PROSEGUR COMPAÑIA DE SEGURIDAD, S.A. AND SUBSIDIARIES

Condensed Consolidated Interim Financial Statements financial statements for the six-month period ended 30 June 2018

(Free translation from the originals in Spanish. In the event of discrepancy the Spanish language version prevail).

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I. CONSOLIDATED INCOME STATEMENTS – EXPENSES BY FUNCTION

(Thousands of euros)		Six-month period ended 30 June	
	Note	**2018**	**2017**
Revenues	5	2,011,076	2,128,750
Cost of sales	6, 7	(1,520,747)	(1,636,889)
Gross profit		**490,329**	**491,861**
Other income	8	12,210	752
Sale and administrative expenses	6, 7	(312,206)	(306,632)
Other expenses	8	(8,755)	(6,383)
Share of profit / losses of accounted for under the equity period	13	(853)	397
Operating profit /loss (EBIT)		**180,725**	**179,995**
Finance income	9	15,807	6,338
Finance expenses	9	(20,552)	(25,373)
Net financial expense		(4,745)	(19,035)
Profit before tax		**175,980**	**160,960**
Income tax	19	(64,411)	(68,166)
Post-tax profit from continuing operations		**111,569**	**92,794**
Consolidated profit for the year		**111,569**	**92,794**
Attributable to:			
Owners of the Parent		80,736	73,468
Non-controlling interests		30,833	19,326
Earnings per share from continuing operations attributable to the owners of the parent company (euros per share)			
- Basic	16	0.13	0.12
- Diluted	16	0.13	0.12

The Notes included on pages 10 to 46 form an integral part of these condensed consolidated interim financial statements

II. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Thousands of euros)	Six-month period ended 30 June	
	2018	**2017**
Profit /loss for the year	**111,569**	**92,794**
Other comprehensive income:		
Items to be reclassified to income		
Translation differences of financial statements of foreign operations	(166,417)	(103,282)
Total comprehensive income net of taxes	**(54,848)**	**(10,488)**
Attributable to:		
- Owners of the Parent	(59,959)	(9,613)
- Non-controlling interests	5,111	(875)
	(54,848)	**(10,488)**

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III. CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Thousands of euros)	Note	30 June 2018	31 December 2017
ASSETS			
Property, plant and equipment	11	607,181	586,950
Goodwill	11	515,812	520,389
Other intangible assets	11	223,824	244,962
Investment properties	11	33,375	-
Investments accounted for using the equity method	13	28,284	29,837
Non-current financial assets	12	11,558	12,143
Deferred tax assets		85,916	86,336
Non-current assets		**1,505,950**	**1,480,617**
Inventories	15	63,179	70,702
Trade and other receivables		921,048	941,575
Current tax asset		109,013	158,549
Non-current asset held for sale	11	539	50,963
Other financial assets	14	490,469	490,298
Cash and cash equivalents	14	527,571	630,939
Current assets		**2,111,819**	**2,343,026**
Total assets		**3,617,769**	**3,823,643**
SHAREHOLDERS' EQUITY			
Share capital	16	37,027	37,027
Share premium	16	25,472	25,472
Own shares	16	(52,777)	(53,079)
Translation differences		(678,415)	(537,720)
Retained earnings and other reserves		1,685,405	1,597,383
Equity attributable to equity holders of the parent		**1,016,712**	**1,069,083**
Non-controlling interests		79,139	74,357
Total equity		**1,095,851**	**1,143,440**
LIABILITIES			
Financial liabilities	18	1,382,419	717,311
Deferred tax liabilities		37,123	30,776
Provisions	17	185,589	199,633
Other non current liabilities		20,432	-
Non-current liabilities		**1,625,563**	**947,720**
Trade and other payables		706,990	850,683
Current tax liabilities		57,692	122,265
Financial liabilities	18	76,394	701,046
Provisions	17	3,433	14,427
Other current liabilities		51,846	44,062
Current liabilities		**896,355**	**1,732,483**
Total liabilities		**2,521,918**	**2,680,203**
Total equity and liabilities		**3,617,769**	**3,823,643**

The Notes included on pages 10 to 46 form an integral part of these condensed consolidated interim financial statements

IV. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

PERIOD ENDED 30 JUNE 2018

(Thousands of euros)	Equity attributable to holders of net equity instruments in the Parent						Non-controlling interests	Total equity
	Share capital (Note 16)	Share premium (Note 16)	Own shares (Note 16)	Translation differences (Note 16)	Retained earnings and other reserves	Total		
Balances on 1 January 2018	**37,027**	**25,472**	**(53,079)**	**(537,720)**	**1,597,383**	**1,069,083**	**74,357**	**1,143,440**
Total comprehensive income for the period ended 30 June 2018	-	-	-	(140,695)	80,736	(59,959)	5,111	**(54,848)**
Transition adjustments (Note 2)	-	-	-	-	6,019	6,019	(329)	**5,690**
Other changes	-	-	302	-	1,267	1,569	-	**1,569**
Balances as of 30 June 2018	**37,027**	**25,472**	**(52,777)**	**(678,415)**	**1,685,405**	**1,016,712**	**79,139**	**1,095,851**

The Notes included on pages 10 to 46 form an integral part of these condensed consolidated interim financial statements

PERIOD ENDED 30 JUNE 2017

(Thousands of euros)	Equity attributable to holders of net equity instruments in the Parent							
	Share capital (Note 16)	Share premium (Note 16)	Own shares (Note 16)	Translation differences (Note 16)	Retained earnings and other reserves	Total	Non-controlling interests	Total equity
Balances on 1 January 2018	**37,027**	**25,472**	**(53,315)**	**(470,371)**	**1,212,118**	**750,931**	**569**	**751,500**
Total comprehensive income for the period ended 30 June 2017	-	-	-	(83,081)	73,468	(9,613)	(875)	**(10,488)**
Dividends against 2016 profits	-	-	-	-	(34,070)	(34,070)	-	**(34,070)**
Other movements (Note 16.7)	-	-	236	93,937	616,030	710,203	85,904	**796,107**
Balances as of 30 June 2018	**37,027**	**25,472**	**(53,079)**	**(459,515)**	**1,867,546**	**1,417,451**	**85,598**	**1,503,049**

The Notes included on pages 10 to 46 form an integral part of these condensed consolidated interim financial statements

V. CONSOLIDATED CASH FLOW STATEMENTS

(Thousands of euros)	Note	For the six month period ended 30 June 2018	2017
Cash flows from operating activities			
Profit/(loss) for the period		**111,569**	**92,794**
Adjustments for:			
Amortisation and depreciation	6, 11	70,011	63,766
Impairment losses on non-current assets	8, 11	-	92
Impairment of trade receivables and inventories	8, 15	6,756	3,971
Investments accounted for using the equity method	13	853	(397)
Changes in provisions	17	17,918	38,299
Finance income	9	(15,807)	(6,338)
Finance expenses	9	20,552	25,373
Gains / (losses) on derecognition and sale of PP&E		(3,581)	725
Income tax	19	64,411	68,166
Changes in working capital, net of the effect of acquisitions and translation differences			
Inventories	15	(3,194)	(6,923)
Trade and other receivables		(71,400)	(85,420)
Trade and other payables		(13,853)	(17,444)
Payment of provisions	17	(26,033)	(15,209)
Other liabilities		1,651	22,444
Cash from operating activities			
Interest paid		(24,973)	(26,634)
Income tax paid		(76,171)	(109,787)
Net cash flows from operating activities		**58,709**	**47,478**
Cash flows from investment activities			
Proceeds from sale of non-current assets held for sale	11	-	2,522
Proceeds from sale of property, plant and equipment		21,090	-
Interest received		3,023	126
Proceeds from the sale of financial assets	14	290,000	-
Investments accounted for using the equity method		(1,166)	-
Acquisition of subsidiaries, net of cash and cash equivalents	21	(8,091)	(15,496)
Payments for the acquisition of property, plant and equipment	11	(87,506)	(81,422)
Payments for the acquisition of intangible assets	11	(8,590)	(10,920)
Payments for the acquisition of financial assets	14	(290,363)	(3,389)
Net cash flows from/(used in) investment activities		**(81,603)**	**(108,579)**
Cash flows from financing activities			
Collection from sales of own shares	16	-	824,992
Payments for the purchase of own equity instruments	16	(133)	(2,464)
Proceeds from bonds and other marketable debt securities	18	694,800	-
Payments for bonds and other marketable debt securities	18	(500,000)	-
Proceeds from bank borrowings	18	50,000	47,850
Repayment of bank borrowings	18	(207,313)	(306,365)
Proceeds from other financial liabilities		(3,701)	(12,424)
Dividends paid	16	(69,380)	(37,993)
Net cash flows from/(used in) financing activities		**(35,727)**	**513,596**
Net increase / (decrease) in cash and cash equivalents		(58,621)	452,495
Cash and cash equivalents at the begining of the period		630,939	824,634
Effect of translation differences		(44,747)	(20,953)
Cash and cash equivalents at end of the period		**527,571**	**1,256,176**

The Notes included on pages 10 to 46 form an integral part of these condensed consolidated interim financial statements

VI. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. General information about the Company

Prosegur is a business group comprised Prosegur Compañía de Seguridad, S.A. (henceforth the Company) and its subsidiaries (referred to collectively as Prosegur). It provides private security services in the following countries: Spain, Portugal, France, Germany, Turkey, Argentina, Brazil, Chile, Peru, Uruguay, Paraguay, Mexico, Colombia, Guatemala, Honduras, Nicaragua, Guatemala, Costa Rica, Singapore, India, China, South Africa and Australia.

Prosegur is organised around the following lines of activity:

- Security.
- Cash.
- Alarms.

Prosegur is controlled by Gubel S.L., a company incorporated in Madrid, and the holders of 50.075% of the shares of Prosegur Compañía de Seguridad S.A., which includes Prosegur in its consolidated financial statements.

The shares of Prosegur Compañía de Seguridad, S.A. are listed on the Madrid, Bilbao, Valencia and Barcelona stock exchanges and are traded on the Spanish stock market's electronic system (Continuous Market) (SIBE). The Company was incorporated in Madrid on 14 May 1976 and is registered on the Madrid Mercantile Registry. Prosegur Compañía de Seguridad, S.A. has its registered business address in Madrid at calle Pajaritos, 24.

The Company’s corporate purpose is described in Article 2 of its company by-laws. The Company is primarily engaged in the following services and activities through its subsidiaries:

- The surveillance and protection of establishments, assets and people.
- The transport, deposit, safekeeping, counting and classification of currency, bank notes, securities and other items which, due to their value or danger, may require special protection.
- The installation and maintenance of security devices, equipment and systems.

The 2017 individual and consolidated annual accounts for Prosegur Compañía de Seguridad, S.A. were approved by the shareholders at a Shareholders´ General Meeting held on 29 May 2018.

Structure of Prosegur

Prosegur Compañía de Seguridad, S.A. is the parent company of the Group of subsidiaries listed in Annex I of the Notes to the consolidated annual financial statements at 31 December 2017. Prosegur also participates in joint arrangements (Notes 15, 16 and Annex II of the Notes to the consolidated annual financial statements at 31 December 2017).

Prosegur also holds interests of less than 20% in the share capital of other companies over which it does not have significant influence (Note 17 to the consolidated financial statements at 31 December 2017).

The accounting principles applied in the preparation of Prosegur's consolidated annual financial statements and in determining the scope of consolidation are detailed in Notes 34.2 and 2, respectively, of the consolidated annual financial statements at 31 December 2017, apart from the first-time application of IFRS 9 and IFRS 15.

