



PROSEGUR

Prosegur Compañía de Seguridad and Subsidiaries

Interim quarterly financial information

Interim financial statements for the third quarter of 2021

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

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I. Profit/(loss) from January to September 2021

Million euros

CONSOLIDATED RESULTS	2020	2021	% Var.
Sales	2,727.5	2,535.0	-7.1%
EBITDA	704.0	278.9	-60.4%
<i>Margin</i>	<i>25.8%</i>	<i>11.0%</i>	
Depreciation and amortisation	(122.8)	(119.5)	-2.6%
EBITA	581.2	159.4	-72.6%
<i>Margin</i>	<i>21.3%</i>	<i>6.3%</i>	
<i>Amortisation and impairment of intangible assets</i>	<i>(32.7)</i>	<i>(22.2)</i>	<i>-32.0%</i>
Goodwill impairments	(44.4)	-	100.0%
EBIT	504.1	137.1	-72.8%
<i>Margin</i>	<i>18.5%</i>	<i>5.4%</i>	
Financial Results	(48.9)	(20.1)	-58.9%
Profit/ (loss) before tax	455.2	117.0	-74.3%
<i>Margin</i>	<i>16.7%</i>	<i>4.6%</i>	
Taxes	(108.0)	(67.6)	-37.4%
Net Result	347.2	49.5	-85.8%
Non-controlling interests	10.2	4.2	-59.0%
Consolidated net profit/(loss)	337.1	45.3	-86.6%
<i>Margin</i>	<i>12.4%</i>	<i>1.8%</i>	
Earnings per share (Euros per share)	0.6	0.1	-86.5%

II. Performance in the period

Turnover has decreased by 7.1% compared to 2020, with 3.8% associated with pure organic growth, a 3.9% decrease with the joint effect of inorganic growth and the divestment made by Prosegur, 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 7.0%.

EBITA fell by 72.6% compared with 2020 down to EUR 159.4 million, due mainly to the sale of a 50% stake in Prosegur's alarms business in Spain in 2020.

The consolidated net result amounted to EUR 45.3 million, a decrease of 86.6% compared with 2020, due mainly to the sale of a 50% stake in Prosegur's alarms business in Spain in 2020.

Excluding the extraordinary effects that occurred in the period from January to September 2020, the income statement would be as follows:

Million euros			
CONSOLIDATED RESULTS	2020	2021	% Var.
Sales	2,620.0	2,535.0	-3.2%
EBITDA	292.3	278.9	-4.6%
<i>Margin</i>	11.2%	11.0%	
Depreciation and amortisation	(115.9)	(119.5)	3.1%
EBITA	176.4	159.4	-9.6%
<i>Margin</i>	6.7%	6.3%	
<i>Amortisation and impairment of intangible assets</i>	(22.1)	(22.2)	0.7%
EBIT	154.3	137.1	-11.1%
<i>Margin</i>	5.9%	5.4%	
Financial Results	(35.7)	(20.1)	-43.8%
Profit/ (loss) before tax	118.6	117.0	-1.3%
<i>Margin</i>	4.5%	4.6%	
Taxes	(63.2)	(67.6)	7.0%
Net Result	55.4	49.5	-10.7%
Non-controlling interests	10.2	4.2	-59.0%
Consolidated net profit/(loss)	45.2	45.3	0.2%
<i>Margin</i>	1.7%	1.8%	
Earnings per share (Euros per share)	0.1	0.1	0.3%

Extraordinary effects occurring in the period from January to September 2020 mainly included the sale of 50% of Prosegur's alarms business in Spain, the non-incorporation of 100% of the security operations in France and exceptional costs incurred in 2020 that were not strictly considered as results at any of the businesses.

Extraordinary effects occurring from January to September 2020 had a negative impact on sales of EUR 107.5 million, a positive impact of EUR 404.8 million on EBITA, a negative impact of EUR 13.2 million under the heading of finance income and expenses and a negative impact of EUR 44.8 million under the heading of taxes.

Interim statement (January – September 2021)

1. Performance of the business

Details of the business performance of the main consolidated income statement items for the period from January to September 2021 and their comparison for the period from January to September 2020 is detailed below:

a) Sales

Prosegur's sales from January to September 2021 were EUR 2,535.0 million, compared to EUR 2,727.5 million for the same period in 2020, which represents a decrease of 7.1%, with a 3.8% associated with pure organic growth, a 3.9% decrease with the joint effect of inorganic growth due to the divestment made by Prosegur in 2020 and 2021, while the joint effect of the exchange rate and the result of applying IAS 29 and IAS 21.42 resulted in a decrease of 7.0%.

