

PROSEGUR COMPAÑÍA DE SEGURIDAD S.A.

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Annual Accounts and Directors' Report
at 31 December 2018

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

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I. PROFIT AND LOSS ACCOUNT FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017

(Expressed in thousands of EUR)

	Notes	2018	2017
Net turnover	3	130,653	872,897
Dividend received		95,255	829,774
Loan interest income		2,570	2,845
Provision of services		32,828	40,278
Supplies		(22)	(15)
Consumption of raw materials and other consumables		(22)	(15)
Other operating income		4,776	107
Non-core and other operating revenues		4,776	107
Personnel Expenses	3	(3,922)	(8,720)
Wages, salaries and similar charges.		(3,452)	(8,368)
Social security obligations		(470)	(352)
Other operating expenses		(11,238)	(10,204)
External services	3	(7,057)	(3,098)
Taxes		(134)	(607)
Losses, impairment and changes in commercial provisions		(19)	-
Other Ordinary Expenses		(4,028)	(6,499)
Fixed assets deterioration	6 and 7	(4,644)	(3,249)
Impairment and result for disposal of fixed assets		-	773
Profit/(losses) on disposals and other operations	9	-	773
Other profit/(loss)		(38)	-
EBIT		115,565	851,589
Finance income	4	1,325	304
Third parties		1,325	304
Finance expenses	4	(12,013)	(19,547)
From payables to Group companies		(821)	(603)
From payables to third-parties		(11,192)	(18,944)
Variation in fair value of financial instruments		(732)	-
Variation in fair value of financial instruments		(732)	-
Exchange differences	4	(91)	1,868
NET FINANCE INCOME		(11,511)	(17,375)
PROFIT BEFORE TAX		104,054	834,214
Income tax	16	(1,069)	(3,880)
PROFIT FOR THE YEAR FROM ONGOING OPERATIONS		102,985	830,334
PROFIT/(LOSS) FOR THE YEAR		102,985	830,334

II. BALANCE SHEET AT 31 DECEMBER 2018 AND 2017

(Expressed in thousands of EUR)

ASSETS	Note	2018	2017
NON-CURRENT ASSETS		1,015,010	1,026,350
Intangible Assets	6	32,179	36,124
Trademarks, licences, patents and others similar		32,162	36,067
Computer software		8	12
Other Intangible assets		9	45
Property, Plant and Equipment	7	12,480	13,065
Technical facilities and other property, plant and equipment		12,480	13,065
Long-term investments in Group companies and associates	9	956,552	960,254
Equity instrument		956,552	960,254
Long-term financial investments	8	2,943	2,943
Equity instrument		2,650	2,650
Other financial assets		293	293
Deferred tax assets	16	10,856	13,964
CURRENT ASSETS		1,132,622	948,427
Trade and other receivables		53,205	30,285
Clients' receivables for sales and services	8	348	-
Clients, Group companies and associates	8	13,512	5,092
Sundry Debtors	8	285	391
Personnel	8	1	2
Current tax assets	16	39,052	23,624
Public entities, other receivables	16	7	1,176
Short-term investments in Group companies and associates	8	450,666	321,636
Loans to companies		366,305	269,544
Other financial assets		84,361	52,092
Short-term financial investments	8	489,936	490,965
Loans to companies		348	347
Debt securities		489,268	490,298
Other financial assets		320	320
Short-term deferrals		552	675
Cash and cash equivalents	12	138,263	104,866
Cash and other Cash Equivalents		138,263	104,866
TOTAL ASSETS		2,147,632	1,974,777

PROSEGUR COMPAÑÍA DE SEGURIDAD S.A.

(Expressed in thousands of EUR)

NET EQUITY AND LIABILITIES	Notes	2018	2017
EQUITY		1,136,296	1,115,456
Shareholders' equity		1,136,296	1,115,456
Subscribed capital	13	37,027	37,027
Subscribed capital		37,027	37,027
Share premium	13	25,472	25,472
Reserves	13	1,115,106	640,043
Legal and statutory reserves.		7,406	7,406
Other reserves		1,107,700	632,637
(Own shares and equity holdings)	13	(65,240)	(65,542)
Profit for the year	5	102,985	830,334
(Dividend on account)	5	(79,054)	(351,878)
NON-CURRENT LIABILITIES		720,101	23,715
Non-current provisions	14	1,649	51
Obligations for long term personnel benefits		1,648	-
Other provisions		1	51
Long-term debts	8	696,877	2,039
Bonds and other marketable securities		694,932	-
Other financial liabilities		1,945	2,039
Deferred tax liabilities	16	21,575	21,625
CURRENT LIABILITIES		291,235	835,606
Short-term debts	8	88,999	665,699
Bonds and other marketable securities		6,252	510,088
Debts with credit institutions		-	80,639
Other financial liabilities		82,747	74,972
Short-term payables to Group companies and associates	8	184,198	133,540
Trade and other payables		18,038	36,367
Suppliers, Group companies and associates	8	7,143	964
Sundry accounts payable	8	1,680	1,741
Personnel (salaries payable)	8	4,083	11,294
Public entities, other payables	16	5,132	22,368
TOTAL EQUITY AND LIABILITIES		2,147,632	1,974,777

**III. STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER
2018 AND 2017**

A) STATEMENTS OF RECOGNISED INCOME AND EXPENSE

(Expressed in thousands of EUR)

	<u>Note</u>	<u>2018</u>	<u>2017</u>
Profit/(losses) in the Profit and Loss Account	5	102,985	830,334
Total comprehensive income		<u>102,985</u>	<u>830,334</u>

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B) STATEMENT OF TOTAL CHANGES IN EQUITY

(Expressed in thousands of EUR)

	Share capital	Share premium	Legal Reserve	Other Reserves	(Own shares and equity holdings)	Profit for the year	(Dividend on account)	TOTAL
	(Note 13)	(Note 13)	(Note 13)	(Note 13)	(Note 13 c)	(Note 5)	(Note 5)	
BALANCE AT YEAR END 2016	37,027	25,472	7,406	657,089	(65,778)	(7,037)	-	654,179
ADJUSTED BALANCE AT YEAR START 2017	37,027	25,472	7,406	657,089	(65,778)	(7,037)	-	654,179
Recognised income and expense	-	-	-	-	-	830,334	-	830,334
Operations with partners or owners	-	-	-	(30,497)	236	7,037	(351,878)	(375,102)
(-) Dividend distribution	-	-	-	(23,554)	-	-	-	(23,554)
Operations with own stocks or shares (net)	-	-	-	94	-	-	-	94
Accrued share-based incentives	-	-	-	-	236	-	-	236
Other operations with partners or owners	-	-	-	(7,037)	-	7,037	-	-
Dividend on account	-	-	-	-	-	-	(351,878)	(351,878)
Other changes in equity.	-	-	-	6,045	-	-	-	6,045
Other changes	-	-	-	6,045	-	-	-	6,045
BALANCE AT YEAR END 2017	37,027	25,472	7,406	632,637	(65,542)	830,334	(351,878)	1,115,456
Total comprehensive income	-	-	-	-	-	102,985	-	102,985
Operations with partners or owners	-	-	-	480,803	302	(830,334)	272,824	(76,405)
Operations with own stocks or shares (net)	-	-	-	182	-	-	-	182
Accrued share-based incentives	-	-	-	-	302	-	-	302
Other operations with partners or owners	-	-	-	480,621	-	(830,334)	351,878	2,165
Dividend on account	-	-	-	-	-	-	(79,054)	(79,054)
Other changes in equity	-	-	-	(5,740)	-	-	-	(5,740)
Other changes	-	-	-	(5,740)	-	-	-	(5,740)
BALANCE AT YEAR END 2018	37,027	25,472	7,406	1,107,700	(65,240)	102,985	(79,054)	1,136,296

The accompanying notes form an integral part of the annual accounts for 2018.

IV. CASH FLOW STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017

V. NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. General Information

PROSEGUR COMPAÑÍA DE SEGURIDAD, S.A. (hereinafter the Company or Prosegur), the parent company of the Prosegur Group, has its registered offices at Calle Pajaritos 24 in Madrid. The Company was incorporated on 14 May 1976 and is entered in the Companies Register of Madrid as the first inscription on page 32,805, section 3, sheet 22 of volume 4,237.

The corporate purpose of the Company is described in article 2 of its articles of association, including the following services and activities:

1. Security and the protection of goods, premises, shows, competitions and conventions.
2. The protection of certain individuals subject to prior authorisation.
3. The storage, safekeeping, counting and classification of coins and banknotes, deeds, securities and other items that require special protection due to their economic value, the expectations they generate or the associated risk, notwithstanding any activities inherent to financial institutions.
4. The transportation and distribution of the aforementioned objects using, where necessary, vehicles with characteristics regulated by the Spanish Ministry of Home Affairs to avoid confusion with those used by the armed forces or state security forces.
5. The installation and maintenance of security equipment, devices and systems.
6. The operation of centres in which alarm signals are received, verified, broadcast and reported to state security forces, as well as the provision of response services in circumstances that do not come under the state security forces.
7. Planning of security activities and related advisory services.
8. Security services and the protection of rural property by private security guards.

The activities comprising the corporate purpose can also be performed indirectly by the Company, by means of the shareholding in other companies of an identical or similar corporate purpose.

The services provided by the Prosegur Group are distributed into the following business lines:

- Security.
- Cash.
- Alarms.

From 2013 the Company segregated the private security branch of activity in Spain to Prosegur España S.L.U. resulting in the main activity of the Company now becoming the acquisition, holding, management and administration of securities and shares or any other form of representation of interest in the capital of entities that are resident and non-resident in Spain and of funding in investee companies; and the provision of services that are complementary or ancillary to the management of activities carried out by the investee companies.

During 2017 and 2016, a series of operations involving the incorporation of new companies, sales of shares, capital contributions and spin-offs of the Group's companies were carried out in order to align the Group in the three business lines.

The Company's statutory activity does not include activities expressly restricted by law to entities that comply with special requirements not met by the Company, particularly financial brokerage activities that are restricted by financial legislation governing collective investment undertakings and the securities market law and supplementary provisions applicable to collective investment undertakings.

Prosegur Compañía de Seguridad, S.A is controlled by Gubel S.L., which was incorporated in Madrid and holds 50.075% of the company's share capital.

Prosegur Compañía de Seguridad, S.A. is a public limited company that is listed on the Stock Exchanges of Madrid, Valencia, Bilbao and Barcelona whose shares are traded on the Spanish Stock Exchange Interconnection System (SIBE).

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In accordance with prevailing legislation, Prosegur Compañía de Seguridad, S.A. is the parent of a group of companies (hereinafter the Group). In accordance with generally accepted accounting principles in Spain, consolidated annual accounts must be prepared to present fairly the financial position of the Group, the results of operations and changes in its equity and cash flows. Details of investments in group companies, associates and jointly controlled companies are disclosed in Appendix I.

The Directors prepare the consolidated annual accounts of Prosegur Compañía de Seguridad, S.A., in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and approved by the European Commission Regulations in force at 31 December 2018. The consolidated annual accounts were drawn up by the Board of Directors, together with these individual annual accounts, on 26 February 2019 and are pending approval by the shareholders at their general meeting, after which they will be filed at the Companies Register of Madrid.

The consolidated annual Accounts of Prosegur Compañía de Seguridad, S.A. and its subsidiaries for 2018 present consolidated profit of EUR 192,219 thousand and consolidated equity of EUR 1,066,457 thousand (EUR 198,309 thousand and EUR 1,143,440 thousand respectively in 2017).

2. Basis of Presentation

a) Fair image

The annual accounts have been prepared on the basis of the accounting records of the Company and are presented in accordance with mercantile legislation in force and the rules established in the General Chart of Accounts approved by Royal Decree 1514/2007, in order to reflect a true and fair image of the equity, financial situation and results of the Company, as well as the veracity of the cash flows shown in the cash flow statement.

b) Critical issues regarding the valuation and estimation of relevant uncertainties

Preparation of the annual accounts requires the Company to make certain estimates and judgements concerning the future. These are evaluated constantly and based on historical experience and other factors, including expectations of future events that are considered reasonable under certain circumstances.

Although estimates are calculated by the Company's directors based on the best information available at year end, future events may require changes to these estimates in subsequent years. Any effect on the annual accounts of adjustments to be made in subsequent years would be recognised prospectively.

The estimates and judgements that present significant risk of a material adjustment to the carrying amounts of assets and liabilities in the subsequent reporting period are as follows:

Estimate of the recoverable value of investments in subsidiaries

The Company carries out impairment testing on investments made in subsidiaries if there is any proof of value impairment. The calculation of impairment involves the comparison of the carrying amount of the investment with its recovery value, this being understood as the higher fair value less cost of sale and value in use. The Company generally uses cash flow discounting methods to calculate these values. Discounted cash flow calculations are based on four-year projections of the budgets approved by Management. The cash flows take into account past experience and represent Management's best estimate of future market performance. Cash flows as of four years are extrapolated using individual growth rates. The key assumptions to determine the fair value less cost of sale and value in use include growth rates, average weighted rate of capital and tax rates (see Notes 9 and 25.3).

Provisions and contingencies

The Company has made judgements and estimates in relation to the probability of risks liable to cause the recording of provisions, and the amount thereof, where appropriate, recording a provision only when the risk is considered probable, when they estimate the cost that said obligation would cause (Notes 17 and 25.10).

c) Functional and presentation currency

The figures disclosed in the annual accounts are expressed in thousands of EUR, the Company's functional and presentation currency, rounded off to the nearest thousand.

d) Comparative information

For comparative purposes and for each item in the balance sheet, income statement, statement of changes in equity, cash flow statement and notes to the annual accounts, in addition to the figures for financial year 2018, the annual

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accounts show those pertaining to the previous year, those of 2017, approved by the General Shareholders' Meeting at 29 May 2018.

3. Income and Expenses

a) Net turnover

Details of net turnover by category of activity and geographical area are as follows:

	Thousands of Euros									
	2018									
	National		Europe		AOA		LatAm		Total	
2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	
Dividend received:										
- Group companies and associates	95,255	829,774	-	-	-	-	-	95,255	829,774	
Loan interest income	2,262	1,697	72	621	23	-	213	2,570	2,845	
Provision of services:										
- General services	28,255	37,349	112	92	(367)	82	4,828	32,828	40,278	
Total	125,772	868,820	184	713	(344)	82	5,041	130,653	872,897	

b) Personnel Expenses

Details of the employee benefits expense are as follows:

	Thousands of Euros	
	2018	2017
Salaries and wages	3,452	8,368
Social security obligations	391	296
Other employee benefits expenses	79	56
Total	3,922	8,720

The 2017 and 2020 long-term incentive plans for Executive Director and Senior Management of Prosegur (Note 25.9), within the Salaries and wages paragraph, have been included in the expense accrued during the year in relation to the 2018 commitment amounting to EUR 2,855 thousand (EUR 2,162 thousand in 2017).

c) External Services

Details of external services are as follows:

	Thousands of Euros	
	2018	2017
Leases and levies	262	292
Independent Professional Services	5,085	899
Transport	1	2
Insurance premiums	203	245
Banking and similar services	355	355
Advertising and supplies	783	1,208
Other services	368	97
Total	7,057	3,098

d) Sale of Fixed Assets

In 2018 and 2017, there were no significant sales of property, plant and equipment.

4. Net Finance Income

Details of finance income and costs are as follows:

	Thousands of Euros	
	2018	2017
Finance income	1,325	304
Third parties	1,325	304
Finance expenses	(12,013)	(19,547)
From payables to Group companies (Note 19)	(821)	(603)
From payables to third-parties	(11,192)	(18,944)
Variation in fair value of financial instruments	(732)	-
Exchange differences	(91)	1,868
NET FINANCE INCOME	(11,511)	(17,375)

• Finance income and costs

Finance costs in relation to group companies reflect interest earned on current loans to group companies (see Note 19).

The interest for debts with third parties correspond to the accrued interest for uncovered bonds issued in 2013 and 2018 (Note 15).

The financial income amounting to EUR 640 thousand (EUR 304 thousand in 2017) corresponds to the interest generated by the investments in IPF (Note 8).

• Exchange profit/losses

The main currency conversion difference items are the following:

	Currency	Thousands of Euros	
		2018	2017
Barclays bank loan	South African Rand	(324)	474
Debt due to acquisition of Tellex	Argentine Peso	148	102
Debt due to acquisition of Martom	Brazilian Real	7	50
Debt due to acquisition of Beloura Investment	Colombian Peso	76	260
Other debt with group companies	Argentine Peso	-	13
Other items		2	969
		(91)	1,868

5. Profit for the year

a) Distribution of profit

On the date these annual accounts are authorised for issue, the directors will propose to the shareholders at their general meeting that profit for the year be distributed as follows:

	<u>Thousands of Euros</u>
	<u>2018</u>
<u>Basis of allocation</u>	
Profit for the year	102,985
Total	<u>102,985</u>
<u>Allocation</u>	
Voluntary reserves	(21,069)
Capitalisation Reserve	45,000
Dividends	79,054
Total	<u>102,985</u>

On 20 December 2018 the Board of Directors approved the distribution of a regular dividend of EUR 0.1281 per share on account of the 2018 profits, or a total maximum dividend of EUR 79,054 thousand (considering that the share capital is currently represented by 617,124,640 shares). This dividend will be distributed to shareholders as four payments, in January, April, July and October 2019. Each payment is calculated as EUR 0.032025 per outstanding share at the payment date.

At 31 December 2018 dividends payable of EUR 79,054 thousand have been recognised under current liabilities as other payables within trade and other payables.

The maximum amount represented by own shares at each payment date, and therefore not distributed, will be transferred to voluntary reserves. The amount for undistributed dividends out of the maximum total agreed for the year 2018 is reflected in "Other operations with partners or owners" of the statement of changes in equity for the amount of EUR 2,165 thousand.

Nevertheless, if the number of shares changes between two payment dates as a result of a share capital increase or reduction, the total maximum amount of the dividend at each payment date (EUR 19,763 thousand) should be divided by the new number of outstanding shares that corresponds following the aforementioned increase or reduction.

The provisional accounting statement presented by the Board of Directors in accordance with the legal requirements that evidenced the lack of sufficient liquidity to pay the aforementioned interim dividend is set forth below:

	<u>Thousands of Euros</u>
	<u>2018</u>
1. Initial cash on hand (before the interim dividend)	66,527
2. Group current bank account balances	338,224
3. Proceeds Pending	40,534
4. Temporary financial investments	490,348
5. Payments for Current Operations	(5,737)
6. Payments for Financial Operations	(9,371)
7. Extraordinary Payments	(988)
Forecast Cash	919,537
Less dividend payments according to the proposal	(79,054)
Final cash after dividends	<u>840,483</u>

b) Dividend restrictions

Reserves and profit for the year are freely distributable except for the restrictions described in Note 13.

6. Intangible Assets

Details of intangible assets and movement are as follows:

	EUR thousand				
	Licences	Trademarks and similar	Computer software	Other Intangible assets	Total
Cost					
Balance at 01 January 2017	1	3,030	26	363	3,420
New additions	4	36,038	-	-	36,042
Write offs	-	-	-	(1)	(1)
Balance at 31 December 2017	5	39,068	26	362	39,461
New additions	3	-	-	-	3
Balance at 31 December 2018	8	39,068	26	362	39,464
Depreciation and amortisation					
Balance at 01 January 2017	-	-	(10)	(281)	(291)
Amortisation for the year	(1)	(3,005)	(4)	(36)	(3,046)
Balance at 31 December 2017	(1)	(3,005)	(14)	(317)	(3,337)
Amortisation for the year	(1)	(3,907)	(4)	(36)	(3,948)
Balance at 31 December 2018	(2)	(6,912)	(18)	(353)	(7,285)
Carrying amount					
At 01 January 2017	1	3,030	16	82	3,129
At 31 December 2017	4	36,063	12	45	36,124
At 31 December 2018	6	32,156	8	9	32,179

a) Description of the main movements

In 2018, the additions correspond to the acquisition of Microsoft Software licences for EUR three thousand.

There are no write-offs of property, plant and equipment in 2018.

The most significant additions in 2017 corresponded to the acquisition of the Prosegur Brand for Argentina and Paraguay, owned by Juncadella Prosegur, for EUR 36,038 thousand and the purchase of software licences for EUR four thousand. The Company invoices and recognises revenue from the transfer to its subsidiaries of the rights to use the Prosegur Brand.

In 2017, the write-offs of property, plant and equipment were not significant.

b) Licences

Details of licences at year end are as follows:

Thousands of Euros						
2018						
Description and operation	Expiry date	Depreciation period (Note 25.1)	Amortisation for the year	Cost	Accumulated amortisation	Carrying amount
Licences - Software	2026	10 years	-	1	1	-
Licences - Software	2027	10 years	1	4	1	3
Licences - Software	2028	10 years	-	3	-	3
			1	8	2	6

Thousands of Euros						
2017						
Description and operation	Expiry date	Amortisation period	Amortisation for the year	Cost	Accumulated amortisation	Carrying amount
Licences - Software	2026	10 years	1	1	1	-
Licences - Software	2027	10 years	-	4	-	4
			1	5	1	4

c) Fully amortised intangible assets

The cost intangible assets items which are fully amortised and still in use at 31 December is as follows:

	Thousands of Euros	
	2018	2017
Computer software	2	2
	2	2

d) Assets subject to guarantees and title restrictions

At 31 December 2018 and 2017 the Company has no significant intangible assets that are subject to restrictions on title or pledged as security for liabilities.

7. Property, Plant and Equipment

Details of property, plant and equipment and movement are as follows:

	Thousands of Euros		
	Other install., equipment and furniture	Other property, plant and equipment	Total
Cost			
Balance at 01 January 2017	308	215	523
New additions	2	13,151	13,153
Balance at 31 December 2017	310	13,366	13,676
New additions	103	8	111
Write offs	(35)	(2)	(37)
Balance at 31 December 2018	<u>378</u>	<u>13,372</u>	<u>13,750</u>
Depreciation and amortisation			
Balance at 01 January 2017	(220)	(188)	(408)
Amortisation for the year	(36)	(167)	(203)
Balance at 31 December 2017	(256)	(355)	(611)
Write offs	35	2	37
Amortisation for the year	(34)	(662)	(696)
Balance at 31 December 2018	<u>(255)</u>	<u>(1,015)</u>	<u>(1,270)</u>
Carrying amount			
At 01 January 2017	88	27	115
At 31 December 2017	54	13,011	13,065
At 31 December 2018	<u>123</u>	<u>12,357</u>	<u>12,480</u>

a) Description of the main movements

In 2018, the most significant additions in property, plant and equipment correspond to the installation of security systems for EUR 103 thousand, to the purchase of information equipment for EUR six thousand and telephony for EUR two thousand.

The most significant write-offs in property, plant and equipment in 2018 correspond to furniture for EUR 35 thousand and another PPE for EUR two thousand.

