PROSEGUR COMPAÑIA DE SEGURIDAD, S.A. AND SUBSIDIARIES

Condensed consolidated interim financial statements for the six-month period ended 30 June 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)	Note	Six-month period ended on 30 June 2017	2016
Revenue	5	2,128,750	1,837,119
Costs of sales	6, 7	(1,636,889)	(1,410,569)
Gross profit		**491,861**	**426,550**
Other income		752	1,003
Sale and administrative expenses	6, 7	(306,632)	(270,301)
Other expenses	8	(6,383)	(7,550)
Investment accounted for using the equity method	13	397	(1,472)
Operating profit/loss (EBIT)		**179,995**	**148,230**
Finance income	9	6,338	56
Finance expenses	9	(25,373)	(22,526)
Net financial expenses		(19,035)	(22,470)
Profit before tax		**160,960**	**125,760**
Income tax	19	(68,166)	(45,049)
Post-tax profit from continuing operations		**92,794**	**80,711**
Profit/(loss) for the year from interrupted operations		-	-
Consolidated profit for the period		**92,794**	**80,711**
Attributable to:			
Owners of the parent		73,468	80,717
Non-controlling interests		19,326	(6)
Earnings per share from continuing operations attributable to the owners of the parent (Euros per share)			
- Basic	16	0.12	0.13
- Diluted	16	0.12	0.13
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 39 form an integral part of these condensed consolidated interim financial statements

II. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(In thousands of euros)	Six-month period ended on 30 June	
	2017	**2016**
Profit/loss for the period	**92,794**	**80,711**
Other comprehensive income:		
Items which are reclassified to profit and loss		
Translation differences of financial statements of foreign operations	(103,282)	18,491
Total comprehensive income for the period, net of tax	**(10,488)**	**99,202**
Attributable to:		
- Owners of the parent	(9,613)	99,156
- Non-controlling interests	(875)	46
	(10,488)	**99,202**

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III. CONSOLIDATED BALANCE SHEET

(In thousands of euros)	Note	30 June 2017	31 December 2016
ASSETS			
Property, plant and equipment	11	562,436	558,021
Goodwill	11	526,035	528,366
Other intangible assets	11	231,881	256,736
Investments accounted for using the equity method	13	28,388	30,234
Non-current financial assets	12	11,626	9,600
Deferred tax assets		172,284	185,628
Non-current assets		**1,532,650**	**1,568,585**
Inventory	15	88,625	86,654
Trade and other receivables		984,579	943,225
Current tax assets		113,104	147,061
Non-current assets held for sale	11	56,794	64,701
Cash and cash equivalents	14	1,256,176	824,634
Current assets		**2,499,278**	**2,066,275**
Total assets		**4,031,928**	**3,634,860**
EQUITY			
Share capital	16	37,027	37,027
Share premium	16	25,472	25,472
Treasury stock	16	(53,079)	(53,315)
Translation differences		(553,452)	(470,371)
Accumulated earnings and other reserves		1,961,483	1,212,118
Equity attributable to equity holders of the Parent		**1,417,451**	**750,931**
Non-controlling interests		85,598	569
Total equity		**1,503,049**	**751,500**
LIABILITIES			
Financial Liabilities	18	714,693	1,223,597
Deferred tax liabilities		96,745	108,161
Provisions	17	238,920	238,612
Non-current liabilities		**1,050,358**	**1,570,370**
Trade and other payables		748,857	785,693
Current tax liabilities		75,241	123,929
Financial Liabilities	18	585,388	358,383
Provisions	17	8,188	4,374
Other current liabilities		60,847	40,611
Current liabilities		**1,478,521**	**1,312,990**
Total liabilities		**2,528,879**	**2,883,360**
Total equity and liabilities		**4,031,928**	**3,634,860**

The Notes included on pages 10 to 39 form an integral part of these condensed consolidated interim financial statements

IV. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

PERIOD ENDED 30 JUNE 2017

(In thousands of euros)

	Equity attributable to equity holders of the Parent							
	Capital (Note 16)	Share premium (Note 16)	Own shares (Note 16)	Translation differences	Retained earning and others reserves	Total	Non Controling interests	Total equity
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 June 2017	-	-	-	(83,081)	73,468	(9,613)	(875)	**(10,488)**
Dividends for 2016	-	-	-	-	(34,070)	(34,070)	-	**(34,070)**
Other movements	-	-	236	-	709,967	710,203	85,904	**796,107**
Balance at 30 june 2017	**37,027**	**25,472**	**(53,079)**	**(553,452)**	**1,961,483**	**1,417,451**	**85,598**	**1,503,049**

The Notes included on pages 10 to 39 form an integral part of these condensed consolidated interim financial statements

PERIOD ENDED 30 JUNE 2016

(In thousands of euros)	Equity attributable to equity holders of the Parent							
	Capital (Note 16)	Share premium (Note 16)	Own shares (Note 16)	Translation differences	Accumulated earnings and other reserves	Total	Minority 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 June 2016	-	-	-	18,439	80,717	99,156	46	99,202
Dividends for 2015	-	-	-	-	(68,189)	(68,189)	-	(68,189)
Other movements	-	-	178	-	1,019	1,197	767	1,964
Balance at 30 june 2016	**37,027**	**25,472**	**(53,315)**	**(496,078)**	**1,219,014**	**732,120**	**483**	**732,603**

The Notes included on pages 10 to 39 form an integral part of these condensed consolidated interim financial statements