2. Basis of presentation, estimates and accounting policies

These condensed consolidated interim financial statements of Prosegur for the six-month period ended 30 June 2018 have been prepared in accordance with IAS 34 on interim financial reporting.

In accordance with IAS 34, interim financial information is prepared only with the intention of providing updates to the content of the latest consolidated annual accounts prepared by Prosegur, emphasizing any new activities, events and circumstances that have taken place during the six-month period ended 30 June 2018 and not duplicating the information previously published in the consolidated annual accounts for 2017.

Therefore, and for a full understanding of these condensed consolidated interim financial statements, they must be read together with Prosegur's consolidated annual financial statements for the year ended 31 December 2017, which were prepared in accordance with International Financial Reporting Standards as adopted by the European Union and approved by current Regulations of the European Commission and other provisions of the applicable regulatory framework on financial disclosures (IFRS-EU).

Significant changes in accounting policies

The accounting policies and methods used when preparing these condensed consolidated interim financial statements are the same as those applied to the consolidated annual accounts for the year ended 31 December 2017, except for the following.

The Group initially adopted IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments on 1 January 2018. The measurement standards referring to those IFRS are set out in detail in Annex II.

Apart from the first-time application of IFRS 9 and IFRS 15 and the rest of the new standards that took effect on 1 January 2018, as described in Annex I and Annex II, the accounting policies applied to these condensed consolidated interim financial statements at 30 June 2018 are the same as those applied in the preparation of

Prosegur's consolidated annual financial statements at 31 December 2017, as explained in Note 34 to those consolidated annual financial statements.

Recognition of revenue from contracts with customers (IFRS 15)

Prosegur Group has chosen the transition option established in the Standard, which means it applied IFRS 15 retroactively with the accumulated effect of initial application recognised on the initial application date and, therefore, it has not restated the information presented in 2017 under the aforementioned standards.

The following table reflects the impact of the application of IFRS 15 to Retained earnings and other reserves recorded under the heading "Other movements" in the consolidated statement of changes in equity:

(Thousands of euros)	31/12/2017	IFRS 15 adjustment	01/01/2018
ASSETS AND LIABILITIES			
Property, plant and equipment	586,950	51,989	638,939
Other non current liabilities	-	(16,503)	(16,503)
Other current liabilities	(44,062)	(13,996)	(58,058)
Effect on net assets and liabilties		**21,490**	
Deferred tax assets	86,336	9,791	96,127
Deferred tax liabilities	(30,776)	(15,817)	(46,593)
Effect on net equity		**15,464**	

The following tables reflect the impact of the application of IFRS 15 on the Consolidated statement of financial position at 30 June 2018 and the Consolidated income statement for the six-month period ended 30 June 2018. There was no material impact on the statement of cash flow for the six-month period ended 30 June 2018.

(Thousands of euros)	30/06/2018	IFRS 15 adjustment	30/06/2018 not included IFRS 15
ASSETS AND LIABILITIES			
Property, plant and equipment	607,181	(51,926)	555,255
Other non current liabilities	(20,432)	20,432	-
Other current liabilities	(51,846)	7,492	(44,354)
Effect on net assets and liabilties		**(24,002)**	
Deferred tax assets	85,916	(8,376)	77,540
Deferred tax liabilities	(37,123)	18,122	(19,001)
Effect on net equity		**(14,256)**	

(Thousands of euros)	30/06/2018	IFRS 15 adjustment	30/06/2018 not included IFRS 15
Revenues	2,011,076	596	2,011,672
Cost of sales	(1,520,747)	(11,530)	(1,532,277)
Gross income	**490,329**	**(10,934)**	**479,395**
Other revenues	12,210	-	12,210
Administration and selling expenses	(312,206)	9,028	(303,178)
Other expenses	(8,755)	-	(8,755)
Income from investments accounted for using the equity method	(853)	-	(853)
Operating income (EBIT)	**180,725**	**(1,906)**	**178,819**
Net finance expense	(4,745)	-	(4,745)
Profit before tax	**175,980**	**(1,906)**	**174,074**
Income tax	(64,411)	698	(63,713)
Profit after tax from continuing operations	**111,569**	**(1,208)**	**110,361**
Consolidated profit for the year	**111,569**	**(1,208)**	**110,361**

Under IFRS 15, revenue is recognized when customers obtain control over goods and services. Revenue from each of the obligations satisfied when executing a contract must be identified, classified and accrued separately.

The application of IFRS 15 also means that an asset must be recognised for incremental costs in a contract (primarily sales commissions, as well as other third-party expenses) and they are taken to the income statement as the revenue relating to the asset concerned is obtained.

IFRS 9 Financial instruments

The standard includes requirements for the classification and measurement of financial instruments, the impairment of financial assets and hedge accounting. Prosegur Group has chosen not to restate prior periods, and adopted IFRS 9 on 1 January 2018.

The impact of the first-time application of IFRS 9 is based on a change in the methodology for calculating credit losses over the life of a financial asset. This impact was recognised directly in equity.

The net impairment loss for credit risk based on the expected loss was EUR 9,774 thousand. This impact has been recorded under the balance sheet heading “Retained earnings and other reserves” in the amount of EUR 9,445 thousand and under the heading “Non-controlling interests” in the amount of EUR 329 thousand. The following breakdown is reflected under “Transition adjustments” in the consolidated statement of changes in equity:

(Thousands of euros)	31/12/2017	IFRS 9 adjustment	01/01/2018
Trade and other receivables	941,575	(13,234)	928,341
Deferred tax assets	86,336	3,460	89,796
Effect on net equity		**(9,774)**	

The impact on the consolidated income statement for the six-month period ended 30 June 2018 was an expense of EUR 154 thousand, while the provision for the total expected loss recognised in the consolidated statement of financial position at 30 June 2018 was EUR 13,388 thousand. There was no material impact on the statement of cash flow for the six-month period ended 30 June 2018.

The original IAS 39 classified financial assets under four categories: (i) fair value through profit or loss, (ii) held to maturity, (iii) available for sale and (iv) loans and receivables. Under IFRS 9, the last three categories are eliminated and the criteria used to classify financial assets will be based on how the entity manages its financial instruments (its business model) and on the existence and nature of the assets' contractual cash flow. On this basis, the asset will be measured at amortised cost, at fair value through other comprehensive income or at fair value through profit or loss.

Apart from changes to nomenclature, the only impact of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 was an increase in the related impairment allowance in line with the aforementioned new requirements. The classification of financial liabilities under IFRS 9 remains similar to that under IAS 39. In general, liabilities are measured at amortised cost, apart from those which are held for trading, such as derivatives, which are measured at fair value through profit or loss. There is therefore no impact on this category of financial instrument.

Key estimates, assumptions and judgements

The estimates, made based on the best information available, are the same as those indicated in the Notes to the consolidated annual accounts for 2017, except for the new judgements, estimates and assumptions relating to the application of IFRS 9 and IFRS 15.
During the six-month period ended 30 June 2018 there have been no significant changes in the estimates made at the end of 2017.

The corporate income tax for the six-month period ended to 30 June 2018 was calculated using the tax rate that is expected to apply to the income for the financial year.

Comparative information

In these condensed consolidated interim financial statements, each item in the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flow, the consolidated statement of changes in equity and the notes to the interim condensed financial statements for the six-month period ended to 30 June 2018, is presented for the purposes of comparison with the corresponding figure for the same period last year, except for the consolidated statement of financial position which is presented with the consolidated figures for the year ended 31 December 2017.

3. Changes in the consolidated group

Annex I of the consolidated annual financial statements for the year ended 31 December 2017 contains key details of the Group companies included in the scope of consolidation at that date.

The following companies have been incorporated in the first six-month period ended of 2018:

- ✓ In January 2018, the company Prosegur Ciberseguridad Paraguay SA. was incorporated in Paraguay.
- ✓ In February 2018, the company Prosegur Colombia 1 SLU was incorporated in Spain.
- ✓ In February 2018, the company Prosegur Colombia 2 SLU was incorporated in Spain.
- ✓ In March 2018, the company Prosegur Global Cyber Security SLU. was incorporated in Spain.
- ✓ In May 2018, the company Segtech Ventures SA. was incorporated in Spain.
- ✓ In May 2018, the company Prosegur Gestión de Activos Honduras S de RL. was incorporated in Honduras.
- ✓ In May 2018, the company Gestión de Activos Cash Guatemala SA was incorporated in Guatemala.
- ✓ In June 2018, the company Prosegur Servicios de Pago EP S.L.U. was incorporated in Spain.

4. Events after the end of the 2017 reporting period

In addition to the disclosures in Note 3 on the changes in the composition of the Group, the most material transactions and events in the first half of 2018 are detailed below:

Business combinations

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

Change in shareholders

In January 2018, Invesco Limited reduced its interest from 1.879% to less than 1% of Prosegur.

Financing

On 8 February 2018 uncovered bonds with a nominal amount of EUR 700,000 thousand were issued, maturing on 8 February 2023. The bonds are traded on the secondary market on the Irish Stock Exchange. They bear an annual coupon of 1.00% payable at the end of each year.

On 2 April 2018 the uncovered bonds that were issued on 2 April 2013 in the amount of EUR 500,000 were redeemed at maturity.

5. Revenues

The breakdown of revenues for the periods ended 30 June 2018 and 2017 is as follows:

	Thousands of euros Period ended 30 June	
	2018	**2017**
Provision of services	1,931,021	2,046,066
Sale of goods	3,394	2,118
Revenues from operating leases	76,661	80,566
Total revenues	**2,011,076**	**2,128,750**

The heading Revenue from operating leases records the income from rented alarm systems.

For further information regarding revenue by segment and geographic area see Note 10.

6. Cost of sales and administrative and sales expenses

The main items recorded under the cost of sales and administration and selling expenses headings in the income statement for the six-month period ended to 30 June 2018 and 2017 are as follows:

		Thousands of euros Period ended 30 June	
		2018	**2017**
Supplies		87,678	97,870
Employee benefits expenses	(Note 7)	1,211,894	1,293,096
Operating leases		17,166	22,869
Supplies and external services		115,316	121,921
Amortisation and depreciation		33,657	31,985
Other expenses		55,036	69,148
Total ofcost of sales		**1,520,747**	**1,636,889**
Supplies		3,569	3,569
Employee benefits expenses	(Note 7)	158,413	157,333
Operating leases		21,562	22,287
Supplies and external services		56,810	53,996
Amortisation and depreciation		36,354	31,781
Other expenses		35,498	37,666
Total sale and administrative expenses		**312,206**	**306,632**

Supplies expenses in the six-month period ended to 30 June 2018 totalled EUR 91,247 thousand (2017: EUR 101,439 thousand).

The items recorded under the supplies and outside services heading include vehicle and counting machine repair costs, operations subcontracted to third parties and consultancy fees paid to lawyers, auditors and other advisers.

7. Employee benefits

The detail of employee benefits in the six-month period ended to 30 June 2018 and 2017 is as follows:

	Thousands of euros	
	Period ended 30 June	
	2018	2017
Salaries and wages	1,017,080	1,061,055
Social security contributions	265,592	277,790
Other employee welfare expenses	60,042	67,122
Severance pay	27,593	44,462
Total staff remuneration expenses	**1,370,307**	**1,450,429**

The expense corresponding to the commitment accrued in respect of the Long-Term Incentive benefit linked to the 2017 and 2020 Bonus Plans for the CEO and senior management of Prosegur is recorded under wages and salaries (Note 17).

The amount recorded under the severance payments heading includes a provision for labour-related risks. This provision has been reduced during the first six-month period ended of 2018 compared to the first six-month period ended of 2017 due to legislative changes in Brazil (Note 17).