During 2017, the most significant additions in property, plant and equipment was the addition of an item of transport for EUR 13,138 and computer equipment for EUR 13 thousand.

b) Fully depreciated property, plant and equipment

The cost of property, plant and equipment items which are fully amortised and still in use at 31 December is as follows:

	Thousands of Euros	
	2018	2017
Other installations, equipment and furniture	23	23
Other property, plant and equipment	185	185
	<u>208</u>	<u>208</u>

c) Property, plant and equipment pledged as collateral

At 31 December 2018 and 2017 the Company has no property, plant and equipment subject to restrictions on title or pledged as security for liabilities.

d) Assets under operating lease

Lessee

The Company rents offices and office equipment under non-cancellable operating leases.

Operating lease payments have been recognised as an expense under other operating expenses, external services as follows (Note 3):

	Thousands of Euros	
	2018	2017
Lease expenses	262	292
	262	292

Future minimum payments under non-cancellable operating leases are shown in Note 18.

e) Insurance

The Company has taken out insurance policies to cover the risk of damage to its property, plant and equipment. The coverage of these policies is considered sufficient.

8. Analysis of Financial Instruments

8.1 Analysis by category

The carrying amount of each category of financial instrument specified in the significant accounting policy on financial instruments, except investments in group companies, jointly controlled companies and associates (see Note 9) and cash and cash equivalents (see Note 12), is as follows:

a) Financial assets:

Thousands of Euros

	2018			Total
	At amortised cost or cost			
	Credits and other	Trade and other receivables	Financial Investments	
Non-currents				
Loans and Receivables (Note 11)	-	-	293	293
Available-for-sale financial assets (Note 10)	-	-	2,650	2,650
	-	-	2,943	2,943
Current				
Loans and Receivables (Note 11)	366,305	14,146	84,709	465,160
Other financial assets (Note 11)	-	-	489,588	489,588
	366,305	14,146	574,297	954,748
Total	366,305	14,146	577,240	957,691

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Thousands of Euros

	2017			
	At amortised cost or cost			
	Credits and other	Trade and other receivables	Financial Investments	Total
Non-currents				
Loans and Receivables (Note 11)	-	-	293	293
Available-for-sale financial assets (Note 10)	-	-	2,650	2,650
	-	-	2,943	2,943
Current				
Loans and Receivables (Note 11)	269,544	5,485	52,439	327,468
Other financial assets (Note 11)	-	-	490,618	490,618
	269,544	5,485	543,057	818,086
Total	269,544	5,485	546,000	821,029

The carrying amount of the financial assets valued at cost or at amortised cost is close to their fair value, given the non-significant effect of the discount.

b) Financial liabilities:

Thousands of Euros

	2018				
	At amortised cost or cost				
	Bonds and other marketable securities	Debts with credit institutions	Trade and other payables	Other financial liabilities	Total
Non-currents					
Debts and payables (Note 15)	694,932	-	-	1,945	696,877
	694,932	-	-	1,945	696,877
Current					
Debts and payables (Note 15)	6,252	-	12,906	266,945	286,103
	6,252	-	12,906	266,945	286,103
Total	701,184	-	12,906	268,890	982,980

Thousands of Euros

	2017				
	At amortised cost or cost				
	Bonds and other marketable securities	Debts with credit institutions	Trade and other payables	Other financial liabilities	Total
Non-currents					
Debts and payables (Note 15)	-	-	-	2,039	2,039
	-	-	-	2,039	2,039
Current					
Debts and payables (Note 15)	510,088	80,639	13,999	208,512	813,238
	510,088	80,639	13,999	208,512	813,238
Total	510,088	80,639	13,999	210,551	815,277

The carrying amount of the financial liabilities valued at cost or at amortised cost is close to their fair value, given the non-significant effect of the discount.

8.2. Analysis by maturity

Details of financial instruments with fixed or determinable maturity, by year of maturity, are as follows:

a) Financial assets:

Thousands of Euros	2018					TOTAL
	Financial assets					
	2019	2020	2021	2022	Subsequent years	
Investments in Group companies and associates:						
- Loans to companies (Note 19)	366,305	-	-	-	-	366,305
- Other financial assets	84,361	-	-	-	-	84,361
	450,666	-	-	-	-	450,666
Financial Investments:						
- Equity instruments	-	-	-	-	2,650	2,650
- Loans to companies	348	-	-	-	-	348
- Other financial assets	489,588	-	-	-	293	489,881
	489,936	-	-	-	2,943	492,879
Trade and other receivables:						
- Clients from sales and other	348	-	-	-	-	348
- Clients, Group companies and assoc.	13,512	-	-	-	-	13,512
- Sundry Debtors	285	-	-	-	-	285
- Personnel	1	-	-	-	-	1
	14,146	-	-	-	-	14,146
Total	954,748	-	-	-	2,943	957,691

Thousands of Euros	2017					TOTAL
	Financial assets					
	2018	2019	2020	2021	Subsequent years	
Investments in Group companies and associates:						
- Loans to companies (Note 19)	269,544	-	-	-	-	269,544
- Other financial assets	52,092	-	-	-	-	52,092
	321,636	-	-	-	-	321,636
Financial Investments:						
- Equity instruments	-	-	-	-	2,650	2,650
- Loans to companies	347	-	-	-	-	347
- Other financial assets	490,618	-	-	-	293	490,911
	490,965	-	-	-	2,943	493,908
Trade and other receivables:						
- Clients, Group companies and assoc.	5,092	-	-	-	-	5,092
- Sundry Debtors	391	-	-	-	-	391
- Personnel	2	-	-	-	-	2
	5,485	-	-	-	-	5,485
Total	818,086	-	-	-	2,943	821,029

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Other financial assets include fixed-term deposits contracted with the following characteristics:

- On 7 April 2017, a fixed income investment fund was set up with Gesconsulting, S.A. for the amount of EUR 25,000 thousand with an annual interest rate of 0.14%.
- On 19 April 2017, a fixed income investment fund was set up with Gesconsulting, S.A. for the amount of EUR 25,000 thousand with an annual interest rate of 0.14%.
- On 22 June 2017, IPF was constituted for EUR 150,000 thousand in Citibank Global Markets with an annual interest rate of 0.10%.
- On 15 March 2018 Repo was constituted for EUR 150,000 thousand in Citibank Global Markets, with an annual interest rate of 0.10%.
- On 20 March 2018, IPF was constituted for EUR 140,000 thousand in Morgan Stanley with indefinite maturity and an annual interest rate of 0.19%.

b) Financial liabilities:

Thousands of Euros	2018					TOTAL
	2019	2020	2021	2022	Subsequent years	
Debtures and other negotiable securities (Note 15)	6,252	-	-	-	694,932	701,184
Payables to Group companies (Note 19)	184,198	-	-	-	-	184,198
Debts with credit institutions (Note 15)	-	-	-	-	-	-
Suppliers, Group companies and associates (Note 15)	7,143	-	-	-	-	7,143
Sundry creditors (Note 15)	1,680	-	-	-	-	1,680
Personnel (Note 15)	4,083	-	-	-	-	4,083
Other financial liabilities (Note 15)	82,747	94	94	94	1,663	84,692
Total	286,103	94	94	94	696,595	982,980

Thousands of Euros	2017					TOTAL
	2018	2019	2020	2021	Subsequent years	
Debtures and other negotiable securities (Note 15)	510,088	-	-	-	-	510,088
Payables to Group companies (Note 19)	133,540	-	-	-	-	133,540
Debts with credit institutions (Note 15)	80,639	-	-	-	-	80,639
Suppliers, Group companies and associates (Note 15)	964	-	-	-	-	964
Sundry creditors (Note 15)	1,741	-	-	-	-	1,741
Personnel (Note 15)	11,294	-	-	-	-	11,294
Other financial liabilities (Note 15)	74,972	164	164	164	1,547	77,011
Total	813,238	164	164	164	1,547	815,277

9. Investments in Group Companies, Jointly Controlled Companies and Associates

Details of the movements in investments in group companies, jointly controlled companies and associates are as follows:

	Thousands of Euros	
	2018	2017
Balance at 1 January	960,254	538,462
<u>Investments</u>	<u>(3,702)</u>	<u>421,792</u>
New Additions	4,355	463,495
Write offs	<u>(8,057)</u>	<u>(42)</u>
Balance at 31 December	<u>956,552</u>	<u>960,254</u>

During FY2018, the Company carried out a restructuring process to bring the companies of the cybersecurity business line into a single company, Prosegur Global Ciber Security, S.L.U. The following operations were therefore carried out in chronological order:

- ✓ At the beginning of 2018, the Company acquired Prosegur Ciberseguridad Uruguay, S.A. for EUR three thousand, Dognaedis Limited SASU for EUR 1,700 thousand and Prosegur Ciberseguridad Paraguay SA for EUR 335 thousand.
- ✓ On March 2, 2018, the Company constituted Prosegur Global Ciber Security, S.L.U.
- ✓ On 4 July 2018, the Company increased the capital of Prosegur Global Ciber Security, S.L.U. By EUR 2,317 thousand through the non-monetary addition of the following companies valued at the corresponding carrying amount in the consolidated annual accounts on the date on which the operation is carried out:
 - Prosegur Ciberseguridad Uruguay, S.A: loss of participation of EUR three thousand and contribution of EUR 4 thousand.
 - Dognaedis Limited SASU: loss of participation of EUR 1,700 thousand and contribution of EUR 30 thousand.
 - Prosegur Ciberseguridad Paraguay SA: loss of participation of EUR 335 thousand and contribution of EUR one.
 - Dognaedis Lda.: loss of participation of EUR 2,760 thousand and contribution of EUR 2,283 thousand.
 - Prosegur Ciberseguridad SAS: loss of participation of EUR 15 thousand and contribution of EUR one.
 - Prosegur Ciberseguridad Spain, S.L: loss of participation of EUR 3,244 thousand and contribution of EUR one.

As a result of the contributions made, the Company added an amount of EUR 2,317 thousand in Prosegur Global Ciber Security, S.L.U. and recognised a negative impact on reserves amounting to EUR 5,740 thousand (Note 13), which corresponds to the difference between the cost of the derecognised participation (EUR 8,057 thousand) and the carrying amount of the companies added in the consolidated annual accounts (EUR 2,317 thousand).

The year movements mentioned above are detailed below.

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a) New Additions

Increases in investments in group companies, jointly controlled companies and associates in 2018 are as follows:

		Thousands of Euros	
		2018	2017
Prosegur Global Cyber Security, S.L.U.	(1)	2,317	-
Prosegur Ciberseguridad Uruguay, S.A.	(2)	3	-
Dognaedis Limited SASU	(3)	1,700	-
Prosegur Ciberseguridad Paraguay SA	(4)	335	-
Prosegur Global SIS ROW, S.L.U.	(5)	-	91,595
Prosegur Global Alarmas ROW, S.L.U.	(6)	-	9,500
Prosegur Global Alarmas, S.L.U.	(7)	-	47,000
Dognaedis Lda	(8)	-	2,760
Prosegur Servicios Administrativos SA	(9)	-	109
Compañía Ridur 2016 SA	(10)	-	49,872
Prosegur Ciberseguridad SAS	(11)	-	15
Prosegur Ciberseguridad España, S.L.	(12)	-	3,244
Prosegur Global SIS, S.L.U.	(13)	-	158,400
Prosegur Gestión de Activos, S.L.U.	(14)	-	101,000
Total		4,355	463,495

(1) Prosegur Global Cyber Security, S.L.:

- ✓ On 2 March 2018, the Company constituted the Spanish Prosegur Global Cyber Security, S.L., with a capital of EUR three thousand, which remain outstanding.
- ✓ On 4 July 2018, the Company increased the capital through the non-monetary contribution of 100% of the participations of the Colombian Prosegur Ciberseguridad, SAS for the amount of EUR one; 100% of the participations of the Uruguayan Prosegur Ciberseguridad Uruguay, S.A. (formerly Loredat, S.A.) for EUR four thousand; 100% of the participations of the British company Dognaedis Limited, for EUR 30 thousand; 90% of the participations of the Paraguayan company Prosegur Ciberseguridad, S.A. for the amount of EUR one; and 100% of the participations of the Portuguese Dognaedis Lda. for EUR 2,283 thousand and 100% of the participations of the Spanish Prosegur Ciberseguridad, S.L. for the amount of EUR one.

(2) Prosegur Ciberseguridad Uruguay, S.A.:

- ✓ On 10 January 2018 the Company acquired 100% of the Uruguayan company for EUR three thousand.

(3) Dognaedis Limited SASU:

- ✓ On 12 January 2018 the Company acquired 100% of the British company for EUR 1,700 thousand.

(4) Prosegur Ciberseguridad Paraguay, S.A.:

- ✓ On 3 November 2017, the Company participated in the constitution of the Paraguayan company with a 90% stake, amounting to EUR 335 thousand, paid in full.

During FY2017, the most significant operations were the following:

(5) Prosegur Global SIS ROW, S.L.U.:

- ✓ On 31 March 2017, the Company increased its capital with a cash addition of EUR 44,000 thousand, corresponding to 100% of the total amount of the increase, paid in full.
- ✓ On 31 March 2017, the Company increased its capital through the non-monetary contribution of 100% of the shares of the Luxembourg Luxpai Holdo SARL for EUR 47,595 thousand. The amounts derecognised amounted to EUR 41,703 thousand corresponding to the carrying amount of the investment and had a positive impact on reserves amounting to EUR 5,892 thousand (Note 13).

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(6) Prosegur Global Alarmas ROW, S.L:

- ✓ On 21 April 2017 the Company participated in the capital increase of the Spanish Prosegur Global Alarmas ROW, S.L.U. with EUR 9,500 thousand, fully subscribed and paid.

(7) Prosegur Global Alarmas, S.L.U.:

- ✓ On 21 April 2017 the Company participated in the capital increase of the Spanish Prosegur Global Alarmas, S.L.U. in the amount of EUR 47,000, fully subscribed and paid.

(8) Dognaedis Lda:

- ✓ On 30 April 2017, the Company acquired 100% of the shares of the Portuguese Dognaedis Lda for EUR 1,761 thousand.
- ✓ On 16 November 2017, the Company increased its capital through the monetary contribution of EUR 1,000 thousand, corresponding to 100% of the total amount of the extension, paid in full.

(9) Prosegur Servicios Administrativos, S.A.:

- ✓ On 30 November 2017, the Company increased its capital through a monetary contribution of EUR 108 thousand, paid in full.

(10) Compañía Ridur 2016, S.A.:

- ✓ On 31 March 2017, the Company acquired 100% of the shares that the company Juncadella Prosegur Internacional S.A. owned in Compañía Ridur 2016, S.A for EUR 49,872 thousand, paid in full.

(11) Prosegur Ciberseguridad SAS:

- ✓ On 31 March 2017, the Company acquired 100% of the shares of Prosegur Ciberseguridad SAS from Inversiones BIV SAS for an amount of EUR 15 thousand.

(12) Prosegur Ciberseguridad España, S.L:

- ✓ On 31 March 2017, the Company acquired 100% of the shares of the company Prosegur Ciberseguridad SL for EUR 244 thousand through a cash contribution.
- ✓ On 22 December 2017, the Company made a capital increase through the monetary contribution of EUR 3,000 thousand corresponding to 100% of the total amount of the extension, paid in full.

(13) Prosegur Global SIS, S.L.U:

- ✓ On 21 April 2017 the Company participated in the capital increase of the Spanish Prosegur Global SIS, S.L.U. in the amount of EUR 158,400 thousand, subscribed and paid in full.

(14) Prosegur Gestión de Activos, S.L.U:

- ✓ On 21 April 2017 the Company participated in the capital increase of the Spanish Prosegur Gestión de Activos, S.L.U. through the cash contributions of EUR 101,000 thousand, subscribed and paid in full.

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b) Write offs

Decreases in investments in group companies, jointly controlled companies and associates in 2018 are as follows:

		Thousands of Euros	
		2018	2017
Cost			
Prosegur Ciberseguridad Uruguay, S.A.	(2)	(3)	-
Dognaedis Limited SASU	(3)	(1,700)	-
Prosegur Ciberseguridad Paraguay SA	(4)	(335)	-
Luxpai Holdo SARL	(5)	-	(41,703)
Dognaedis Lda	(8)	(2,760)	-
Prosegur Ciberseguridad SAS	(11)	(15)	-
Prosegur Ciberseguridad España, S.L.	(12)	(3,244)	-
Total Cost		(8,057)	(41,703)

(2) Prosegur Ciberseguridad Uruguay, S.A.:

- ✓ On 4 July 2018, the Company participated in capital increase of the Spanish Prosegur Global Cyber Security, S.L. through the non-monetary contribution of 100% of the shares of Prosegur Ciberseguridad Uruguay, S.A. (point 2). The amounts derecognised amounted to EUR three thousand corresponding to the carrying amount of the investment and had a positive impact on reserves amounting to EUR one thousand (Note 13).

(3) Dognaedis Limited SASU:

- ✓ On 4 July 2018, the Company participated in capital increase of the Spanish Prosegur Global Cyber Security, S.L. through the non-monetary contribution of 100% of the shares of Dognaedis Limited SASU (point 3). The amounts written off amounted to EUR 1,700 thousand corresponding to the carrying amount of the investment and produced a negative impact on reserves amounting to EUR 1,670 thousand (Note 13).

(4) Prosegur Ciberseguridad Paraguay, S.A.:

- ✓ On 4 July 2018, the Company participated in capital increase of the Spanish Prosegur Global Cyber Security, S.L. through the non-monetary contribution of 90% of the shares of Prosegur Ciberseguridad Paraguay, S.A. (point 4). The amounts derecognised amounted to EUR 335 thousand corresponding to the carrying amount of the investment and produced a negative impact on reserves amounting to EUR 335 thousand (Note 13).

(8) Dognaedis Lda:

- ✓ On 4 July 2018, the Company participated in capital increase of the Spanish Prosegur Global Cyber Security, S.L. through the non-monetary contribution of 100% of the shares of Dognaedis Lda. (point 8). The amounts derecognised amounted to EUR 2,760 thousand corresponding to the carrying amount of the investment and produced a negative impact on reserves amounting to EUR 478 thousand (Note 13).

(11) Prosegur Ciberseguridad SAS:

- ✓ On 4 July 2018, the Company participated in capital increase of the Spanish Prosegur Global Cyber Security, S.L. through the non-monetary contribution of 100% of the shares of Prosegur Ciberseguridad SAS (point 11). The amounts derecognised amounted to EUR 15 thousand corresponding to the carrying amount of the investment and produced a negative impact on reserves amounting to EUR 15 thousand (Note 13).

(12) Prosegur Ciberseguridad España, S.L.:

- ✓ On 4 July 2018, the Company participated in capital increase of the Spanish Prosegur Global Cyber Security, S.L. through the non-monetary contribution of 100% of the shares of Prosegur Ciberseguridad España, S.A. (point 12). The amounts written off amounted to EUR 3,244 thousand corresponding to the carrying amount of the investment and produced a negative impact on reserves amounting to EUR 3,244 thousand (Note 13).

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Impairment losses and profit/(losses) on disposal of financial instruments

The breakdown of the impairment losses on investments made in the years 2018 and 2017 is as follows:

	Thousands of Euros	
	2018	2017
Sociedad de Distribución Canje y Mensajería, Ltda.	-	(773)
	-	(773)

The impairment losses on investments in the following group companies, jointly controlled companies and associates at the end of the year:

	Thousands of Euros	
	2018	2017
Rosegur Holding Corporación, S.L.	6,650	6,650
Esta Service, SAS	1,740	1,740
Rosegur Cash Services, S.A.	230	230
Prosegur Activa Perú, S.A.	27	27
Prosegur Tecnología Chile Ltda.	1	1
Total	8,648	8,648

The Company annually evaluates the existence of indicators of impairment of the stakes in group companies and estimates the recoverable value at the closing date of those entities for which there are signs of impairment. The impairment indicator was calculated by comparing the net book value of the stake with the net worth of the investee and the recoverable value of the entities with an impairment indicator was determined considering its value in use for the Cash and Surveillance businesses and based on the fair value for the companies of the alarm business. Based on the analysis made, the Company did not record any valuation adjustments for stock impairment during 2018. In 2017, there was impairment in the participation of Sociedad de Distribución Canje y Mensajería, Ltda.

c) Investments in Group companies

The information on shares held in Group companies is contained in Appendix I of these annual accounts.

10. Financial assets

a) Available-for-sale assets

There were no movements in non-current financial assets, but the 2017 movement is detailed below:

	Thousands of Euros	
	<u>Available-for-sale financial assets</u>	
	Equity instruments	Total
Balance at 01 January 2017	2,313	2,313
Transfers	337	337
Balance at 31 December 2017	2,650	2,650
Balance at 31 December 2018	2,650	2,650

The additions for 2017 corresponded to the capital increase of Euroforum Escorial, S.A. in the amount of EUR 337 thousand, paid through the loan capitalisation that was held for the same amount. There were no additions in 2018.

Details of available-for-sale equity instruments are as follows:

	Thousands of Euros		
	<u>2018</u>		
Name	Recoverable amount	% ownership	Investment
<u>Equity shares not officially listed</u>			
Euroforum Escorial, S.A.	2,595	8%	2,595
Others	55		-
Total	2,650		

	Thousands of Euros		
	<u>2017</u>		
Name	Recoverable amount	% ownership	Investment
<u>Equity shares not officially listed</u>			
Euroforum Escorial, S.A.	2,595	8%	2,595
Others	55	-	-
Total	2,650		

Prosegur's maximum exposure to credit risk at the reporting date is the fair value of these assets. All assets are denominated in EUR.

11. Loans and receivables

Details of loans and receivables at 31 December are as follows:

	Thousands of Euros	
	2018	2017
Loans and receivables - non-current		
- Other financial assets	293	293
	293	293
Loans and receivables - current		
- Loans to group companies (Note 19)	366,305	269,544
- Clients from sales and other	348	-
- Clients, Group companies and associates (Note 19)	13,512	5,092
- Other accounts receivable group companies (Note 19)	84,361	52,092
- Sundry Debtors	286	393
- Loans to companies	348	347
Debt securities (Note 4)	489,268	490,298
- Other financial assets	320	320
	954,748	818,086
Total	955,041	818,379

There is no concentration of credit risk with respect to trade receivables, given that these are with group companies (Note 19).

Loans and receivables are measured at their nominal amount, which does not differ significantly from their fair value, as these items are current and the effect of discounting the cash flows is therefore not significant.

The carrying amounts of loans and receivables are denominated in the following currencies:

	Thousands of Euros	
	2018	2017
Euros	951,353	814,411
Mexican Pesos	348	347
South African Rand	3,340	3,621
Total	955,041	818,379

Impaired receivables are usually written off when the Company does not expect to recover any further amount.

Loans and receivables have not been impaired in 2018 and 2017.

Prosegur's maximum exposure to credit risk at the reporting date is the fair value of the receivables in each of the above-mentioned categories. The Company does not hold any collateral to secure receivables.