V. CONSOLIDATED CASH FLOW STATEMENT

(In thousands of euros)	Note	Six-month period ended on 30 June 2017	2016
Cash flows from operating activities			
Profit/loss for the period		**92,794**	**80,711**
Adjustments for:			
Depreciation and amortisation	6, 11	63,766	55,104
Impairment losses on non-current assets	8, 11	92	103
Impairment losses on trade receivables and stock	8, 15	3,971	6,784
Investments accounted for using the equity method	13	(397)	1,472
Change in provisions	17	38,299	21,320
Finance income	9	(6,338)	(56)
Finance expenses	9	25,373	22,526
Gains/losses on derecognition and sale of property, plant and equipment	8	725	558
Income tax	19	68,166	45,049
Changes in working capital, net of the effect of acquisitions and translation differences			
Inventory	15	(6,923)	(20,477)
Trade and other receivables		(85,420)	(78,672)
Trade and other payables		(17,444)	20,815
Payment of provisions	17	(15,209)	(13,350)
Other liabilities		22,444	(985)
Cash from operating activities			
Interest paid		(26,634)	(20,274)
Income tax paid		(109,787)	(52,056)
Net cash from operating activities		**47,478**	**68,572**
Cash flows from investing activities			
Proceeds from sale of assets held for sale	11	2,522	-
Proceeds from sale of financial assets		-	829
Interest collection		126	56
Acquisition of subsidiaries, net of cash and cash equivalents	21	(15,496)	(3,069)
Acquisition of property, plant and equipment	11	(81,422)	(56,188)
Acquisition of intangible assets	11	(10,920)	(5,136)
Acquisition of joint ventures, net of cash and cash equivalents	13	-	(19,890)
Acquisition of financial assets		(3,389)	(1,366)
Net cash from investing activities		**(108,579)**	**(84,764)**
Cash flows from financing activities			
Collections from sales of own shares	16	824,992	-
Payments from purchases of own shares	16	(2,464)	-
Proceeds from loans and borrowings	18	47,850	78,149
Payments for loans and borrowings	18	(306,365)	(43,214)
Payments for other financial liabilities		(12,424)	(35,325)
Dividends paid	16	(37,993)	(31,955)
Net cash from financing activities		**513,596**	**(32,345)**
Net increase (decrease) in cash and cash equivalents		452,495	(48,537)
Cash and cash equivalents at the beginning of period		824,634	316,434
Effect of exchange differences		(20,953)	(7,239)
Cash and cash equivalents at the end of the period		**1,256,176**	**260,658**

The Notes included on pages 10 to 39 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 comprising Prosegur Compañía de Seguridad, S.A. (the Company) and its subsidiaries (boards, 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 in Prosegur Compañía de Seguridad, S.A. and which consolidates Prosegur's financial statements.

Prosegur Compañía de Seguridad, S.A. is a public limited company, with shares listed on the Madrid, Bilbao, Valencia and Barcelona Stock Exchanges and traded through the Spanish Stock Exchange Interconnection System (electronic trading system) (SIBE). The Company was incorporated in Madrid on 14 May 1976 and is filed with the Madrid Companies Registry. 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 by-laws. The Company is primarily engaged in the following services and activities through its subsidiary companies:

- Surveillance and protection of establishments, assets and people.
- 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.
- Installation and maintenance of security equipment, devices and systems.

The consolidated and individual annual accounts of Prosegur Compañía de Seguridad, S.A. for financial 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 financial statements at 31 December 2016. Prosegur also has a number of joint arrangements (Notes 15 and 16 and Appendix II to the Notes to the consolidated financial statements as of 31 December 2016).

Prosegur also holds stakes of under 20% in the share capital of other companies over which it does not exert significant influence (Note 17 to the consolidated financial statements 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 financial statements at 31 December 2016.

2. Basis of presentation, estimates made and accounting policies

These condensed consolidated interim financial statements of Prosegur for the six-month period ended 30 June 2017 have been drawn up in accordance with IAS 34 - Interim financial reporting.

In accordance with the provisions of IAS 34, interim financial reports are drawn up with the sole intention of updating the content of the latest annual accounts drawn up by Prosegur, with emphasis on new activities, events and circumstances to have occurred during the six-month period ended on 30 June 2017, without duplicating the information published previously in the consolidated annual accounts for financial 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 financial year ended 31 December 2016, which were drawn up 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 financial statements for financial year 2016. During the six-month period ended 30 June 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 June 2017 are the same as those applied in drawing up Prosegur’s consolidated annual accounts at 31 December 2016, details of which are included in Note 35 of those consolidated financial statements.

Corporate income tax for the six-month period ended 30 June 2017 is calculated using the effective tax rate expected to apply to earnings for the financial year.

Comparative information

The condensed consolidated interim financial statements include, for comparative purposes and in addition to the consolidated figures for the six-month period ended 30 June 2017, figures for the same period of the previous year. This comparative information appears alongside each of the entries on the consolidated balance sheet, 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 financial statements, but not on the consolidated balance sheet, which presents consolidated figures for the twelve-month period ended 31 December 2016.

3. Changes in the composition of the Group

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

The following companies were incorporated in the first six months of 2017:

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

4. Events to have 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 to have taken place during the first six months of 2017 are described below:

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 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. No final judgment is expected to be handed down this year (see Note 20).

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 June 2017, no amount had been utilised under either facility.

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 31 June 2017, the capital utilised under the loan amounted to 70,000 thousand Australian dollars (equivalent value at the end of the first half 2017: 47,135 thousand euros).

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.

5. Revenue

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

	Thousands of euros	
	Period ended 30 June	
	2017	2016
Provision of services	2,046,066	1,759,150
Goods sold	2,118	7,681
Operating lease revenues	80,566	70,288
Total revenues	**2,128,750**	**1,837,119**

Revenue from operating leases includes revenues obtained from alarm system rentals.

See Note 10 for further information on revenues by segment and region.

6. Selling, general and administrative expenses

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

		Thousands of euros Period ended 30 June	
		2017	**2016**
Supplies		97,870	83,412
Employee benefits expense	(Note 7)	1,293,096	1,127,775
Operating leases		22,869	22,568
Supplies and external services		121,921	102,441
Depreciation and amortisation		31,985	25,194
Other expenses		69,148	49,179
Total costs to sell		**1,636,889**	**1,410,569**
Supplies		3,569	1,892
Employee benefits expense	(Note 7)	157,333	136,221
Operating leases		22,287	19,100
Supplies and external services		53,996	52,771
Depreciation and amortisation		31,781	29,910
Other expenses		37,666	30,407
Total sale and administrative expenses		**306,632**	**270,301**

Total supply costs included on the consolidated income statement for the six-month period ended 30 June 2017 amounted to 101,439 thousand euros (2016: 85,304 thousand euros).