8. Other revenues and expenses

Other expenses

Details of other expenses in the income statement for the six-month periods ended 30 June 2018 and 2017 are as follows:

		Thousands of euros	
		Period ended 30 June	
		2018	2017
Impairment losses on receivables		(5,743)	(3,667)
Impairment losses on non-current assets	(Note 11)	-	(92)
Net losses on disposal of PP&E / non-current assets held for sale		(512)	(725)
Other expenses		(2,500)	(1,899)
Total other expenses		**(8,755)**	**(6,383)**

Other revenues

The heading Other revenues primarily records the revenue from the sale of a building in Madrid for EUR 4,093 thousand (Note 11.1) and an indemnity totalling EUR 3,073 thousand for damages relating to customer funds on deposit retained in Brazil between 2008 and 2014.

Other revenues also records funds obtained for several buildings located in Buenos Aires (Note 11). During the first six-month period ended of 2018 revenues totalled EUR 2,755 thousand.

9. Net financial expenses

The composition of net financial expenses for the six-month periods ended 30 June 2018 and 2017 is as follows:

	Thousands of euros Period ended 30 June	
	2018	**2017**
Interest expense	(15,241)	(16,237)
Interest income	4,452	3,098
Net (losses) / gains on foreign currency transactions	11,355	6,212
Finance expenses on leasing operations	(666)	(1,182)
Other net finance expenses and income	(4,645)	(10,926)
Total net finance expense	**(4,745)**	**(19,035)**

The main change in financial results during the first six-month period ended of 2018 compared to the first six-month period ended of 2017 relates to differences arising on transactions denominated in a currency other than the functional currency in each country, primarily in Argentina, the increase in financial income associated with fixed term deposits and a decrease in financial expenses associated with the updates applied to tax contingencies.

10. Segment reporting

The Board of Directors is Prosegur's highest decision-making body. Together with the Audit Committee it reviews Prosegur's internal financial information in order to assess its performance and allocate resources.

This is a core part of the organization and is represented within the General Business Management bodies, which are responsible for the design of security solutions for customers and cover the main lines of business: Security, Cash and Alarms, which make up the Group's business segments.

- Security: mainly includes security and protection of establishments, assets and people, and related activities using technological security and cyber security solutions.
- Cash: mainly includes the transportation, deposit, custody, counting and classification of coins and bank notes, securities and other valuables that require special protection due to their financial value or their danger.
- Alarms: includes the installation and maintenance of residential alarms, as well as the alarm monitoring service performed by the ARC.

Corporate functions are supervised by the Global Support Departments that cover the Financial, Human Resource, Quality and External Relations, Risk Management, Legal, M&A, Strategy and IT and Digital Transformation areas. The following geographic areas have been identified:

- Europe, which includes the following countries: Spain, Germany, France, Turkey, Luxembourg (despite not being a jurisdiction in which operations take place, it is included as a result of the existence of the Luxembourg company Pitco Reinsurance, S.A., which engages in the insurance business) and Portugal.
- AOA, which includes the following countries: Singapore, India, China, Africa and Australia.
- Iberoamerica, which includes the following countries: Argentina, Brazil, Chile, Colombia, Mexico, Honduras, Guatemala, Nicaragua, Costa Rica, El Salvador, Paraguay, Peru and Uruguay.

The Board of Directors assesses the returns generated by each operating segment based on earnings before interest and taxes (EBIT), the indicator considered to best reflect the performance of the Group's activities.

The total assets assigned to segments exclude other current and non-current financial assets, non-current assets held for sale-investment property and cash and cash equivalents, since Prosegur manages them jointly.

Total liabilities assigned to segments exclude bank borrowings, except for finance lease payments, since Prosegur manages financing jointly.

The breakdown of revenues by geographic area during the six-month periods ended 30 June 2018 and 2017 is as follows:

	Europe		AOA		Iberoamerica		Total	
Thousands of euros	to 30 June 2018	to 30 June 2017	to 30 June 2018	to 30 June 2017	to 30 June 2018	to 30 June 2017	to 30 June 2018	to 30 June 2017
Total sales	**859,401**	**808,822**	**69,188**	**81,924**	**1,082,487**	**1,238,004**	**2,011,076**	**2,128,750**
% of total	43%	38%	3%	4%	54%	58%	100%	100%

Details of sales and EBIT by business are as follows:

	Cash		Security		Alarms		Not allocated		Total	
Thousands of euros	to 30 June 2018	to 30 June 2017	to 30 June 2018	to 30 June 2017	to 30 June 2018	to 30 June 2017	to 30 June 2018	to 30 June 2017	to 30 June 2018	to 30 June 2017
Total sales	883,219	964,156	996,256	1,040,393	131,601	124,201	-	-	2,011,076	2,128,750
EBIT	**158,663**	**171,876**	**25,566**	**25,081**	**6,093**	**3,133**	**(9,597)**	**(20,095)**	**180,725**	**179,995**

Revenue related to technology services and installation and connection of alarm system that are rented, are recognized over time; revenue related to cash services, security services and installation and connection of alarm system that are sold, are recognized over the period in which they are provided.

Not allocated costs consist of Security and Alarm business support costs. The main change in not allocated costs at 30 June 2018 compared to 30 June 2017 is due to the fact that at 30 June 2017 the amount included exceptional costs arising on the corporate restructuring that Prosegur carried out over several years and ended in 2017.

A reconciliation of EBIT assigned to segments against net profits for the year attributable to the owners of the parent company is set out below:

	Thousands of euros	
	At 30 June 2018	**At 30 June 2017**
EBIT allocated to segments	190,322	200,090
Not allocated EBIT	(9,597)	(20,095)
EBIT for the period	180,725	179,995
Net finance expense	(4,745)	(19,035)
Profit before tax	175,980	160,960
Income tax	(64,411)	(68,166)
Profit after tax from continuing operations	111,569	92,794
Non-controlling interests	30,833	19,326
Profit/(loss) attributable to the owners of the parent company	**80,736**	**73,468**

Isolating the effects of the corporate restructuring, the EBIT for the first half of 2017 would have amounted EUR 183,405 thousand and the profit for the year attributable to the owners of the parent company would have totalled EUR 86,506 thousand.

The breakdown of assets allocated to segment and the reconciliation thereof to total assets at 30 June 2018 and 31 December 2017 is as follows:

	Cash		**Security**		**Alarms**		**Not allocated**		**Total**	
Thousands of euros	**At 30 June 2018**	**At 31 December 2017**	**At 30 June 2018**	**At 31 December 2017**	**At 30 June 2018**	**At 31 December 2017**	**At 30 June 2018**	**At 31 December 2017**	**At 30 June 2018**	**At 31 December 2017**
Assets allocated to segments	**1,234,121**	**1,319,158**	**854,837**	**892,157**	**231,864**	**180,686**	**233,435**	**247,299**	**2,554,257**	**2,639,300**
Other unallocated assets	**-**	**-**	**-**	**-**	**-**	**-**	**1,063,512**	**1,184,343**	**1,063,512**	**1,184,343**
Other non-current financial assets	-	-	-	-	-	-	11,558	12,143	11,558	12,143
Investment property - Non-current assets held for sale	-	-	-	-	-	-	33,914	50,963	33,914	50,963
Other current financial assets	-	-	-	-	-	-	490,469	490,298	490,469	490,298
Cash and cash equivalents	-	-	-	-	-	-	527,571	630,939	527,571	630,939
	1,234,121	**1,319,158**	**854,837**	**892,157**	**231,864**	**180,686**	**1,296,947**	**1,431,642**	**3,617,769**	**3,823,643**

The breakdown of liabilities allocated to segment and the reconciliation thereof to total liabilities at 30 June 2018 and 31 December 2017 is as follows:

	Cash		**Security**		**Alarms**		**Not allocated**		**Total**	
Thousands of euros	**At 30 June 2018**	**At 31 December 2017**	**At 30 June 2018**	**At 31 December 2017**	**At 30 June 2018**	**At 31 December 2017**	**At 30 June 2018**	**At 31 December 2017**	**At 30 June 2018**	**At 31 December 2017**
Liabilities allocated to segments	**496,859**	**629,250**	**412,884**	**456,941**	**127,977**	**87,984**	**90,883**	**153,487**	**1,128,603**	**1,327,662**
Other unallocated liabilities	-	-	-	-	-	-	**1,393,315**	**1,352,541**	**1,393,315**	**1,352,541**
Bank borrowings	-	-	-	-	-	-	1,393,315	1,352,541	1,393,315	1,352,541
	496,859	**629,250**	**412,884**	**456,941**	**127,977**	**87,984**	**1,484,198**	**1,506,028**	**2,521,918**	**2,680,203**

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

11.1. Property, plant and equipment

The balance and movements under this heading in the six-month period ended to 30 June 2018 and 2017 are broken down as follows:

	Thousands of euros Period ended 30 June	
	2018	**2017**
Cost		
Opening balance	**1,175,606**	**1,121,897**
IFRS 15 Impact (Note 2)	51,989	-
Additions	91,209	81,422
Business combinations	3,735	6,138
Derecognition on disposal of assets or for other reasons	(47,348)	(16,711)
Translation differences	(79,679)	(57,514)
Closing balance	**1,195,512**	**1,135,232**
Accumulated amortisation and depreciation		
Opening balance	**(588,656)**	**(563,876)**
Derecognition on disposal of assets or for other reasons	21,497	10,518
Amortisation for the period	(51,290)	(43,637)
Translation differences	30,118	24,291
Impairment losses recognised in income (Note 8)	-	(92)
Closing balance	**(588,331)**	**(572,796)**
Net assets		
Opening balance	**586,950**	**558,021**
Closing balance	**607,181**	**562,436**

During the first half of 2018 Prosegur invested EUR 91,209 thousand in property, plant and equipment (at 30 June 2017: EUR 81,422 thousand). These investments correspond mainly to cash automation equipment installed in customers' premises and to acquiring and adapting machines and armoured vehicles in Colombia, Brazil and Europe, as well as the acquisition of a property in Guatemala.

During May 2018 a property located at Paseo de las Acacias en Madrid was sold for EUR 24,761 thousand. That property had a net carrying amount of EUR 20,668 thousand after a restatement during the first transition to IFRS-EU totalling EUR 19,890 thousand. The income on the sale of that building was EUR 4,093 thousand (Note 8).

The Group had no assets with restrictions on title or ownership and none had been pledged as security for specific transactions at 30 June 2018.

11.2. Investment properties

The balance and movements under Investment properties in the six-month period ended to 30 June 2018 are broken down as follows:

	Thousands of euros Period ended 30 June 2018
<u>Cost</u>	
Opening balance	-
Transfer of non-current assets held for sale	52,623
Translation differences	(17,499)
Closing balance	**35,124**
<u>Accumulated amortisation and depreciation</u>	
Opening balance	-
Transfer of non-current assets held for sale	(1,660)
Amortisation for the period	(687)
Translation differences	598
Closing balance	**(1,749)**
<u>Net assets</u>	
Opening balance	**-**
Closing balance	**33,375**

At 8 January 2018, the heading Non-current assets held for sale (Note 11.3) recorded several floors in two buildings and land located in the city of Buenos Aires. These items were reclassified to the heading "Investment properties" since the economic situation in Argentina does not lead to the consideration that their disposal in the short time is highly likely.

11.3. Non-current assets held for sale

The balance and movements in non-current assets held for sale in the six-month period ended to 30 June 2018 and 2017 are broken down as follows:

	Thousands of euros Period ended 30 June	
	2018	**2017**
<u>Cost</u>		
Opening balance	50,963	64,701
Transfers to investment properties	(50,963)	-
Derecognition on disposal of assets or for other r	-	(2,701)
Additions	539	-
Translation differences	-	(5,206)
Closing balance	**539**	**56,794**

On 8 June 2018, Prosegur reached an agreement to acquire the secure transportation operations of Grupo Almo in Central America. That agreement also covered the acquisition of the several assets regarding the security business carried out by the company Alarmas de Guatemala. These assets are expected to be sold during the second half of 2018 and therefore the assets have been classified as non-current assets held for sale.