There was no movement of other financial assets during the 2018 and 2017 financial years. Under this heading, guarantees are recorded as collateral for leases and others.

12. Cash and cash equivalents

Details of cash and cash equivalents are as follows:

	Thousands of Euros	
	2018	2017
Cash in hand and at banks	138,263	104,866
Total	138,263	104,866

The effective interest rate on current bank deposits is 0.1%.

Cash in hand and at banks essentially reflects cash at banks at each year end.

13. Share capital, share premium and own shares

Details of equity and movement during the year are shown in the statement of changes in equity.

a) Share capital

At 31 December 2018 and 2017 the share capital of Prosegur Compañía de Seguridad, S.A. amounts to EUR 37,027 thousand represented by 617,124,640 shares with a par value of EUR 0.06, subscribed and fully paid, which are all listed on the Madrid, Valencia, Bilbao and Barcelona stock exchanges and are traded on the Spanish Stock Exchange Interconnection System (SIBE).

These shares are freely transferable.

Details of the Company's shareholders are as follows:

Shareholders	Number of shares	
	2018	2017
Ms Helena Revoredo Delvecchio ⁽¹⁾	309,240,330	309,240,330
Oppenheimer Acquisition Corporation ⁽²⁾	34,957,437	34,957,437
Ms Mirta Giesso Cazenave ⁽³⁾	34,778,187	34,778,187
FMR LLC ⁽⁵⁾	30,970,374	24,452,187
Invesco Limited ⁽⁶⁾	-	11,595,772
Others	207,178,312	202,100,727
Total	617,124,640	617,124,640

⁽¹⁾ Through Gubel, S.L. (50.075%) and Prorevosa, S.L.U. (0.035%)

⁽²⁾ Through various managed funds; one of them owns more than 5% (Oppenheimer International Growth Fund)

⁽³⁾ Both directly and through AS Inversiones, S.L.

⁽⁴⁾ Investment through various managed funds.

⁽⁵⁾ Investment through various managed funds.

⁽⁶⁾ Investment through various managed funds.

In January 2018, Invesco Limited reduced its shareholder composition to less than 1% of the shareholder composition of Prosegur.

At 31 December 2018 and 2017, the members of the Board of Directors, either directly or through companies over which they exercise control, hold 310,125,760 shares (310,126,760 shares in 2017), representing 50.25% of the Company's share capital (50.25% in 2017).

b) Share premium

The share premium amounts to EUR 25,472 thousand, is freely distributable and has not changed in 2018 or 2017.

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c) Own shares and equity holdings

Details of movements in own shares are as follows:

	Number of shares	Thousands of Euros
Balance at 01 January 2017	18,694,870	65,778
Other awards	(67,035)	(236)
Balance at 31 December 2017	18,627,835	65,542
Other awards	(85,829)	(302)
Balance at 31 December 2018	18,542,006	65,240

At the general meeting held on 27 June 2011, the shareholders authorised the acquisition of own shares up to the legal maximum. All or part of these own shares may be granted or transferred to the directors of the Company or Prosegur employees, either directly or as a result of a share option being exercised within remuneration schemes linked to the quoted share price.

Prosegur Compañía de Seguridad holds 3.00% (3.02% in 2017) of treasury stock deemed strategic to satisfy possible future corporate transactions.

In 2018 and 2017, Other awards reflects the delivery of shares to employees at market value.

d) Reserves

Details of reserves are as follows:

	Thousands of Euros	
	2018	2017
Legal reserve		
Legal reserve	7,406	7,406
Total	7,406	7,406
Other reserves		
Voluntary reserves	1,097,535	632,472
Reserves due to revised Budget Act of 1983	104	104
Capitalisation reserve	10,000	-
Differences on translation of share capital to EUR	61	61
Total	1,107,700	632,637

Legal reserve

The legal reserve has been appropriated in compliance with article 274 of the Spanish Companies Act, which requires that companies transfer 10% of profits for the year to a legal reserve until this reserve reaches an amount equal to 20% of share capital.

The legal reserve is not distributable to shareholders and if it is used to offset losses, in the event that no other reserves are available, the reserve must be replenished with future profits.

At year end, the Company had appropriated to this reserve the minimum amount required by law.

Voluntary reserves

These reserves are freely distributable. The movement of these reserves is shown below:

	Thousands of Euros	
	2018	2017
Opening balance	632,637	657,089
Investment contributions (Note 9)	(5,740)	6,045
Luxpai Holdo SARL	-	5,892
Prosegur Ciberseguridad, S.L. (Spain)	(3,243)	-
Prosegur Ciberseguridad, SAS (Colombia)	(15)	-
Prosegur Ciberseguridad Uruguay, SA	1	-
Prosegur Ciberseguridad Paraguay, S.L.	(335)	-
Dognaedis Limited SASU (United Kingdom)	(1,670)	-
Dognaedis Lda (Portugal)	(478)	-
Other French companies (deferred)	-	153
Extraordinary dividend share-out (Note 5)	468,456	(34,065)
Own dividend refund (Note 5)	2,165	10,511
Distribution of result of last year (Note 5)	-	(7,037)
Capitalisation Reserve	10,000	-
Others	182	94
Closing balance	1,107,700	632,637

The dividends approved by the General Shareholders' Meeting and the Board of Directors of the Company are described in Note 5.

Reserves due to revised Budget Act of 1983

This reserve arises from balances revalued in accordance with the aforementioned act applied by the Company and is subject to restrictions on distribution. This reserve amounts to EUR 104 thousand (EUR 104 thousand in 2017).

Differences on translation of share capital to EUR

This non-distributable reserve arises from the translation of share capital from Pesetas to EUR. This reserve amounts to EUR 61 thousand (EUR 61 thousand in 2017).

Capitalisation reserves

The General Shareholders' Meeting held on 29 May 2018, agreed to endow a capitalisation reserve charged to the profits of the year 2017. This reserve amounts to EUR 10,000 thousand.

14. Non-current provisions

Details of provisions and movement are as follows:

	Thousands of Euros		
	Accrued obligations to personnel	Other provisions	TOTAL
Balance at 01 January 2017	7,088	50	7,138
Transfers to short term	(7,088)	-	(7,088)
Provisions	-	1	1
Balance at 01 January 2018	-	51	51
Amounts used	-	(45)	(45)
Provisions	1,648	-	1,648
Reversals	-	(5)	(5)
Balance at 31 December 2018	1,648	1	1,649

These provisions include the accrued incentive, payable in cash, corresponding to the 2017 and 2020 Plan (Note 25.9).

The fair value of the incentives referred to the share quotation price was estimated on the basis of Prosegur's share quotation price at the close of the period or at the payment time.

15. Debts and Payables

Details of debts and payables are as follows:

	Thousands of Euros	
	2018	2017
Non-current		
- Bonds and other marketable securities	694,932	-
- Loans and borrowings	-	-
- Other financial liabilities	1,945	2,039
Total	696,877	2,039
Current		
- Bonds and other marketable securities	6,252	510,088
- Loans and borrowings	-	80,639
- Other financial liabilities	82,747	74,972
- Payables to Group companies (Note 19)	123,608	117,069
- Other financial liabilities with Group companies (Note 19)	60,590	16,471
- Loans to group companies (Note 19)	7,143	964
- Sundry accounts payable	1,680	1,741
- Other payables	4,083	11,294
Total	286,103	813,238

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The exposure of the Company's debts and payables to fluctuations in interest rates and the contractual price review dates are as follows:

	Thousands of Euros	
	2018	2017
Up to 6 months	-	80,639
Between 6 and 12 months	123,608	117,069
Total	123,608	197,708

a) Bonds and other marketable securities

On 2 April 2018 the uncovered bonds issued on 2 April 2013 for EUR 500,000 thousand were amortised on their due date. On 8 February 2018 an issue of uncovered bonds with a nominal value of EUR 700,000 thousand, maturing on 8 February 2023, has been made. The bonds are traded on the secondary market, on the Irish Stock Exchange. They accrued an annual coupon of 1.00% payable at the end of each year.

b) Loans and borrowings

The current and non-current debts with credit institutions are the following:

	Thousands of Euros					
	2018			2017		
	Non-current	Current	Total	Non-current	Current	Total
Loans and borrowings	-	-	-	-	79,999	79,999
Other payables	-	-	-	-	640	640
Total	-	-	-	-	80,639	80,639

Loans and borrowings

On 12 June 2014 Prosegur arranged a new five-year syndicated credit financing facility of EUR 400,000 thousand to defer part of its debt. On 18 March 2015, the syndicated loan was renewed, mainly modifying the maturity date and postponing its expiry until 18 March 2020. On 10 February 2017, this syndicated financing facility in the form of a credit was cancelled.

On 10 February 2017 Prosegur arranged a five-year syndicated credit financing facility of EUR 200,000 thousand to provide the company with long-term liquidity. As of 31 December 2018, and 2017, no amount of this credit facility has been drawn down.

The interest rate of the drawdowns under the syndicated financing operation is equal to Euribor plus an adjustable spread based on the company's rating.

Additionally, this financing has the guarantees granted by the following subsidiaries of Prosegur: Prosegur, S.A. (Argentina), Prosegur Activa Argentina, S.A. (Argentina), Prosegur Soluciones, S.A.U. (Spain) and Prosegur Soluciones Integrales de Seguridad España, S.L.U. (Spain). This contract has the following obligatory covenant ratios:

- Net Financial Debt Ratio / Distributions Prosegur Cash EBITDA, which should be less than 3.50.
- The Consolidated Net Financial Debt / Consolidated EBITDA ratio, which should be less than 3.50.

On 29 January 2016, the Company signed a loan agreement with Barclays Bank for ZAR 272 million (equivalent to EUR 15,519 thousand) and maturing on 29 January 2020. On 6 July 2017 the Company signed a document of assignment of the loan agreement to Prosegur Cash S.A., this assignment coming into force on 14 July 2017. In order to neutralise any effect of the assignment on the net financial debt, the Company paid the amount equivalent to the debt assumed of EUR 18,210 thousand (equivalent to ZAR 272 million).

Prosegur does not have short-term bank loans contracted in 2018. In 2017, this financing was specified in bank loans, with maturity in the short term, which amounted as a whole to EUR 79,999 thousand.

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Credit facilities

They correspond to the balances drawn from the credit facilities contracted with national and international banks with a limit of EUR 35,000 thousand (limit of EUR 88,000 thousand in 2017). As of 31 December 2018 and 2017, no amount of this credit facility has been drawn down.

The Company has the following unused credit facilities:

	Thousands of Euros	
	2018	2017
Floating interest rate:		
maturing in less than 1 year (credit policies)	35,000	88,000
maturing in more than 1 year (syndicated loans)	200,000	200,000
	235,000	288,000

Credit facilities are subject to various interest rate reviews in 2018 and 2017.

c) Other financial liabilities

Details of financial liabilities by maturity are as follows:

	Thousands of Euros							Total
	2018							
	2019	2020	2021	2022	2023	subsequent years	Non-current	Total
Other financial liabilities	82,747	94	94	94	94	1,569	1,945	84,692

	Thousands of Euros							Total
	2017							
	2018	2019	2020	2021	2022	subsequent years	Non-current	Total
Other financial liabilities	74,972	94	94	94	94	1,663	2,039	77,011

The most significant other financial liabilities at 31 December 2018 and 2017 are as follows:

- Non-current amounts at 31 December 2018 were EUR 1,945 thousand (EUR 2,039 thousand in 2017), corresponding mainly to a loan received from the Ministry of Industry under the Avanza I+D programme of EUR 564 thousand and the debt for the purchase of the Portuguese company Dognaedis Lda for EUR 1,381 thousand.
- The current amounts at 31 December 2018 amounted to EUR 82,747 thousand (EUR 74,972 thousand in 2017), the most significant correspond to the outstanding dividend for 2018 for EUR 79,054 thousand (EUR 71,883 thousand in 2017) (Note 5), which will be settled in January, April, July and October 2019 as approved by the Board of Directors.
- Additionally, it mainly includes a series of amounts corresponding to deferred payments associated with the purchase of companies: Tellex, S.A. for EUR 124 thousand (EUR 25 thousand in 2017); Genper, S.A. for EUR two thousand (EUR two thousand in 2017); Beloura Investments, S.L.U., for EUR 1,905 thousand (EUR 1,981 thousand in 2017); Marton Segurança Electronica Ltda. For EUR 25 thousand (EUR 519 thousand in 2017); Prosegur GmbH for EUR 258 thousand (EUR 258 thousand in 2017), and Dognaedis Limited for EUR 750 thousand.

d) Other payables

Other payables comprise salaries payable that have been accrued by different Company personnel.

The Company's remuneration policy for personnel includes a variable component determined through specifically designed incentive programmes, which aim to recognise and reward Company employees' contribution to its success by achieving or surpassing set targets and developing the necessary skills for excellence in their duties and responsibilities.

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The Incentive Programme is based on the direct link of variable remuneration with the achievement of previously set targets during a specific period of time by the Company Executive Management or the direct superior of the employee.

The liability for this as of 31 December 2018 amounts to EUR 785 thousand (EUR 4,743 thousand in 2017) and the amount recognised in the income statement for this item classified under the personnel expenses heading amounts to a negative EUR 2,886 thousand (EUR 737 thousand in 2017) due to the adjustment of the previous year.

Other debts includes the accrued incentive, payable in cash, corresponding to the 2017 and 2020 Plans for EUR 3,076 thousand, as of 31 December 2018 (Note 25.9).

The fair value of the incentives referred to the share quotation price was estimated on the basis of Prosegur's share quotation price at the close of the period or at the payment time.

This item also includes salaries payable and accrued extraordinary salary instalments amounting to EUR 223 thousand (EUR 263 thousand in 2017).

e) Foreign currency

The carrying amount of the Company's financial liabilities is denominated in the following currencies:

	Thousands of Euros	
	2018	2017
Euros	980,891	812,733
Argentine Peso	159	308
US Dollar	-	104
Colombian Peso	1,905	1,981
Brazilian Real	25	151
Total	982,980	815,277

f) Deferred payments to suppliers. Third additional provision. "Reporting Requirement", of Act 15/2010 of 5 July 2010

The information required by the "Reporting Requirement", third additional provision of Act 15/2010 of 5 July 2010 (modified through the Final Provision Two of Act 31/2014, of 3 December) prepared in accordance with the ICAC Resolution of 29 January 2017, on the information to be included in the annual accounts report in relation to the average period of payment to suppliers in commercial operations is detailed below.

Information on deferred payments to suppliers by the company is as follows:

	Payments made and outstanding at close of balance sheet	
	2018	2017
	Days	Days
Average payment period to suppliers	62	53
Ratio of transactions paid	59	48
Ratio of transactions pending payment	103	205
	Amount	
	(thousands of EUR)	
Total payments made	9,519	24,960
Total payments pending	706	795

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In accordance with the ICAC Resolution, the calculation of the average payment period to suppliers has considered the commercial transactions corresponding to the delivery of goods or the rendering of services accrued through the date of entry into force of Act 31/2014, 3 December.

For the exclusive purposes of providing the disclosures envisaged in this Resolution, suppliers are deemed as commercial creditors holding debts for the supply of goods or services, included under Suppliers and other payables of current liabilities of the balance sheet.

"Average payment period to suppliers" is understood as the period between the delivery of the goods or the rendering of the services by the supplier and the material payment of the transaction.

The maximum legal term of payment applicable to the companies in 2018, according to Act 11/2013, of 26 December, is of 30 days (unless the conditions set forth in the Act allowing the maximum payment period to be raised to 60 days are fulfilled).

16. Taxation

a) Public administration:

a) Details of balances with public entities are as follows:

	Thousands of Euros			
	2018		2017	
	No current	Current	No current	Current
Assets				
Deferred tax assets	10,856	-	13,964	-
Current tax assets	-	39,052	-	23,624
Value added tax and similar liabilities	-	7	-	1,176
	10,856	39,059	13,964	24,800
Liabilities				
Deferred tax liabilities	21,575	-	21,625	-
Withholdings	-	5,076	-	22,323
Social Security	-	56	-	45
	21,575	5,132	21,625	22,368

The Company is the parent of a group that files consolidated income tax returns in Spain. This consolidated tax group comprises the Company and Spanish subsidiaries of the Prosegur Group that meet the requirements set out in regulations governing consolidated taxation.

The Company, as parent, and its subsidiaries Servimax Servicios Generales, S.A. (merged with ESC Servicios Generales, S.L. in 2014), Prosegur Transportes de Valores, S.A. (absorbed in 2011) and Formación, Selección y Consultoría, S.A. have filed consolidated tax returns since 2001, pursuant to Chapter VII of Spanish Corporate Income Tax Act 43/1945 of 27 December 1945 (Official State Gazette (BOE) 28/10/1995). In 2002, Prosegur Alarmas España, S.A. was incorporated in the Tax Group regime (Prosegur Multiservicios in 2011 and Prosegur Soluciones, S.A. in 2015), and Prosegur Tecnología, S.L.U. (formerly Nordés Prosegur Tecnología, S.L.U. absorbed in 2011) and ESC Servicios Generales, S.L. in 2005. In 2006, Prosegur Activa Holding, S.L.U. was incorporated (in 2015: Prosegur Global Alarmas, S.L.U.) and Prosegur Activa España, S.L.U. (absorbed in 2011); in 2009: Prosegur Servicio Técnico, S.L.U. (absorbed in 2011); in 2010: Prosegur Gestión de Activos, S.L.U.; In 2011 Pitco Ventures, SCR Simplificada, S.A (in 2014: wound up). In 2012, the companies acquired in 2011 were incorporated: Seguridad Vigilada, S.A., STMEC, S.L., Salcer Servicios Auxiliares, S.L. and Beloura Investments, S.L.U. Prosegur España S.L.U. has been added in 2013. In financial year 2014 there has been no addition to the tax group. In 2015, Armor Acquisitón, S.A., Juncadella Prosegur International, S.A. Prosegur Global SIS, S.L.U., Prosegur Alarmas España, S.L.U., Prosegur Global CIT, S.L.U., Prosegur Vigilancia España, S.L.U., Prosegur Colombia 3, S.L.U. (formerly Prosegur Berlín, S.L.U.), Prosegur AVOS España, S.L.U. (formerly Prosegur BPO España, S.L.U.), Prosegur International CIT 1, S.L.U., Prosegur International CIT 2, S.L.U., Prosegur Global Alarmas ROW, S.L.U., Prosegur Global CIT ROW, S.L.U. and Prosegur Global SIS ROW, S.L.U. were brought in. Servimax Servicios Generales, S.A. and PITCO Ventures, SCR Régimen Simplificado were excluded. Company name changes in 2015: Prosegur Gestión de Activos

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International, S.L.U. (formerly Seguridad Vigilada, S.A.), Prosegur International SIS S.L.U. (formerly STMEC, S.L.), Prosegur USAP International, S.L.U. (formerly Salcer Servicios Auxiliares, S.L.U.), Prosegur International Alarmas, S.L.U. (formerly Beloura Investments, S.L.U.) and Prosegur Servicios de Efectivo España, S.L.U. (formerly Prosegur España, S.L.U.). In 2017 Prosegur Cash, S.A., Centro Informático de Servicios de Vigo, S.A. (wound up in 2018), Prosegur Ciberseguridad España, S.L. and Prosegur Assets Management, S.L.U. were brought in. In 2018, Contesta Teleservicios, S.A.U., Integrum 2008, S.L.U., Bloggers Brokers, S.L.U., Contesta Servicios Auxiliares, S.L.U., Prosegur Colombia 1, S.L., Prosegur Colombia 2, S.L.U., Prosegur Global Cyber Security, S.L., Segtech Ventures, S.A., and Prosegur Sevicios de Pago EP, S.L. were brought in.

After the first listing of the shares of Prosegur Cash, S.A. on the stock market, the Company considered that Prosegur Cash, S.A. is still part of the tax group in Spain. For the purposes of Corporate Income Tax, the Prosegur Group prepares a consolidated balance sheet and profit and loss account corresponding to the fiscal consolidation perimeter in accordance with the consolidation accounting standards in Spain. As a result of the sale of the shares of Prosegur Cash, S.A. a result was produced in the individual financial statements of Prosegur Assets Management, S.L.U. However, the accounting treatment of this transaction in the balance sheet and consolidated profit and loss account, according to article 29 of the consolidation accounting standards in force in Spain, which refer to modification of shares without loss of control, establishes that it will have no impact for the effects of calculating the consolidated result of the tax group

On 10 May 2016 the company was notified of the beginning of a partial inspection for Corporate Income Tax on whether the freedom to amortise was appropriate due to the maintenance or creation of jobs in 2011 and on whether the remunerations made to the Directors for the years 2011 to 2014 are deductible.

Additionally, on the same date, the Company (absorbing entity) was informed of the beginning of inspection proceedings as successor of the merger by absorption of the companies Prosegur Transporte de Valores and Prosegur Activa España (both absorbed entities), for Corporate Income Tax and which partially affects the origin of the freedom to amortise for maintenance or creation of employment in 2011.

As a result of those inspections, the following records were signed:

- Record of acceptance relating to the freedom to amortise.
- Record of non-acceptance regarding the Directors' remunerations with a tax charge of EUR 390 thousand and interest of EUR 30 thousand.

In relation to the record of non-acceptance, on 9 March 2018, the Technical Office issued a Resolution for rectifying the settlement proposal contained in the record of non-acceptance, establishing the debt at the amount of EUR 1,344 thousand, of which EUR 1,195 thousand correspond to principal and EUR 149 thousand to late-payment interest. After the Company had filed its arguments for the defence, on 6 June 2018, the Technical Office issued a Resolution for settlement for the amount of EUR 1,355 thousand, of which EUR 1,195 thousand correspond to principal and EUR 159 thousand to late-payment interest. The Company has lodged a claim against that Resolution with the Central Court for Economic-Administrative Issues. That claim is awaiting a decision.

In addition, the Company has two lawsuits awaiting decision arising from two records of non-acceptance and for which no provision was made, in proceedings brought by the Spanish Administration. The first was brought in 2012, in relation to Corporate Income Tax for the years 2005, 2006 and 2007 and is for a tax liability of EUR 8,268 thousand; at the present date, that lawsuit is awaiting a decision by the National High Court. The second was brought in 2014 in relation to Corporate Income Tax for the years 2008 and 2009 and is for a tax liability of EUR 16,072 thousand. That lawsuit is awaiting a decision by the Central Court for Economic-Administrative Issues.

Due to the treatment permitted by fiscal legislation of certain transactions, additional tax liabilities could arise in the event of inspection. In any event, the Directors of the Company do not consider that any such liabilities that could arise would have a significant effect on the annual accounts.