Inorganic growth relates mainly to acquisitions in Brazil, Ecuador, Colombia and Spain in 2020 and acquisitions in Uruguay and the United States in 2021. All acquisitions begun to form part of the consolidation scope as of the same month of their acquisition.

The divestment made by Prosegur in 2020 is mainly related to the sale of 50% of Prosegur's alarms business in Spain, as since March 2020 the sales of 50% of the alarms business in Spain belonging to Prosegur have been accounted under profit/loss from investments in associates, and the sales of Security and Cash businesses in France and Mexico, respectively. The divestment made by Prosegur in 2021 is related to the sale of 100% of Prosegur Soluciones S.A. to Movistar Prosegur Alarmas S.L.

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

Million euros			
Sales	Prosegur Total		
	2020	2021	% Var.
Security	1,425.2	1,270.6	-2.2%
<i>% of total</i>	<i>52.3%</i>	<i>50.1%</i>	
Cibersecurty	11.5	11.1	-3.4%
<i>% of total</i>	<i>0.4%</i>	<i>0.4%</i>	
Cash	1,139.7	1,082.2	-5.0%
<i>% of total</i>	<i>41.8%</i>	<i>42.7%</i>	
AVOS	0.0	29.4	100.0%
<i>% of total</i>	<i>0.0%</i>	<i>1.2%</i>	
Alarms	151.1	141.8	-6.2%
<i>% of total</i>	<i>5.5%</i>	<i>5.6%</i>	
Total sales	2,727.5	2,535.0	-7.1%

In regard to the distribution of sales by business line, from January to September 2021 Security sales reached EUR 1,270.6 million with a drop of 10.8% compared to the same period the previous year as a result of the depreciation of currencies in LatAm and the sale of the Security business in France in October 2020.

Cybersecurity sales have decreased by 3.4% to EUR 11.1 million.

Cash sales fell by 5.0% to EUR 1,139.7 million, also as a result of currency depreciation and the uneven vaccine rollout among the countries where the CASH Group operates, which has led to a mixed sales performance in the geographical areas. Countries where the rollout is more advanced have partially recovered the volumes and amounts transported, while in countries where the vaccination process is progressing more slowly, restrictions imposed by health authorities to combat Covid-19 continue to stall the recovery of sales.

Alarm sales amounted to EUR 141.8 million, a decrease of 6.2%, as a result during January and February 2020 of the Alarms business in Spain being accounted under the sales line and then since March 2020 under profit/loss from investments in associates and as consequences of the sale of 100% of Prosegur Soluciones S.A. to Movistar Prosegur Alarmas S.L. on 30 July 2021

Sales at AVOS amounted to EUR 29.4 million during the period from April to September 2021, since on 31 March 2021, Prosegur Compañía de Seguridad, S.A. signed an agreement with its subsidiary Prosegur Cash, S.A. for the purchase by Prosegur of certain areas of the added value outsourcing processes and services business (AVOS) for financial institutions and insurance companies, as well as the associated technology. As a result of this sale, the added value outsourcing processes and services business (AVOS) ceases to form part of the CASH segment as of 31 March 2021 and is incorporated as a new Group segment called AVOS (added value outsourcing processes and services business).

b) Operating profit/(loss)

EBITA for the period from January to September 2021 amounted to EUR 159.4 million, compared with EUR 581.2 million for the same period in 2020, representing a 72.6% decrease, mainly as a result of the divestment of 50% of Prosegur's Alarms business in Spain in 2020.

Excluding the extraordinary effects that occurred from January to September 2020, the margin of EBITA over sales from January to September 2020 was 6.7%, compared to 6.3% in 2021. This slight deterioration in profitability stems mainly from the negative exchange rate effect in geographies where there have been delays in the pass-through of inflationary costs to price, the persistence in some countries of labour non-productivity resulting from legal restrictions on labour cost adjustments and, to a lesser extent, the reductions in volumes transported that are being rapidly recovered.

c) Finance income and expenses

The net financial expenses of Prosegur in the period from January to September 2021 have reached EUR 20.1 million compared to EUR 48.9 million in the same period the previous year, which translates into a drop of EUR 28.8 million. The main changes in financial expenses were as follows:

- Net financial expenses from interest payments in the period from January to September 2021 totalled EUR 21.1 million, compared with EUR 50.9 million in 2020, representing a decrease of EUR 29.8 million, as a result of fewer funding operations being arranged in 2021 and the monetary adjustment of certain provisions mainly in Spain in 2020.