The transfers registered under Investment properties in 2018 relate to several floors in two buildings and land located in the city of Buenos Aires (Argentina), since the economic situation in Argentina does not lead to the consideration that their disposal is highly likely in the short-term (Note 11.2).

The disposals recognized during the first six-month period ended of 2017 arose as a result of the sale of one floor and eight parking spaces for a total of 45,173 thousand Argentine pesos (equivalent to EUR 2,701 thousand at the transaction date), which gave rise to a loss totalling EUR 179 thousand (Note 8).

11.4. Goodwill

The movements under this heading in the six-month period ended to 30 June 2018 are broken down as follows:

	Thousands of euros
Carrying amount at 31 December 2017	**520,389**
Additions to the scope of consolidation (Note 21)	6,678
Additions	1,150
Translation differences	(12,405)
Carrying amount at 30 June 2018	**515,812**

Goodwill arising on the following business combinations was incorporated in the six-month period ended to 30 June 2018:

		2018	
	Country	% ownership	Thousands of euros
Grupo Almo Secure Transports Operations (1)	Various (Central America)	100%	6.678
			6.678

(1) The calculations related to business combinations are provisional and subject to adjustment up to one year from the acquisition date.

Additions relate to the adjustments applied to the value of the following goodwill as a result of the re-estimate of the deferred contingent consideration associated with the business combination involving Grupo Contesta:

		2018
	Country	Thousands of euros
Grupo Contesta	(Spain)	1,150
		1,150

At 30 June 2018 there were no additional circumstances that could give rise to impairment losses on the goodwill recognised.

The movements under the goodwill heading in the six-month period ended to 30 June 2017 were as follows:

	Thousands of euros
Carrying amount at 31 December 2016	**528,366**
Additions to the scope of consolidation (Note 21)	13,391
Translatiion differences	(15,722)
Carrying amount at 30 June 2017	**526,035**

Goodwill arising on two business combinations was incorporated in the six-month period ended to 30 June 2017.

11.5. Other intangible assets

The balance and movements under this heading in the six-month period ended to 30 June 2018 and 2017 are broken down as follows:

	Thousands of euros Period ended 30 June	
	2018	**2017**
Cost		
Opening balance	**558,336**	**566,302**
Additions	8,590	10,920
Business combinations	6,791	-
Derecognition on disposal of assets or for other reasons	(784)	(686)
Translation differences	(34,194)	(31,182)
Closing balance	**538,739**	**545,354**
Accumulated amortisation and depreciation		
Opening balance	**(313,374)**	**(309,566)**
Derecognition on disposal of assets or for other reasons	103	111
Amortisation for the period	(18,034)	(20,129)
Translation differences	16,390	16,111
Closing balance	**(314,915)**	**(313,473)**
Net assets		
Opening balance	**244,962**	**256,736**
Closing balance	**223,824**	**231,881**

Additions during the first half of 2018 included the intangible assets assigned to the measurement of the following business combinations:

	Thousands of euros				
	Customer portfolio	**License**	**Trademark**	**IT applications**	**Total**
Operacion Transporte Valores Grupo Almo [(1)]	5,805	178	789	19	6,791
	5,805	**178**	**789**	**19**	**6,791**

12. Non-current financial assets

Non-current financial liabilities held as follows at 30 June 2018 and 31 December 2017:

	Thousands of euros	
	30/06/2018	**31/12/2017**
Equity instruments	3,128	4,501
Deposits and guarantees	4,853	4,334
Other non-current financial assets	3,577	3,308
Total non-current financial assets	**11,558**	**12,143**

During the first half of 2018 no significant purchases, sales, issues or settlement of non-current financial assets took place.

At 30 June 2018 the heading “Other non-current assets” includes fixed term deposits with maturity dates primarily falling in 2020 and a EUR 2,565 thousand loan granted by Prosegur to one of its subsidiaries in India, SIS Cash Services Private Ltd, which is consolidated using the equity method.

13. Investments accounted for using the equity method

13.1. Joint ventures

Prosegur’s main joint ventures related to companies that operate in India and Africa and they engage in the Cash business. These joint ventures are structured as separate vehicles and Prosegur holds an interest in their net assets. Prosegur therefore classifies these holdings as joint ventures.

The movements in the investments in joint ventures accounted for using the equity method in the six-month period ended to 30 June 2018 and 2017 are as follows:

	Thousands of euros	
	30/06/2018	**30/06/2017**
Opening balance	**29.837**	**30.234**
Additions	1.166	-
Attributable profit/(loss)	(853)	397
Translation differences	(1.866)	(2.243)
Closing balance	**28.284**	**28.388**

The key figures for investments in joint ventures accounted for using the equity method in 2017 are broken down in Annex III of the consolidated annual financial statements for the year ended 31 December 2017.

Prosegur recognizes no commitments for significant contingent liabilities at any of the joint ventures accounted for using the equity method.

14. Other financial assets and Cash and cash equivalents

Other financial assets

Details of the balances and movements in the heading Other financial assets during the year, are as follows:

	Thousands of euros
	30/06/2018
Balance at 1 January	**490,298**
Interest	328
Additions	290,000
Retirements	(290,157)
Balance at June 30	**490,469**

The composition of the balance and the issue dates for the financial assets as of 30 June 2018 are set out in the following table:

			Thousands of euros
Description	**Issue date**	**Principal**	**Balance at 30/06/2018**
Fixed income investment fund	07/04/2017	25,000	25,043
Fixed income investment fund	19/04/2017	25,000	25,043
Firxed term deposit	22/06/2017	150,000	150,155
Firxed term deposit	15/03/2018	150,000	150,010
Firxed term deposit	20/03/2018	140,000	140,218
		490,000	**490,469**

Cash and cash equivalents

Set out below is a breakdown of cash and cash equivalents at 30 June 2018 and 31 December 2017:

	Thousands of euros	
	30/06/2018	**31/12/2017**
Cash and banks	404.408	472.110
Current bank deposits	123.163	158.829
	527.571	**630.939**

The effective interest rate on short-term deposits at credit institutions stood at 1.28% (at 31 December 2017: 4.17%) and the average term of the deposits held during the first half of 2018 was 212 days (at 31 December 2017: 211 days).

15. Inventories

The breakdown of inventories at 30 June 2018 and 31 December 2017 is as follows:

	Thousands of euros	
	30/06/2018	**31/12/2017**
Works and facilities in progress	15,242	23,967
Trade inventories, fuel and other	44,471	44,603
Operational materials	2,353	2,013
Uniforms	5,195	5,578
Impairment of inventories	(4,082)	(5,459)
	63,179	**70,702**

No inventories were pledged in guarantee of payment obligations.

The balance and movements for impairment adjustments in the six-month period ended to 30 June 2018 and 2017 are as follows:

	Thousands of euros	
	30/06/2018	**30/06/2017**
Balance at 1 January	(5,459)	(6,150)
Additions	(1,013)	(304)
Applications and other	2,093	878
Exchange differences	297	313
Balance at June 30	**(4,082)**	**(5,263)**

16. Net equity

16.1. Share capital

Share capital consists of:

	Thousands	**Thousands of euros**			
	Number of shares	**Share capital**	**Share premium**	**Own shares**	**Total**
1 January 2017	617.125	37.027	25.472	(53.315)	9.184
31 December 2017	617.125	37.027	25.472	(53.079)	9.420
30 June 2018	617.125	37.027	25.472	(52.777)	9.722

At 30 June 2018 the share capital of Prosegur Compañía de Seguridad, S.A. amounted to EUR 37,027 thousand represented by 617,124,640 shares with a nominal value of EUR 0.06 each, fully subscribed and paid in. They are listed on the Madrid, Bilbao, Valencia and Barcelona stock exchanges and are traded on the Spanish stock market's electronic system (Continuous Market) (SIBE).

16.2. Share premium

The share premium totals EUR 25,472 thousand, is freely available, and did not change in 2017 or during the six-month period ended 30 June 2018.

16.3. Own shares

The movements in own shares in the first half of 2018 were as follows:

	Number of shares	Thousands of euros
Saldo al 31 de diciembre de 2017	**18,627,835**	**53,079**
Other payments in	(85,829)	(302)
Saldo al 30 de junio de 2018	**18,542,006**	**52,777**

16.4. Cumulative translation differences

The change of EUR 140,695 thousand in accumulated exchange differences at 30 June 2018 compared with 31 December 2017 corresponds mainly to the devaluation of the Brazilian real and, especially, the Argentine peso (Note 24).

16.5. Dividends

On 19 December 2017 the Board of Directors approved the distribution of a gross interim ordinary dividend against 2017 profits of EUR 0.11648 per share, representing a total maximum dividend of EUR 71,883 thousand (based on share capital at that date comprising 617,124,640 shares). Said resolution of the Board of Directors was ratified at the General Meeting of Shareholders held on 29 May 2018. The amount not distributed as a dividend within the maximum agreed total, due to the own shares held at each payment date, will be applied to voluntary reserves and is reflected under “Other movements” in the consolidated statement of changes in equity.

On 18 January 2018 the first tranche of the interim ordinary dividend against 2017 profits was paid out, totalling EUR 17,971 thousand (equivalent to EUR 0.02912 per outstanding share gross or EUR 0.0235872 per share net).

On 11 April 2018 a second tranche of the interim ordinary dividend against 2017 profits was paid out, totalling EUR 17,971 thousand (equivalent to EUR 0.02912 per outstanding share gross or EUR 0.0235872 per share net).

On 12 July 2018 shareholders received the third tranche of the interim ordinary dividend against 2017 profits representing a gross amount of EUR 0.02912 per outstanding share with voting rights at that date, equivalent to a net amount of EUR 0.0235872 per share.

The remaining amount due to bring the payout up to the approved amount of EUR 0.11648 per share (based on share capital of 617,124,640 shares at 30 June 2018) will be paid in October 2018.

16.6. Earnings per share

- ***Basic***

Basic earnings per share are calculated by dividing earnings from continuing operations attributable to the owners of the parent company by the weighted average number of ordinary shares outstanding in the year, excluding own shares acquired by the Company.

	Thousands of euros	
	30/06/2018	**30/06/2017**
Profit/(loss) attributable to the owners of the parent company	80.736	73.468
Weighted average of ordinary shares outstanding	598.543.795	598.466.639
Basic earnings per share	**0,13**	**0,12**

- ***Diluted***

Diluted earnings per share is calculated by adjusting the earnings attributable to the owners of the parent company and the weighted average number of ordinary shares outstanding in the year for all the effects of all dilutive potential ordinary shares.

The parent company does not have different classes of partially diluted ordinary shares.

16.7. Non-controlling interests and other movements

Prosegur Cash, S.A. is a subsidiary of the Spanish company Prosegur Compañía de Seguridad, S.A. as the current holder of 51% of its share capital, indirectly controlling a further 21.5% through its wholly-owned subsidiary, Prosegur Assets Management, S.L.U. The remaining 27.5% of the shares is held by non-controlling shareholders as a result of its listing on the stock market on 17 March 2017.
The shares of Prosegur Cash were initially listed at EUR 2 per share on the Madrid, Bilbao, Valencia and Barcelona stock exchanges and are traded on the Spanish stock market's electronic system (Continuous Market) (SIBE).