7. Employee benefit expenses

Employee benefit expenses for the six-month periods ended 30 June 2017 and 2016 were as follows:

	Thousands of euros Period ended 30 June	
	2017	**2016**
Salaries and wages	1,061,055	933,069
Social Security	277,790	245,207
Other employee benefits expenses	67,122	58,005
Termination payments	44,462	27,715
Total employee benefits expense	**1,450,429**	**1,263,996**

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, shareholders approved the 2017 long-term incentives plan for the Chief Executive Officer 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.

In relation to the 2014 and 2017 long-term incentive plan for the CEO and Senior Management of Prosegur, the total expense accrued during the first six months of 2017, amounting to 2,092 thousand euros, was included under Salaries and wages (at 30 June 2016: 2,130 thousand euros) (Note 17).

8. Other expenses

Other expenses on the income statement for the six-month periods ended 30 June 2017 and 2016 were as follows:

		Thousands of euros	
		Period ended 30 June	
		2017	2016
Impairment losses on trade receivables		(3,667)	(6,161)
Impairment losses on non-current assets	(Note 11)	(92)	(103)
Loss from sale investments property (Held for sale)		(725)	(558)
Other expenses		(1,899)	(728)
Total other expenses		**(6,383)**	**(7,550)**

9. Net finance costs

Net finance costs for the six-month periods ended 30 June 2017 and 2016 were as follows:

	Thousands of euros	
	Period ended 30 June	
	2017	2016
Interest paid	(16,237)	(13,888)
Interest received	126	56
Net gains/losses on foreign currency transactions	6,212	(4,116)
Financial cost of leasing transactions	(1,182)	(975)
Other net financial income and costs	(7,954)	(3,547)
Total net financial expenses	**(19,035)**	**(22,470)**

10. Segment reporting

The Board of Directors is the supreme operational decision-making body at Prosegur Cash and, along with the Audit Committee, reviews the internal financial information of Prosegur Cash in order to assess performance and allocate resources accordingly.

The Board of Directors analyses business at parent level on two fronts: by region and by activity. From a regional perspective, there are three segments: Europe, Latin America (Latam) and Asia-Oceania and Africa (AOA). These in turn include the business segments known as Security, Cash and Alarms.

The Board of Directors relies on earnings before interest and taxes (EBIT) to assess segment performance, since this indicator is considered the best yardstick of the performance and results of the Group's different business 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 bank loans and borrowings, except for finance lease debts, as financing is managed at Prosegur Group level.

Revenue by segments for the six-month periods ended on 30 June 2017 and 2016 was as follows:

Thousands of euros	Europe		AOA		LatAm		Total	
	On 30 June 2017	On 30 June 2016	On 30 June 2017	On 30 June 2016	On 30 June 2017	On 30 June 2016	On 30 June 2017	On 30 June 2016
Security	518,990	468,162	25,791	22,263	495,612	448,510	1,040,393	938,935
% of total	64%	63%	32%	33%	40%	44%	49%	51%
Cash	226,001	222,964	52,525	43,323	685,630	528,469	964,156	794,756
% of total	28%	30%	64%	65%	55%	52%	45%	43%
Alarms	63,831	57,365	3,608	1,355	56,762	44,708	124,201	103,428
% of total	8%	7%	4%	2%	5%	4%	6%	6%
Total sales	**808,822**	**748,491**	**81,924**	**66,941**	**1,238,004**	**1,021,687**	**2,128,750**	**1,837,119**

The ordinary income in Cash at June, 2016 included the sale of the affiliate company Sociedad de Distribución y Canje y Mensajería, Ltda, amounted to 6,896 thousand euros.

EBITDA, EBIT and earnings after tax from continuing operations are as follows:

Thousands of euros	Total	
	On 30 June 2017	On 30 June 2016
Revenues	2,128,750	1,837,119
Other net expenses	(1,885,386)	(1,632,313)
Losses from investment accounted for using the equity method	397	(1,472)
EBITDA	243,761	203,334
Depreciation and amortisation	(63,766)	(55,104)
EBIT	179,995	148,230
Net finance income (cost)	(19,036)	(22,470)
Income tax expense	(68,166)	(45,049)
Post-tax profit from continuing operations	92,794	80,711

The following table provides a reconciliation of EBIT allocated to segments with net profit for the year attributable to the owners of the parent:

	Thousands of euros	
	On 30 June 2017	On 30 June 2016
EBIT allocated to segments	179,995	148,230
Financial net costs	(19,035)	(22,470)
Preatx Income	160,960	125,760
Income tax	(68,166)	(45,049)
Post-tax profit from continuing operations	92,794	80,711
Non-controlling interests	19,326	(6)
Profit attributable to owners of the parent	**73,468**	**80,717**

Assets allocated to segments and their reconciliation with total assets at 30 June 2017 and at 31 December 2016 are as follows:

	Europe		AOA		LatAm		Not allocated to segments		Total	
Thousands of euros	On 30 June 2017	On 31 December 2016	On 30 June 2017	On 31 December 2016	On 30 June 2017	On 31 December 2016	On 30 June 2017	On 31 December 2016	On 30 June 2017	On 31 December 2016
Assets allocated to segments	**924,552**	**957,694**	**155,985**	**108,800**	**1,683,589**	**1,669,879**	**-**	**-**	**2,764,126**	**2,736,373**
Other unallocated assets	-	-	-	-	-	-	**1,267,802**	**898,487**	**1,267,802**	**898,487**
Other non-current financial assets	-	-	-	-	-	-	11,626	9,600	11,626	9,600
Non-current assets held for sale	-	-	-	-	-	-	-	64,253	-	64,253
Other current financial assets	-	-	-	-	-	-	-	-	-	-
Cash and cash equivalents	-	-	-	-	-	-	1,256,176	824,634	1,256,176	824,634
	924,552	**957,694**	**155,985**	**108,800**	**1,683,589**	**1,669,879**	**1,267,802**	**898,487**	**4,031,928**	**3,634,860**