- The net financial expenses due to exchange rate differences was EUR 8.8 million in the period from January to September 2021, compared to EUR 7.6 million net financial expenses due to exchange rate differences in 2020, representing a EUR 1.2 million increase.
- Additionally, in the period from January to September 2021, income from financial investment dividends amounting to EUR 9.8 million have been posted. In the same period of the previous year, dividends received from financial investments amounted to EUR 9.6 million.

d) Net profit

The net consolidated profit for January to September 2021 was EUR 45.3 million, compared to EUR 337.1 million for the same period in 2020, a decrease of 86.6%, due mainly to the sale of a 50% stake in Prosegur's Alarms business in Spain in 2020.

The effective tax rate was 57.7% in the first nine months of 2021, compared to 23.7% in the same period of 2020, implying an increase of 34 percentage points caused by the extraordinary events occurring from January to September 2020. Total costs recognised under that heading in the period from January to September 2020 were EUR 44.8 million. Excluding this effect, the effective tax rate would have been 53.3% in the period from January to September 2020, compared with 57.7% in the same period of 2021, due to the increase in the nominal tax rate in Argentina.

2. Significant events and transactions

Business combinations

During the period from January to September 2021, Prosegur has acquired a number of security companies in Latin America that provide ancillary banking services. In addition, Prosegur acquired a series of assets in the United States related to the provision of security services through the integration of surveillance, electronic, patrol and investigation services with a presence in the states of Texas and Oklahoma.

Sale of 100% of Prosegur Soluciones S.A. to Movistar Prosegur Alarmas S.L.

On 30 July 2021, Prosegur sold 100% of Prosegur Soluciones S.A. to Movistar Prosegur Alarmas España, a company in which Prosegur holds a 50% stake. The activity of Prosegur Soluciones S.A. consists mainly of marketing the services of Movistar Prosegur Alarmas España and managing the conclusion of the relevant contract with the end customers of Movistar Prosegur Alarmas España on its behalf, through the door-to-door channel pursuant to the marketing contract signed by both parties.

The total purchase price has been set at the amount equivalent to the commissions accrued and not paid under the marketing contract entered into by both parties until 31 July 2021 plus the amount equivalent to the fees accrued and not paid under the Call Centre services contract until 31 July 2021 plus/minus the net financial debt at 31 July 2021 minus 50% of the Accounts Payable at 31 July 2021 of Prosegur Soluciones S.A.

3. Consolidated financial information

The consolidated financial information has been prepared in accordance with the International Financial Reporting Standards (IFRS) applicable at 30 September 2021. Such accounting standards have been applied to both financial years 2021 and 2020.

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 the closing date of September 2021 and December 2020 before being included in the consolidated financial statements.

Million euros

CONSOLIDATED BALANCE SHEET	31/12/2020	30/09/2021
Non current assets	2,168.6	2,293.2
Property, plant and equipment	596.9	604.7
Rights of use	82.9	82.8
Goodwill	590.7	654.2
Intangible assets	295.6	296.9
Property investment	44.4	51.7
Investments accounted for using the equity method	268.0	266.9
Non-current financial assets	190.8	227.2
Deferred tax assets	99.2	108.7
Current assets	1,744.9	1,404.1
Inventories	46.5	57.1
Debtors	781.4	813.0
Cash, cash equivalents and other financial assets	917.0	534.0
ASSETS	3,913.5	3,697.3
Equity	718.1	818.2
Share capital	32.9	32.9
Own shares	(14.6)	(28.5)
Retained earnings and other reserves	676.8	783.5
Non-controlling interests	22.9	30.2
Non-Current Liabilities	1,923.6	1,792.4
Financial liabilities	1,584.7	1,456.0
Non-current lease liabilities	64.6	61.2
Other non-current liabilities	274.2	275.2
Current Liabilities	1,271.8	1,086.8
Financial liabilities	325.3	192.4
Lease liabilities	27.9	31.9
Trade and other payables	888.0	824.1
Other current liabilities	30.7	38.4
EQUITY AND LIABILITIES	3,913.5	3,697.3

The main variations in the consolidated balance sheet at 30 September 2021 compared to the close of financial year 2020 are summarised as follows:

a) Property, plant and equipment

Investments made in PPE during the period from January to September of 2021 have amounted to EUR 88.3 million.

b) Goodwill

During the third quarter of 2021 no impairment losses in goodwill have been registered.

c) Other non-current assets

Changes in non-current financial assets from January to September 2021 were mainly the result of the changes in the fair value of the shares in Telefónica, S.A. received as consideration for the sale of the 50% stake in Prosegur's Alarms business in Spain in 2020.

d) Net equity

The changes in net equity during the period from January to September 2021 arose as a result of net profit in the period, changes in the the cumulative translation reserve, changes in the fair value of the equity instruments and the acquisition of own shares.

e) Net debt

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

Net debt at 30 September 2021, excluding the effect of lease liabilities, amounted to EUR 984.7 million, an increase of EUR 95.3 million on the figure at 31 December 2020 (EUR 889.4 million). The increase is mainly associated with payments linked to M&A investments, dividend payments and treasury stock purchases.