The impact deriving from this transaction totalled EUR 824,992 thousand and the related expenses amounted to EUR 28,018 thousand. Consequently, the positive impact recognized due to the disposal of these equity instruments amounted to EUR 796,974 thousand.

On 8 May 2017, Prosegur Cash, S.A. concluded a liquidity agreement in accordance with the legislation then in force. Prior to signing the agreement that company did not hold any own shares. The operating process prior to the liquidity agreement to create the own share portfolio ended on 8 June once that portfolio held 1,000,000 shares. The liquidity agreement became operative on 9 June 2017 and ended on 10 July 2017, the date on which the liquidity agreement was terminated. On 7 July 2017, Prosegur Cash S.A. concluded a new liquidity agreement that entered into force on 11 July 2017. This agreement was in line with the new legislation and restarted the operations to cover the liquidity established in the agreement.

The own share portfolio held by Prosegur Cash, S.A. at 30 June 2018 consisted of 953,220 shares, of which 498,409 shares are associated with the liquidity contract for a total amount of EUR 2,260 thousand.

17. Provisions

The balance and movements under this heading in the six-month period ended to 30 June 2018 is broken down in the following table:

Thousands of euros	Labour-related risks	Legal risks	Restructuring	Staff benefits (Note 7)	Other risks	Total
Saldo al 1 January 2018	**83,689**	**17,857**	**1,522**	**11,833**	**99,159**	**214,060**
Provisions charged to income statement	28,749	2,826	-	-	10,046	**41,621**
Reversals credited to income	(17,833)	(1,556)	-	-	(4,314)	**(23,703)**
Applications	(12,538)	(1,958)	(549)	-	(10,988)	**(26,033)**
Financial effect of discounting	2,339	660	-	-	2,518	**5,517**
Additions to the consolidated group	-	-	-	212	-	**212**
Translation differences	(9,308)	(1,705)	-	(564)	(11,075)	**(22,652)**
Saldo al 30 de junio de 2018	**75,098**	**16,124**	**973**	**11,481**	**85,346**	**189,022**
Non Current 2018	75,098	16,124	-	11,481	82,886	185,589
Current 2018	-	-	973	-	2,460	3,433

a) *Labour-related risks*

Provisions for labour risks, which total EUR 75,098 thousand (31 December 2017: EUR 83,689 thousand) are calculated on an individual basis in accordance with the estimated probability of success or failure. An internal review is also carried out into the likelihood of reaching agreement in each case, based on Prosegur’s past experience. This is used to determine the final provision to be recognised.

The provision for labour risks primarily includes amounts for labour issues in Brazil. The nature of the country’s labour legislation means these proceedings are subject to lengthy delays, giving rise to a provision in 2018 of EUR 43,025 thousand (31 December 2017: EUR 56,789 thousand).

The Company has also recorded a provision totalling EUR 6,411 thousand (31 December 2017: EUR 6,357 thousand) for the business combination carried out in 2005 with Transpev.

b) *Legal risks*

Provisions for legal risks, which total EUR 16,124 thousand (31 December 2017: EUR 17,857 thousand), primarily related to civil claims that are analysed on an individual basis. These claims are highly likely to result in cash outflow, but the amount and timing thereof is uncertain and depends on the outcome of said proceedings.

c) *Restructuring*

The restructuring provisions recognised correspond to the company Brinks Deutschland GmbH acquired in 2013. It is highly likely that there will be an outflow of resources in respect of this provision. Payments amounting to EUR 549 thousand were made in the first half of 2018.

d) *Employee benefit*

As disclosed in Note 5.2 of the consolidated annual financial statements for the year ended 31 December 2017, Prosegur has defined benefit plans for employees in Germany, Brazil, France and Mexico. The actuarial assessment performed by qualified actuaries regarding the value of the benefit commitments is updated annually. The latest update took place at the end of 2017 and applies to the current period.

In addition, the business combination disclosed in Note 21, Honduras, Nicaragua and El Salvador subsidiaries have recognised defined benefit plan commitments, mandated by the law, linked to the termination of employment contracts following dismissal or by mutual agreement.

The defined benefit plans in Germany and France correspond to pension and retirement plans, while the Mexican plan relates to employees' length of service. The Brazilian plan relates to post-retirement medical cover required in compliance with Law 9656 of said country.

e) *Other risks*

Provisions for other risks, which total EUR 85,346 thousand (31 December 2017: EUR 84,683 thousand), include multiple items.

These claims are highly likely to result in cash outflow, but the amount and timing thereof is uncertain and depends on the outcome of said proceedings.

The most significant risks are detailed below:

Tax risks

These mainly relate to tax risks in Brazil and Argentina amounting to EUR 70,033 thousand (31 December 2017: EUR 65,014 thousand).

In Brazil, tax risks mainly relate to indirect municipal and state taxes, and provisions related to the Nordeste and Transpev business combinations. In Argentina they are related to many individually non-material amounts involving mainly to direct and indirect municipal and provincial taxes. The most representative risks arise as a result of the difference in criteria applied by Prosegur and the tax administration.

Prosegur measures uncertain tax positions on the basis of “the most likely outcome”. Tax risks are treated as material in accordance with the recommendations of external advisers, based on an analysis of the pertinent jurisprudence. Internal studies are also performed based on similar cases arising in the past at Prosegur or other entities.

All tax contingencies are reviewed in detail at the end of each quarter. This review considers the amount, nature and extent to which the risk is covered by the provision. These parameters are assessed at the end of each financial year on the basis of a report produced by an independent expert containing an analysis and assessment of said parameters. The level of the provision is adjusted accordingly.

Allocations charged against results and reversals crediting results are recognized under the heading Other expenses (Note 6).

Comcare Australia

Payments were made in the first half of 2018 for obligations associated with the workplace accident insurance plan in Australia amounting to EUR 608 thousand, resulting in a total provision of EUR 3,882 thousand (31 December 2017: (EUR 850 thousand), of which EUR 1,128 thousand is payable in the short term (31 December 2017: EUR 963 thousand).

Accrued obligations to personnel

These provisions reflect the commitment accrued in respect of the Long-Term Incentive benefit linked to the 2017 and 2020 Bonus Plans for the CEO and senior management of Prosegur. An allocation totalling EUR 2,067 thousand was made during the period charged against profit for the year (30 June 2017: EUR 2,092 thousand), bringing the provision to a total of EUR 4,974 thousand (31 December 2017: EUR 14,476 thousand). The expense is recognised under wages and salaries (Note 7).

As disclosed in Note 34.19 of the consolidated annual financial statements for the year ended 31 December 2017, the plan is linked, in general terms, to the creation of value during the 2015 to 2017 financial years, with cash payments for some beneficiaries calculated on the basis of the Company's share price. The measurement period for most beneficiaries is 1 January 2015 to 31 December 2017, while remaining period is from 1 January 2015 to 31 December 2019.

A total of EUR 8,967 thousand was paid out in the first half of 2018 linked to the 2017 Plan.

On 28 May 2018 the Annual Shareholders’ General Meeting has approved the 2020 Bonus Plan for the CEO and senior management of Prosegur. The plan is linked to value creation during the 2018 to 2020 financial years, with cash payments for some beneficiaries calculated on the basis of the Company's share price. The three years plan depends on employees remaining in post and meeting the targets set. The measurement period for most beneficiaries is 1 January 2018 to 31 December 2020, while remaining period is from 1 January 2018 to 31 December 2022.

For both plans, the cash value of each share to which the beneficiary will be entitled is based on the average listed price of Prosegur shares in the last fifteen trading sessions in the month prior to delivery of the shares.

The total amount of the bonus will depend on the extent to which the targets set in line with the strategic plan have been met.

18. Financial liabilities

The breakdown of this item in the consolidated statement of financial position at 30 June 2018 and 31 December 2017 is as follows:

Thousands of euros	30/06/2018		31/12/2017	
	Non-current	**Current**	**Non-current**	**Current**
Bonds and other marketable debt securities	1,286,140	7,470	594,117	510,088
Bank borrowings	70,591	24,867	94,381	120,197
Payables on leases	7,915	7,663	11,957	8,524
Loan account	-	4,247	-	33,758
Other payables	17,773	32,147	16,856	28,479
	1,382,419	**76,394**	**717,311**	**701,046**

The most significant items recorded under this heading are detailed in Note 23 to the consolidated annual financial statements for the year ended 31 December 2017.

In the six-month period ended ended 30 June 2018 Prosegur did not default on any loan or credit granted to it nor was the Group in breach of any agreement related to said loans or credits.

Syndicated credit facility (Spain)

On 12 June 2014, Prosegur signed a new syndicated credit agreement for EUR 400,000 thousand, maturing in five years. The syndicated loan was novated on 18 March 2015, which primarily changed the maturity date until 18 March 2020. This syndicated credit facility transaction was cancelled on 10 February 2017 and replaced by two new syndicated credit facilities:

Syndicated credit facility for EUR 200,000 thousand (Spain)

On 10 February 2017, Prosegur signed a syndicated credit agreement for EUR 200,000 thousand, maturing five years, to ensure the company’s liquidity over the long term. At 30 June 2018 no amount had been drawn against this facility.

The interest rate applicable to any amounts drawn down on this facility corresponds to the Euribor rate plus a spread based on the company's credit rating.

Syndicated credit facility for EUR 300,000 thousand (Spain)

On 10 February 2017, the Prosegur subsidiary, Prosegur Cash, signed a syndicated credit agreement for EUR 300,000 thousand, maturing in five years, to ensure the company's liquidity over the long term. At 30 June 2018 no amount had been drawn against this facility.

The interest rate applicable to any amounts drawn down on this facility corresponds to the Euribor rate plus a spread based on the company's credit rating.

Bonds and other marketable debt securities

On 2 April 2018 the uncovered bonds that were issued on 2 April 2013 in the amount of EUR 500,000 were redeemed at maturity.

On 4 December 2017 Prosegur, through its subsidiary Prosegur Cash, issued uncovered bonds with a nominal amount of EUR 600 million maturing on 4 February 2026. The bonds were issued through the Euro Medium Term Note Programme, and allowed Prosegur Cash to defer the maturity of part of its debt and diversify its sources of financing. The bonds are traded on the secondary market on the Irish Stock Exchange. They bear an annual coupon of 1.38% payable at the end of each year.

On 8 February 2018 Prosegur issued uncovered bonds with a nominal amount of EUR 700 million maturing on 8 February 2023. The bonds are traded on the secondary market on the Irish Stock Exchange. They bear an annual coupon of 1.00% payable at the end of each year.

Bailment agreement

Prosegur in Australia has signed a bailment agreement to supply cash to ATMs belonging to Prosegur. Under the agreement, the bailor is the owner of said cash. Prosegur holds this cash for the sole purpose of refilling the ATMs it supplies under this contract. The corresponding asset and liability are settled through regulated clearing systems including balance offsetting rights. No asset or liability is therefore recognised in respect of this cash. The cash in circulation at 30 June 2018 was AUD 41,400 thousand, (equivalent to EUR 26,500 thousand) (AUD 47,700 thousand at 31 December 2017, equivalent to EUR 31,080 thousand).

Loan and borrowings (South Africa)

In order to partially fund the subscription of shares representing 33.33% of the capital in the South African company SBV Services Proprietary Limited, Prosegur obtained a bullet-payment 4-year loan on 29 January 2016 in the amount of 272,000 thousand South African rands (equivalent value at 30 June 2018: EUR 16,949 thousand) (EUR 18,372 thousand at 31 December 2017).

Syndicated loan (Australia)

On 28 April 2017, Prosegur arranged a syndicated credit agreement through its subsidiary Prosegur Australia Investments Pty for AUD 70,000 thousand maturing in three years. At 30 June 2018 the amount drawn down totalled AUD 70,000 thousand (equivalent at that date: EUR 44,340 thousand).

