



**PROSEGUR COMPAÑÍA DE SEGURIDAD, S.A. AND  
SUBSIDIARIES**

**INTERIM QUARTERLY FINANCIAL INFORMATION**  
Interim financial statements for the third quarter of 2019

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



**PROSEGUR**



**RESULTS FOR PERIOD JANUARY TO SEPTEMBER 2019**

Million euros			
<b>CONSOLIDATED RESULTS</b>	<b>2018</b>	<b>2019</b>	<b>% Var.</b>
<b>Sales</b>	<b>2,828.9</b>	<b>3,097.6</b>	<b>9.5%</b>
<b>EBITDA</b>	<b>331.6</b>	<b>378.0</b>	<b>14.0%</b>
<i>Margin</i>	11.7%	12.2%	
Depreciation Property, plant and Equipment	(90.3)	(128.9)	<b>42.7%</b>
Amortization Intangible assets	(17.7)	(20.7)	<b>16.8%</b>
<b>EBIT</b>	<b>223.6</b>	<b>228.4</b>	<b>2.2%</b>
<i>Margin</i>	7.9%	7.4%	
Financial Results	13.2	(45.3)	<b>-442.4%</b>
<b>EBT</b>	<b>236.8</b>	<b>183.1</b>	<b>-22.7%</b>
<i>Margin</i>	8.4%	5.9%	
Taxes	(82.2)	(65.4)	<b>-20.4%</b>
<b>Net Result</b>	<b>154.6</b>	<b>117.6</b>	<b>-23.9%</b>
Minority Interests	38.6	34.5	<b>-10.6%</b>
<b>Consolidated Net Result</b>	<b>116.0</b>	<b>83.1</b>	<b>-28.3%</b>
<i>Margin</i>	4.1%	2.7%	
<b>Earnings per share (Euros per share)</b>	<b>0.2</b>	<b>0.1</b>	<b>-28.3%</b>

**PERFORMANCE IN THE PERIOD**

- ☉ Turnover has increased by 9.5% compared to 2018, with 7.8% associated with pure organic growth and 7.1% with inorganic growth, while the joint effect of the exchange rate and the result of applying IAS 29 and IAS 21.42 has meant a negative impact of 5.4%.
- ☉ EBIT has increased by 2.2% compared to 2018, totalling 228.4 million euros, with a sales margin of 7.4%, mainly as a result of the extraordinary income associated with divestments by Prosegur in France and South Africa.
- ☉ The consolidated net result has been of 83.1 million euros, a drop of 28.3% over that of 2018.



**INTERIM STATEMENT (JANUARY –SEPTEMBER 2019)**

(Millions of Euros)

**1. BUSINESS PERFORMANCE**

The performance of the most significant items in the consolidated income statement corresponding to the period from January to September of financial years 2019 and 2018 is shown below:

**a) Sales**

Prosegur sales during the period from January to September of 2019 have reached 3,097.6 million euros, compared to 2,828.9 million euros in the same period in 2018, which means an increase of 9.5%. Of total sales growth, 7.8% was pure organic growth, 7.1% was inorganic growth due to acquisitions in financial years 2018 and 2019, and the joint effect of the exchange rate and the result of applying IAS 29 and IAS 21.42 has meant a decrease of 5.4%.

Inorganic growth relates mainly to acquisitions in the United States, Brazil, Asia and Latin America in financial year 2019, as detailed in point two, as well as acquisitions made in 2018. All acquisitions have begun to form part of the consolidation scope as of the same month of their acquisition.

The table below shows the breakdown of Prosegur's sales by business line:

Million euros			
Sales	Prosegur Total		
	2018	2019	% Var.
<b>Security</b>	<b>1,425.4</b>	<b>1,555.3</b>	<b>9.1%</b>
<i>% of total</i>	<i>50.4%</i>	<i>50.2%</i>	
<b>Cash</b>	<b>1,217.5</b>	<b>1,337.1</b>	<b>9.8%</b>
<i>% of total</i>	<i>43.0%</i>	<i>43.2%</i>	
<b>Alarms</b>	<b>186.0</b>	<b>205.2</b>	<b>10.3%</b>
<i>% of total</i>	<i>6.6%</i>	<i>6.6%</i>	
<b>Total sales</b>	<b>2,828.9</b>	<b>3,097.6</b>	<b>9.5%</b>



In relation to the distribution of sales by business line, during the period from January to September of 2019, Security sales have reached 1,555.3 million euros with an increase of 9.1% over the same period the year before. Cash sales have increased by 9.8%, reaching 1,337.1 million euros. Alarm sales have increased by 10.3%, reaching 205.2 million euros.