At 30 September 2021, the ratio of total net debt to annualised EBITDA was 2.2 and the ratio of total net debt to equity was 1.1. In both cases, this includes the debt associated with the application of IFRS 16 to make it comparable and the fair value of Telefónica S.A. shares.

At 30 September 2021, financial liabilities correspond mainly to:

- Issue of uncovered bonds due in February 2023 amounting to EUR 703 million (interests included).
- Issue of uncovered bonds via the subsidiary Prosegur Cash, S.A. due in February 2026 amounting to EUR 602 million (including interest).
- Prosegur, through its subsidiary Prosegur Australia Investments PTY Limited, contracted a syndicated financing operation as of April 2020, amounting to AUD 70 million over three years which replaces the syndicated financing operation of AUD 70 million contracted in April 2017.
- Through its Peruvian subsidiary Prosegur Compañía de Seguridad S.A., Prosegur arranged a financing operation amounting to PEN 300 million and maturing in 5 years. At 30 September 2021, the drawn down capital amounted to PEN 285 million (equivalent to EUR 59.5 million).

Below is the net overall cash flow generated in the period from January to September in financial year 2021:

Million euros	
CONSOLIDATED CASH FLOW	30/09/2021
EBITDA	278.9
Adjustments to profit or loss	(13.3)
Income tax	(49.0)
Change in working capital	(48.4)
Interest payments	(17.5)
OPERATING CASH FLOW	150.7
Acquisition of Property, plant and equipment	(88.3)
Payments acquisition of subsidiaries	(47.0)
Dividend payments	(60.6)
Cash and cash equivalents	(40.4)
CASH FLOW FROM INVESTMENT / FINANCING	(236.4)
TOTAL NET CASH FLOW	(85.7)
INITIAL NET DEBT (31/12/2020)	(889.4)
Net (Decrease) / Increase in cash and cash equivalents	(85.7)
Exchange rate effect	(9.6)
NET DEBT AT THE END OF THE PERIOD (30/09/2021)	(984.7)

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 Accounting 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	This is a finance measure that represents the operating liquidity available for the Company. 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 necessary to ensure that the Company can continue its operations and has sufficient funds to cover matured short-term debt as well as upcoming operating expenses. Working capital management consists of the management of inventories, accounts payable and receivable and cash.
EBIT margin	The EBIT margin is calculated by dividing the operating profit/(loss) of the company by the total figure of revenue.	The EBIT margin provides the profitability obtained of the total revenue accrued.
Organic Growth	Organic growth is calculated as an increase or decrease of income between two periods adjusted by acquisitions and disinvestments and the exchange rate effect.	Organic growth provides the comparison between years of the growth of the revenue excluding the currency effect.
Inorganic Growth	The Company calculates inorganic growth for a period as the sum of the revenue of the companies acquired. The income from these companies is considered inorganic for 12 months following their acquisition date.	Inorganic growth provides the growth of the company by means of new acquisitions or disinvestments.
Exchange rate effect	The Company calculates the exchange rate effect as the difference between the revenue for the current year less the revenue for the current year using the exchange rate of the previous year.	The exchange rate effect provides the impact of the currencies on the revenue of the company.
Cash Flow Translation Rate	The Company calculates the cash translation rate as the difference between EBITDA less the CAPEX on EBITDA.	The cash flow conversion rate provides the cash generation of the Company.
Net Financial Debt	The Company calculates financial debt as the sum of the current and non-current financial liabilities (including other payables corresponding to deferred M&A payments and financial liabilities with Group companies) minus cash and cash equivalents, minus current investments in group companies, minus equity instruments in listed companies (included under the non-current financial assets heading) and minus other current financial assets.	The net debt provides the gross debt less cash in absolute terms of a company.
EBITA	EBITA is calculated on the basis of the consolidated profit/(loss) for the period without including the profit/(loss) after taxes from discontinued operations, taxes on earnings, financial income or costs, or depreciations of Goodwill or the amortisation of intangible assets, but including the depreciation of computer software.	The EBITA provides an analysis of earnings before taxes, tax burden and amortisation of intangible assets.
EBITDA	EBITDA is calculated on the basis of the consolidated profit/(loss) for the period for a company, excluding earnings after taxes from discontinued operations, income taxes, financial income or costs, and amortisation expenses or depreciation on goodwill.	The purpose of the EBITDA is to obtain a fair view of what the company is earning or losing in the business itself. The EBITDA excludes variables not related to cash that may vary significantly from one company to another depending upon the accounting policies applied. Amortisation is a non-monetary variable and thereof of limited interest for investors.