Other payables

The most significant items recorded under this heading are detailed in Note 23 to the consolidated annual financial statements for the year ended 31 December 2017.

The amounts recorded under other payables include outstanding payments related to the business combinations carried out.

19. Taxation

The tax expense is recognised for the interim reporting period on the basis of the best estimate of the weighted average effective tax rate expected for the financial year. The tax expense calculated for this interim reporting period may need to be adjusted in later periods if the estimated annual tax rate changes.

	Thousands of euros Period ended 30 June	
	2018	**2017**
Current tax	57,644	43,406
Deferred tax	6,767	24,760
Total	**64,411**	**68,166**

	Thousands of euros Period ended 30 June	
	2018	**2017**
Corporate income tax expense	64,411	68,166
Profit before tax	175,980	160,960
Effective tax rate	**36.60%**	**42.35%**

The effective tax rate was 36.60% in the first half of 2018 compared with 42.35% in the same period in 2017, a decrease of 5.75% due to the impact in 2017 of the Company’s corporate restructuring that ended in 2017. Stripping out this effect, the effective tax rate would have been 35.63% in the second quarter of 2017, compared to 36.60% during the second quarter of 2018.

On 10 May 2016 the Company received notification of the start of inspection action covering corporate income tax. The inspection is partial in nature regarding the appropriateness of applying unrestricted depreciation as a result of maintaining or creating jobs in 2011 and the deductibility of the compensation paid to Directors in 2011-2014.

Also on 10 May 2016 notification was received regarding the start of inspection action affecting Prosegur Compañía de Seguridad (buyer) as the successor to the merger of the companies Prosegur Transporte de Valores and Prosegur Activa España (both target companies). This action also covers corporate income tax and is partial in nature regarding the appropriateness of unrestricted depreciation due to maintaining or creating jobs in 2011.

The following assessments were signed as a result of the aforementioned inspection actions:

- Accepted assessment relating to the unrestricted depreciation
- Contested assessment relating to the compensation paid to Directors, concerning tax payable in the amount of EUR 390 thousand and interest totalling EUR 30 thousand.

A claim has been filed regarding the contested assessment with the Central Tax and Treasury Court since Prosegur believes it will obtain a favourable judgement.

The Company is also involved in two cases of litigation that have yet to be resolved relating to two contested assessments raised by the Spanish tax authorities, for which no provision has been made. The first was raised in 2012 and concerns corporate income tax for 2005, 2006 and 2007 and the tax debt totals EUR 8,268 thousand. This litigation is currently pending judgement by the National High Court. The second assessment was raised in 2014 and concerns corporate income tax for 2008 and 2009 and the associated tax debt totals EUR 16,072 thousand. This case is pending judgement by the Central Tax and Treasury Court.

The rest of the Group companies are subject to their local jurisdictions. Due to, among other things, different possible interpretations of prevailing tax legislation, additional tax liabilities could arise in the event of inspection. The Directors consider that any such liabilities that could arise would not materially affect the consolidated financial statements.

20. Contingencies

Details of the contingent assets and liabilities recognised at 31 December 2017 are disclosed in Note 27 of the Notes to the consolidated annual financial statements for the year then ended.

On 22 April 2015 the Spanish National Commission on Markets and Competition (CNMC) opened proceedings against Prosegur, Prosegur Servicios de Efectivo España, S.L.U (currently a subsidiary of Prosegur Cash) and Loomis España, S.A. for alleged anti-competitive practices in accordance with European Union legislation. On 10 November 2016 the CNMC's Competition Commission fined Prosegur and its subsidiary EUR 39,420 thousand.

On 13 January 2017 Prosegur filed an appeal against this ruling with the Spanish High Court and requested the fine be suspended during the appeal period.

On 13 February 2017 the Spanish High Court granted Prosegur the right to present the appeal, allowing proceedings to be initiated prior to hearing the formal appeal. To date, said appeal is being prepared by Prosegur and the Court will subsequently consider the merits of the case and issue a ruling.

On 31 March 2017 the Spanish High Court granted the request to suspend the CNMC's order, in particular the fine imposed on Prosegur, on condition that Prosegur provides a guarantee or other surety for the amount of the fine within two months. On 9 June 2017, Prosegur presented a bank guarantee amounting to EUR 39,420 thousand to the Spanish High Court.

The cost of appealing against the ruling and fine will be assumed in full by Prosegur, which will have exclusive powers over the management and oversight of said defence and the appeal procedure.

The judgement that will be handed down by the Spanish High Court in due time regarding the CNMC decision may give rise to additional liabilities at the time the proceedings end. The Company's Directors consider that any such liabilities that could arise would not materially affect the consolidated financial statements.

21. Business combinations

The changes in goodwill in the first half of 2018 are disclosed in Note 11.4.

21.1. Goodwill incorporated in 2018

The net assets acquired and goodwill arising on the incorporations carried out in 2018 are as follows:

Thousands of euros	Assigned to segment	Cash consideration	Deferred to fair value	**Total acquisition price**	Fair value of identifiable net assets acquired	**Goodwill**
Grupo Almo Secure Transport Operations [1]	Cash	9.124	7.319	**16.443**	9.765	**6.678**
		9.124	**7.319**	**16.443**	**9.765**	**6.678**

[1] The calculations related to business combinations are provisional and subject to adjustment up to one year from the acquisition date.

Goodwill is not deductible for tax purposes.

If the businesses acquired in the first half of 2018 had been acquired on 1 January 2018, the ordinary revenues recorded in the consolidated income statement to 30 June 2018 would have been EUR 6,950 thousand higher and the profit for the year would have been EUR 675 thousand higher.

The cash outflows related to the acquisition of the businesses acquired, net of cash acquired, are as follows:

Thousands of euros	Assigned to segment	Country	Cash consideration	Cash and cash equivalents acquired	**Cash outflows on acquisition**
Grupo Almo Secure Transport Operations	Cash	Various (Central America)	9.124	(1.033)	**8.091**
			9.124	(1.033)	**8.091**

Grupo Almo Secure Transport Operations

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

The acquired assets were consolidated from 8 June 2018. The ordinary revenues and net profit contributed to the consolidated income statement for 2018 is EUR 1,390 thousand and EUR 135 thousand, respectively.

The assets and liabilities arising from the acquisition are as follows:

(Thousands of euros)	**Carrying amount in financial statements of the acquiree**	**Fair value**
Cash and cash equivalents	1,033	1,033
Property, plant and equipment	3,735	3,735
Other intangible assets	19	6,791
Inventories	132	132
Trade and other receivables	2,715	2,715
Current tax assets	115	115
Trade and other payables	(2,458)	(2,458)
Deferred tax assets	31	31
Deferred tax liabilities	(41)	(1,740)
Deferred tax liabilities	(360)	(360)
Non-current financial assets	8	8
Provisions	(212)	(212)
Current financial liabilities	(25)	(25)
Net identifiable assets acquired	**4,692**	**9,765**

The goodwill was allocated to the Cash segment and the Iberoamerica geographical region and is mainly attributable to the business returns and material synergies that are expected to materialise following the acquisition by Prosegur. The intangible assets are based on relations with customers (EUR 5,805 thousand), with a useful life of 6 to 10 years, licences (EUR 178 thousand) and trademarks (EUR 789 thousand) with a useful life of four years.

21.2. Goodwill incorporated in 2017 and under review in 2018

The net assets acquired and goodwill arising on the incorporations carried out in 2017, which are being reviewed in 2018, are as follows:

Thousands of euros	Assigned to segment	Cash consideration	Deferred to fair value	**Total acquisition price**	Fair value of identifiable net assets acquired	**Goodwill**
Grupo Contesta (1)	Cash	6.695	10.064	**16.759**	10.512	**6.247**
		6.695	**10.064**	**16.759**	**10.512**	**6.247**

(1) The calculations related to business combinations are provisional and subject to adjustment up to one year from the acquisition date.

Goodwill is not deductible for tax purposes.

The cash outflows related to the acquisition of the businesses acquired, net of cash acquired, are as follows:

Thousands of euros	Country	Segment	Cash consideration	Cash and cash equivalents acquired	**Cash outflows on acquisition**
Grupo Contesta	Spain	Cash	6.695	(983)	**5.712**
			6.695	(983)	**5.712**

Grupo Contesta

On 14 September 2017, Prosegur acquired 100% of the Grupo Contesta in Spain, a group of companies engaged in the provision of administrative services to banks. The total purchase price was EUR 16,759 thousand, comprising cash consideration of EUR 6,695 thousand and deferred contingent consideration of EUR 10,064 thousand payable in 2018, 2019 and 2020. The contingent deferred consideration has been re-estimated and increased by EUR 1,150 thousand compared with 31 December 2017.

The acquired business was consolidated from 14 September 2017.

The assets and liabilities arising from the acquisition are as follows:

(Thousands of euros)	Carrying amount in financial statements of the acquiree	Fair value
Cash and cash equivalents	983	983
Property, plant and equipment	1,067	1,067
Trade and other receivables	3,148	3,148
Current tax assets	13	13
Current tax liability	(284)	(284)
Trade and other payables	(977)	(977)
Other financial assets	46	46
Financial debt	(500)	(500)
Deferred tax liabilities	-	(2,333)
Other intangible assets	16	9,349
Net identifiable assets acquired	**3,512**	**10,512**

The goodwill was allocated to the Cash segment and the Europe geographical region and is mainly attributable to the business returns and material synergies that are expected to materialise following the acquisition by Prosegur. The intangible assets are based on relations with customers (EUR 9,333 thousand) with a useful life of 14 years.

21.3. Goodwill incorporated in 2017 and not reviewed in 2018

The net assets acquired and goodwill arising on the incorporations carried out in 2017,which have not been reviewed in 2018, are as follows:

Thousands of euros	Assigned to segment	Cash consideration	Deferred to fair value	**Total acquisition price**	Fair value of identifiable net assets acquired	**Goodwill**
Cash Services Australia Pty Limited	Cash	2,171	-	**2,171**	2,171	**-**
Acquisition of assets from Omni S.A.	Alarms	3,330	2,482	**5,812**	5,102	**710**
Other Prosegur Cash business combinations (1)	Cash	26,972	5,388	**32,360**	20,485	**11,875**
		32,473	**7,870**	**40,343**	**27,758**	**12,585**

Goodwill is not deductible for tax purposes.

The cash outflow related to the acquisition of the businesses acquired, net of cash acquired, are as follows:

Thousands of euros	Country	Segment	Cash consideration	Cash and cash equivalents acquired	**Cash outflows on acquisition**
Cash Services Australia Pty Limited	Australia	Cash	2,171	(170)	**2,001**
Acquisition of assets from Omni S.A.	Paraguay	Alarms	3,330	-	**3,330**
Other Prosegur Cash business combinations [1]	Various	Cash	26,972	(2,333)	**24,639**
			32,473	(2,503)	**29,970**

Cash Services Australia Pty Limited

On 17 February 2017, Prosegur acquired 100% of the Australian company Cash Services Australia Pty Limited, a security company that provides logistics services for high value items and cash management services. The total purchase price was AUD 2,998 thousand (equivalent at the purchase date: EUR 2,171 thousand), consisting of a cash payment totalling AUD 2,406 thousand (equivalent at the purchase date: EUR 1,742 thousand), and deferred contingent consideration totalling AUD 592 thousand (equivalent at the purchase date: EUR 429 thousand) and falling due in 2017.

The acquired assets were consolidated from 17 February 2017.