#### **b) EBIT**

The operating result (EBIT) for the period from January to September 2019 was 228.4 million euros, whereas in the same period in 2018 it was 223.6 million euros, which means a 2.2% increase, mainly as a result of extraordinary income associated to divestments by Prosegur in France and in South Africa.

The margin of EBIT over sales in the period from January to September of 2019 has been 7.4%, compared to 7.9% in the previous year. This decrease is due, among other reasons, to a complex market situation in some territories (mainly Australia) and to the strong depreciation of currencies in emerging markets.

#### **c) Financial results**

Prosegur's net financial expenses in the period from January to September 2019 were 45.3 million euros, compared to 13.2 million euros net income for the same period in 2018, representing an increase in net financial expenses of 58.5 million euros. The main changes in the financial result are as follows:

- The net financial expenses for payment of interest in January to September 2019 have been 30.6 million euros, compared to 22.4 million euros in the same period in 2018, accounting for an increase of 8.2 million euros.
- The net financial expenses due to exchange rate differences amounted to 14.7 million euros in the period from January to September 2019, compared to the net financial income due to exchange rate differences that amounted to 35.6 million euros for the same period in 2018. The difference is associated with the strong volatility of the exchange differences, most of which do not have a cash impact.

#### **Net results**

Consolidated net profit for the period from January to September 2019 totalled 83.1 million euros, compared to 116.0 million euros in the same period of 2018, which means a drop of 28.3%. The main change is the result of the net effect of extraordinary income due to divestments in France and South Africa and the increase in financial expenses.

The effective tax rate is 35.7% in the third quarter of 2019, compared to 34.7% in the same quarter of 2018, implying an increase of 1.0 percentage points.



## **2. SIGNIFICANT EVENTS AND TRANSACTIONS**

### **Significant events**

#### **Business Combinations**

Prosegur acquired the following companies in 2019:

- In Brazil with presence, additionally, in the United States and United Kingdom, 68.17% of Cipher, S.A., a security company that supplies cybersecurity services.
- In the United States, 100% of Command Security Corporation, and 78.9% of Best Security Acquisition, LLC, both of which are security companies.
- In Latin America Prosegur acquired 100% of VN Global BPO, S.A. and Grupo N, S.A., companies that supply services for new products regarding the AVOS division.
- On 11 April, Prosegur Cash reinforced its operations in the ROW region by acquiring 49% of a security company in Indonesia. This company provides cash in transit and cash management services.
- In Brazil, Prosegur has acquired 100% of the company Transfederal Transporte de Valores, Ltda, which specialises in security logistics and cash management.

#### **Reduction of share capital**

On 26 June 2019 the share capital was reduced following approval by the Shareholders General Meeting held on 4 June 2019.

The Company's share capital was reduced by 1,106,716.68 euros, through the cancellation of 18,445,278 treasury shares.

Consequently, article 5 of the Company's Articles of Association was modified and after the reduction, the share capital stood at 35,920,761.72 euros, divided into 598,679,362 ordinary shares of the same class and series each with a par value of 0.06 euros, fully subscribed and paid up.

The capital reduction was made against free reserves, by provisioning an amortised capital reserve with an amount equivalent to the par value of the cancelled shares (that is, 1,106,716.68 euros).



### **Share buyback programme**

On 4 June 2019 the Board of Directors of Prosegur decided to implement a share buyback programme.

The Programme puts into effect under the provisions of Regulation (EU) no. 596/2014 on market abuse and the Commission Delegated Regulation 2016/1052, making use of the authorisation granted by the Shareholders General Meeting held on 27 April 2016 for the purchase of treasury shares, for the purpose of reducing the share capital of Prosegur Compañía de Seguridad, S.A. in the terms agreed by the Shareholders General Meeting held on 4 June 2019.

The Programme will apply to a maximum of 59,850,000 shares, representing approximately 10% of Prosegur's share capital (after the capital reduction agreed upon).

### **Change in shareholder structure**

In May of 2019, through various managed funds and as a result of the acquisition and merger with Oppenheimer Funds Inc., Invesco Ltd. reached a total of 38,260,693 shares, equivalent to 6.391% of the shareholding structure of Prosegur, following the capital reductions agreed by the Shareholders General Meeting and approved on 4 June 2019.