Liabilities allocated to segments and their reconciliation with total liabilities at 30 June 2017 and at 31 December 2016 are as follows:

	Europe		AOA		LatAm		Not allocated to segments		Total	
Thousands of euros	On 30 June 2017	On 31 December 2016	On 30 June 2017	On 31 December 2016	On 30 June 2017	On 31 December 2016	On 30 June 2017	On 31 December 2016	On 30 June 2017	On 31 December 2016
Liabilities allocated to segments	**451,932**	**465,517**	**77,594**	**93,424**	**756,232**	**811,300**	**-**	**-**	**1,285,758**	**1,370,241**
Other unallocated liabilities							**1,243,121**	**1,513,119**	**1,243,121**	**1,513,119**
Loans and borrowings	-	-	-	-	-	-	1,243,121	1,513,119	1,243,121	1,513,119
	451,932	**465,517**	**77,594**	**93,424**	**756,232**	**811,300**	**1,243,121**	**1,513,119**	**2,528,879**	**2,883,360**

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

11.1. Property, plant and equipment

Property, plant and equipment for the six-month periods ended 30 June 2017 and 2016 was as follows:

	Thousands of euros Period ended 30 June	
	2017	**2016**
Cost		
Balance at the start of the period	**1,121,897**	**965,303**
Additions	81,422	58,678
Business Combinations	6,138	249
Derecognition due to disposals or other means	(16,711)	(11,427)
Translation differences	(57,514)	22,577
Balance at the end of the period	**1,135,232**	**1,035,380**
Accumulated amortisation		
Balance at the beginning of the period	**(563,876)**	**(498,202)**
Derecognition due to disposals or other means	10,518	8,160
Provisions charged to profit/loss account	(43,637)	(35,124)
Translation differences	24,291	(15,195)
Provision for impairment recognised in profit and loss (Note 8)	(92)	(103)
Balance at the end of the period	**(572,796)**	**(540,464)**
Net assets		
Balance at the beginning of the period	**558,021**	**467,101**
Balance at the end of the period	**562,436**	**494,916**

During the first six months of financial year 2017, Prosegur's investment in property, plant and equipment amounted to 81,422 thousand euros (at 30 June 2016: 58,678 thousand euros). These investments relate mainly to acquisitions and fitting-out of bases and armoured vehicles in Argentina and Brazil.

At 30 June 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 believes it is highly likely that they will be sold in 2017, and accounted for the entire balance of that heading.

Non-current assets held for the sale in the six-month period ended 30 June 2017 were as follows:

	Thousands of euros
	2017
Net amount on books on 31 December 2016	**64,701**
Derecognition due to disposals or other means	(2,701)
Translation differences	(5,206)
Net amount on books on 30 June 2017	**56,794**

The derecognitions reported in the first half of 2017 were 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 179 thousand euros (see Note 8).

11.3. Goodwill

Goodwill for the six-month period ended 30 June 2017 was as follows:

	Thousands of euros
Net amount on books on 31 December 2016	**528,366**
Additions to consolidated group (Note 21)	13,391
Translation differences	(15,722)
Net amount on books on 30 June 2017	**526,035**

During the six-month period ended 30 June 2017, goodwill was incorporated from two business combinations (see Note 21).

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

Goodwill for the six-month period ended 30 June 2016 was as follows:

	Thousands of euros
Net amount on books on 31 December 2015	**494,151**
Additions to consolidated group	5,487
Translation differences	15,587
Net amount on books on 30 June 2016	**515,225**

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

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

11.4. Other intangible assets

Intangible assets for the six-month periods ended 30 June 2017 and 2016 were as follows:

	Thousands of euros Period ended 30 June	
	2017	**2016**
Cost		
Balance at the start of the period	**566,302**	**491,954**
Additions	10,920	5,136
Business combinations	-	251
Derecognition due to disposals or other means	(686)	(1,202)
Translation differences	(31,182)	41,773
Balance at the end of the period	**545,354**	**537,912**
Accumulated amortisation		
Balance at the start of the period	**(309,566)**	**(245,982)**
Derecognition due to disposals or other means	111	72
Provisions charged to profit/loss account	(20,129)	(19,220)
Translation differences	16,111	(19,294)
Balance at the end of the period	**(313,473)**	**(284,424)**
Pérdidas por deterioro		
Net assets		
Balance at the start of the period	**256,736**	**245,972**
Balance at the end of the period	**231,881**	**253,488**

Additions in the first half 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.

12. Financial assets

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

	Thousands of euros	
	30/06/2017	**31/12/2016**
Available-for-sale financial assets	7,105	5,359
Deposits and guarantees	3,783	3,493
Other non-current financial assets	738	748
Total non-current financial assets	**11,626**	**9,600**

Available-for-sale financial assets

During the first half of 2017, no financial assets available for sale were purchased, sold, issued or settled. The change in other non-current assets is down to a loan that Prosegur granted SIS Cash Services Private, Ltd., which is consolidated under joint arrangements.

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. Accordingly, Prosegur has classified these shareholdings as joint arrangements.

Investments in joint arrangements accounted for using the equity method for the six-month periods ended 30 June 2017 and 2016 were as follows:

	Thousands of euros	
	30/06/2017	**30/06/2016**
Balance on 1 January	**30,234**	**18,328**
New additions	-	19,890
Share of profit/loss	397	(1,472)
Translation differences	(2,243)	1,513
Balance on 30 June	**28,388**	**38,259**

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 financial year ended 31 December 2016.

Additions during the six-month period ended 30 June 2016 related mainly to the subscription by Prosegur of shares representing 33.33% of the share capital of 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 consolidated financial statements 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 arrangements accounted for under the equity method.