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A reconciliation of the accounting profit and taxable income is as follows:

	Thousands of Euros	
	2018	2017
Account finance income before tax	104,054	834,214
Permanent differences	(93,228)	(829,834)
Elimination of treasury stock transactions	(243)	(125)
Taxable base	10,583	4,255
Tax rate	25%	25%
Resulting tax payable	2,646	1,064
- Double taxation	(595)	(4,998)
- Contributions to Foundations	(431)	(1,085)
- Other deductions	(633)	(592)
Expense (income) from tax on profit	987	(5,611)
- Withholdings at source and other	82	9,491
Final expense (income) from tax on profit	1,069	3,880

The main permanent differences of the accounting profit for the year 2018 correspond to items that do not have a tax-deductible expense or taxable revenue, which are mainly: the exemption of dividends received from the subsidiaries in Spain amounting to EUR 95,255 thousand (Note 19) and contributions to foundations for a positive amount of EUR 1,830 thousand.

The main permanent differences in the accounting profit in 2017 reflected non-tax expenditure or revenue, primarily exempt dividends received from foreign subsidiaries amounting to EUR 829,774 thousand, transmissions of group stakes for a negative amount of EUR 773 thousand and contributions to foundations for a positive amount of EUR 1,698 thousand.

The main temporary difference adjustments to accounting profit originating in the year that are deductible in subsequent years are as follows:

I. Positive:

- Provision for personnel expenses, amounting to EUR 2,855 thousand (EUR 5,108 thousand in 2017).
- Other adjustments of EUR 1,953 thousand (EUR 1,503 thousand in 2017).

II. Negative:

- There are no negative adjustments in the year or in the previous year.

The main temporary difference adjustments to accounting profit originating in prior years are as follows:

I. Positive:

- Application of EUR 23 thousand, corresponding to the reversal of the negative adjustment of elements of property, plant and equipment subject to the freedom to amortise for the years 2009, 2010, 2011 and until March 2012 (EUR 31 thousand in 2017).
- Impairment of stakes in group companies amounting to EUR 1,272 thousand (EUR 1,272 thousand in 2017).

II. Negative:

- Reversal of provisions from previous years amounting to EUR 9,422 thousand (EUR 2,613 thousand in 2017).

The positive tax adjustments corresponding to the correction of the value of the investees correspond to the reversal of negative differences from previous years due to the obligation introduced by Royal Decree Law 3/2017 to reverse a minimum annual amount of one fifth of the impairment of securities representing the shares in the treasury of entities that was fiscally deductible and that is pending reversal. Positive tax adjustments reflect the impairment of investees for accounting purposes recognised in profit or loss.

In 2018, the main deductions correspond to that of international double taxation, referring to taxes paid abroad for various services amounting to EUR 595 thousand, deduction for donations to non-profit entities for EUR 633 thousand and deduction in technological innovation of EUR 431 thousand.

In 2017, the main deductions were the deduction for international double taxation, referring to withholdings in other countries for various services amounting to EUR 4,998 thousand.

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The amount payable by the Company of EUR 218 thousand, is recorded under Current tax assets. Current tax assets, reflected under Trade and other receivables, amounting to EUR 39,052 thousand, correspond to the net between the Tax Group payments on account of Corporate Income Tax for 2018 of EUR 44,710 thousand and the payable fee of EUR 6,089 thousand, and the reimbursement of Corporate Income Tax from previous years of EUR 431 thousand, because, as the parent of the tax group, the Company reflects the entire tax credit of the Tax Group.

Details at year end of available tax loss carryforwards and deductions recognised by the Group and pending application are as follows:

	Thousands of Euros	
	2018	2017
Deductions and tax credit rights	5,406	8,003
	5,406	8,003

Deductions recognised by the Group are as follows:

	Thousands of Euros	
	2018	2017
International double taxation	4,582	4,863
Investment of AFN Canaries	-	57
Contributions to Foundations Act 49/2002	-	884
Deduction recovery 30% amortisation 2013-2014	-	239
Innovation Technology (IT)	824	1,960
	5,406	8,003

Details of the income tax expense for the year are as follows:

	Thousands of Euros	
	2018	2017
Account finance income before tax	104,054	834,214
Permanent differences	(93,228)	(829,834)
Elimination of treasury stock transactions	(243)	(125)
Taxable base	10,583	4,255
Tax rate	25%	25%
Resulting tax payable	2,646	1,064
- Double taxation	(595)	(4,998)
- Contributions to Foundations	(431)	(1,085)
- Other deductions	(633)	(592)
Expense (income) from tax on profit	987	(5,611)
- Withholdings at source and other	82	9,491
Final expense (income) from tax on profit	1,069	3,880

The corporate income tax expense is as follows:

	Thousands of Euros	
	2018	2017
Current tax	218	(4,255)
Elimination of treasury stock transactions	(61)	(31)
Deferred tax	830	(1,325)
Provision outside the regime of fiscal neutrality and others	82	9,491
	1,069	3,880

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The item "contribution not included under tax neutrality regime and others" mainly includes withholdings in other countries for various services and differences in the tax settlement of the previous year. In 2017, it mainly included the taxation deriving from the non-monetary provision of shares, which is not covered by the tax neutrality regime foreseen in Act 27/2014, of 49% of the shares of Prosegur Cash, S.A. to Prosegur Assets Management, S.L.U.

Pursuant to tax legislation in force for 2018 and 2017 the Company's tax loss carryforwards may only be offset up to a maximum of 25% of taxable income prior to offset. For these same periods financial and non-financial goodwill may only be amortised up to one twentieth of its amount per year. Furthermore, for 2014 and 2013 property, plant and equipment, intangible assets and investment property may only be depreciated or amortised up to 70% of the assets' depreciation/amortisation for accounting purposes. As of 2015, they will be incorporated for 10 years.

In 2018 the following corporate restructuring operation was carried out under the neutral tax regime:

Contribution of 100% of the shares and corporate stakes of Prosegur Ciberseguridad SAS, Loredat SA, Dognaedis Limited, Prosegur Ciberseguridad Paraguay, S.A., Dognaedis Lda and Prosegur Ciberseguridad, S.L. from Prosegur Compañía de Seguridad, S.A. to Prosegur Global Cyber Security, S.L.

In 2017 the following corporate restructuring operation was carried out under the neutral tax regime:

Contribution of 100% of the shares of Luxpai Holdo SARL from Prosegur Compañía de Seguridad S.A to Prosegur Global SIS ROW, S.L.U (Note 9)

b) Deferred tax

Tax assets and tax liabilities are offset when the Company currently has the legally enforceable right to offset the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Gross movement in deferred tax is as follows:

	Thousands of Euros			31/12/2018
	01/01/2018	Recognised in profit / loss	Other adjustments	
Deferred tax assets				
Stock impairment	849	271	-	1,120
Provisions	2,865	(1,464)	(78)	1,323
Goodwill tax and portfolios	1,500	(177)	-	1,323
Amortisation and depreciation	409	487	-	896
Credits for deductions	8,003	-	(2,597)	5,406
Others	338	-	450	788
	13,964	(883)	(2,225)	10,856

	Thousands of Euros			31/12/2017
	01/01/2017	Recognised in profit / loss	Other adjustments	
Deferred tax assets				
Stock impairment	578	271	-	849
Provisions	2,470	802	(407)	2,865
Goodwill tax and portfolios	1,677	(177)	-	1,500
Amortisation and depreciation	35	374	-	409
Credits for deductions	13,283	-	(5,280)	8,003
Others	-	-	338	338
	18,043	1,270	(5,349)	13,964

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	Thousands of Euros			31/12/2018
	01/01/2018	Recognised in profit / loss	Other adjustments	
Deferred tax liabilities				
Goodwill for tax purposes	(13)	-	-	(13)
Stock impairment	(141)	47	-	(94)
Freedom of Amortisation Act 4/2008	(12)	6	-	(6)
Others	(21,459)	-	(3)	(21,462)
	(21,625)	53	(3)	(21,575)

	Thousands of Euros			31/12/2017
	01/01/2017	Recognised in profit / loss	Other adjustments	
Deferred tax liabilities				
Goodwill for tax purposes	(145)	-	132	(13)
Stock impairment	(188)	47	-	(141)
Freedom of Amortisation Act 4/2008	(80)	8	60	(12)
Others	(31,371)	-	9,912	(21,459)
	(31,784)	55	10,104	(21,625)

The Company has generated a deferred tax liability in accordance with the eleventh additional provision of Revised Spanish Income Tax Act 4/2008, which regulates eligibility to apply accelerated depreciation for investments in new items of property, plant and equipment and investment property for the purposes of economic activity that are made available to the taxable entity during the tax periods beginning in 2009 and 2010, provided that, during the 24 months after the start of the tax period in which the acquired assets are brought into service, the Company's average workforce remains consistent with the average headcount of the prior 12 months. For years commencing after 2011 and the first quarter of 2012, this provision was amended, and the requirement of a consistent headcount was eliminated.

The Company has opted to depreciate the property, plant and equipment during the same year in which they come into operation.

17. Contingencies

a) Contingent liabilities

The Company has contingent liabilities from litigation arising in the ordinary course of business which are not expected to give rise to significant liabilities.

The Company has contingent liabilities for bank and other guarantees related with its normal business operations that are not expected to give rise to any significant liabilities.

Guarantees provided by the Company to third parties at year end are as follows:

	Thousands of Euros	
	2018	2017
Commercial guarantees	63	63
Financial guarantees	72,827	71,683
	72,890	71,746

Financial guarantees essentially include those relating to litigations in process.

PROSEGUR COMPAÑÍA DE SEGURIDAD S.A.

b) Contingent assets

At 31 December 2018 and 2017 the Company has no contingent assets.

c) National Commission on Markets and Competition

On 22 April 2015, Spain's National Commission on Markets and Competition (hereinafter, the CNMC) commenced disciplinary proceedings against Prosegur, Prosegur Servicios de Efectivo España, S.L.U (currently a subsidiary of Prosegur Cash) and Loomis España, S.A. for alleged anticompetitive practices in accordance with European Union legislation. On 10 November 2016, the Tribunal for Competition of the National Commission on Markets and Competition (CNMC in Spanish) ordered a fine of EUR 39,420 thousand to be imposed on Prosegur and its subsidiary.

On 13 January 2017, Prosegur announced it planned to file, in the National Court (Audiencia Nacional), a contentious-administrative appeal against said ruling and requested the adoption of an interim measure consisting of suspending payment of the fine imposed.

On 13 February 2017, the National Court accepted the appeal proposed by Prosegur for processing, commencing the relevant proceedings, prior to formal filing of the appeal. On 6 September 2018, Prosegur filed the relevant appeal which at present remains pending resolution by the National Court in respect of the underlying matter.

With regard to the request for the interim measure, on 31 March 2017, the National Court agreed to it and suspended execution of the CNMC resolution in particular concerning payment of the fine by Prosegur, on the condition that, within a maximum of two months, Prosegur should provide surety or any other guarantee in the amount of the fine. On 9 June 2017, Prosegur presented the National Court with a bank guarantee amounting to EUR 39,420 thousand.

Prosegur will exclusively and at its own expense assume the defence of Prosegur and Prosegur Servicios de Efectivo España S.L., having sole power regarding the directing and control of that defence and of the lawsuit.

18. Commitments

a) Purchase commitments for property, plant and equipment and intangible assets

Investments committed at year end but not recognised on the balance sheet are as follows:

	Thousands of Euros	
	2018	2017
Property, Plant and Equipment	1	752
	1	752

Property, plant and equipment include commitments to purchase installations and furniture.

Intangible assets include various computer software applications that were under development.

b) Operating lease commitments

Future minimum payments under non-cancellable operating leases are as follows:

	Thousands of Euros			
	2018		2017	
	Buildings	Vehicles	Buildings	Vehicles
Less than 1 year	89	96	89	123
1 to 5 years	440	73	440	125
	529	169	529	248

PROSEGUR COMPAÑÍA DE SEGURIDAD S.A.

Pursuant to the provisions of the sixth and ninth clauses of the leases for the properties at Calle Pajaritos, 24 (Madrid) and Calle Santa Sabina, 8 (Madrid), respectively, between Proactinmo, S.L.U and the Company, these are subrogated to Prosegur Gestión de Activo S.L. as the lessor of both premises, from 1 January 2017 (Note 19.b)

The lease commitments correspond to the impact that Prosegur Gestión de Activo S.L makes on the Company.

19. Other Related Party Transactions

Prosegur is controlled by Gubel, S.L., which was incorporated in Madrid and holds 50.075% of the Company's share capital. The remaining 49.925% is held by various shareholders, including Oppenheimer Acquisition Corporation with 5.66%, AS Inversiones S.L. with 5.64% and FMR LLC with 5.02% (Note 13).

PROSEGUR COMPAÑÍA DE SEGURIDAD S.A.

a) Group companies, jointly controlled companies and associates

The Company's financial assets and financial liabilities with Group companies, excluding equity instruments (Note 9), are as follows:

Thousands of Euros	2018					
	Financial assets			Financial liabilities		
	Current			Current		
	Credits (Note 11)	Debtors (Note 11)	Other financial assets (Note 11)	Debts (Note 15)	Suppliers (Note 15)	Other financial liabilities (Note 15)
Group companies in Spain						
Prosegur Soluciones Integrales de Seguridad España, S.L.U.	10,422	19	3,496	-	(4,753)	(2,502)
Prosegur Gestión de Activos, S.L.U.	68,014	1,056	7,546	-	(6)	(3,584)
Prosegur Global Alarmas, S.L.U.	60,840	-	40	-	-	(311)
Compañía Ridur, S.A.	-	-	-	(1,211)	-	(3)
Formación, Selección y Consultoría, S.A.	-	-	7	(1,742)	-	(1)
Prosegur Gestión de Activos Internacional, S.L.U.	-	-	-	(325)	-	(2)
Prosegur International SIS, S.L.U.	27,377	-	17	-	-	(77)
Prosegur USAP International, S.L.U.	18	-	-	-	-	(6)
Prosegur International Alarmas, S.L.U.	18,498	-	12	-	-	(89)
Prosegur Soluciones, S.A.U.	-	-	-	(6,573)	-	(384)
MIV Gestión, S.A.	-	-	75	-	-	(29)
Prosegur Ciberseguridad, S.L.	1,752	1	2	-	-	(1,107)
Indiseg Evolium Group SL	435	-	-	-	-	(83)
Prosegur Assets Management, S.L.U.	-	-	18,788	(53,940)	-	(133)
Prosegur Global SIS, S.L.U.	129,763	-	85	-	(7)	(461)
Prosegur Servicios de Efectivo España, S.L.U.	-	87	6,448	-	(12)	(3,448)
Prosegur Alarmas España, S.L.U.	-	1	722	(33,488)	(15)	(122)
Prosegur Global CIT, S.L.U.	-	-	-	-	-	(1,694)
Prosegur Cash, S.A.	-	3,007	45,154	-	(12)	(9,847)
Prosegur BPO España, S.L.U.	-	-	289	-	-	(219)
Armor Acquisition, S.A.	-	-	116	-	-	(1,641)
Juncadella Prosegur Internacional, S.A.	-	-	522	-	-	(32,118)
Prosegur International CIT 1, S.L.	-	-	-	-	-	(2)
Prosegur International CIT 2, S.L.U.	-	-	-	-	-	(4)
Prosegur Global Alarmas ROW, S.L.U.	11,762	-	17	-	-	(56)
Prosegur Global CIT ROW, S.L.U.	-	-	-	-	-	(163)
Prosegur Global SIS ROW, S.L.U.	3,998	-	4	-	(1,609)	(503)
ESC Servicios Generales, S.L.U.	3,067	2,480	-	-	-	(246)
Prosegur Global Cyber	3,668	-	2	-	-	(1)
Segtech Ventures	6,851	-	4	-	-	(33)
Integrum 2008	-	-	76	-	-	(43)
Contesta Teleservicios	-	-	280	-	-	(137)
Bloggers Brokers	-	-	23	-	-	(9)
Contesta Servicios Auxiliares	-	-	164	-	-	(75)
Prosegur Colombia 1 SLU	-	-	-	-	-	(1)
Prosegur Colombia 2 SLU	-	-	-	-	-	(1)
UTES	-	-	44	-	-	-
Total Spain	346,465	6,651	83,933	(97,279)	(6,414)	(59,135)

PROSEGUR COMPAÑÍA DE SEGURIDAD S.A.

	Thousands of Euros					
	2018					
	Financial assets			Financial liabilities		
	Current			Current		
	Credits (Note 11)	Debtors (Note 11)	Other financial assets (Note 11)	Debts (Note 15)	Suppliers (Note 15)	Other financial liabilities (Note 15)
Subsidiaries abroad						
Prosegur Group in Abu Dhabi	760	-	-	-	-	-
Prosegur Group in Germany	-	-	39	-	-	-
Prosegur Group in Argentina	4,128	4,206	-	-	(194)	(86)
Prosegur Group in Australia	-	36	-	-	-	-
Prosegur Group in Brazil	-	288	-	(3,229)	(63)	(513)
Prosegur Group in Chile	-	723	22	-	(257)	(117)
Prosegur Group in Colombia	-	155	276	-	(15)	(3)
Prosegur Group in the USA	14,952	14	28	-	-	-
Prosegur Group in France	-	36	-	(11,169)	-	(4)
Prosegur Group in India	-	244	-	-	-	(32)
Prosegur Group in Luxembourg	-	-	-	(10,922)	-	-
Prosegur Group in Mexico	-	14	20	-	(75)	(149)
Prosegur Group in Paraguay	-	-	-	-	(120)	(335)
Prosegur Group in Peru	-	637	43	-	-	(212)
Prosegur Group in Portugal	-	5	-	(1,009)	-	-
Prosegur Group in Uruguay	-	503	-	-	(5)	(4)
Total Foreign	19,840	6,861	428	(26,329)	(729)	(1,455)
Total	366,305	13,512	84,361	(123,608)	(7,143)	(60,590)

PROSEGUR COMPAÑÍA DE SEGURIDAD S.A.

Thousands of Euros	2017					
	Financial assets			Financial liabilities		
	Current			Current		
	Credits (Note 11)	Debtors (Note 11)	Other financial assets (Note 11)	Debts (Note 15)	Suppliers (Note 15)	Other financial liabilities (Note 15)
Group companies in Spain						
Prosegur Soluciones Integrales de Seguridad España, S.L.U.	23,585	8	4,215	-	(117)	(61)
Prosegur Gestión de Activos, S.L.U.	38,178	191	915	-	(548)	-
Prosegur Global Alarmas, S.L.U.	39,321	1	186	-	-	(74)
Compañía Ridur, S.A.	-	-	12	(1,234)	-	-
Formación, Selección y Consultoría, S.A.	-	-	219	(2,048)	-	(7)
Prosegur Gestión de Activos International, S.L.U.	-	-	3	(321)	-	(22)
Prosegur International SIS, S.L.U.	21,888	-	80	-	-	(40)
Prosegur USAP International, S.L.U.	10	-	2	-	-	(2)
Prosegur International Alarmas, S.L.U.	11,592	-	16	-	-	(145)
Prosegur Soluciones, S.A.U.	-	1	372	(9,036)	-	(40)
MIV Gestión, S.A.	-	-	142	-	-	-
Prosegur Ciberseguridad, S.L.	1,935	5	18	-	-	(804)
Indiseg Evolium Group SL	719	-	93	-	-	-
Prosegur Assets Management, S.L.U.	-	-	-	(40,709)	-	(337)
Prosegur Global SIS, S.L.U.	103,593	18	544	-	(3)	-
Prosegur Servicios de Efectivo España, S.L.U.	-	1	9,821	-	-	(2,398)
Prosegur Alarmas España, S.L.U.	-	2	-	(38,841)	-	(942)
Prosegur Global CIT, S.L.U.	-	3	8	-	-	(1,805)
Prosegur Cash, S.A.	-	30	33,435	-	-	(6,344)
Prosegur Berlín, S.L.U.	-	-	-	-	-	-
Prosegur BPO España, S.L.U.	-	-	313	-	-	(5)
Armor Acquisition, S.A.	-	-	-	-	-	(61)
Juncadella Prosegur Internacional, S.A.	-	-	831	-	-	-
Prosegur International CIT 1, S.L.	-	-	-	-	-	(3)
Prosegur International CIT 2, S.L.U.	-	-	-	-	-	(1)
Prosegur Global Alarmas ROW, S.L.U.	12,698	1	114	-	-	(400)
Prosegur Global CIT ROW, S.L.U.	-	8	-	-	-	(79)
Prosegur Global SIS ROW, S.L.U.	6,998	6	42	-	-	(461)
ESC Servicios Generales, S.L.U.	4,766	-	11	-	(6)	(1,009)
UTES	-	-	8	-	-	-
Others	-	1	36	-	-	-
Total Spain	265,283	276	51,436	(92,189)	(674)	(15,040)

PROSEGUR COMPAÑÍA DE SEGURIDAD S.A.

	Thousands of Euros					
	2017					
	Financial assets			Financial liabilities		
	Current			Current		
	Credits (Note 11)	Debtors (Note 11)	Other financial assets (Note 11)	Debts (Note 15)	Suppliers (Note 15)	Other financial liabilities (Note 15)
Subsidiaries abroad						
Prosegur Group in Abu Dhabi	737	-	-	-	-	-
Prosegur Group in Germany	2,504	-	-	-	-	-
Prosegur Group in Argentina	391	3,303	42	-	(130)	(86)
Prosegur Group in Brazil	-	6	-	-	(68)	(508)
Prosegur Group in Chile	-	81	22	-	(81)	(117)
Prosegur Group in Colombia	-	118	278	-	-	(3)
Prosegur Group in the USA	-	130	120	-	-	(208)
Prosegur Group in France	619	-	1	(10,675)	-	(42)
Prosegur Group in India	-	233	-	-	-	(32)
Prosegur Group in Luxembourg	-	-	70	(13,204)	-	-
Prosegur Group in Mexico	-	13	25	-	-	(154)
Prosegur Group in Paraguay	-	1	-	-	-	-
Prosegur Group in Peru	-	589	96	-	-	(211)
Prosegur Group in Portugal	10	5	2	(1,002)	-	-
Prosegur Group in Uruguay	-	337	-	-	(11)	(69)
Total Foreign	4,261	4,816	656	(24,881)	(290)	(1,430)
Total	269,544	5,092	52,092	(117,070)	(964)	(16,470)

Financial assets - the loans correspond, on the one hand, to short-term loans delivered to group companies within the framework of the centralised treasury management. These are denominated in EUR, accruing annual interest of 0.75% in Spain, of 1.75% in France and 1% in Germany. We also found short-term loans granted to subsidiaries in Abu Dhabi and Argentina, denominated in EUR and accruing annual interest of 6.25% in Abu Dhabi and of 5.75% in Argentina (0.75 % in Spain, 6.75% in France, 1% in Hong Kong, 6.25% in Argentina, 5.75%, in 2017). Interest accrued amounted to EUR 2,569 thousand in 2018 (EUR 2,845 thousand in 2017).