### **Share transfers**

Prosegur sold all its stakeholding in the joint venture for the alarms business in India, SIS Prosegur Alarms Monitoring and Response Services Pte Ltd, on 23 April 2019.

Prosegur exercised the put option on its 33.33% stake in SBV on 4 June 2019. The shares taken up by Prosegur were acquired by the other shareholders of the company.

100% of the Cash business in France was sold to Loomis AB on 22 July 2019.

### **Agreement with Telefónica, S.A.**

Prosegur has reached an agreement with Telefónica, S.A. for the sale of a 50% stake in Prosegur's alarms business in Spain, with the aim of developing this business through the synergies of the two companies.

The operation to be submitted for approval by the relevant authorities involves a valuation of 50% of Prosegur's alarms business in Spain, amounting to 300 million euros, subject to standard adjustments in this type of transactions on debt, working capital and customer base at the time the operation is closed.



Under the terms of the aforementioned agreement, the price could be paid, in whole or in part, in treasury shares, at Telefónica's discretion.

### **3. CONSOLIDATED FINANCIAL INFORMATION**

The consolidated financial information has been prepared in accordance with the International Financial Reporting Standards (IFRS) applicable at 30 September 2019. Such accounting standards have been applied both to financial years 2019 and 2018.

The treatment of Argentina as a hyperinflationary economy should be taken into account in order to understand the consolidated financial statements. The financial statements of the Argentine subsidiaries whose functional currency is the Argentine peso have been re-stated in terms of the current unit of measurement at closing date from September 2019 and December 2018 before being included in the consolidated financial statements.

The financial statements submitted were prepared applying IFRS 16 dated 1 January 2019, and the comparative figures for the previous period of January to September 2018 were not restated in accordance with IFRS-EU criteria. This standard establishes that companies that are lessee in lease contracts will recognise in the consolidated balance sheet the liabilities and assets of lease contracts (except short-term and low-value lease agreements). According to the previous standard, the Prosegur Group contracts were classified as an operating lease, and payments were recorded on the basis of the conditions and term of the lease. Moreover, the operating lease expense has been replaced by a charge for straight-line amortisation of right-of-use assets and an interest expense on lease liabilities. The Prosegur Group opted to apply the combined modified retrospective transition method.

In addition, the financial statements submitted were prepared applying IFRIC 23 dated 1 January 2019, and the comparative figures for the previous period from January to September 2018 were not restated in accordance with IFRS-EU criteria. This standard establishes how each uncertain tax treatment should be considered, whether separately, or jointly with one or several other uncertain tax treatments, on the basis of the approach that best predicts the resolution of the uncertainty.



Million euros		
<b>CONSOLIDATED BALANCE SHEET</b>	<b>31/12/2018</b>	<b>30/09/2019</b>
<b>Non current assets</b>	<b>1,720.5</b>	<b>1,967.3</b>
Property, plant and equipment	700.1	723.0
Rights of use	-	107.1
Goodwill	570.1	645.5
Intangible assets	272.2	308.2
Investment properties	45.3	42.6
Investments in associates	29.4	9.6
Non current financial assets	19.3	20.0
Other non current assets	84.1	111.3
<b>Current assets</b>	<b>2,099.2</b>	<b>2,090.6</b>
Inventories	76.1	67.6
Debtors	974.9	1,079.6
Non current assets held for sale	0.6	-
Treasury and other financial assets	1,047.6	943.4
<b>ASSETS</b>	<b>3,819.7</b>	<b>4,057.9</b>
<b>Equity</b>	<b>1,066.4</b>	<b>1,067.5</b>
Share capital	37.0	35.9
Treasury shares	(52.8)	(14.1)
Retained earnings and other reserves	1,013.5	957.8
Minority interests	68.7	87.9
<b>Non-Current Liabilities</b>	<b>1,676.3</b>	<b>1,742.4</b>
Debts with credit institutions and other financial liabilities	1,391.6	1,346.8
Non-current lease liabilities	-	87.5
Other non-current liabilities	284.7	308.1
<b>Current Liabilities</b>	<b>1,077.0</b>	<b>1,248.0</b>
Debts with credit institutions and other financial liabilities	150.8	313.6
Lease liabilities	-	44.1
Trade and other payables	877.9	840.9
Other current liabilities	48.3	49.4
<b>EQUITY AND LIABILITIES</b>	<b>3,819.7</b>	<b>4,057.9</b>





The main variations in the amounts on the consolidated balance sheet at 30 September 2019 with respect to the closing balances of financial year 2018 are summarised as follows:

**a) Property, Plant and Equipment**

Investment in PPE during the period from January to September 2019 amounted to 142.9 million euros, destined mainly to investment in armouring and properties.