The assets and liabilities arising from the acquisition are as follows:

(Thousands of euros)	**Carrying amount in financial statements of the acquiree**	**Fair value**
Cash and cash equivalents	170	170
Property, plant and equipment	379	379
Deferred tax assets	195	195
Trade and other receivables	1,344	1,344
Trade and other payables	(742)	(742)
Provisions for liabilities and charges	(235)	(235)
Other intangible assets	-	1,504
Deferred tax liabilities	-	(451)
Current tax assets	7	7
Net identifiable assets acquired	**1,118**	**2,171**

The intangible assets are based on relations with customers (EUR 1,504 thousand) with a useful life of 7 years.

Acquisition of assets from Omni S.A.

In Paraguay Prosegur acquired a series of assets from Omni, S.A. on 1 December 2017. The latter company specializes in residential alarm monitoring security services. The total purchase price was 39,039,000 thousand Paraguayan guarani (equivalent at the purchase date: EUR 5,811 thousand), consisting of a cash payment totalling 22,369,000 thousand guarani (equivalent at the purchase date: EUR 3,330 thousand), and deferred contingent consideration totalling 16,670,000 thousand guarani (equivalent at the purchase date: EUR 2,481) and falling due in 2018.

The acquired assets were consolidated from 1 December 2017.

The assets and liabilities arising from the acquisition are as follows:

(Thousands of euros)	Carrying amount in financial statements of the acquiree	Fair value
Property, plant and equipment	89	89
Other intangible assets	-	5,013
Net identifiable assets acquired	**89**	**5,102**

The goodwill was allocated to the Alarms segment and the Iberoamerica geographical region and is mainly attributable to the business returns and material synergies that are expected to materialise following the acquisition by Prosegur. The intangible assets are based on relations with customers (EUR 4,831 thousand), with a useful life of 8.5, and a non-competition agreement (EUR 182 thousand) with a useful life of 5 years.

Other Prosegur Cash business combinations

In 2017, Prosegur Cash acquired a number of assets and security companies in Iberoamerica which provide logistics services for high value items and cash management services. The total purchase price was EUR 32,360 thousand, comprising cash consideration of EUR 26,972 thousand a deferred payment falling due in 2017, 2018 and 2019 totalling EUR 4,045 thousand and deferred contingent consideration of EUR 1,343 thousand payable in 2018 and 2019.

The assets and liabilities arising from the acquisition are as follows:

(Thousands of euros)	Carrying amount in financial statements of the acquiree	Fair value
Cash and cash equivalents	2,333	2,333
Property, plant and equipment	6,139	6,139
Inventories	33	33
Trade and other receivables	525	525
Current tax assets	108	108
Trade and other payables	(545)	(545)
Deferred tax assets	85	85
Deferred tax liabilities	(833)	(2,009)
Other financial assets	95	95
Financial debt	(1,189)	(1,189)
Other intangible assets	-	14,910
Net identifiable assets acquired	**6,751**	**20,485**

The goodwill was allocated to the Cash segment and the Europe geographical region and is mainly attributable to the business returns and material synergies that are expected to materialise following the acquisition by Prosegur. The intangible assets are based on relations with customers (EUR 14,043 thousand), with a useful life of 7 to 19 years, and a non-competition agreement (EUR 867 thousand) with a useful life of 10 years.

22. Related parties

The company is wholly owned and controlled by Gubel, S.L., which holds 50.075% of the Company's shares. The remaining 49.925% of the shares are held by a number of shareholders, including the significant shareholders Oppenheimer Acquisition Corporation with 5.665%, AS Inversiones,S.L. with 5.328% and FMR LLC with 5.018%.

Purchases of goods and services

During the first half of 2018 Proactinmo, S.L.U. (controlled by Gubel, S.L.) issued lease invoices for two properties located in Madrid to Prosegur for a total of EUR 1,032 thousand (at 30 June 2017: EUR 902 thousand). Both leases bear market prices.

During the first half of 2018 Euroforum Group (controlled by Gubel, S.L.) issued invoices to Prosegur for hotel services totalling EUR 380 thousand (at 30 June 2017: EUR 210 thousand).

Provision of services

During the first half of 2018, Prosegur has provided security services to Proactinmo, S.L.U. (controlled by Gubel, S.L.) for a total of EUR 19 thousand (30 June of 2017: EUR 46 thousand).

During the first half of 2018, Prosegur has provided security services to Grupo Euroforum (controlled by Gubel, S.L.) for a total of EUR 137 thousand (30 June of 2017: EUR 120 thousand).

Remuneration of board members and key management personnel

1. Remuneration of directors

The full remuneration accrued by the members of the Board of Directors in the six-month period ended to 30 June 2018 and 2017 is as follows:

	Thousands of euros	
	30/06/2018	**30/06/2017**
Fixed remuneration	465	501
Variable remuneration	154	177
Remuneration for board membership	9	8
Life insurance premiums	24	24
Daily allowances	538	579
	1.190	**1.289**

2. Remuneration of senior management

Senior management is defined as employees of Prosegur who, in fact or by right, perform senior management functions reporting directly to the governing body or Chair, including employees with power of attorney whose authority is not restricted to specific areas or matters or to activities that do not form part of the entity's corporate purpose.

The remuneration accruing to all the senior management of Prosegur in the six-month period ended to 30 June 2018 is as follows:

	Thousands of euros	
	30/06/2018	**30/06/2017**
Total remuneration paid to senior management	1,146	1,288

The total commitment acquired by the Company at 30 June 2018 relating to the Long-Term Incentive Plan 2017 and 2020 is recognized under liabilities in the amount of EUR 4,974 thousand (Note 17).

Loans granted to related parties

There were no loans to related parties at 30 June 2018 and 2017, except for a EUR 2,462 thousand loan granted by Prosegur to one of its subsidiaries in India, SIS Cash Services Private Ltd, which is consolidated using the equity method (Note 13).

Through the company Gestconsult S.A., Prosegur invested EUR 50,000 in a fixed income fund in 2017 for which it recognised a management fee of 0.60%. The chair of Gestconsult, Juan Lladó Fernandez-Urrutia, is a person associated with Mr. Christian Gut Revoredo. This related-party transaction was authorised on 3 April 2017 by the Board of Directors after receiving a favourable report from the relevant Committee. This investment is recognized under the heading Other financial assets at 30 June 2018.

Disclosure on compliance with article 229 of the Spanish Corporate Enterprises Act

In accordance with the provisions of articles 228, 229 and 230 of the revised Text of the Spanish Corporate Enterprise Act, approved by Royal Legislative Decree 1/2010, of 2 July, and modified by Law 31/2014 on improving corporate governance, in the first half of 2018, none of the members of the Board of Directors of the Parent nor any party related thereto had any direct or indirect interest in conflict with those of the Company.

Prosegur receives recurring legal and tax advisory services as part of its ordinary course of business and on an arm's length basis from the law firm J&A Garrigues, S.L.P. long before the appointment of Mr. Fernando Vives as a member of the Board of Directors. Prosegur does not only receive such services from J&A Garrigues, S.L.P., and it receives tax and legal advisory services from other law firms. The fees received by J&A Garrigues, S.L.P. from Prosegur are not material for the firm and do not represent a significant amount in Prosegur's accounts. At 30 June 2018 the fees total EUR 369 thousand, representing less than 0.5% of total administration and sales expenses (Note 6) incurred by Prosegur and the total amount invoiced by Garrigues (at 30 June 2017 this figure was EUR 924 thousand).

Prosegur rendered security services to the law firm J&A Garrigues, S.L.P. during the six-month period ended 30 June 2018. The security services billed to J&A Garrigues, S.L.P. at 30 June 2018 total EUR 284 thousand, representing less than 0.5% of Prosegur's sales (at 30 June 2017 this figure was EUR 281 thousand).

The rendering of those services is carried out through partners at the firm other than Mr. Fernando Vives, whose compensation as a partner of J&A Garrigues, S.L.P. is completely independent and not associated in any way with the invoices issued by Prosegur to the firm. The Board of Directors considers that the business relationship between the firm J&A Garrigues, S.L.P. and Prosegur, which is occasional, arising in the ordinary course of business, non-exclusive and immaterial, does not affect in any way the ability of Mr. Fernando Vives to independently perform his duties as a member of the Board of Directors of Prosegur.

23. Average headcount

The average headcount of Prosegur in the six-month period ended to 30 June 2018 and 30 June 2017 is as follows:

	30/06/2018	**30/06/2017**
Men	141,390	139,796
Women	26,964	26,369
	168,354	**166,165**

24. Events after the end of the reporting period

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

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

The hyperinflation is based on indicators relating to the economic climate in Argentina, including a cumulative inflation rate of over 100% over the last three years, which means Argentina can be declared to be a hyperinflationary economy for accounting purposes. Prosegur is currently assessing the impacts to be recognised of Argentina's designation as a hyperinflationary economy.

ANNEX I - Summary of significant accounting policies

Standards coming into force from 1 January 2018 and which may require changes in accounting policy or presentation

The accounting policies adopted for the preparation of the financial statements for the six-month period ended to 30 June 2018 are the same as those used to prepare the consolidated annual financial statements for the year ended 31 December 2017, as detailed in Note 34 of the Notes thereto.

In addition to the first-time application of IFRS 9 and IFRS 15 (Note 2), the following standards published by the IASB and the IFRS Interpretation Committee and adopted by the European Union for their application in Europe and which have, therefore, been taken into account in the preparation of these interim financial statements:

Standards		**Mandatory application: periods beginning on or after: IASB effective date**
Amendment to IAS 40	Amendment to IAS 40 Investment property	1 January 2018
IFRIC 22	Foreign currency transactions and advance consideration	1 January 2018
Amendment to IFRS 2	Classification and measurement of share-based payments	1 January 2018

Amendment to IAS 40 Investment property: Transfers of investment property These amendments clarify the requirements affecting transfers to or from investment properties

IFRIC 22 “Foreign currency transactions and advance consideration”. Establishing the exchange rate to be used in transactions involving advance consideration paid or received in foreign currencies.

Amendments to IFRS 2: Classification and measurement of share-based payments. Clarification on accounting for certain types of share-based payments.

The application of these standards and interpretations has not had a significant impact on these interim consolidated financial statements.

Standards		Mandatory application: periods beginning on or after: IASB effective date
EU-IFRS 16	Lease accounting (issued January 2016)	1 January 2019
	Conceptual framework for financial reporting.	1 January 2020
IAS 19	Amendments to IAS 19 The limit on a defined benefit asset and minimum funding requirements	1 January 2019
IFRIC 23	Uncertainty over income tax treatments	1 January 2019
IAS 12	Amendment to IAS 12: Income tax consequences of payments on instruments classified as equity	1 January 2019
EU-IFRS 3, 11	Improvements to EU-IFRS 3 and 11: Accounting for acquisitions of interests in joint operations and acquisition of control over a joint operation	1 January 2019

The Group has not applied any of these standards or interpretations in advance of the date on which they come into force.

As a consequence of the analysis being carried out by the Group on the potential impact of the first-time application of EU-IFRS 16, the Group will recognise new assets and liabilities in respect of operating leases on buildings and vehicles. The nature of the expenses related to these leases will also change, as operating leases will no longer be expensed on a straight-line basis, instead the assets concerned will be depreciated and an interest expense will be recognised on the lease liability.

To estimate this impact, the Group needs to calculate factors including the terms of the leases concerned, taking into account whether the agreements can be terminated early or not and if they can be extended unilaterally by the lessee and, in both cases, with what degree of certainty, which will, in turn, depend on the expected use of the assets located in the underlying leased properties.