Financial liabilities - the debts correspond, on the one hand, to short-term loans received from group companies within the framework of the centralised treasury management. They are denominated mainly in EUR, accruing annual interest of 0.75% in Spain, 0.75% in Portugal and 1.25% in France. We also found short-term loans granted to the Company mainly by subsidiaries in Luxembourg, denominated in EUR and accruing annual interest of 0.75% (2017: 0.75% in Spain, 0.75% in Portugal). Interest accrued amounted to EUR 821 thousand in 2018 (EUR 603 thousand in 2017).

Receivables and suppliers mostly reflect the outstanding balances relating to invoices for centralised services issued to and received from, respectively, the various Group companies.

The current accounts with Group companies (other financial assets and other financial liabilities), include payments and collections of balances payable to/receivable from each consolidated tax group company, as follows:

PROSEGUR COMPAÑÍA DE SEGURIDAD S.A.

	Thousands of Euros					
	2018			2017		
	Other payments /receipts	Corporate Income Tax	Receivable/ (payable)	Other payments/ receipts	Corporate Income Tax	Receivable/ (payable)
Prosegur Global CIT, S.L.U.	-	(1,694)	(1,694)	-	(1,797)	(1,797)
Prosegur Global CIT ROW, S.L.U.	-	(163)	(163)	(30)	(49)	(79)
JUNCADELLA Prosegur INT., S.A.	-	(31,596)	(31,596)	-	831	831
Prosegur Gestión de Activos, S.L.U.	46	3,915	3,961	728	187	915
UTES	-	-	-	8	-	8
Prosegur Servicios de Efectivo España,	(182)	3,182	3,000	(179)	7,602	7,423
Prosegur Internacional SIS, S.L.U.	17	(77)	(60)	80	(40)	40
Prosegur Soluciones, S.A.	(5)	(380)	(385)	(40)	372	332
ARMOR ACQUISITION, S.A.	-	(1,525)	(1,525)	-	(61)	(61)
Prosegur Internacional Alarmas, S.L.U.	12	(89)	(77)	16	(145)	(129)
Prosegur Global Alarmas ROW, SL	10	(50)	(40)	104	(390)	(286)
Formación, Selección y Consultoría	-	7	7	(7)	219	212
Prosegur BPO España, S.L.U.	-	-	-	6	302	308
Prosegur Global SIS, S.L.U.	86	(461)	(375)	347	197	544
Prosegur SIS España, S.L.U.	(13)	1,007	994	142	4,012	4,154
ESC Servicios Generales, S.L.U.	(1)	(245)	(246)	9	(1,007)	(998)
Prosegur Gestión Activos Int., S.L.U.	(4)	(2)	(6)	3	(22)	(19)
Prosegur USAP Internacional S.L.U.	-	(6)	(6)	2	(2)	-
Transportadora de Caudales	37	-	37	-	-	-
Prosegur Alarmas España, S.L.U.	(19)	619	600	(292)	(650)	(942)
Prosegur Internacional CIT 1, S.L.U.	-	(2)	(2)	-	(3)	(3)
Prosegur Internacional CIT 2, S.L.U.	-	(4)	(4)	-	(1)	(1)
Prosegur Global SIS ROW, S.L.U.	4	(503)	(499)	42	(461)	(419)
Prosegur Global Alarmas, S.L.U.	41	(311)	(270)	187	(75)	112
Compañía Ridur, S.A.	-	(2)	(2)	-	12	12
Prosegur Ciberseguridad, S.L.	2	(1,107)	(1,105)	18	(804)	(786)
Prosegur Assets Management, S.L.U.	(35)	(98)	(133)	(264)	(73)	(337)
Prosegur Cash, S.A.	(1,818)	(8,028)	(9,846)	33,435	(6,344)	27,091
Others	36	-	36	36	-	36
MIV Gestión, S.A.	-	46	46	-	142	142
Indiseg Evolium Group SL	-	(83)	(83)	9	84	94
Prosegur SIS USA Inc.	27	-	27	-	-	-
Xiden SACI	(3)	-	(3)	-	-	-
Prosegur Tecnología Argentina	(2)	-	(2)	-	-	-
General Industries Argentina	(8)	-	(8)	-	-	-
Prosegur Holding, S.A.	(7)	-	(7)	-	-	-
Prosegur Argentina, S.A.	2	-	2	-	-	-
Prosegur Brasil, S.A.	(230)	-	(230)	-	-	-
Prosegur Seguridad, S.A.	(17)	-	(17)	-	-	-
Prosegur Gestao de Efetivo	(44)	-	(44)	-	-	-
Prosegur Tecnología	(238)	-	(238)	-	-	-
Compañía de Seguridad Peru	(180)	-	(180)	-	-	-
Proseguridad	20	-	20	-	-	-
Prosegur Cajeros S.A.	(32)	-	(32)	-	-	-
Prosegur Tecnología Peru	2	-	2	-	-	-
Orus, S.A.	14	-	14	-	-	-
Prosegur Activa Peru	7	-	7	-	-	-
Segtech Ventures	4	(33)	(29)	-	-	-
Prosegur Security Holding	(4)	-	(4)	-	-	-
SingPai India Private	(32)	-	(32)	-	-	-
Servicios de Seguridad	(116)	-	(116)	-	-	-
Empresa de Transportes Cia de Seguridad Chile	15	-	15	-	-	-
Prosegur Chile	7	-	7	-	-	-
Prosegur Seguridad Privada Logistica	6	-	6	-	-	-
Prosegur Seguridad Privada	11	-	11	-	-	-
Prosegur Consultoria	(141)	-	(141)	-	-	-
Prosegur Custodias	2	-	2	-	-	-
Grupo Mercurio de Transporte	(8)	-	(8)	-	-	-
Integrum 2008	-	33	33	-	-	-
Prosegur Ciberseguridad Internacional	(335)	-	(335)	-	-	-
Bloggers Brokers	-	14	14	-	-	-
Contesta TeleServicios	-	143	143	-	-	-
Tellex	(48)	-	(48)	-	-	-
Prosegur Global Cyber	-	(1)	(1)	-	-	-
Contesta Servicios Auxiliares	-	90	90	-	-	-
Prosegur AVOS	-	70	70	-	-	-
Prosegur Colombia 2	-	(1)	(1)	-	-	-
Prosegur Colombia	273	-	273	-	-	-
Total	(2,841)	(37,335)	(40,176)	34,358	2,036	36,397

PROSEGUR COMPAÑÍA DE SEGURIDAD S.A.

Transactions between the Company and Group companies are as follows:

	Thousands of Euros					
	2018					
	Income			Expenses		
Services provided and other income	Interest (Note 3)	Dividends (Note 3)	Services rendered	Interest (Note 4)	Result due to impairment (Note 9)	
Prosegur Soluciones Integrales de Seguridad España, S.L.U.	(2,595)	92	-	(353)	-	-
Prosegur Gestión de Activos, S.L.U.	-	455	10,000	(733)	-	-
Prosegur Global Alarmas, S.L.U.	-	356	-	(16)	-	-
Compañía Ridur, S.A.	-	-	-	-	(9)	-
Formación, Selección y Consultoría, S.A.	-	-	-	(5)	(9)	-
Prosegur Gestión de Activos Internacional, S.L.U.	-	-	-	-	(2)	-
Prosegur Internacional SIS, S.L.U.	-	190	-	-	-	-
Prosegur Internacional Alarmas, S.L.U.	-	97	-	-	-	-
Prosegur Soluciones, S.A.U.	-	-	-	(48)	(57)	-
Prosegur Ciberseguridad, S.L.	-	21	-	(6)	-	-
Indiseg Evolium Group, S.L.	-	4	-	-	-	-
Prosegur Assets Management, S.L.U.	-	-	25,050	(13)	(369)	-
Prosegur Global SIS, S.L.U.	-	849	-	(104)	-	-
Prosegur Servicios de Efectivo España, S.L.U.	-	-	-	(119)	-	-
Prosegur Alarmas España, S.L.U.	-	-	-	(44)	(266)	-
Prosegur Global CIT, S.L.U.	-	-	-	(4)	-	-
Prosegur Cash, S.A.	27,398	-	60,205	(84)	-	-
Prosegur BPO España, S.L.U.	-	-	-	(1)	-	-
Prosegur Global Alarmas ROW, S.L.U.	-	117	-	(6)	-	-
Prosegur Global CIT ROW, S.L.U.	-	-	-	(283)	-	-
Prosegur Global SIS ROW, S.L.U.	-	-	-	(31)	-	-
ESC Servicios Generales, S.L.U.	2,027	62	-	(16)	(2)	-
Prosegur Global Cyber	-	3	-	-	-	-
Segtech Ventures, S.A.	-	17	-	-	-	-
Prosegur Foundation	-	-	-	(11)	-	-
Prosegur Group in Abu Dhabi	-	23	-	-	-	-
Prosegur Group in Argentina	2,167	137	-	(4)	-	-
Prosegur Group in Australia	-	-	-	(18)	-	-
Prosegur Group in Brazil	287	-	-	-	-	-
Prosegur Group in Peru	1,382	-	-	5	-	-
Prosegur Group in Chile	(253)	-	-	(8)	-	-
Prosegur Group in France	41	-	-	-	(4)	-
Prosegur Group in Colombia	33	-	-	-	-	-
Prosegur Group in Germany	-	72	-	(1)	-	-
Prosegur Group in Uruguay	1,287	-	-	-	-	-
Prosegur Group in Portugal	85	-	-	(2)	(8)	-
Prosegur Group in Mexico	(75)	29	-	-	-	-
Prosegur Group in Luxembourg	-	-	-	-	(95)	(38)
Prosegur Group in the USA	-	46	-	(76)	-	-
Total	31,784	3,570	95,255	(1,981)	(821)	(38)

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	Thousands of Euros					
	2017					
	Income			Expenses		Result due to impairment (Note 9)
	Services provided and other income	Interest (Note 3)	Dividends (Note 3)	Services rendered	Interest (Note 4)	
Prosegur Soluciones Integrales de Seguridad España, S.L.U.	4,758	133	-	(828)	-	-
Prosegur Gestión de Activos, S.L.U.	733	697	-	(2,965)	-	-
Prosegur Global Alarmas, S.L.U.	72	186	-	(73)	-	-
Formación, Selección y Consultoría, S.A.	11	-	-	(11)	(7)	-
Prosegur Gestión de Activos International, S.L.U.	-	3	-	-	-	-
Prosegur International SIS, S.L.U.	-	80	-	-	-	-
Prosegur USAP International, S.L.U.	-	2	-	-	-	-
Prosegur International Alarmas, S.L.U.	-	16	-	-	-	-
Prosegur Soluciones, S.A.U.	55	-	-	(55)	(40)	-
Prosegur Ciberseguridad, S.L.	38	18	-	(38)	-	-
Indiseq Evolium Group, S.L.	2	9	-	(2)	-	-
Prosegur Assets Management, S.L.U.	2	-	775,000	(2)	(192)	-
Prosegur Global SIS, S.L.U.	298	347	-	(428)	-	-
Prosegur Servicios de Efectivo España, S.L.U.	177	-	-	(177)	-	-
Prosegur Alarmas España, S.L.U.	67	-	-	(67)	(300)	-
Prosegur Global CIT, S.L.U.	30	-	-	(30)	-	-
Prosegur Cash, S.A.	31,137	67	54,774	(568)	75	-
Prosegur BPO España, S.L.U.	3	-	-	(3)	-	-
Prosegur Global Alarmas ROW, S.L.U.	38	76	-	(38)	-	-
Prosegur Global CIT ROW, S.L.U.	245	-	-	(245)	-	-
Prosegur Global SIS ROW, S.L.U.	153	51	-	(153)	-	-
ESC Servicios Generales, S.L.U.	10	10	-	(52)	-	-
Others	28	-	-	(28)	-	-
Prosegur Group in Abu Dhabi	-	27	-	-	-	-
Prosegur Group in Argentina	1,465	527	-	(331)	-	-
Prosegur Group in Brazil	446	-	-	(171)	-	-
Prosegur Group in Peru	711	-	-	(5)	(7)	-
Prosegur Group in Chile	257	-	-	(467)	-	773
Prosegur Group in France	12	578	-	(12)	-	-
Prosegur Group in Portugal	81	10	-	(29)	(45)	-
Prosegur Group in Colombia	57	-	-	(5)	-	-
Prosegur Group in Germany	8	4	-	(8)	-	-
Prosegur Group in Uruguay	593	-	-	(17)	-	-
Prosegur Group in Paraguay	2	-	-	(1)	-	-
Prosegur Group in Mexico	76	-	-	-	-	-
Prosegur Group in Australia	36	-	-	(36)	-	-
Prosegur Group in Luxembourg	-	-	-	-	(87)	-
Prosegur Group in India	46	-	-	-	-	-
Prosegur Group in the USA	70	-	-	(70)	-	-
Prosegur Group in China	-	4	-	-	-	-
Total	41,717	2,845	829,774	(6,915)	(603)	773

Within the services given and other revenue are EUR 31,784 thousand (EUR 41,717 thousand in 2017) invoiced for use of the trademark. In this sense, Prosegur Compañía de Seguridad, S.A., owner of the "Prosegur" brand, concedes its brand to the rest of the Group's companies and invoices them based on the utility that it reports to the different lessee entities. The Company policy follows the OECD Guidelines on Transfer Pricing. In 2018, a regularisation of the revenue by brand for EUR 2,086 thousand corresponding to income for the year 2017 was included.

Services rendered mainly include EUR 993 thousand (EUR 2,281 thousand in 2017) for the billing received in relation to centralised services, registered in the section on external services, are included under the heading of Other operating expenses.

Interest income and borrowing costs reflect the amounts accrued on the aforementioned current loans extended to and by Group companies.

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b) Other related parties

Goods and services

In October 2005 Prosegur and Proactinmo, S.L.U. (controlled by Gubel, S.L.) signed a lease contract for the building located at Calle Santa Sabina, 8 (Madrid), which is adjacent to a building at Calle Pajaritos, 24. In 2018 and 2017, no expense was received for said lease contract. In December 2015 the novation of the contract was signed updating the current rent to market conditions, established as EUR 1,096 thousand and extending the term of the contract from five to ten years, renewable for a further year.

In December 2015 Prosegur and Proactinmo, S.L.U. (controlled by Gubel, S.L.) for the building located in Calle Pajaritos, number 24, Madrid. This contract has a term of ten years, and may be extended for an additional year and was arranged at arm's length. In 2018 and 2017, no expense was received for said lease contract.

These contracts were assigned to Prosegur Gestión de Activos S.L. On 1 January 2017, which is subrogated in the Company's position (Note 18).

During the year, Euroforum Escorial S.A. (controlled by Gubel S.L.) invoiced no service to Prosegur Security Company, S.A.

Through the company Gesconsult S.A., Prosegur invested EUR 50,000 thousand in a fixed income fund, for which an expense was recognised for a management fee of 0.60%. The chairman of Gesconsult, Juan Lladó Fernández-Urrutia, is an in-law of Mr Christian Gut Revoredo. The Board of Directors considers that this fact in no way affects Mr Christian Gut Revoredo's independence to hold the position of Executive Director of Prosegur.

20. Remuneration of Directors and Senior Management Personnel

a) Remuneration of members of the board of directors

The total remuneration accrued by members of the board of directors is as follows:

	Thousands of Euros	
	2018	2017
Fixed remuneration	1,724	1,717
Variable remuneration	308	250
Remuneration for membership of the Board and	160	160
Per diems	143	190
Life insurance premiums	67	66
Total	2,402	2,383

b) Remuneration of senior management personnel

Senior management personnel are Company employees who hold, de facto or de jure, senior management positions reporting directly to the board of directors, executive committees or managing directors on the board, including those with power of attorney not limited to the entity's statutory activity or specific areas or matters.

The total remuneration accrued by senior management personnel of the Company is as follows:

	Thousands of Euros	
	2018	2017
Fixed remuneration	1,467	1,354
Variable remuneration	629	1,030
Remuneration in kind	24	43
Life insurance premiums	5	6
Total	2,125	2,433

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These amounts reflect the provisions for the accrued incentive, payable in cash, corresponding to the 2017 and 2020 Plan (Note 25.9).

In this period, provisions to results were made of EUR 2,855 thousand (2,162 thousand in 2017) (Note 3). This amount includes the adjustment for fair value of the share price for the Plan 2017 and the Plan 2020 and the corresponding accrual.

In 2018, EUR 374 thousand were applied (EUR 814 thousand in 2017).

The fair value of the incentives referred to the share quotation price was estimated on the basis of Prosegur's share quotation price at the close of the period or at the payment time.

Lastly, this provision was recognised as current provisions in an amount of EUR 3,076 thousand (EUR 6,288 thousand in 2017) since the maturity of this commitment will take place in the first half of 2019 regarding the Plan 2017.

c) Information required by article 229 of the Spanish Companies Act

As required by articles 228, 229 and 230 of the Restated Text of the Spanish Companies Act, approved by Royal Decree Act 1/2010 of 2 July 2010 and amended by Act 31/2014 concerning improvements to corporate governance, the members of the board of directors declare that they have not been involved in any direct or indirect conflicts of interest with the company in 2017.

Recurrently, and for many years before the appointment of Fernando Vives as a director of the Company, the law firm J&A Garrigues, S.L.P. has provided Prosegur with legal counsel and tax advice, within the ordinary course of business and in market terms. Prosegur does not work solely with J&A Garrigues, S.L.P., but also receives legal counsel and tax advice from other firms. The fees received by J&A Garrigues, S.L.P. from Prosegur are not material for the firm and neither do they represent a significant amount on the accounts of Prosegur. At 31 December 2018, fees totalled EUR 70 thousand (EUR 235 thousand at 31 December 2017).

Furthermore, these services are provided through partners from the firm other than Fernando Vives, whose remuneration as a partner of J&A Garrigues, S.L.P. is entirely independent and in no way linked to the amount invoiced by the firm to Prosegur. Accordingly, the Board of Directors considers that the business relationship between the law firm J&A Garrigues, S.L.P. and Prosegur, due to its recurrent, non-exclusive nature in the ordinary course of business, and its scant significance in the terms outlined, in no way affects the independence of Fernando Vives to discharge the duties of independent director of Prosegur.

21. Employee Information

The average headcount of the Company in these years, distributed by category, is as follows.

	<u>2018</u>	<u>2017</u>
Indirect personnel	30	27
Total	30	27

At year end the distribution by gender of Company personnel is as follows:

	<u>2018</u>		<u>2017</u>	
	<u>Female</u>	<u>Male</u>	<u>Female</u>	<u>Male</u>
Indirect personnel	10	21	9	21
Total	10	21	9	21

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The year-end (and average) distribution by gender of the board of directors and senior management personnel is as follows:

	2018		2017	
	Female	Male	Female	Male
Directors	2	5	2	7
Senior Management	-	9	1	10
Total	2	14	3	17

There are no employees in the Company with a disability rating of 33% or more.

22. Audit Fees

KPMG Auditores, S.L., the auditors of the annual accounts of the Company, have invoiced the following fees and expenses for professional services:

	Thousands of Euros	
	2018	2017
Audit services	373	253
Other audit-related services	2	147
Total	375	400

Audit services detailed in the above table include the total fees for services rendered in 2018 and 2017, irrespective of the date of invoice.

Other services related to the audit correspond mainly to limited audits of interim financial statements, reports on procedures agreed for compliance with covenants and others, provided by KPMG Auditores, S.L. to Prosegur Compañía de Seguridad, S.A. for the year ending 31 December 2018.

Additionally, other KPMG International affiliates have invoiced the Company the following fees for professional services during the year:

	Thousands of Euros	
	2018	2017
Tax assessment	-	149
Other services	30	168
Total	30	317

Under Other services, financial advisory services are included mainly in the evaluation of the takeover of businesses (due diligence and related services).

23. Financial Risk Management

Financial Risk Factors

The Company's activities are exposed to various financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's risk management programme focuses on uncertainty in the financial markets and aims to minimise potential adverse effects on the Company's business.

The Company uses hedges to mitigate certain risks. Risk management is controlled by the Company's Treasury Department, which identifies, proposes and carries out the hedging instructions approved by the Company's Executive Committee.

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(i) Currency risk

The Company mainly operates on a national basis. Likewise, Prosegur Group, of which the Company is the parent, operates internationally. As a result, the Company is exposed to currency risk when operating with its subsidiaries in foreign currencies and through the assets and liabilities contracted in foreign currencies from third parties, specifically the Brazilian Real, the American Dollar and, to a lesser extent, the Argentine Peso. Currency risk is associated with recognised assets and liabilities denominated in foreign currency.

Management has a currency risk management policy to control the risk arising from the exchange of foreign currencies to its functional currency to minimise the Company's exposure. Currency risk arises when future transactions or recognised assets and liabilities are presented in a currency other than the parent's functional currency.

When so required by its policies and market expectations, the Company uses forward contracts approved and contracted by the Treasury Department in the corresponding market to control currency risk arising on commercial transactions and recognised assets and liabilities. The Treasury Department is responsible for managing the net position of each foreign currency by entering into external or local forward currency contracts, depending on their competitiveness and appropriateness.

Since the Company, as parent of the Prosegur Group, intends to remain in the foreign markets in which it is present in the long term or permanently, it does not hedge the currency risk related to equity investments in those markets.

The value of the financial assets and liabilities attributable to the Company at 31 December, by type of currency, is as follows:

	Thousands of Euros			
	2018		2017	
	Assets	Liabilities	Assets	Liabilities
Euros	961,567	980,890	816,202	812,733
Argentine Peso	-	-	-	308
US Dollar	-	159	-	104
Peruvian Nuevo Sol	834	-	-	-
Colombian Pesos	-	-	-	1,981
Brazilian Real	-	1,906	-	151
Chilean Peso	-	25	347	-
South African Rand	-	-	4,480	-
Mexican Peso	21	-	-	-
Total	962,422	982,980	821,029	815,277

(ii) Interest rate, cash flow and fair value risks

As the Company does not have a significant amount of assets remunerated at variable interest rates, income and cash flows from operating activities are not significantly affected by fluctuations in market interest rates.

Interest rate risk mainly arises from non-current borrowings. Borrowings at variable interest rates expose the Company to cash flow interest rate risks. Fixed-interest borrowings expose the Company to fair value interest rate risks.

In 2018 and 2017 the Company's borrowings at variable interest rates were basically denominated in EUR.

The Company analyses its interest rate risk exposure dynamically. Management performs a simulation of various scenarios, considering refinancing, the renewal of current positions, alternative financing and hedges. Based on these scenarios, the Company calculates the effect of a certain variation in interest rates on profit and loss. The scenarios are only analysed for the liabilities that represent the most significant positions in which a variable interest rate is paid.

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Details of loans and borrowings by debentures and other negotiable securities and bank loans and borrowings, either at a fixed rate or using derivatives, are as follows:

	Thousands of Euros		
	2018		
	Total debt	Hedged debt	Debt exposure
Non-current (Note 15)	696,566	696,566	-
Current (Note 15)	23,569	23,569	-
Total debt	720,135	720,135	-

	Thousands of Euros		
	2017		
	Total debt	Hedged debt	Debt exposure
Current (Note 15)	590,727	590,088	639
Total debt	590,727	590,088	639

(iii) Credit risk

The Company has no significant credit risk concentrations given that, following the 2013 spin-off of the private security business line to Prosegur España S.L.U. The Company's main activity has been that of a holding of Group companies.