**b) Rights of use and lease liabilities**

As the result of applying IFRS 16, an asset has been recognised at the current value of all future payments associated with operating leases for a total of 107.1 million euros. 87.5 million and 44.1 million euros, respectively, were recorded under non-current and current lease liabilities.

**c) Goodwill**

Movements in goodwill during the first nine months of 2019 pertain mainly to changes in the consolidation perimeter.

During the first nine months of 2019 no impairment losses in goodwill have been registered.

**d) Investments in subsidiaries**

The change in investment in associates relates mainly to divestments by the Prosegur in South Africa and India.

**e) Net equity**

The changes in net equity during the period from January to September 2019 is due mainly to net profit in the period, the reserve for cumulative translation differences and the impacts associated with the first application of IFRS 16 and IFRIC 23.



**f) Trade and other payables**

The impact of applying IFRIC 23 for uncertainty with respect to uncertain treatment has been included under trade creditors and other payables.

**g) Net debt**

Prosegur calculates net debt as total bank borrowings (current and non-current), minus cash and cash equivalents, and minus other current financial assets.

Net debt at 30th September 2019, isolating the effect of IFRS 16, amounted to 602.9 million euros, an increase of 178.2 million euros on the amount at 31 December 2018 (424.7 million euros). The increase is mainly associated with M&A investments made in 2019.

At 30 September 2019, the annualised net debt/EBITDA ratio has reached 1.5 and the net debt/shareholder equity ratio has reached 0.7. In both cases the debt associated to the application of IFRS 16 has been included in order to be comparable.

At 30 September 2019, financial liabilities correspond mainly to:

- Issue of uncovered bonds due in February 2023 amounting to 700 million euros (interests included).
- Issue of uncovered bonds via the subsidiary Prosegur Cash, S.A. due in February 2026 amounting to 600 million euros (including interest).
- Prosegur, through its subsidiary Prosegur Australia Investments PTY Limited, contracted a syndicated financing operation as of April 2017, amounting to AUD 70 million over three years.



Below is the net overall cash flow generated in the period from January to September in financial year 2019:

Million euros	
<b>CONSOLIDATED CASH FLOW</b>	<b>30/09/2019</b>
EBITDA	378.0
Adjustments to profit or loss	4.3
Income tax	(83.4)
Change in working capital	(103.0)
Interest payments	(11.4)
<b>OPERATING CASH FLOW</b>	<b>184.4</b>
Acquisition of Property, plant and equipment	(142.9)
Payments acquisition of subsidiaries	(123.9)
Dividend payments	(81.9)
Other payments/collections	12.9
<b>CASH FLOW FROM INVESTMENT / FINANCING</b>	<b>(335.8)</b>
<b>TOTAL NET CASH FLOW</b>	<b>(151.4)</b>
<b>INITIAL NET DEBT (31/12/2018)</b>	<b>(424.7)</b>
Net (Decrease) / Increase in treasury	(151.4)
Exchange rate effect	(26.8)
<b>NET DEBT AT THE END OF THE PERIOD (30/09/2019)</b>	<b>(602.9)</b>



#### **4. ALTERNATIVE PERFORMANCE MEASURES**

In order to comply with ESMA Guidelines on APM's, Prosegur presents this additional information to enhance the comparability, reliability and understanding of its financial reporting. The company presents its profit/(loss) in accordance with International Financial Reporting Standards (IFRS). However, Management considers that certain alternative performance measures provide additional useful financial information that should be taken into consideration when assessing its performance. Management also uses these APMs to make financial, operating and planning decisions, as well as to assess the company's performance. Prosegur provides those APMs it deems appropriate and useful for users to make decisions and those it is convinced represent 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.
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.
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.