14. Cash and cash equivalents

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

	Thousands of euros	
	30/06/2017	**31/12/2016**
Cash and banks	776,327	799,429
Current bank deposits	479,849	25,205
	1,256,176	**824,634**

The effective interest rate on current bank deposits was 7.21% (at 31 December 2016: 13.46%) while the average term over which deposits were held during the first half of 2017 was 165 days (at 31 December 2016: 54 days).

15. Inventory

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

	Thousands of euros	
	30/06/2017	**31/12/2016**
Work in progress	36,277	33,276
Stocks, fuel and others	49,136	50,726
Operative stock	2,224	2,300
Uniforms	6,251	6,502
Impairmnet of stock	(5,263)	(6,150)
	88,625	**86,654**

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

Impairment losses for the six-month periods ended 30 June 2017 and 30 June 2016 were as follows:

	Thousands of euros	
	30/06/2017	**30/06/2016**
Balance on 1 January	(6,150)	(5,360)
Additions	(304)	(623)
Applications and other	878	962
Translation differences	313	(170)
Balance on 30 june	**(5,263)**	**(5,191)**

16. Equity

16.1. Share capital

Share capital comprises the following:

	Thousands	**Thousands of euros**			
	Number of shares	**Share capital**	**Share premium**	**Treasury stock**	**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 June 2017	617,125	37,027	25,472	(53,079)	9,420

At 30 June 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 financial year 2016 and also in the six-month period ended 30 June 2017.

16.3. Treasury shares

Treasury shares during the six-month period ended 30 June 2017 were as follows:

	Number of shares	Thousands of euros
Balance on 31 December 2016	**18,694,870**	**53,315**
Transfers	(67,035)	(236)
Balance on 30 June 2017	**18,627,835**	**53,079**

16.4. Dividends

Dividends paid by the parent company during the six-month periods ended 30 June 2017 and 30 June 2016 were as follows:

	Period ended on 30 June 2017			Period ended on 30 June 2016		
	% of Nominal	Gross euros per share	Amount (thousands of euros)	% of Nominal	Gross euros per share	Amount (thousands of euros)
Ordinary shares	102.61	0.06	37,993	86.29	0.05	31,955
Other shares (no vote, redeemable, etc.)	-	-	-	-	-	-
Total dividends paid	**102.61**	**0.06**	**37,993**	**86.29**	**0.05**	**31,955**
a) Dividends charged to profit/loss	102.61	0.06	37,993	86.29	0.05	31,955
a) Dividends charged to reserves or issue 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 pay-out of a dividend of 0.0552 euros per outstanding share on each payment date, giving a total maximum dividend of 34,070 thousand euros, considering that capital was divided into 617,124,640 shares at 30 June 2017. Of this sum, 50% was paid to shareholders on 13 July 2017. The amount not paid out as a dividend out of the total maximum agreed, due to the treasury shares existing on each payment date, will be posted to voluntary reserves.

Therefore, the payment made on 13 July 2017 was for a gross amount of 0.02760000 euros per outstanding share conferring dividend rights on that date, equivalent to a net sum of 0.02235600 euros 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 June 2017- will be 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 year, excluding own shares acquired by the Company.

	Miles de euros	
	30/06/2017	**30/06/2016**
Profit for the year attributable to owners of the parent	73,468	80,717
Weighted average number of ordinary shares outstanding	598,466,639	598,388,423
Ganancias básicas por acción	**0.12**	**0.13**

- ***Diluted***

Diluted earnings per share are calculated by adjusting the profit for the year 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.

	Miles de euros	
	30/06/2017	**30/06/2016**
Profit for the year attributable to owners of the parent	73,468	80,717
(Diluted) weighted average number of ordinary shares outstanding	598,466,639	598,388,423
Ganancias diluidas por acción	**0.12**	**0.13**

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 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. As a result, Prosegur Compañía de Seguridad, S.A. 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, net of the tax, while associated expenses totalled 27,689 thousand euros. As a result, the positive impact recognised from the disposal of these equity instruments amounts to 797,303 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 June 2017, Prosegur Cash, S.A. held total treasury shares of 2,464 thousand euros.

17. Provisions

The following table shows the changes in this heading during the six-month periods ended 30 June 2017 and 2016.

Thousands of euros	Labour-related risks	Legal risk	Restructuring	Employee Benefits	Accrued obligations to personnel	Other risks	Total
Balance on 1 January 2017	**105,312**	**18,265**	**2,921**	**9,189**	**9,307**	**97,992**	**242,986**
Provisions charged to income statement	36,585	7,832	-	-	2,092	15,445	**61,954**
Reversals credited to income statement	(10,908)	(4,683)	-	-	-	(8,064)	**(23,655)**
Applications	(11,788)	(435)	(623)	-	(1,526)	(837)	**(15,209)**
Incorporations to the perimeter	-	-	-	-	-	235	**235**
Translation differences	(8,001)	(2,700)	-	357	-	(8,859)	**(19,203)**
Balance on 30 June 2017	**111,200**	**18,279**	**2,298**	**9,546**	**9,873**	**95,912**	**247,108**
Non-current 2017	111,200	18,279	-	9,546	3,983	95,912	238,920
Current 2017	-	-	2,298	-	5,890	-	8,188

a) *Labour-related risks*

Provisions for labour-related risks, which amounted to 111,200 thousand euros (at 31 December 2016: 105,312 thousand euros), are calculated individually, based on the estimated likelihood of success or failure of the lawsuit or 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. Lawsuits typically take a long time to finish due to the country's employment law and legal set-up, prompting the Company to post a provision of 84,236 thousand euros in 2017 (2016: 61,605 thousand euros).

This heading also includes a provision of 9,747 thousand euros (31 December 2016: 12,839 thousand euros) in relation to the business combination with Transpev in 2005.

b) *Legal risk*

Provisions for legal risks, which amounted to 18,279 thousand euros (31 December 2016: 18,265 thousand euros), 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.

c) *Restructuring*

Provisions here relate to the company Brinks Deutschland GmbH, which was acquired in 2013 and for which a restructuring provision has been recognised. Payment of the provision is highly probable. Payments amounting to 623 thousand euros were made during the first six months of 2017.

d) *Employee benefits*

As discussed in Note 5.2 to the consolidated financial statements 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 yearly. The last update took place at the end of 2016 and will apply throughout the period currently in progress.