(iv) Liquidity risk

The Company applies a prudent policy to cover its liquidity risks, based on having sufficient cash and marketable securities as well as sufficient financing through credit facilities to settle market positions. Given the dynamic nature of its underlying business, the Company's Treasury Department aims to be flexible with regard to financing through drawdowns on committed credit facilities.

Management monitors the Company's liquidity reserves, which comprise credit drawdowns (see Note 15) and available cash and cash equivalents (see Note 12), and are forecast based on expected cash flows.

The table below presents an analysis of the financial liabilities that will be settled for the net amount, grouped by maturities based on the period remaining from the balance sheet date until contractual maturity dates. The amounts presented in this table reflect the cash flows stipulated in the contract.

	Thousands of Euros				
	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
31 December 2018	-	31,111	700,000	-	731,111
31 December 2017	590,727	-	-	-	590,727

Finally, systematic forecasts are prepared for cash generation and requirements, allowing the Company to determine and monitor its liquidity position on an ongoing basis.

(v) Price volatility risk

As the Company is a security-holding service business, there are no significant price volatility risks.

24. Events after the Reporting Date

On 7 February 2019, the syndicated loan, of up to EUR 200,000 thousand, was renewed, and its maturity extended by another 5 years until February 2024.

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On 16 January 2019, the first payment was made of the dividend approved on 20 December 2018 for a maximum total of EUR 79,054.

25. Accounting Principles

25.1 Intangible Assets

The assets in intangible assets are posted at purchase price. The capitalisation of production cost appears under "Self constructed assets" in the income statement. Intangible fixed assets are shown in the balance sheet at cost value less the amount of accumulated depreciation and impairment.

Fixed asset prepayments are recognised initially at cost. In subsequent years and provided the period between the payment and receipt of the asset exceeds one year, prepayments earn interest at the supplier's incremental rate.

a) Computer software

Computer Software purchased and those developed by the Company, including costs of development of websites, are recognised insofar as they meet the criteria set for development costs. Such costs are amortised over the estimated useful lives of the applications, at 5 years.

Disbursements made for the development of a website for promotional purposes or the advertisement of products or services of the Company are recognised as expenses at the time these are incurred.

Computer software maintenance costs are charged as expenses when incurred.

b) Licences

Licences have defined useful lives and are recognised at cost less accumulated amortisation and impairment. Licences are amortised on a straight-line basis to allocate the cost over their estimated useful lives of between 10 years.

c) Trademarks

Trademarks are initially recognised at their cost of purchase and are presented at historical cost. They have finite useful lives and are recognised at cost less amortisation and accumulated impairment losses. Trademarks are amortised on a straight-line basis to allocate the cost over their estimated useful lives (1.6 to 30 years), and the amortisation of the Prosegur trademark is in 10 years (Note 6).

25.2 Property, Plant and Equipment

Property, plant and equipment are recognised at cost of acquisition or production, less accumulated depreciation and any accumulated impairment.

Costs incurred to extend, modernise or improve property, plant and equipment are only recorded as an increase in the value of the asset when the capacity, productivity or useful life of the asset is increased and it is possible to ascertain or estimate the carrying amount of the assets that have been replaced in inventories.

The cost of major repairs is capitalised and depreciated over their estimated useful life, while recurring maintenance costs are charged to the Profit and Loss Account during the year in which they are incurred.

The replacement of property, plant and equipment that may be capitalised carries a reduction in the carrying amount of the items replaced. When the cost of the items replaced has not been depreciated separately and the calculation of the carrying amount thereof were not feasible, the cost of replacement is used as an indication of the cost of the items at the time of acquisition or construction thereof.

Depreciation of property, plant and equipment is calculated systematically on a straight-line basis over the estimated useful lives of the assets based on the actual decline in value and use.

The Company uses the following depreciation rates:

	<u>Amortization coefficients</u>
Technical facilities	10% to 25%
Computer softwares	25%
Transport elements	16%
Other intangible	10% to 25%

The residual values and useful lives of assets are reviewed and adjusted, if necessary, at each balance sheet date.

When an asset's carrying amount exceeds its estimated recoverable amount, the carrying amount is written down immediately to the recoverable amount.

Profit and losses on the sale of property, plant and equipment are calculated as the difference between the consideration received and the carrying amount, and are recognised in the Profit and Loss Account.

25.3. Impairment Losses on Non-financial Assets

If an event or change in circumstances indicates that the carrying amount of assets subject to amortisation or depreciation may not be recoverable, Prosegur determines whether impairment losses have been incurred. The difference between the carrying amount of the asset and its recoverable amount is recognised as an impairment loss. The recoverable amount is the greater between the fair value of an asset less the costs to sell or other type of disposal, or the value in use. For the purposes of assessing impairment, assets are grouped together at the lowest levels for which there are separately identifiable cash flows (cash-generating units, CGU). Prosegur reviews impaired non-financial assets other than goodwill at the end of each reporting period to assess whether the loss has been reversed.

25.4. Financial assets

a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The assets are classified as current unless they mature in more than 12 months after the balance sheet date, in which case they are classified as non-current. Loans and receivables are generally recognised under loans to companies and trade and other receivables in the balance sheet.

These financial assets are initially carried at fair value, including directly attributable transaction costs, and are subsequently measured at amortised cost, recognising accrued interest at the effective interest rate, which is the discount rate that matches the instrument's carrying amount with all estimated cash flows to maturity. Nevertheless, trade receivables falling due in less than one year are carried at their face value on both initial recognition and subsequent measurement, provided the effect of not updating is immaterial.

Loans with interest contingent on the borrower achieving a milestone such as obtaining profits, or calculated by reference to the financial performance of the borrower, are measured at cost, plus the attributable interest. In these cases, transaction costs are recognised on a straight-line basis over the term of the loan.

At least at year end, the necessary impairment losses are recognised when there is objective evidence that all the amounts receivable will not be collected.

The impairment loss is calculated as the difference between the carrying amount of the asset and the present value of the estimated future cash flows, discounted at the effective interest rate upon initial recognition. Impairment losses are recognised and reversed in profit and loss.

b) Financial assets held for trading

An asset is classified as a financial asset held for trading if it is acquired principally for the purpose of selling it in the near term, forms part of a portfolio of identified financial instruments that are managed together for short-term profit-taking or is a derivative financial instrument, except for financial guarantee contracts or designated hedging instruments.

These financial assets are recognised at fair value both on initial recognition and on subsequent measurement and any changes in fair value are recognised in the income statement. Transaction costs directly attributable to the acquisition are recognised in the income statement.

c) Investments in equity instruments of Group companies, jointly controlled companies and associates

These investments are initially recognised at cost, which is equivalent to the fair value of the consideration paid, including for jointly controlled companies and associates the transaction costs incurred, and are subsequently measured at cost net of any accumulated impairment losses.

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If there is objective evidence that the carrying amount is not recoverable, the amount of the impairment loss is measured as the difference between the carrying amount and the recoverable amount, the latter of which is understood as the higher of the fair value less costs to sell and the present value of estimated future cash flows from the investment. Unless there is better evidence of the recoverable amount of the investment, when estimating the impairment of these types of assets, the investee's equity is taken into consideration, corrected for any unrealised gains existing at the measurement date. Impairment losses are recognised and reversed in profit and loss.

d) Available-for-sale and other non-current financial assets

This category comprises debt securities and equity instruments that are not included in the aforementioned categories. Available-for-sale financial assets are classified as non-current assets unless management intends to derecognise the investment within twelve months after the balance sheet date.

Available-for-sale financial assets are measured at fair value and any changes are recognised directly in equity until the financial asset is derecognised or impaired, at which time the cumulative gain or loss previously recorded in equity is recognised in profit or loss, provided that the fair value can be determined. Otherwise, it is recognised at cost less any impairment losses.

An available-for-sale financial asset is impaired if there is objective evidence that the estimated future cash flows are reduced or delayed, in the case of acquired debt instruments, or the carrying amount of the asset is uncollectible, in the case of equity instruments. The impairment of these assets is the difference between the cost or amortised cost less any impairment previously recognised in the income statement, and the fair value on the date of measurement. Impairment of equity instruments that are measured at cost because their fair value cannot be determined is calculated in the same way as for investments in group companies, jointly controlled entities and associates.

If there is objective evidence of impairment, the Company recognises in the income statement the accumulated losses previously recognised in equity as a result of a decrease in the fair value of the assets. Impairment losses on equity instruments recognised in the income statement are not reversed through the Profit and Loss Account.

e) Derecognition of financial assets

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received, net of transaction costs, including any new assets obtained less any new liabilities assumed and any cumulative profit or loss deferred in recognised income and expense, is recorded in profit or loss.

f) Offsetting principles

A financial asset is offset only when the Company currently has the legally enforceable right to offset the recognised amounts and intends either to settle on a net basis or to realise the asset simultaneously.

25.5. Cash and cash equivalents

Cash and cash equivalents include cash in hand, demand deposits at banks and financial instruments that are convertible to cash and have a maturity of three months or less from the date of acquisition, provided that there is no significant risk of changes in value and that they form part of the Company's usual cash management policy.

25.6. Equity

The share capital of the Company is represented by ordinary shares.

The acquisition by the Group of equity instruments of the parent company is presented at acquisition cost separately as a reduction in net equity in the consolidated balance sheet, regardless of the reason for the acquisition. No profit or loss was recognised in transactions with own equity instruments.

The subsequent amortisation of the parent's equity instruments leads to a capital reduction in the nominal amount of said shares and the positive or negative difference between the acquisition price and the nominal share price is charged or credited to reserves.

The transaction costs relating to own equity instruments are recognised as a reduction in net equity once any tax effect has been taken into account.

25.7. Financial liabilities

a) Debts and payables

This category includes trade and non-trade payables. These borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement for at least 12 months after the balance sheet date.

The payables are initially recognised at fair value, adjusted for directly attributable transaction costs, and subsequently measured at amortised cost using the effective interest method.

The effective interest rate is the discount rate that matches the instrument's carrying amount with the expected future flow of payments to the maturity date of the liability.

Nevertheless, trade payables falling due in less than one year without a contractual interest rate are carried at their face value on both initial recognition and subsequent measurement, provided the effect of not discounting flows is not significant.

If existing payables are renegotiated but the lender has not changed and the present value of future cash flows, including net fees paid, differs by less than 10% from the present value of future cash payments for the original liability, calculated using the same method, the liability is not considered to be substantially modified.

b) Derecognition of financial liabilities

A financial liability, or part of a financial liability, is derecognised when the Company either discharges the liability by paying the creditor, or is legally released from primary responsibility for the liability either by process of law or by the creditor.

c) Offsetting principles

A financial liability is offset only when the Company currently has the legally enforceable right to offset the recognised amounts and intends either to settle on a net basis or to settle the liability simultaneously.

25.8. Current and Deferred Tax

The income tax expense (income) for the year comprises current tax and deferred tax.

The current and deferred tax expense (income) is recognised in the Profit and Loss Account. However, the tax effect of items recognised directly in equity is recorded in equity.

Current tax assets and liabilities are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax laws that have been enacted or substantially enacted at the balance sheet date.

Deferred tax assets and liabilities are calculated using the liability method on the basis of the temporary differences that arise between the tax base of assets and liabilities and their carrying amount. However, if deferred tax assets or liabilities arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affect neither accounting profit nor taxable income, they are not recognised. Deferred tax assets or liabilities are measured using the tax rates that have been enacted or substantially enacted at the balance sheet date and are expected to be applicable when the corresponding deferred tax asset is realised or deferred tax liability is settled.

Deferred tax assets are recognised provided that it is probable that sufficient taxable income will be generated against which the temporary differences can be offset.

Deferred tax assets arising from deductible temporary differences are recognised provided future tax gains are likely to exist for offset thereof that will reverse within ten years. Assets arising from the initial recognition of assets and liabilities in a transaction which is not a business combination and which does not affect either the carrying profit or the taxable base on transaction date, are not subject to recognition. Assets which will reverse in a period exceeding ten years are recognised over the years, provided there is a likelihood of future tax gains.

Tax planning opportunities are only considered when assessing the recovery of deferred tax assets, if the Company intends to use them or is likely to do so.

The Company recognises the reversal of a deferred tax asset in an account receivable with a Public Entity when it is enforceable in accordance with tax legislation in force. Likewise, the Company recognises the exchange of a deferred tax asset for Public Debt Securities when ownership thereof is acquired.

25.9. Employee benefits

a) Compensations based on the share price of Prosegur shares - 2017 and 2020 Plan

At the general meeting held on 28 April 2015, the shareholders approved the 2017 Plan of long-term incentives for Prosegur Executive Director and Management. The 2017 Plan is generally linked to value creation during the 2015-2017 period and foresees the payment of share-based incentives and/or cash-based incentives to the Executive Director and Management.

At the general meeting held on 28 May 2018, the shareholders approved the 2020 Plan of long-term incentives for Prosegur Executive Director and Management. The Plan is linked to the creation of value in the 2018-2020 period and envisages the payment of cash incentives, calculated for certain beneficiaries based on the share price. The Plan has duration of three years and is based on length of service and target achievement. In the vast majority of cases, the Plan measures target achievement from 1 January 2018 until 31 December 2020 and length of service from 1 January 2018 until 31 December 2022.

In both plans, for the purpose of determining the value in cash of each share to which the Beneficiary is entitled, the average listed price of the Prosegur shares on the Stock Exchange will be taken as reference during the last fifteen trading sessions of the month prior to the one in which the shares are awarded.

Quantification of the total incentive will depend on the degree of achievement of the targets established in the strategic plan.

The 2017 and 2020 long-term incentive plans for the Executive Director and Senior Management of Prosegur, within the Salaries and wages paragraph, have been included in the expense accrued during the year in relation to the 2018 commitment amounting to EUR 2,855 thousand (EUR 2,162 thousand in 2017) (Note 3).

The fair value of the incentives referred to the share quotation price was estimated on the basis of Prosegur's share quotation price at the close of the period, EUR 4.42 share (EUR 6.55 share in 2017) or at the payment time.

b) Termination benefits

Termination benefits are paid to employees as a result of the Company's decision to terminate employment before the normal retirement age or when the employee accepts voluntary redundancy in exchange for these benefits. The Company recognises these benefits when it has demonstrably committed to terminating the employment of employees, in accordance with a detailed formal plan with no possibility of withdrawal, or to granting termination benefits in an offer of voluntary redundancy.

c) Profit-sharing plans and bonuses

The Company calculates the liability and expense for bonuses using a formula based on EBITDA (earnings before interest, tax, depreciation and amortisation) when these are contractually binding or where past practice has given rise to implicit obligations.

d) Remuneration of senior management

As well as profit-sharing plans, Prosegur has incentive plans for senior management linked to the achievement of certain targets set by the corresponding remuneration committees. At the end of the reporting period, provision has been made for these plans based on management's best possible estimate of the extent to which targets will be met.

25.10. Provisions and Contingent Liabilities

Provisions for possible restructuring costs and/or litigation are recognised when the Company has a present obligation (legal or tacit) as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the estimated expenditure required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Any adjustments made to update the provision are recognised as a financial expense when accrued.

Provisions expiring in one year or less, the financial effect of which is immaterial, are not discounted.

PROSEGUR COMPAÑÍA DE SEGURIDAD S.A.

Reimbursements from third parties of the expenditure required to settle a provision are recognised as a separate asset provided that it is virtually certain that the reimbursement will be received.

Possible obligations arising from past events, the materialisation of which is contingent on one or more future events beyond the control of the consolidated entities, are considered contingent liabilities. These contingent liabilities are not recognised in the accounts but are disclosed in the notes (see Note 17).

25.11. Business Combinations

In accordance with the third transitional provision of Royal Decree 1514/2007, the Company has only recognised business combinations that occurred on or after 1 January 2008, the date of transition to the Spanish General Chart of Accounts, using the acquisition method. Business combinations that occurred prior to that date were recognised in accordance with accounting principles prevailing at that time, taking into account the necessary corrections and adjustments at the transition date.

Business combinations carried out since 1 January 2010 are recognised by applying the acquisition method established in Recognition and Measurement Standard 19 of the Spanish General Chart of Accounts amended by article 4 of Royal Decree 1159/2010, which approves the standards for the preparation of consolidated annual accounts and amends the Spanish General Chart of Accounts.

The Company applies the acquisition method for business combinations, except for mergers, spin-offs and non-monetary contributions of a business between group entities.

Mergers, spin-offs and non-monetary contributions between group companies are recognised using the criteria applicable to related party transactions (see Note 25.17).

Business combinations arising as a result of the acquisition of shares or equity holdings in a company are recognised using the criteria applicable to investments in group companies, jointly controlled companies and associates (see Note 25.4).

The acquisition date is the date on which the Company obtains control of the acquiree.

25.12. Revenue recognition

Revenue is recognised at the fair value of the consideration receivable and reflects the amounts to be collected for goods handed over and services rendered in the ordinary course of the Company's activities, less returns, rebates, discounts and value added tax.

The Company recognises revenue when the amount can be reliably estimated, it is probable that the future economic benefits will flow to the Company and the specific conditions are met for each of the activities, as described below. The Company's estimates are based on historical results, taking into account customer type, transaction type and specific contractual terms.

In accordance with the Resolution of the Institute of Accounting and Auditing (I.C.A.C) 79/2009 Consultation 2, regarding the classification in individual annual accounts of income and expenses of a holding company, whose main activity is the holding of shares and the financing of transactions carried out by its investees, income from dividends and interest earned from funding granted to investees are classified as net turnover in the Profit and Loss Account. An item has been added within the operating margin to reflect impairment losses in equity instruments associated with its activity.

Initial estimates of revenues are reviewed where circumstances so require. These reviews may result in an increase or reduction in the estimated revenues and costs, and are recognised in the income statements for the period in which the circumstances giving rise to the review become known to management.

a) Provision of services

These primarily consist of trademark assignment services and up to 2017 general services provided by the Group parent company such as management and administrative support, marketing services, information technology, legal and tax advice provided by the Company to its subsidiaries.

b) Interest received

Interest income is recognised using the effective interest method. When a receivable is impaired, the Company writes the carrying amount down to the recoverable amount, discounting estimated future cash flows at the original effective interest rate of the instrument, and carries the discount as a reduction in interest received. Interest received on impaired loans is recognised using the effective interest method.

c) Dividend received

Dividends received are recognised when the right to receive payment is established.

25.13. Leases

a) Operating leases - lessee

Leases in which the lessor retains substantially all the risks and rewards incidental to ownership are classified as operating leases. Lease payments under an operating lease (net of any incentive received) are recognised, when accrued, as an expense on a straight-line basis over the lease term.

25.14. Foreign Currency Transactions

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the transaction date. Foreign currency profit and losses arising on the settlement of these transactions and the translation into EUR of monetary assets and liabilities denominated in foreign currencies at the closing exchange rate are recognised in profit or loss.

25.15. Related Party Transactions

Transactions between Group companies, except those related to mergers, spin-offs and non-monetary contributions, are initially recognised at the fair value of the consideration given or received. If the agreed price differs from the fair value, the difference is recognised based on the economic substance of the transaction. Transactions are subsequently measured in accordance with applicable standards.

In the non-monetary contributions to a group company, the contributor will value their investment at the carrying amount of the delivered equity items in the consolidated annual accounts on the date on which the transaction is made, according to the Standards for the Preparation of Consolidate Annual Accounts. The acquiring company will recognise them for the same amount.

In the merger and spin-off transactions between companies of the group in which the parent company of the group or the parent company of a subgroup and its subsidiary directly or indirectly intervene, the acquired equity items are valued for the amount that would correspond to them after the operation in the consolidated annual accounts of the group or subgroup according to the aforementioned Standards for the Preparation of Consolidate Annual Accounts. The difference that could be shown in the accounting entry by the application of the above criteria will be recorded in a reserves item.

Appendix I – Investments in Group Companies

Below is the information relating to shares held in Group companies:

Obs.	Business name	Registered offices	Activ.	2018					
				Shareholding		Voting right		Auditor	
				Dir. %	Ind. %	Dir. %	Ind. %		
*	Prosegur Gestion de Activos, S.L.U.	Pajaritos, 24	Madrid	5	100%	-	100%	-	A
*	Prosegur Global Alarmas, S.L.U.	Pajaritos, 24	Madrid	5	100%	-	100%	-	A
	Compañía Ridur S.A.	Pajaritos, 24	Madrid	7	100%	-	100%	-	B
*	Prosegur Asset Management, S.L.	Pajaritos, 24	Madrid	5	100%	-	100%	-	B
*	Prosegur Global SIS, S.L.	Pajaritos, 24	Madrid	5	100%	-	100%	-	A
*	Prosegur Cash, S.A.	Santa Sabina, 8	Madrid	5	51%	22,5%	51%	22,5%	A
*	Prosegur Global Alarmas ROW, S.L.	Pajaritos, 24	Madrid	5	100%	-	100%	-	B
*	Prosegur Global SIS ROW, S.L.	Pajaritos, 24	Madrid	5	100%	-	100%	-	A
*	Prosegur Global Cyber Security, S.L.U.	Pajaritos, 24	Madrid	5	100%	-	100%	-	B
*	Prosegur Holding, S.A.	Tres Arroyos 2835	Cuidad de Buenos Aires	5	9%	91%	9%	91%	A
*	Prosegur Inversiones, S.A.	Tres Arroyos 2835	Cuidad de Buenos Aires	5	9%	91%	9%	91%	A
	Prosegur Tecnologia Chile Ltda.	Avda.Loboza 8395, Mod,3	Pudahuel-Santiago	1	0%	100%	0%	100%	B
	Prosegur Gestao de Activos, Ltda.	Thomas Edison 813 Barra Funda	San Pablo	7	0%	100%	0%	100%	B
	Prosegur Tecnologia Peru, S.A.	La Chira, 103 Surco	Lima	1	99%	1%	99%	1%	B
	Prosegur Activa Perú, S.A.	Avda.República de Panamá, 3890-Surquillo	Lima	3	0%	100%	0%	100%	B
	Prosegur Servicios Administrativos, S.A.	La Chira, 103 Surco	Lima	7	99%	1%	99%	1%	B
	Prointrans, LLC	411 Lafayette Street, 6th Floor, NY 10003	New York	5	100%	-	100%	-	B
	Prosegur Technological Security Solutions LLC	Al Falah Street-211	Abu Dhabi	1	49%	-	49%	-	B

Obs: (*): These companies have a stake in other group companies within their same geographical area.

Activity: 1. Integrated Security Solutions 2. Cash in Transit 3. Alarms 4. Two or more activities 5. Holding company 6: Financial Services 7: Auxiliary Services 8: Inactive

Auditor: A. Audited by KPMG B. Not subject to audit C. Others

PROSEGUR COMPAÑÍA DE SEGURIDAD, S.A.

