Capital	1,028.8	466.3

Adjusted EBIT Margin (Millions of Euro)	**30.09.2018**	**30.09.2017**
EBIT	223.6	275.3
Less: items not assigned	-	3.4
Adjusted EBIT	223.6	278.7
Revenues	2,828.9	3,184.3
Adjusted EBIT Margin	7.9%	8.8%

Organic Growth (Millions of Euro)	**30.09.2018**	**30.09.2017**
Revenues for current year	2,828.9	3,184.3
Less: Revenues for the previous year	3,184.3	2,843.6
Less: Inorganic Growth	38.2	7.7
Effect of exchange rate fluctuations and others in application of IAS 21 and 29	(650.7)	(15.7)
Total Organic Growth	257.0	317.3

Inorganic Growth (Millions of Euro)	**30.09.2018**	**30.09.2017**
Grupo Contesta	12.0	-
CSS Tactical	1.1	-
Omni	2.1	-
Grupo Almo	9.5	-
Grupo ATPI	6.5	-
Logmais	1.5	-
Procesos Tecnicos de Seguridad y Valores	-	1.9
Toll+CSA	0.5	12.0
Others	5.0	(6.2)
Total Inorganic Growth	38.2	7.7

Effect of exchange rate fluctuations (Millions of Euro)	**30.09.2018**	**30.09.2017**
Revenues for current year	2,828.9	3,184.3
Less: Revenues for the current year at exchange rates of previous year	3,479.6	3,200.0
Effect of exchange rate fluctuations and others in application of IAS 21 and 29	(650.7)	(15.7)

Cash Flow Conversion Rate (Millions of Euro)	**30.09.2018**	**30.09.2017**
EBITDA	331.6	371.0
Less: items not assigned	-	3.4
Adjusted EBITDA	331.6	374.4
CAPEX	140.3	140.9
Cash Flow Conversion Rate (adjusted EBITDA - CAPEX / adjusted EBITDA)	58%	62%

Net Financial Debt (Millions of Euro)	**30.09.2018**	**31.12.2017**
Financial liabilities	1,469.3	1,418.4
Less: not assigned financial liabilities	-	-
Adjusted financial liabilities **(A)**	1,469.3	1,418.4
Not assigned financial liabilities with group companies **(B)**	-	-
Cash and cash equivalents	(464.8)	(630.9)
Less: not assigned cash and cash equivalents	-	-
Less: adjusted cash and cash equivalents **(C)**	(464.8)	(630.9)
Less: not assigned current investments in group companies **(D)**	-	-
Less: other financial current assets **(E)**	(490.3)	(490.3)
Total Net Financial Debt (A+B+C+D+E)	514.2	297.2
Less: other non-bank payables **(F)**	(56.3)	(45.4)
Total Net Financial Debt (excluding other non-bank payables corresponding to deferred payments for M&A acquisitions) **(A+B+C+D+E+F)**	**457.9**	**251.8**

EBITA (Millions of Euro)	**30.09.2018**	**30.09.2017**
Consolidated profit for the year	116.0	111.1
Minority interests	38.6	34.0
Income tax expenses	82.2	98.9
Net finance costs	(13.2)	31.3
Amortizations	17.7	77.0
EBITA	241.3	352.3

EBITDA (Millions of Euro)	**30.09.2018**	**30.09.2017**
Consolidated profit for the year	116.0	111.1
Minority interests	38.6	34.0
Income tax expenses	82.2	98.9
Net finance costs	(13.2)	31.3
Depreciation and amortization	108.0	95.7
EBITDA	331.6	371.0