Working Capital (Million Euros)	30.09.2021	31.12.2020
Inventories	57.1	46.5
Clients and other receivables	733.8	675.7
Current tax assets	79.2	105.7
Cash and cash equivalents	534.0	767.0
Other current financial assets	0.0	150.0
Deferred tax assets	108.7	99.2
Suppliers and other payables	(662.0)	(714.9)
Current tax liabilities	(160.7)	(168.1)
Non-current financial liabilities	(192.4)	(325.3)
Other current liabilities	(38.4)	(30.7)
Deferred tax liabilities	(64.5)	(66.8)
Provisions	(189.2)	(191.5)
Total Working Capital	205.6	346.9

EBIT Margin (Million Euros)	30.09.2021	30.09.2020
EBIT	137.1	504.1
Revenue	2,535.0	2,727.5
EBIT Margin	5.4%	18.5%

Organic Growth (Million Euros)	30.09.2021	30.09.2020
Revenue current year	2,535.0	2,727.5
Less: revenue previous year	2,727.5	3,097.6
Less: Inorganic Growth	(105.6)	(18.1)
Exchange rate effect	(191.5)	(356.9)
Total Organic Growth	104.5	4.9

Inorganic Growth (Million Euros)	30.09.2021	30.09.2020
Cash LatAm	24.3	46.6
Cash Europe	-	4.8
Cash Row	3.2	4.9
Alarms LatAm	-	3.2
Security ROW	0.9	30.9
Divestments	(134.0)	(108.5)
Total Inorganic Growth	(105.6)	(18.1)

Exchange rate effect (Million Euros)	30.09.2021	30.09.2020
Revenue current year	2,535.0	2,727.5
Less: Revenue from the year underway at the exchange rate of the previous year	2,726.5	3,084.4
Exchange rate effect	(191.5)	(356.9)

Cash Flow Translation Rate (Million Euros)	30.09.2021	30.09.2020
EBITDA	278.9	704.0
CAPEX	88.3	92.2
Cash Flow Translation Rate (EBITDA - CAPEX / EBITDA)	68%	87%

Net Financial Debt (Million Euros)	30.09.2021	31.12.2020
Financial liabilities	1,648.4	1,910.0
Finance lease liabilities	93.1	92.6
Adjusted financial liabilities (A)	1,741.4	2,002.6
Cash and cash equivalents	(534.0)	(767.0)
Less: adjusted cash and cash equivalents (B)	(534.0)	(767.0)
Less: Other current financial assets (C)	-	(150.0)
Total Net Financial Debt (A+B+C)	1,207.4	1,085.5
Less: Other non banking borrowings (D)	(129.7)	(103.6)
Less: Finance lease liabilities (E)	(93.1)	(92.5)
Total Net Financial Debt (excluding other non-bank borrowings referring to deferred M&A and financial debt from lease payments) (A+B+C+D+E)	984.7	889.4
Less: equity instruments of listed companies (F)	(200.6)	(160.8)
Total Net Financial Debt (excluding other non-bank borrowings referring to deferred M&A payments, financial debt from lease payments and including the value of equity instruments of listed companies) (A+B+C+D+E+F)	784.3	728.6

EBITA (Million Euros)	30.09.2021	30.09.2020
Consolidated profit/(loss) for the year	45.3	337.1
Non-controlling interests	4.2	10.2
Income taxes	67.6	108.0
Net financial expenses	20.1	48.9
Amortisation	22.2	77.1
EBITA	159.4	581.2

EBITDA (Million Euros)	30.09.2021	30.09.2020
Consolidated profit/(loss) for the year	45.3	337.1
Non-controlling interests	4.2	10.2
Income taxes	67.6	108.0
Net financial expenses	20.1	48.9
Depreciation and amortisation	141.7	199.9
EBITDA	278.9	704.1