Notes to the Annual Accounts
31 December 2018

Obs.	Business name	Registered offices		Activ.	2017				Auditor
					Shareholding		Voting right		
				Dir. %	Ind. %	Dir. %	Ind. %		
*	Prosegur Gestion de Activos, S.L.U.	Pajaritos, 24	Madrid	5	100%	-	100%	-	A
*	Prosegur Global Alarmas, S.L.U.	Pajaritos, 24	Madrid	5	100%	-	100%	-	A
	Compañía Ridur S.A.	Pajaritos, 24	Madrid	7	100%	-	100%	-	B
*	Prosegur Ciberseguridad España, S.L.	Pajaritos, 24	Madrid	1	100%	-	100%	-	B
*	Prosegur Asset Management, S.L.	Pajaritos, 24	Madrid	5	100%	-	100%	-	B
*	Prosegur Global SIS, S.L.	Pajaritos, 24	Madrid	5	100%	-	100%	-	A
*	Prosegur Cash, S.A.	Santa Sabina, 8	Madrid	5	51%	22,5%	51%	22,5%	A
*	Prosegur Global Alarmas ROW, S.L.	Pajaritos, 24	Madrid	5	100%	-	100%	-	B
*	Prosegur Global SIS ROW, S.L.	Pajaritos, 24	Madrid	5	100%	-	100%	-	A
	Dognaedis, Lda.	Coimbra	Coimbra	1	100%	-	100%	-	B
*	Prosegur Holding, S.A.	Tres Arroyos 2835	Cuidad de Buenos Aires	5	9%	91%	9%	91%	A
*	Prosegur Inversiones, S.A.	Tres Arroyos 2835	Cuidad de Buenos Aires	5	9%	91%	9%	91%	A
	Prosegur Tecnologia Chile Ltda.	Avda.Loboza 8395, Mod,3	Pudahuel-Santiago	1	0%	100%	0%	100%	B
	Prosegur Gestao de Activos, Ltda.	Thomas Edison 813 Barra Funda	San Pablo	7	0%	100%	0%	100%	B
	Prosegur Tecnologia Peru, S.A.	La Chira, 103 Surco	Lima	1	99%	1%	99%	1%	B
	Prosegur Activa Perú, S.A.	Avda.República de Panamá, 3890-Surquillo	Lima	3	0%	100%	0%	100%	B
	Prosegur Servicios Administrativos, S.A.	La Chira, 103 Surco	Lima	7	99%	1%	99%	1%	B
	Prointrans, LLC	411 Lafayette Street, 6th Floor, NY 10003	New York	5	100%	-	100%	-	B
	Prosegur Ciberseguridad SAS	TV 23 · 95-53	Bogota D.C.	1	100%	-	100%	-	B
	Prosegur Technological Security Solutions LLC	Al Falah Street-211	Abu Dhabi	1	49%	-	49%	-	B

Obs: (*): These companies have a stake in other group companies within their same geographical area.

Activity: 1. Integrated Security Solutions 2. Cash in Transit 3. Alarms 4. Two or more activities 5. Holding company 6: Financial Services 7: Auxiliary Services 8: Inactive

Auditor: A. Auditada por KPMG B. No sujeta a auditoría C. Otros

PROSEGUR COMPAÑÍA DE SEGURIDAD, S.A.

Notes to the Annual Accounts
31 December 2018

		2018						
Thousands of euros		EQUITY				Operating result	Profit for the year	Dividends Received
Business name	Country	Net book value	Capital	Reserves	Other items			
Companies in Spain:								
Prosegur Gestion de Activos, S.L.U.	Spain	163.026	29.953	2.420	129.047	29.299	21.993	10.000
Prosegur Global Alarmas, S.L.U.	Spain	100.485	2.000	3.175	55.761	(402)	(750)	-
Compañía Ridur S.A.	Spain	49.872	881	228	70	(17)	(6)	-
Prosegur Asset Management, S.L.	Spain	77.315	52.351	11.909	(87)	(760)	25.088	25.050
Prosegur Global SIS, S.L.	Spain	204.796	3	(4.684)	180.336	(1.694)	(4.362)	-
Prosegur Cash, S.A.	Spain	15.300	30.000	24.495	(119.993)	(4.506)	135.618	60.205
Prosegur Global Alarmas ROW, S.L.	Spain	53.566	3	1.045	52.387	(79)	95	-
Prosegur Global SIS ROW, S.L.	Spain	281.743	3	(1.423)	279.253	(2.823)	(2.284)	-
Prosegur Global Cyber Security, S.L.U.	Spain	2.317	3	-	2.317	(2)	(3)	-
Subsidiaries abroad:								
Prosegur Holding, S.A.	Argentina	1.755	1.006	70	10.724	(19)	416	-
Prosegur Inversiones, S.A.	Argentina	195	114	8	1.170	(5)	52	-
Prosegur Tecnologia Chile Ltda.	Chile	-	10.118	5.424	(10.978)	(759)	(745)	-
Prosegur Gestao de Activos, Ltda.	Brazil	-	23.152	1.588	8.748	1.146	866	-
Prosegur Tecnologia Peru, S.A.	Perú	5.698	560	38	39	(81)	11	-
Prosegur Activa Perú, S.A.	Perú	101	13.561	3.006	(5.148)	(2.662)	(3.679)	-
Prosegur Servicios Administrativos, S.A.	Perú	109	109	-	(113)	10	2	-
Prointrans, LLC	USA	274	306	-	124	(34)	(24)	-
Prosegur Technological Security Solutions LLC	Arab Emirates	-	59	-	(581)	8	8	-
TOTAL		956.552				95.255		

PROSEGUR COMPAÑÍA DE SEGURIDAD, S.A.

Notes to the Annual Accounts
31 December 2018

		2017						
Thousands of euros		EQUITY				Operating result	Profit for the year	Dividends Received
Business name	Country	Net book value	Capital	Reserves	Other items			
Companies in Spain:								
Prosegur Gestion de Activos, S.L.U.	Spain	163.026	29.953	9.420	131.181	(413)	866	-
Prosegur Global Alarmas, S.L.U.(PAH)	Spain	100.485	2.000	3.174	55.794	354	(32)	-
Compañía Ridur S.A.	Spain	49.872	881	228	34	(4)	36	-
Prosegur Ciberseguridad España, S.L.	Spain	3.244	3	11	3.230	(3.141)	(2.368)	-
Prosegur Asset Management, S.L.	Spain	77.315	52.351	42	(750.036)	22.610	786.867	775.000
Prosegur Global SIS, S.L.	Spain	204.796	3	(4.684)	170.670	(1.126)	(2.480)	-
Prosegur Cash, S.A.	Spain	15.300	30.000	5.518	(109.527)	139.706	127.155	54.774
Prosegur Global Alarmas ROW, S.L.	Spain	53.565	3	1.045	53.562	(569)	(1.176)	-
Prosegur Global SIS ROW, S.L.	Spain	281.743	3	(1.423)	261.621	(2.806)	(368)	-
Subsidiaries abroad:								
Dognaedis, Lda.	Portugal	2.761	50	303	829	(253)	(268)	-
PROSEGUR HOLDING	Argentina	1.755	1.778	135	18.305	614	453	-
PROSEGUR INVERSIONES	Argentina	195	200	15	2.003	48	41	-
Prosegur Tecnologia Chile Ltda.	Chile	-	9.992	-	(10.321)	(767)	(1.535)	-
Prosegur Gestao de Activos, Ltda.	Brazil	-	17.408	1.245	9.573	893	493	-
Prosegur Tecnologia Peru, S.A.	Perú	5.698	558	47	54	195	(15)	-
Prosegur Activa Perú, S.A.	Perú	101	8.880	-	(969)	(2.874)	(4.162)	-
Prosegur Servicios Administrativos, S.A.	Perú	109	108	-	(103)	(2)	(10)	-
Prointrans, LLC	USA	274	417	-	111	14	7	-
Prosegur Ciberseguridad SAS	Colombia	15	28	-	39	(156)	(107)	-
Prosegur Technological Security Solutions LLC	Arab Emirates	-	56	-	(451)	3	(105)	-
TOTAL		960.254					829.774	

PROSEGUR COMPAÑIA DE SEGURIDAD, S.A.

Directors' Report for 2018

PROSEGUR COMPAÑÍA DE SEGURIDAD S.A.

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PROSEGUR COMPAÑÍA DE SEGURIDAD S.A.

Directors' Report for 2018

This Directors' report has been prepared in accordance with the recommendations contained in the Guidelines for the preparation of the Directors' reports of listed companies, published by the CNMV.

1. The Bank's situation

Prosegur is a multinational group, whose holding company is Prosegur Compañía de Seguridad, S.A. (hereinafter, the Company), which provides global and comprehensive security solutions adapted to the needs of our clients.

Prosegur provides private security services in the following countries: Germany, Argentina, Australia, Brazil, Chile, China, Colombia, Costa Rica, El Salvador, Spain, the United States, the Philippines, France, Guatemala, Honduras, India, Luxembourg, Mexico, Nicaragua, Paraguay, Peru, Portugal, Singapore, South Africa, Turkey and Uruguay.

The main activity of the Company is the acquisition, holding, management and administration of securities and shares or any other form of representation of interest in the capital of entities that are resident and non-resident in Spain and of funding in investee companies; and the provision of services that are complementary or ancillary to the management of activities carried out by the investee companies.

1.1 Organisational Structure

The organisational structure of Prosegur is designed to improve business processes and add value to our clients. Its flexibility allows for a permanent adaptation to an ever-changing environment and the evolution of Prosegur as a business group. In addition, it fosters transversal knowledge of business areas and results in a closer approach to client needs.

Business is the backbone of the organisation and is made up of the General Business Management Areas which are responsible for the design of security solutions for clients and cover the main business lines (Seguridad, Cash and Alarms).

The corporate functions are supervised by the Global Support Divisions which cover the Financial-Economic department, Prosegur Gestión de Activos (Prosegur Asset Management), Executive Director's Office and Risk and Resources Management.

The organisation of Prosegur is shown in the table below:



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The representation power of the parent company of the Group pertains to the Board of Directors acting collectively and by majority decision. The Board has broad powers to manage the activities of the companies, with the sole exception of matters under the jurisdiction of the General Shareholders' Meeting or which are not included in the corporate purpose.

The delegated committees of the Board of Directors are the Audit Committee and the Appointments and Remuneration Committee. Among the Audit Committee's responsibilities are: propose the appointment of the auditor; review the Prosegur accounts; ensure compliance with legal requirements and application of accounting principles generally accepted. For its part, the duty of the Appointments and Remunerations Committee is to establish and review the criteria for the composition and remuneration of the Board of Directors, and of the members of the Prosegur management team. It also periodically reviews remuneration programmes.

1.2 Operation

The unceasing development of the environment in which Prosegur operates has played a crucial role in the company's transformation over the last few years. In this connection, Prosegur established three main goals:

- Respond to clients' new needs, in line with market trends.
- Become their trusted strategic partner.
- Boost their value through efficiency in processes and by implementing increasingly technological services.

Prosegur is in the midst of a new Three-Year Strategic Plan 2018-2020. Our ambition to lead the transformation of the industry has led us to embark on a digital transformation of the company, hinging upon three basic pillars: Digitalise, Innovate and Grow.

Specific goals have been set in connection with each pillar and, after the first year of the plan, considerable progress has already been made.

Digitalise

With regard to digitalisation, the established goals are:

- Roll out the necessary platforms and tools to simplify management and enhance the client experience, paving the way for Prosegur to lead the industry in the future.
- Support operational excellence and the technological improvement of processes in order to boost profitability.
- Reduce the weight of indirect costs that do not create value for clients.
- Attract, develop and retain the most highly-qualified professionals. To do this, Prosegur offers them the necessary know-how and tools to enhance their skills and grow within the company.

In 2018, the first year of the 2018-2020 Three-Year Plan, progress was made in the following areas:

- In connection with Information Technologies, progress in standardising the technological infrastructure, harmonising systems and reducing operational errors.
- In Human Resources, developing candidate screening using data analysis.
- In Security: the development of new platforms and systems for employees and clients, anticipating their needs and working in a more digital environment.
- In Cash, automating interfaces with clients.
- In Alarms, by developing the integration of our SMART app into the most advanced interfaces of the industry.

Innovate

With regard to innovation, the established goals are:

- Listen to clients to develop new value proposals that meet their needs.
- Introduce new products that improve client satisfaction, transform the business, increase margins and evidence our firm commitment to innovation.

The following advances have already been made in 2018:

- In Security: the development of the Prosegur on Demand application, which allows clients to request security services on an hourly basis from their mobile device.
- In Cybersecurity, driving business forward with the acquisition of Cipher and the sale of integrated Security.
- In Cash, the strengthening of Smart Cash sales and BPO (Business Process Outsourcing) services.
- In Alarms, advances in integrated solutions for home security.

PROSEGUR COMPAÑÍA DE SEGURIDAD S.A.

Grow

With regard to growth, the established goals are:

- Maintain high rates of profitable organic growth.
- In Security, the promotion of the integrated sale of a range of surveillance and technology products that differentiate Prosegur from the competition, offering the latest security solutions to our clients.
- In Cash, maintaining the pace of growth logged in recent years, spearheading market consolidation and stimulating the sale of new products.
- In Alarms, raising business value by increasing the number of connections and taking advantage of the benefits of a larger scale.

2018 has seen advances made in the following business lines:

- Security, entry into new markets and the promotion of the integrated sale of technology products.
- Cash: advances in our acquisition strategy, with entry into new countries and the consolidation of some of our existing markets.
- Alarms: continuing double-digit growth while ensuring the profitability of each and every one of these clients.

2. Business performance and profit/(loss)

The Company has obtained positive results in 2018 of EUR 103.0 million derived from its income as a holding. The comparison with the results of the previous year are shown below:

(Millions of euros)	2018	2017	Variation
Sales	130,653	872,897	-85%
EBITDA	120,209	854,838	-86%
<i>Margin</i>	92.0%	97.9%	
Depreciation of property, plant and equipment	-696	-203	243%
Depreciation of intangible assets	-3,948	-3,046	30%
EBIT	115,565	851,589	-86%
<i>Margin</i>	88.5%	97.6%	
Financial results	-11,511	-17,375	-34%
Profit before tax	104,054	834,214	-88%
<i>Margin</i>	79.6%	95.6%	
Tax	-1,069	-3,880	-72%
<i>Tax rate</i>	-1.03%	-0.5%	
Net profit	102,985	830,334	-88%

The main variation with respect to 2017 is due to the dividend revenue received in 2017 as a result of the listing of the shares of the subsidiary Prosegur Cash.

PROSEGUR COMPAÑÍA DE SEGURIDAD S.A.

The most significant events reflected in the Profit and Loss Account of 2018 are the following:

	Thousands of Euros									
	National		Europe		AOA		LatAm		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Dividend received:										
- Group companies and associates	95,255	829,774	-	-	-	-	-	-	95,255	829,774
Loan interest income	2,262	1,697	72	621	23	-	213	527	2,570	2,845
Provision of services:										
- General services	28,255	37,349	112	92	(367)	82	4,828	2,755	32,828	40,278
Total	125,772	868,820	184	713	(344)	82	5,041	3,282	130,653	872,897

2.1 Investment activity

The changes in the composition of the Prosegur Group, of which the company is the parent, during 2018 were mainly due to the following acquisitions:

- Cash business combinations in Latam: In 2018, in Latam Prosegur acquired a series of security companies and assets providing cash in transit and cash management services and conducting correspondent banking activities. The total purchase price was EUR 49,452 thousand, comprising a cash payment of EUR 26,568 thousand, and a deferred contingent consideration totalling EUR 22,884 thousand maturing in 2018, 2019, 2020 and 2021.
- Cash business combinations in Europe: In 2018, in Europe, Prosegur acquired a series of security companies providing ATM management and maintenance services, cash in transit and document management and the development and marketing of software specialising in prevention of money-laundering and terrorist financing. The total acquisition price was EUR 11,664 thousand, comprising a cash consideration of EUR 6,922 thousand, a deferred contingent consideration amounting to a total of EUR 4,492 thousand, due in 2018, 2019, 2020, 2021, 2022 and 2023 and a deferred payment of EUR 250 thousand, due in 2019.
- Cash business combinations in ROW: in 2018, Prosegur acquired a security company providing cash in transit and cash management services. The total purchase price was EUR 20,664 thousand at the acquisition date, comprising a cash payment of EUR 12,593 thousand and a deferred contingent consideration totalling EUR 8,071 thousand.
- Security business combinations in ROW: in 2018, Prosegur acquired a number of security companies providing surveillance and remote video surveillance services. The total purchase price was EUR 23,411 thousand, consisting of a cash payment of EUR 18,526 thousand, and a deferred contingent consideration for a total of EUR 4,885 thousand due for payment in 2018, 2019, 2020, 2021, 2022 and 2023.
- Business combinations Latin America Alarms: In 2018, Prosegur acquired in Latin America a security company specialising in monitoring residential alarm systems. The total purchase price was EUR 774 thousand at the acquisition date, comprising a cash payment of EUR 124 thousand and a deferred amount totalling EUR 650 thousand.

PROSEGUR COMPAÑÍA DE SEGURIDAD S.A.

Additionally, changes in the composition of the Prosegur Group, of which the company is the parent, during the year 2018 were mainly determined by:

In addition, the following companies were incorporated or wound up in 2018:

- In January 2018 Prosegur Ciberseguridad Paraguay SA was incorporated in Paraguay.
- In February 2018 Prosegur Colombia 1 S.L.U. was incorporated in Spain.
- In February 2018 Prosegur Colombia 2 S.L.U. was incorporated in Spain.
- In March 2018 Prosegur Global Cyber Security SLU was incorporated in Spain.
- In May 2018 Segtech Ventures SA was incorporated in Spain.
- In May 2018 Prosegur Gestión de Activos Honduras S de RL was incorporated in Honduras.
- In May 2018 Gestión de Activos Cash Guatemala SA was incorporated in Guatemala.
- In June 2018 the company Prosegur Servicios de Pago EP SLU was incorporated in Spain.
- In June 2018, Prosegur Global Resources Holding Philippines Incorporated was incorporated in The Philippines.
- In July 2018 Prosegur Events SASU was incorporated in France.
- In July 2018 Prosegur Logística e Armazenamento Ltda was incorporated in Brazil.
- The company Prosegur SES Serviços Empresariais de Segurança Unipessoal Lda was wound up in Portugal in September 2018.

Furthermore, the following mergers took place between subsidiaries in 2018:

- In July 2018, the takeover by merger took place between SETHA Industria Eletronica Ltda and Segurpro Tecnologia em Sistemas de Segurança Eletronica e Incendios Ltda. in Brazil.
- In December 2018, Prosegur Brasil Transportadora de Valores de Segurança completed the takeover by merger of Transexcel Segurança e Transporte de Valores Ltda in Brazil.

Additionally, in December the following dormant companies were purchased in Germany; M Sicherheitstechnik Verwaltungs, AC Alarm Verwaltungs GmbH, M. Sicherheitstechnik GmbH & Co KG and AC Alarm GmbH & Co KG.

2.2 Investments

All of the Company's investments are analysed by the corresponding technical and operating areas and the management control department, which estimate and examine the strategic importance, period and yields of the investments before these are approved. Subsequently these are submitted to the Investment Committee for a final decision on whether to proceed with the investment. Investments in excess of EUR 0.6 million are submitted to the Executive Committee for approval.

Amortisation and depreciation charges totalled EUR 4.6 million in 2018 (EUR 3.2 million in 2017). Of this total, EUR 0.7 millions were for property, plant and equipment (EUR 0.2 million in 2017), and EUR 3.9 million for intangible assets (EUR 3.0 million in 2017).

EUR 0.1 million was invested in property, plant and equipment in 2018 (EUR 13.2 million in 2017). No investments were made in intangible assets during 2018 (EUR 36.0 million in 2017).

2.3 Personnel

The workforce of the company at the end of 2018 was of 31 persons. At the close of 2017, the workforce of the company was 30 persons.

2.4 Environmental issues

At the end of 2018, the Company has no environment-related contingencies, legal claims or income and expenses relating to the environment.

PROSEGUR COMPAÑÍA DE SEGURIDAD S.A.

3. Liquidity and capital resources

3.1 Liquidity

Prosegur keeps a reasonable level of liquid reserves and a great financing capacity available to ensure flexibility and rapidity in meeting the requirements of working capital, of investing capital or inorganic growth.

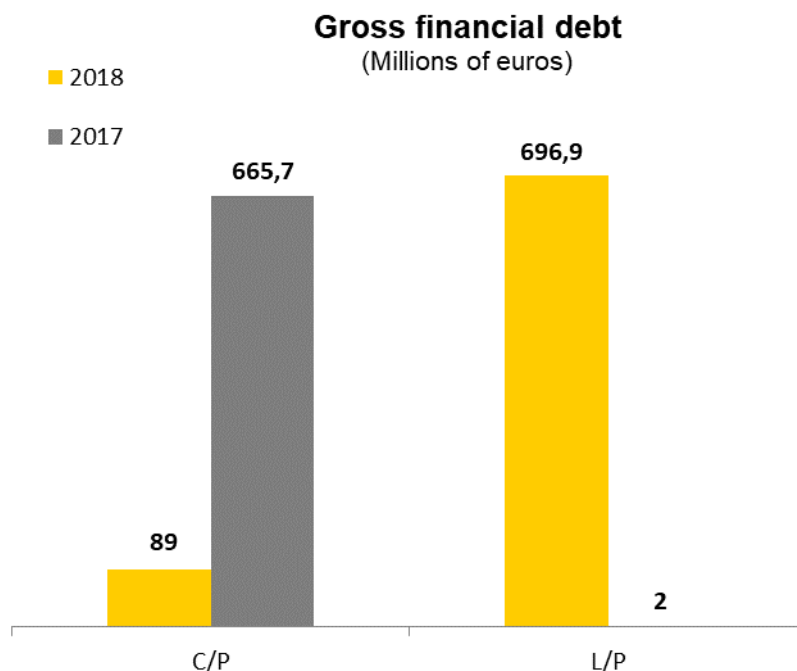
3.2 Capital resources

The structure of the financial debt is determined by the following contracts:

- a) On 8 February 2018 an issue of uncovered bonds with a nominal value of EUR 700,000 thousand, maturing on 8 February 2023, has been made. The bonds are traded on the secondary market, on the Irish Stock Exchange. They accrued an annual coupon of 1.00% payable at the end of each year. On 2 April 2018 the uncovered bonds issued on 2 April 2013 for EUR 500,000 thousand were amortised on their due date.
- b) On 10 February 2017 Prosegur arranged a five-year syndicated credit financing facility of EUR 200,000 thousand to provide the company with long-term liquidity. At 31 December 2018, no amount of this credit facility has been drawn down.