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.

e) *Accrued obligations to personnel*

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

During this period, a provision of 2,092 thousand euros was charged to earnings for the year. 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 half 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 end of the period or at the time of payment. Part of this provision has been recognised as current provisions for a value of 5,890 thousand euros, since this commitment will fall due in the first half of 2018 (see Note 7).

f) *Other risks*

Provisions for legal risks, which amounted to 95,912 thousand euros (at 31 December 2016: 97,992 thousand euros), include a variety of different concepts.

Payment of these provisions is 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.

The most significant of these are as follows:

Tax risks

Mainly tax risks in Brazil and Argentina amounting to 78,033 thousand euros (31 December 2016: 73,702 thousand euros).

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 sundry insignificant amounts individually related to direct and indirect municipal and provincial taxes.

The change in provisions for tax risks with regard to 31 December 2016 is mainly due to an increase in the provisions relating to municipal and state claims for indirect taxes in Brazil, in connection with mainly old tax risks for which the likelihood of occurrence has been reassessed.

Prosegur uses “the more likely than not” approach when measuring uncertain tax positions. Significant tax risk is determined on the basis of opinions of external experts and analysis of existing case law. Internal studies are also carried out of similar cases to 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 provisioning 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 provisioning is adjusted accordingly based on the findings.

Comcare Australia

In the first half of 2017, payments of 382 thousand euros were made to cover commitments associated with Australia's occupational accident insurance plan, giving a total provision of 4,609 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

This heading of the consolidated balance sheet at 30 June 2017 and at 31 December 2016 can be broken down as follows:

Thousands of euros	30/06/2017		31/12/2016	
	Non-current	Current	Non-current	Current
Obligations and other securities	-	502,763	498,883	10,312
Loans and borrowings	688,197	41,954	648,433	167,785
Finance lease payables	14,786	11,162	14,439	9,466
Credit accounts	-	10,207	48,570	139,143
Other payables	11,710	19,302	13,272	31,677
	714,693	**585,388**	**1,223,597**	**358,383**

Note 24 to the consolidated financial statements for the financial year ended 31 December 2016 discusses the most significant entries that made up the balance at that date.

During the six-month period ended 30 June 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 put back the maturities of part of Prosegur's debt. On 18 March 2015, the syndicated credit facility was amended to put back 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 euros and 200,000 euros, respectively, both at five years. At 30 June 2017, no amount had been utilised under either of the new facilities.

Syndicated loan (Spain)

In December 2016, Prosegur arranged a three-year syndicated credit facility through its subsidiary, Prosegur Cash, S.A., for the sum of 600,000 thousand euros. At 30 June 2017, capital utilised under the syndicated loan amounted to 600,000 thousand euros (at 31 December 2016, utilised capital amounted to 600,000 thousand euros). The interest rate is pegged to the Euribor rate plus a spread.
Under the terms of the contract, this bullet facility is to be fully repaid upon maturity in 2019.

Bonds 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 pay a coupon of 2.75% per annum, payable yearly in arrears.

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 remains 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 June 2017 amounted to 41,900 thousand Australian dollars (equivalent to 28,200 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 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 June 2017 to 18,231 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 31 June 2017, the capital utilised under the loan amounted to 70,000 thousand Australian dollars (equivalent value at the end of the first half 2017: 47,135 thousand euros).

Other debts

Note 24 to the consolidated financial statements for the financial year ended 31 December 2016 discusses the most significant entries that made up the balance at that date.

Other debts shows the amounts payable in relation to existing business combinations, which have fallen due to the payments made to date, mainly in relation to Nordeste, where payment amounted to 10,224 thousand euros in 2017.

19. Tax status

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 since change.

	Thousands of euros Period ended 30 June	
	2017	**2016**
Current tax	43,406	56,836
Deferred tax	24,760	(11,787)
Total	**68,166**	**45,049**

	Thousands of euros Period ended 30 June	
	2017	**2016**
Income tax expenditure	68,166	45,049
Profit before tax	160,960	125,760
Effective tax rate	**42.35%**	**35.82%**

On 10 May 2016, Prosegur received notice of the start of inspection proceedings concerning certain aspects of its corporate income tax return, specifically in relation to whether the Company was entitled in 2011 to depreciate its assets as it wished 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 tax and partially as regards the Company's entitlement in 2011 to depreciate its assets as it wished in exchange for creating or maintaining jobs.

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

- Notice of agreement regarding freedom to depreciate assets.
- Notice of disagreement regarding remuneration paid to directors, with payment due of 390,145.61 euros plus 30,267.58 euros in interest.

With regard to the notice 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 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 Company's directors do not believe that any such liabilities would have a significant impact on the consolidated annual accounts.

20. Contingencies

Note 28 to the consolidated financial statements 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. 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 any ensuing liabilities would have a significant impact on the consolidated financial statements.

21. Business combinations

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

21.1. Goodwill included in 2017

Net assets acquired and goodwill recognised due to incorporations in the first half 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)]	**17,999**	**2,881**	**20,880**	**7,489**	**13,391**

(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	17,999	(2,503)	**15,496**

The following assets and liabilities were generated from both acquisitions:

(Thousands of euros)	**Carrying amount of the acquiree**	**Fair value**
Cash and cash equivalents	2,503	2,503
Property, plant and equipment	6,138	6,138
Inventory	33	33
Trade and other receivables	1,869	1,869
Current tax assets	115	115
Trade and other payables	(1,287)	(1,287)
Deferred tax assets	280	280
Deferred tax liabilities	(833)	(833)
Oher financial liabilities	95	95
Financial debt	(1,189)	(1,189)
Provisions	(235)	(235)
Identifiable net assets acquired	**7,489**	**7,489**

21.2. Goodwill incorporated in 2016 that has not experienced any change in value

The following net assets were acquired and the following goodwill recognised from business incorporations completed in 2016 and not reviewed in 2017:

(Thousands of euros)	Segment to which allocated	Cash payment	Deferred amount at fair value	**Total purchase price**	Fair value of identifiable net assets	**Goodwill**
Subsidiaries						
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 Propierty 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 Propierty 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**
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 and equivalens	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) and have 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 by 18% by subscribing to a capital increase by 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 rights 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 and equivalens	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	(6)	(6)
Long term financial 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 and equivalens	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)
Long term 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 512,000 thousand 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 asset	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 totalling 600 thousand euros.