<b>Working Capital (Million Euros)</b>	<b>30.09.2019</b>	<b>31.12.2018</b>
Non-Current Assets held-for-sale	0.0	0.6
Inventories	67.6	76.1
Trade and other receivables	936.7	820.9
Current tax assets	142.9	154.0
Cash and cash equivalents	443.8	558.4
Other current financial assets	499.6	489.3
Deferred tax assets	111.3	84.1
Trade and other payables	(712.7)	(794.8)
Current tax liabilities	(125.7)	(78.6)
Current financial liabilities	(313.6)	(150.7)
Other current liabilities	(49.4)	(48.3)
Deferred tax liabilities	(75.7)	(58.5)
Provisions	(207.2)	(201.6)
<b>Total Working Capital</b>	<b>717.6</b>	<b>850.9</b>

<b>EBIT Margin (Million Euros)</b>	<b>30.09.2019</b>	<b>30.09.2018</b>
EBIT	228.4	223.6
Revenues	3,097.6	2,828.9
<b>EBIT Margin</b>	<b>7.4%</b>	<b>7.9%</b>

<b>Organic Growth (Million Euros)</b>	<b>30.09.2019</b>	<b>30.09.2018</b>
Revenues for current year	3,097.6	2,828.9
Less: Revenues for the previous year	2,828.9	3,184.3
Less: Inorganic Growth	200.0	38.2
Effect of exchange rate fluctuations	(153.6)	(650.7)
<b>Total Organic Growth</b>	<b>222.3</b>	<b>257.0</b>

<b>Inorganic Growth (Million Euros)</b>	<b>30.09.2019</b>	<b>30.09.2018</b>
Cash Row	17.6	7.0
Cash Europe	2.0	12.0
Cash Ibero-America	54.6	16.0
Alarms ROW	0.0	1.1
Alarms Ibero-America	0.0	2.1
Security Europe	0.5	-
Security Ibero-America	4.7	-
Security ROW	120.6	-
<b>Total Inorganic Growth</b>	<b>200.0</b>	<b>38.2</b>

<b>Effect of exchange rate fluctuations (Million Euros)</b>	<b>30.09.2019</b>	<b>30.09.2018</b>
Revenues for current year	3,097.6	2,828.9
Less: Revenues for the current year at exchange rates of previous year	3,251.2	3,479.6
<b>Effect of exchange rate fluctuations</b>	<b>(153.6)</b>	<b>(650.7)</b>



<b>Cash Flow Conversion Rate</b> (Million Euros)	<b>30.09.2019</b>	<b>30.09.2018</b>
EBITDA	378.0	331.6
CAPEX	142.9	140.3
<b>Cash Flow Conversion Rate (EBITDA - CAPEX / EBITDA)</b>	<b>62%</b>	<b>58%</b>

<b>Net Financial Debt</b> (Million Euros)	<b>30.09.2019</b>	<b>31.12.2018</b>
Financial liabilities	1,789.8	1,542.3
<i>Less: not assigned financial liabilities</i>	131.6	-
<b>Adjusted financial liabilities (A)</b>	<b>1,921.4</b>	<b>1,542.3</b>
<b>Not assigned financial liabilities with group companies (B)</b>	<b>-</b>	<b>-</b>
Cash and cash equivalents	(443.8)	(558.4)
<i>Less: not assigned cash and cash equivalents</i>	-	-
<b>Less: adjusted cash and cash equivalents (C)</b>	<b>(443.8)</b>	<b>(558.4)</b>
<b>Less: not assigned current investments in group companies (D)</b>	<b>-</b>	<b>-</b>
<b>Less: other financial current assets (E)</b>	<b>(499.6)</b>	<b>(489.3)</b>
<b>Total Net Financial Debt (A+B+C+D+E)</b>	<b>848.6</b>	<b>494.6</b>
<i>Less: Financial liabilities related to leases</i>	(131.6)	-
<i>Less: other non-bank payables (F)</i>	(114.1)	(69.9)
<b>Total Net Financial Debt (excluding other non-bank payables corresponding to deferred payments for M&amp;A acquisitions) (A+B+C+D+E+F)</b>	<b>602.9</b>	<b>424.7</b>

<b>EBITA</b> (Million Euros)	<b>30.09.2019</b>	<b>30.09.2018</b>
Consolidated profit for the year	83.1	116.0
Minority interests	34.5	38.6
Income tax expenses	65.4	82.2
Net finance costs	45.3	(13.2)
Amortizations	20.7	17.7
<b>EBITA</b>	<b>249.1</b>	<b>241.3</b>

<b>EBITDA</b> (Million Euros)	<b>30.09.2019</b>	<b>30.09.2018</b>
Consolidated profit for the year	83.1	116.0
Minority interests	34.5	38.6
Income tax expenses	65.4	82.2
Net finance costs	45.3	(13.2)
Depreciation and amortization	149.6	108.0
<b>EBITDA</b>	<b>378.0</b>	<b>331.6</b>