Long-term gross financial debt totals EUR 696.9 million (EUR 2.0 million in 2017). The variation is due to the maturity of less than one year of the bond issued in 2013 and the new bond issue made during 2018, long-term debt with maturity in 2023.

The current and non-current maturities of gross financial debt are distributed as follows:



In 2018 financial debt had an average cost of 1.22% (2.60% in 2017).

The following table shows the maturities of the contractual obligations at 31 December 2018:

PROSEGUR COMPAÑÍA DE SEGURIDAD S.A.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Balance at 31 December, 2018	6.252	0	0	694.932	701.184
Balance at 31 December, 2017	590.727	0	0	0	590.727

3.3 Analysis of contractual obligations and off balance sheet obligations

Note 18 of the Annual Accounts included the amounts of future minimum payments arising from operating lease contracts by maturity tranches.

4. Main risks and uncertainties

The Company's activities are exposed to currency risk, interest rate risk and price risk, credit risk and liquidity risk. The Company's global risk management programme aims to reduce these risks using a variety of methods, including financial instruments.

The management of these risks has been identified, proposed and executed by the Treasury Department, responsible for identifying, proposing and executing actions in accordance with policies approved by the Board of Directors of the Company.

4.1 Client concentration

The Group of which the Company is the parent company has no significant concentrations of clients.

4.2. Financial Risks

The Company mainly operates in the domestic market; however, the Group of which it is the Parent Company, operates on an international level and, therefore, the Company is exposed to currency risk in its foreign currency operations with foreign subsidiaries and assets and liabilities is foreign currency held with third parties.

As the Company, as the Parent Company of Prosegur Group, intends to remain in the foreign markets in which it is present in the long term, it does not hedge equity investments, assuming the risk relating to the translation to EUR of the assets and liabilities denominated in foreign currencies.

4.2.1 Market risk

Interest rate, cash flow and fair value risks

The Company is exposed to interest rate risk due to its monetary assets and liabilities.

At the close of financial year 2018, there are no significant positions in financial investment at a fixed or variable interest rate. The Company analyses its interest rate risk exposure dynamically.

Management performs a simulation of various scenarios, considering refinancing, the renewal of current positions, alternative financing and hedges. Based on these scenarios, the Company calculates the effect of a certain variation in interest rates on profit and loss. The scenarios are only analysed for the liabilities that represent the most significant positions in which a variable interest rate is paid.

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Exchange rate risk

The diversity of risks to which the Company is exposed has resulted in an increasingly active policy in the derivatives market, aiming to limit this exposure, although the Company at 31 December 2018 has no hedges in place with derivatives.

4.2.2 4.2.2 Credit risk

The Company is not significantly exposed to credit risk.

4.2.3 4.2.3 Liquidity risk

A prudent liquidity risk management policy is based on having sufficient cash and marketable securities, as well as sufficient short-, medium- and long-term financing through credit facilities to reach the Company's business targets safely, efficiently and on time. The Treasury Department aims to maintain liquidity and sufficient availability to guarantee the Company's business operations.

The information required by the "Reporting Requirement", third additional provision of Act 15/2010 of 5 July 2010 (modified through the Final Provision Two of Act 31/2014, of 3 December) prepared in accordance with the ICAC Resolution of 29 January 2016, on the information to be included in the annual accounts report in relation to the average period of payment to suppliers in commercial operations is detailed below.

5. Average payment period to suppliers

The average payment period to suppliers in 2018 was 49 days (53 days in 2017).

6. Important circumstances after the reporting period

On 7 February 2019, the syndicated loan was novated for both Prosegur and Prosegur Cash, S.A. and the maturity extended by a further 5 years in both cases. The new maturity dates are as follows:

-Prosegur: syndicated financing facility for EUR 200,000 thousand (Spain) maturing in February 2024.

-Prosegur Cash, S.A.: syndicated financing facility for EUR 300,000 thousand (Spain) maturing in February 2024.

On 16 January 2019, the first payment was made of the dividend approved on 20 December 2018 for a maximum total of EUR 79,054.

7. Information on the foreseeable performance of the entity

The Company, as the parent company of the Group, is affected by the performance forecasts of each of the regions in the Group.

Forecasts for 2019 are optimistic. Potential stability in the main macroeconomic aspects of the main geographical areas where the company operates, which presumably can be translated as reduced exchange rate volatility, can help to define a year of maintaining or increasing the growth rate in profitability.

Prosegur will continue enhancing the internal control procedures that guarantee effectiveness in the different businesses, maintaining the financial discipline of the group and strengthening the corporate supervisory policies aimed at greater control of the profitability per business line and greater focus by the countries in organic growth via new products with higher margin. This exhaustive level of internal control and optimisation will bring improvements and increases in cash generation in 2019, continuing with the path shown in previous years.

The levers for improvement, which are expected to show effectiveness in 2019, are mainly:

For the Security business, the increasingly greater penetration of the Advanced Integrated Security Solutions which already account for more than 20% of the total sales for the division and whose margin continues expanding as the service becomes even more sophisticated with clients, plus the entry into new and more profitable markets such as North America and the growing demand for remote monitoring and cybersecurity services that are beginning to be seen on the market.

In Prosegur Cash, business dynamics similar to those of 2018 are expected, in structural terms. With sustained growth in Latin America supported by development of the recent acquisitions in Central America and the Philippines, plus the

PROSEGUR COMPAÑÍA DE SEGURIDAD S.A.

sharp increase in cash automation products, which will possibly show growth rates higher than those of 2018, as demand increases, and special sales teams spread throughout all the geographical areas.

In the Cash business it is also expected that the new AVOS bank services will have a positive effect, for which investments and company acquisitions have increased during 2018.

Upward adjustments of the adverse competitive situation of some geographical areas can also be expected for the coming year, mainly in Australia and, to a certain extent, in France.

Lastly, and with regard to the Alarms business, in 2019 and the following years, Prosegur will maintain a strong trend for growth similar to that seen in 2018, which is higher than the average overall growth for the industry and focussing on sound growth by intensifying the procedures for rating client creditworthiness. With this strategy, the intention is to improve the quality of the client portfolio, ensuring a lower drop-out rate than at present, and a higher global margin on each new connection, even at the expense of slightly detracting from the strong growth rate.

In addition, it is worth highlighting that the company's significant commitment to digital transformation will also contribute to the group's growth and increased profits.

This major initiative, which will be developed over the next three years, will permit not only more efficiency and agility in the internal processes of the company but also reduced indirect costs for the group.

To achieve this, all the business management and support platforms will be renewed and updated, developing them toward scalable systems that are easily maintained and updated, whilst at the same time making a complete overhaul of the internal processes through which it is expected to achieve a high degree of automation and robotisation of many of the traditional documentary and administration procedures.

By way of conclusion, Prosegur is facing interesting challenges in the coming years, which include meeting the expectations to maintain the trend - which began in previous years - for recovering margins in Europe and sustaining the profitability levels in Latam despite the deceleration in 2018 due to the adverse macro situation.

The company has excellent levers of growth: The best platform available in the world for cash in transit, with a dominant presence in emerging markets unrivalled by any of its competitors; the whole set of complete solutions for the most innovative security, backed up by a top quality client portfolio in all countries and the optimum solvency and financial soundness for meeting these challenges. Although the coming years will be more focused on profitability and organic growth, Prosegur will continue to consolidate its leadership position, gaining market share and strengthening its image as a worldwide company with the most advanced security solutions.

8. R&D+i Activities

The important projects carried out in recent years have brought differentiation to the quality of the services offered by Prosegur and reflect the company's commitment to innovation and excellence. Among the projects which have recently and successfully been completed or which are currently in progress, we shall highlight the following:

Security

In 2018 several technological initiatives were launched as a result of the ambitious plans for transforming traditional security services into security services with high added value and increased profitability.

Prosegur was the first private security company to be recognised by the Ministry of Public Works and Transport in Spain to operate with RPAS (Remotely Piloted Aircraft Systems), and as a result, in 2018 the first projects commenced for using remote monitoring systems involving the use of drones in industrial plants.

Also, in 2018 the initiative "Prosegur on Demand" was put into operation, the first application for the contracting of security services from a mobile phone or tablet.

Prosegur Seguridad is immersed in a process of transformation with various priority aspects: processes, employees, services and products, and clients. In order to develop them, the company is relying on different technological levers, amongst which Cloud, IoT, Edge and Artificial Intelligence are worthy of mention.

With this, a digital ecosystem is shaped, aimed at optimising processes, encouraging decision-making based on collective intelligence, transforming services and, ultimately, involving the clients.

Cash

For its part, Prosegur Cash has continued to foster the development of the IT platform underpinning its AVOS (Added-value Outsourcing Services) business. This environment combines process control tools, enabling us to adapt to clients' needs, with digital channels and document management tools.

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The company has also continued to foster the development of new cash automation solutions, with a particular emphasis on retailers' front-office operations. Likewise, the company has automated the control and improved its value data solutions in which cash paid into the machine is available in the retailer's account regardless of its collection.

Alarms

Prosegur Alarmas has begun projects for optimising its data organisation and making use of Big Data, in addition to implementing an ambitious project of bankarisation of payments from its clients in Latin America which will streamline the credit rating process for clients, increasing the quality of the portfolio and having a positive effect on the Churn Rate in the medium term.

It will also continue strengthening the technological capacities of the Prosegur Smart platform, created so that users can generate a greater number of interactions with their security system. The Prosegur Smart platform already accounts for more than 15% of the installed base and clients are accessing increasingly more functions.

Regarding services, Prosegur Alarmas continues promoting Hawk Eye, an innovative security system, that makes it possible to check what is happening in a building in real time and constantly by using 24-hour a day smart surveillance. The company is also encouraging home technology and automation projects, aimed at improving the security in the house.

9. Acquisition/disposal of own shares

At 31 December 2018 the Company held 18,542,006 own shares (18,627,835 shares in 2017), which represent 3.00% of the share capital (3.02% in 2017) and have a value of EUR 65.2 million (EUR 65.5 million in 2017).

10. Alternative Performance Measures

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

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APM	Definition and calculation	Purpose
CAPEX	Capex (<i>Capital Expenditure</i>) represents the money a company spends on equipment assets that generates a profit or return, or by increasing the value of existing fixed assets. CAPEX includes additions of both property, plant and equipment and of software as part of its intangible assets.	CAPEX is an important indicator of a company's life cycle at a given point in time. When a company experiences rapid growth, CAPEX will exceed the depreciation of its fixed assets, indicating that the value of its equipment is increasing quickly. In contrast, CAPEX that is similar to or even below fixed asset depreciation is a clear sign that the company is experiencing capital depletion, and may be a symptom of the company's decline.
EBIT Margin	EBIT Margin is calculated as results from operating activities divided by total revenue.	EBIT margin provides a view of the company's operating results in comparison with the total revenue.
Net Financial Debt	The Group calculates Net Financial Debt as the sum of current and non-current financial liabilities (including other non-bank payables corresponding to deferred payments for M&A acquisitions and financial liabilities with Group companies) less cash and cash equivalents, less current investments in group companies, less other current financial assets.	Net Financial Debt provides the absolute figure of the Groups level of debt.
EBITA	EBITA is calculated on the Group's Consolidated profit for the year without factoring in loss from discontinued operation net of tax, income tax expenses, net finance income or cost and amortisation of goodwill or of intangible assets, but including amortisation of software.	EBITA provides a view of the company's earnings before interest, taxes and amortisation of goodwill or of intangible assets.
EBITDA	EBITDA is calculated on the Group's Consolidated profit without factoring in loss from discontinued operations net of tax, income tax expenses, net finance income or cost and any depreciation or amortisation of goodwill.	EBITDA provides an accurate view of what a company is earning or losing from its business. EBITDA excludes non-cash variables, which can vary significantly from one company to another, depending on the accounting policies applied. Depreciation and amortisation are non-monetary variables and are therefore of limited interest to investors.

The reconciliation of Alternative Performance Measures is as follows:

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CAPEX (Millions of Euro)	31.12.2018	31.12.2017
Other installations and furniture	0.1	0.0
Under construction and advances	0.0	13.2
Subtotal: Property, Plant and Equipment additions	0.1	13.2
Software additions	0.0	0.0
Total CAPEX	0.1	13.2
Adjusted EBIT Margin (Millions of Euro)	31.12.2018	31.12.2017
EBIT	115.6	851.6
Revenues	130.7	872.9
Adjusted EBIT Margin	88.5%	97.6%
Net Financial Debt (Millions of Euro)	31.12.2018	31.12.2017
Financial liabilities (A)	785.8	667.7
Cash and cash equivalents (B)	(138.3)	(104.9)
Less: other financial current assets (C)	(489)	(490.3)
Total Net Financial Debt (A+B+C)	158.2	72.5
Less: other non-bank payables (D)	(84.7)	(77.0)
Total Net Financial Debt (excluding other non-bank payables corresponding to deferred payments for M&A acquisitions) (A+B+C+D)	73.5	(4.5)
EBITA (Millions of Euro)	31.12.2018	31.12.2017
Consolidated profit for the year	103.0	830.3
Income tax expenses	1.1	3.9
Net finance costs	11.5	17.4
Amortizations	3.9	3.0
EBITA	119.5	854.7
EBITDA (Millions of Euro)	31.12.2018	31.12.2017
Consolidated profit for the year	103.0	830.3
Income tax expenses	1.1	3.9
Net finance costs	11.5	17.4
Depreciation and amortization	4.6	3.2
EBITDA	120.2	854.9

11. Other significant information

Stock market information

Prosegur focuses its efforts in the creation of value for its shareholders. The improvement in results and transparency, as well as rigour and credibility, underpin the Company's actions.

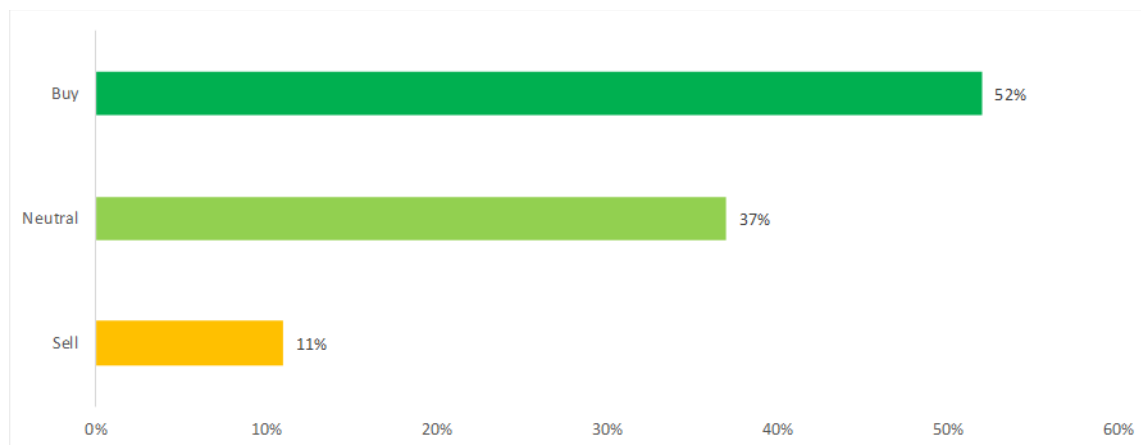
The policy of relationship with shareholders and investors of Prosegur aims to establish a communication that is direct, personal and stable over time. The Company has a close relationship with its shareholders, private and institutional investors and with the main stock analysts, to whom it provides detailed information on a continuous basis.

In order to meet this transparency commitment, Prosegur uses multiple communication channels such as the webcast held every quarter to report results or the creation of the Investors Newsletter, added to the publication of other information bulletins with specific content of interest to the investment community.

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Analysts coverage

At the close of the market in 2018, of a total of 19 analysts covering Prosegur's equity stock, most of them had a positive perception of the company, although somewhat more conservative than in 2017 due to the negative effect of the currencies. With this, eight of them have a neutral recommendation (six in 2017) and nine recommend purchasing (11 in 2017). And only two analysts (11%) have a negative assessment and recommend selling.



Prosegur's shares started 2018 listed at EUR 6.64 per share, and at close, on 31 December at EUR 4.42 per share. During the year, the company's share price went down by 32.1% mainly caused by the sharp adjustment that the market applied from the end of August to shares with high exposure to Argentina and to emerging countries in general.

Main shareholders

The shareholding structure of Prosegur reflects its solidity and stability.

At 31 December 2018, 66.43% of the capital of the Company is in the hands of significant shareholders. The remaining 33.57% was free float.

The strong presence of the shareholding in the Board of Directors enables the management bodies to define that the strategic lines and decisions are in line with the interests of all its shareholders. This solid and stable shareholder base of relevance, made up largely of significant shareholders and institutional investors, provides Prosegur with the ideal conditions to develop its project and achieve its objectives.

Geographical distribution of free float

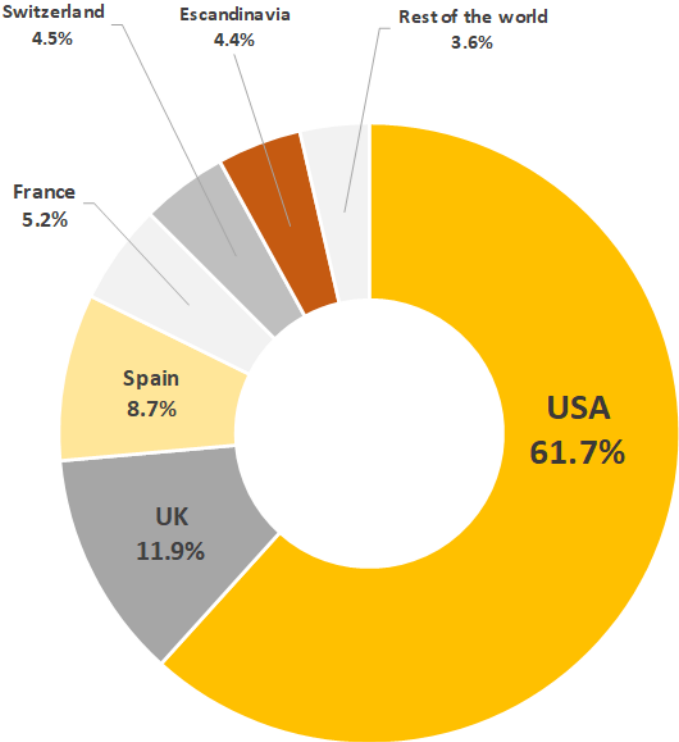
At an international level and given its growth potential, Prosegur has always been well accepted among investors. For these reasons, its shareholding includes foreign investors which account for a very significant part of its free float. In 2018 there was a significant increase in the U.S. shareholding, reaching 18.44% of the shareholder structure.

French capital has also increased its presence in Prosegur equity stake, and the same applies to Spanish investors and, to a greater extent, to the Swiss, which account for 1.60%, 2.73, and 1.39% respectively.

Conversely, capital from the U.K. has gone down slightly compared to 2017 representing 3.69% of the Prosegur equity stake, and the Scandinavian investors in 2018 opted to withdraw their investment in the company, reducing their percentage to 1.37%

Lastly, it is worth noting the sharp increase in the Prosegur equity stake coming from the Asia-Pacific region and Latin America which at the end of 2018 accounted for 1.2% of the free float of the company, growing by over 25% compared to previous years.

Geographical distribution (Free Float)



Region	% Shares	% Free Float
USA	18.44%	61.70%
UK	3.69%	11.90%
Spain	2.73%	8.70%
France	1.60%	5.20%
Switzerland	1.39%	4.50%
Escandinavia	1.37%	4.40%
Rest of the world	1.12%	3.60%

Corporate Governance Annual Report

Prosegur's Annual Corporate Governance Report for the 2018 year forms part of the Directors' Report, and is available on the web site of the National Stock Exchange Commission and on the Prosegur web site as from the date of publication of the annual accounts.

This report includes section E, analysing control and risk management systems of the Company; and F, providing details on the risk control and management system in relation with the process of issue of financial information (SCIIF).

PROSEGUR COMPAÑÍA DE SEGURIDAD S.A.

STATEMENT OF RESPONSIBILITY FOR THE FINANCIAL INFORMATION FOR 2018

The members of the board of directors of Prosegur Compañía de Seguridad, S.A. hereby confirm that, to the best of our knowledge, the individual annual accounts of 2018, authorised for issue by the board of directors at the meeting held on 26 February 2019 and prepared in accordance with applicable accounting principles, present fairly the equity, financial position and profit/(loss) of Prosegur Compañía de Seguridad, S.A., and that the respective individual directors' reports provide a reliable analysis of the Company's performance and results and the position of Prosegur Compañía de Seguridad, S.A., together with the main risks and uncertainties facing the company.

Madrid, 26 February 2019

Ms Helena Irene Revoredo Delvecchio
Chair

Mr Isidro Fernández Barreiro
Vice-chairman

Mr Christian Gut Revoredo
Executive Director

Mr Fernando D'Ornellas Silva
Director

Ms Chantal Gut Revoredo
Director

Mr Ángel Durández Adeva
Director

Mr Fernando Vives Ruiz
Director

Mr Eugenio Ruiz-Gálvez Priego
Director

PROSEGUR COMPAÑÍA DE SEGURIDAD S.A.

DIRECTORS' RESPONSIBILITY OVER THE ANNUAL ACCOUNTS

The annual accounts of Prosegur Compañía de Seguridad, S.A. are the responsibility of the directors of the company, and have been prepared in accordance with General Accounting Plan endorsed by Spain.

The directors are responsible for the completeness and objectivity of the annual accounts, including the estimates and judgements included therein. They fulfil their responsibility mainly by establishing and maintaining accounting systems and other regulations, supporting them adequately using internal accounting controls. These controls have been designed to provide reasonable assurance that the Company's assets are protected, that transactions are performed in accordance with the authorisations and regulations laid down by management and that accounting records are reliable for the purposes of drawing up the annual accounts. The automatic correction and control mechanisms are also a relevant part of the control environment, insofar as corrective action is taken when weaknesses are observed. Nevertheless, an effective internal control system, irrespective of how perfect its design may be, has inherent limitations, including the possibility of circumventing or invalidating controls, and can therefore provide only reasonable assurance in relation with preparation of the annual accounts and the protection of assets. However, the effectiveness of internal control systems may vary over time due to changing conditions.

The Company evaluated its internal control system at 31 December 2018. Based on this evaluation, the directors believe that existing internal accounting controls provide reasonable assurance that the Company's assets are protected, that transactions are performed in accordance with the authorisations laid down by management, and that the financial records are reliable for the purposes of drawing up the annual accounts.

Independent auditors are appointed by the shareholders at their annual general meeting to audit the annual accounts, in accordance with the technical standards governing the audit profession. Their report, with an unqualified opinion, is attached separately. Their audit and the work performed by the Company's internal services include a review of internal accounting controls and selective testing of the transactions. The Company's management teams hold regular meetings with the independent auditors and with the internal services in order to review matters pertaining to financial reporting, internal accounting controls and other relevant audit-related issues.

Mr Antonio Rubio Merino
Chief Financial Officer