The acquired company 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
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 acquired are associated with customer relations (3,892 thousand euros) and have a useful life of 13 years.

22. Balances and transactions with related parties

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 1.008%.

Goods and services

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, lying 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 a further year. The total expense associated with the lease agreement in the first half of 2017 was 561 thousand euros (at 30 June 2016: 603 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 at 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 this lease agreement in the first half of 2017 was 341 thousand euros (at 30 June 2016: 410 thousand euros).

Both leases are at market prices.

Remuneration of directors and key management personnel

1. Director remuneration

Remuneration payable to members of the Board of Directors for all items during the six-month periods ended on 30 June 2017 and 2016 was as follows:

	Thousands of euros	
	30/06/2017	**30/06/2016**
Fixed remuneration	501	601
Variable remuneration	177	250
Remuneration for membership of the Board and Committee	8	8
Life insurance premiums	24	23
Daily allowances	579	476
	1,289	**1,358**

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 six-month periods ended 30 June 2017 and 2016 was as follows:

	Thousands of euros	
	30/06/2017	**30/06/2016**
Total remuneration accrued by Senior Management	1,288	1,968

The total commitment acquired by the Company at 30 June 2017 in relation to the incentives under the 2017 Plan is recognised under liabilities and amounts to 9,873 thousand euros (see Note 17, section e).

Loans to related parties

At 30 June 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 objects 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 half 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 Group with recurring legal and tax advisory services as part of the normal course of business and at arm's length conditions. This relationship has been ongoing since long before the appointment of Fernando Vives as a director of the Company. Prosegur does not work exclusively with the firm J&A Garrigues, S.L.P. and therefore receives 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 accounts. At 30 June 2017, fees amounted to 924 thousand euros (at 30 June 2016, this figure was 281 thousand euros). Additionally, Prosegur has provided security services to the firm J&A Garrigues, S.L.P. during the six-month period ended June 2017. The security services invoiced to J&A Garrigues, S.L.P. during the six-month period ended June 2017 amounted to 281 thousand euros (at 30 June 2016, this figure was 268 thousand euros).

These services are performed through partners at the firm other than 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. Since the relationship between the firm J&A Garrigues, S.L.P. and Prosegur is a recurring and non-exclusive arrangement as part of their ordinary course of business and has little importance as just discussed, the Board of Directors is confident that it does not compromise the independence of Fernando Vives in his capacity as an independent director of Prosegur.

23. Average headcount

The following table shows the average headcount at Prosegur for the six-month periods ended 30 June 2017 and 30 June 2016.

	30/06/2017	30/06/2016
Male	139,796	141,422
Female	26,369	25,610
	166,165	**167,032**

24. Events after the reporting date

No subsequent events have taken place since the reporting close at 30 June 2017 that might significantly affect these condensed consolidated financial statements.

APPENDIX I. – Summary of the main accounting principles

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 financial statements for the six-month period ended 30 June 2017 are the same policies followed when drawing up the consolidated annual financial statements for 2016 (see Note 35 to the consolidated annual accounts for the financial 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 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.

- Amendments 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 modifications 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 consolidated interim financial statements.

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

Regulations		**Must be applied: 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.

The Group is currently analysing the potential impact of a first-time 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 annual balance sheet due to the different accounting treatment of certain property leases currently recognised as operating leases. No significant impact is expected in relation to the income statement.

As of the date of these 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 six-month period
ended 30 June 2017

Índice

Consolidated interim management report for the six-month period ended 30 June 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 six 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 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. 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. At 30 June 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 31 June 2017, the capital utilised under the loan amounted to 70.0 million Australian dollars (equivalent value at the end of the first half 2017: 47.1 million euros).

2. Business performance

2.1. Sales by region

Prosegur's consolidated sales during the first half of 2017 amounted to 2,128.8 million euros (at 30 June 2016: 1,837.1 million euros), up 15.9% in total, of which 11.7% corresponds to pure organic growth and 0.3% to inorganic growth, while the exchange rate effect contributed 3.9%.

The following table provides a breakdown of consolidated sales by region.

	Millions of Euro		
	June 2017	**June 2016**	**Variation**
Europe	808.9	748.5	8.1%
AOA	81.9	66.9	22.4%
Latam	1,238.0	1,021.7	21.2%
Total	**2,128.8**	**1,837.1**	**15.9%**

The most significant increases in sales occurred in the Latam and AOA regions, where sales for the six-month period ended 30 June 2017 climbed by 21.2% and 22.4%, respectively. Of the total increase of 21.2% in Latam versus the same period of 2016, 15.3% was down to pure organic growth, while inorganic growth contributed a negative 0.7% and the exchange rate effect generated a positive 6.6%.

2.2. Sales by business area

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

	Millions of Euro	
	June 2017	**June 2016**
Security	1,040.4	938.9
% of total	*48.9%*	*51.1%*
Cash	964.2	794.8
% of total	*45.3%*	*43.3%*
Alarms	124.2	103.4
% of total	*5.8%*	*5.6%*
Total	**2,128.8**	**1,837.1**

2.3. Margins

Consolidated earnings (EBIT)* for the first half of 2017 amounted to 180.0 million euros (at 30 June 2016: 148.2 million euros). The EBIT margin at 30 June 2017 was 8.5% (at 30 June 2016: 8,1%).

Stripping out the effect of the corporate restructuring process, the EBIT margin at 30 June 2017 was 8.6%, 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 following table shows the distribution of the EBIT margin:

	Millions of Euro 30 June 2017
	Prosegur
Sales	2,128.7
EBIT	180.0
EBIT Margin	8.5%
EBIT (without restructuring costs)	183.4
EBIT Margin (without restructuring costs)	8.6%

	Millions of Euro 30 June 2016
	Prosegur
Sales	1,837.1
EBIT	148.2
EBIT Margin	8.1%

2.4. Outlook for the second half of 2017

We expect to see widespread sales growth across all regions as we look ahead to the second half of 2017, including in particular heavy growth in sales of Security services in the regions of Europe and Asia-Oceania-Africa following the award in early 2017 of several major contracts in Spain in response to the impressive growth of the Spanish economy and the notable economic improvements seen in Portugal and France.

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.

Here we would highlight the improvement in profit margins reported by the Security business in the first half 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 are essentially structural improvements that we can expect to continue over the coming six months.

Turning to the Alarms business, the growth in the number of connections reported in the first half of the year nearly matched the total year-on-year growth in 2016 versus 2015. We are therefore extremely optimistic as we look forward to the latter half of the year, because if the Company manages to keep up its current pace it will effectively double the number of new connections in 2017 versus 2016.

The main profitability indicators for the Alarms business remain healthy, showing a churn rate below 10% and an average monthly instalment per connection (ARPU) 8% up on the previous year.

By region, we expect the Alarms business to continue seeing the heaviest growth in Latin America; a region in which demand for immediate-response security services is greater than in Europe. At any rate, the growth reported in both regions is comfortably above the average growth for the industry in each region.

Last but not least and turning to the Cash business, we expect the latter half of the year to more or less mirror the growth seen in the first six months, although the uncertainty surrounding the exchange rate effect has increased somewhat in the last few weeks of June while competitive pressure in new markets remains high. Despite these possible constraints, we do not expect to see significant changes in this business line.

During the six-month period ended 30 June 2017, there were no other events or circumstances shaping the performance of the businesses that might point to possible risks or uncertainties in the second half of 2017, and nor were any significant liabilities beyond those mentioned in the consolidated annual accounts at 31 December 2016.

3. Average headcount

The following table shows the average headcount at Prosegur for the six-month periods ended 30 June 2017 and 30 June 2016.

	30/06/2017	30/06/2016
Male	139,796	141,422
Female	26,369	25,610
	166,165	**167,032**

4. 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 six months of 2017, investment in property, plant and equipment totalled 92.3 million euros (at 30 June 2016: 63.8 million euros), mainly in Argentina and Brazil.

5. Financial management

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

Financial debt at 30 June 2017 amounted to 12.9 million euros (at 31 December 2016: 712.4 million euros).

The ratio of net financial debt to equity at 30 June 2017 was 0.01 (at 31 December 2016: 0,95). The change is down to the inflow of capital following the stock market floatation of Prosegur Cash.

6. Treasury shares

Movements in treasury shares during the first half of 2017 were as follows:

	Number of shares	Thousands of euros
Balance on 31 December 2016	**18,694,870**	**53,315**
Transfers	(67,035)	(236)
Balance on 30 June 2017	**18,627,835**	**53,079**

7. Environment

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

In line with Prosegur's environmental policies, investment continues in armoured vehicles that adhere to the Euro VI standard on the emission of non-pollutant particles.

8. 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 Company's available cash for operating purposes. Working capital is calculated as current assets less current liabilities.	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. Proper management of working capital requires a company to control inventories, accounts receivable and payable and cash.
CAPEX	Capex (capital expenditure*)* means the money a company spends on capital equipment that generates a profit or return, whether by acquiring new fixed assets 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 capital 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	EBIT is calculated on the basis of a company's operating earnings, without including interest and tax expenses.	EBIT provides a view of a company's operating results, excluding interest and tax. This variable does not take into account the tax burden, which may vary by country, or the impact of finance income and expense.
EBITA	EBITA is calculated on the basis of a company's operating earnings, excluding interest and tax expenses and excluding also any value impairment due to amortisation.	EBITA provides a view of a company's earnings before interest, taxes and amortisation. Amortisation is a non-monetary variable and is therefore of limited interest to investors.
EBITDA	EBITDA is calculated on the basis of a company's operating earnings, excluding interest and tax expenses and excluding also any value impairment due to depreciation or amortisation.	EBITDA provides an accurate view of what a company is earning or losing from its business without further complications. EBITDA excludes non-cash variables, which can vary significantly from one company to another, depending on the accounting policies applied.

9. Subsequent events

No subsequent events have taken place since the reporting close of 30 June 2017 that might significantly affect these condensed consolidated financial statements.

STATEMENT OF RESPONSIBILITY CONCERNING THE FINANCIAL STATEMENTS FOR THE FIRST HALF 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 half of 2017 and approved for issue by the Board of Directors at a meeting held on 26 July 2017 and drawn up 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, 26 July 2017

Helena Irene Revoredo Delvecchio
Chairman

Isidro Fernández Barreiro
Vice-Chairman

Christian Gut Revoredo
Chief Executive Officer

Chantal Gut Revoredo
Director

Eugenio Ruiz-Gálvez Priego
Director

Ángel Durández Adeva
Director

Fernando Vives Ruíz
Director

Fernando D’Ornellas Silva
Director

Additional note confirming that the Board of Directors of Prosegur Compañía de Seguridad, S.A., at a meeting held in Madrid on 26 July 2017, drew up the Half-Year Financial Report for the first six months of 2017, including the following documents: the selected non-consolidated financial information, the selected consolidated financial information, the condensed consolidated interim financial statements and the interim management report of Prosegur Compañíа de Seguridad, S.A. and its subsidiaries, and the directors' statement of responsibility, all corresponding to the first half of 2017. In accordance with article 35 of the Spanish Securities Market Spanish 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 26 July 2017.

Signed: Sagrario Fernández Barbé
(non-member Secretary)

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