Although the Group expects to apply IFRS 16 for the first time from 1 January 2019, the calculation process is not yet complete, and it may apply the standard retrospectively, or using a modified retrospective approach. Based on the analysis performed to date, the Group expects the application of IFRS 16 to have a material impact on its consolidated financial statements in 2019.

With the exception of IFRS 16, at the date on which these condensed consolidated interim financial statements were prepared, the Directors do not expect these standards will have any material impact on the condensed consolidated interim financial statements.

ANNEX II - New measurement standards

The new accounting policies applied from 1 January 2018 and the nature and expected effects of the changes are detailed below:

<u>Revenues from contracts with customers</u>

IFRS 15 establishes a new five step model for recognising revenues on contracts with customers.

Phase 1: Identify the contract(s) with a customer.
Phase 2: Identify the performance obligations in the contract.
Phase 3: Determine the transaction price.
Phase 4: Allocate the transaction price to separate performance obligations.
Phase 5: Recognise revenue as and when the entity satisfies a performance obligation.

The entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Determining when said control is transferred (at a specific moment or over a period of time) requires judgements on the part of the Group. This standard replaces the following standards: (a) IAS 11 Construction contracts; (b) IAS 18 Revenue and interpretations thereof (IFRIC 13 Customer loyalty programmes, IFRIC 15 Agreements for the construction of real estate, IFRIC 18 Transfers of assets from customers and SIC-31 Barter transaction involving advertising).

Security and cash services

The majority of Prosegur’s revenue originates from active security services, protection of establishments and logistics personnel and services for high-value items and cash management. The new IFRS 15 standard requires the application of a standardised method for recognising revenues for contracts and performance obligations with similar characteristics. The Group’s favoured method for measuring the value of services whose control is transferred to the customer over time is the output method, provided progress toward satisfaction of the performance obligation can be measured through the contract and during the execution thereof. The output method recognises revenues on the basis of direct measurements of the value to the customer of the goods or services transferred to date as a proportion of the goods or services the Company is committed to provide under the contract.

Revenues for services a recognised over the period in which they are provided. For fixed price contracts, revenues are recognised by measuring the services actually provided at the end of the period as a proportion of the total services provided.

If the value of the services provided by Prosegur exceeds its unconditional right to collect revenues, a contractual asset is recognised. If the amount collected from the customer exceeds the revenue recognised, a contractual liability is recognised.

If the contract includes an hourly price, the revenue is recognized in the amount that Prosegur is entitled to collect. Invoices are issued monthly and there is an unconditional collection right when issued.

Technology services

A part of the Company's revenues relate to contracts with customers for the analysis and execution of security facilities. These projects are considered to be a single execution obligation satisfied over time. This is due to the fact that the projects are designed specifically for customers and involve projects with a high degree of integration. Project revenue is recognized over time due to the fact that Prosegur's execution produces an asset controlled by customers and has no alternative use for Prosegur, which has a collection right for completed execution up until the end of the year.

Prosegur records contract revenue using the resource method based on the costs incurred as a percentage of total expected costs. Prosegur makes adjustments on a progressive basis due to inefficiencies that were not initially taken into account in the contract. Prosegur only recognizes revenue for costs incurred since Prosegur delivers an asset that is not different, the customer expects to obtain control over the asset prior to obtaining services therefrom, the cost of the delivered asset is significant compared to the total expected costs and Prosegur acquires the asset from a supplier and is not significantly involved in the design and manufacturing of the asset.

Prosegur adjusts the measurement of progress as circumstances change and recognizes the impact as a change in estimates on a prospective basis.

Revenue recognized due to the measurement of progress is recorded as a contract asset since the amount is not due and payable and as a receivable if there is an unconditional collection right. If the amount collected from the customer exceeds the revenue recognised, a contractual liability is recognised.

Alarm services

Prosegur has a residential security business segment whose purpose is the installation and connection of alarm systems that are either sold or rented. The Group's favoured method for measuring the value of services whose control is transferred to the customer over time is the output method, provided progress toward satisfaction of the performance obligation can be measured through the contract and during the execution thereof.

When alarm systems are sold, the revenue for the installation is recognized at the time it occurs. The equipment cost, which includes the price of the equipment, is recognized at the time of installation. Services rendered subsequent to the time of installation are recognized over the period they are rendered and the costs associated with those services are recorded when incurred.

When alarm systems are rented, the revenue for the installation is recognized over the term of the contract. The equipment cost, which includes the price of the equipment, is recognized and depreciated in accordance with the accounting policy covering property, plant and equipment based on the useful lives of the installed systems. Services rendered subsequent to the time of installation are recognized over the period they are rendered and the costs associated with those services are recorded when incurred.

The alarm installation and connection services are highly related to each other due to the fact that Prosegur could not fulfil its obligation by delivering each asset or service independently.
Prosegur recognizes the incremental costs of obtaining contracts with customers under both sales systems as an asset to the extent that it expects to recover those costs. The incremental costs to obtain contracts generally derive from sales personnel commissions and installation labour. The value of those costs is recognized and depreciated in accordance with the accounting policy covering property, plant and equipment based on the useful lives of the installed systems.

Financial instruments

(i) Recognition and classification of financial instruments

Financial instruments are recognised when the Group becomes party to the contract or business in accordance with the provisions thereof.

The criteria used to classify financial assets will be based on how the entity manages its financial instruments (its business model) and on the existence and nature of the assets' contractual cash flow. On this basis, the asset will be measured at amortised cost, at fair value through other comprehensive income or at fair value through profit or loss, as follows:

If the objective of the entity's business model is to hold the financial asset to collect the contractual cash flow, and the contractual terms of the financial asset give rise on specified dates to cash flow that are solely payments of principal and interest on the principal amount outstanding, the financial asset is measured at amortised cost.

If the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flow and selling financial assets, and the contractual terms of the financial asset give rise on specified dates to cash flow that are solely payments of principal and interest on the principal amount outstanding, the financial asset is measured at fair value through other comprehensive income (equity).

— All other assets must be measured at fair value through profit or loss. All equity instruments (e.g. shares) are measured by default using this method, as they do not meet the criteria of being solely payments of principal and interest. Derivative financial instruments are also measured at fair value through profit or loss, unless they are designated as hedging instruments.

Based on the classification detailed above, the Group applies the following accounting policies to the measurement of financial instruments:

Financial assets at amortised cost	After initial recognition, these assets are subsequently measured at amortised cost using the effective interest rate method. Said amortised cost may be reduced by impairment losses (see (ii) below). Gains or losses on derecognition, impairments and exchange gains/(losses) on financial assets are taken to income. The interest calculated using the effective interest rate method is taken to income under “Finance revenues”.
Financial assets at fair value through profit or loss.	Financial assets at fair value through profit or loss are initially and subsequently measured at fair value, excluding transaction costs, which are expensed. Gains or losses on changes in the fair value are taken to income under “Other net finance revenues / (expense)” in the period in which they arise. Dividends and interest are also taken to income.
Debt instruments at fair value through other comprehensive income	After initial recognition, these instruments are measured at fair value through other comprehensive income. Interest income, impairments and exchange gains/(losses) are taken to income. When an instrument is sold or derecognised, the cumulative adjustments to fair value recognised in other comprehensive income are taken to income under “Other net finance revenues / (expense)”.

(ii) Impairment of financial assets

The impairment model is applicable to financial assets measured at amortised cost.

Financial assets at amortised cost include “Trade and other receivables”, which include receivables and other contractual assets within the scope of IFRS 15 “Revenues from contracts with customers”.

The impairment model is based on two measurement approaches, with an impairment provision based on expected losses over the next six-month period ended for Latin America and twelve months for the remaining regions, or based on the expected losses over the life of the asset. A significant worsening in the customer’s credit rating is the trigger for moving from the first approach to the second.

For trade receivables, the Group has opted to apply the expected loss method. The expected loss is calculated, for each individual company, from the average credit losses for each customer in recent years as percentage of sales accrued but for which no loss allowance has yet been made.

In order to determine if the credit risk associated with a financial asset has significantly worsened since its initial recognition, or to estimate the expected credit losses over the life of the asset, Prosegur takes into account all reasonable, supported information that may be relevant and which is available without disproportionate effort or cost. This includes both quantitative and qualitative information, based on the experience of Prosegur or other entities related to historic credit losses, and observable market information on the credit risk of the specific financial instrument or similar financial instruments.

(iii) Offsetting principles

A financial asset and a financial liability are offset only when the Group 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. The Group currently has a legally enforceable right to set off the recognised amounts only if it is not contingent on a future event and it must be enforceable in the ordinary course of business, in the event of insolvency or the customer being declared bankrupt or in the event of default.

(iv) Derecognition, adjustments and cancellation of financial assets

The Group applies derecognition criteria to a part of a financial asset (or a part of a group of similar financial assets) or a financial asset (or a group of similar financial assets).

Financial assets are derecognised when the rights to receive the associated cash flow expire or are transferred and the risks and benefits derived from the ownership of the asset are substantially transferred. Financial assets may not be derecognised if the Group retains contractual rights to receive cash inflows, unless it is contractually obliged to pay said cash flow on to one or more recipients and the following requirements are met:

- The payment of the cash flow is conditional on the prior collection thereof;
- The Group may not sell or pledge the financial asset; and
- The cash flow collected on behalf of the final recipients are forwarded without material delay and the Group is not able to reinvest the cash flow. The Group's investments in cash or cash equivalents during the settlement period between the collection date and the transfer date agreed with the final recipients are exempt from the application of this criteria provided the interest accrued is attributed to the final recipients.

(v) Interest and dividends

The Group recognises interest using the effective interest rate method, which is the rate that exactly discounts estimated future cash flow over the expected life of the financial instrument to that instrument's carrying amount, based on the contractual terms of the instrument and excluding any expected credit losses, except for financial assets acquired or originated with losses already incurred.

Dividends on investments in equity instruments are taken to income when the Group has the right to collect them, it is probable that the economic benefits associated with the instrument will flow to the Group, and the amount can be reliably determined.

Dividends on equity instruments are classified at fair value through other comprehensive income and are recognised in income unless they represent a recovery of the cost of the investment, in which case they are recognised in other comprehensive income.

The Group recognises interest on late payment for trade transactions as financial income and expenses in accordance with the legal and contractual terms agreed. If such interest is finally offset or forgiven, the Group recognises the transaction in accordance with its nature. The Group recognises the legal right to offset collection fees incurred when it is probable that the receivable will be collected. The Group recognises the expense for claiming collection fees in accordance with its accounting policy on provisions.

(vi) Derecognition and modifications of financial liabilities

The Group derecognises a financial liability or a part of a financial liability when the main obligation specified in the contract is discharged or cancelled by legal process or by the creditor.

The exchange of debt instruments between the Group and the counterparty or substantial modifications of initially recognised liabilities are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability, provided that the instruments have substantially different terms.

The Group considers the terms to be substantially different if the discounted present value of the cash flow under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, differs by at least 10% from the discounted present value of the remaining cash flow of the original financial liability.

If the exchange is accounted for as an extinguishment of the financial liability, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. Otherwise, the modified flows are discounted at the original effective interest rate, taking any difference between this and the previous carrying amount to income. If the exchange is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the financial liability and are amortised over the remaining term of the modified liability.

The Group takes to income the difference between the carrying amount of a financial liability, or part of a financial liability, extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed.

PROSEGUR COMPAÑIA DE SEGURIDAD, S.A. AND SUBSIDIARIES

Consolidated interim management report for the six-month period ended 30 June 2018

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

Contents

Consolidated interim management report for the six-month period ended 30 June 2018

1. Events after the end of the 2017 reporting period

The most material transactions and events in the first half of 2018 are detailed below:

In January 2018, Invesco Limited reduced its stake into less than 1% of Prosegur.

On 8 February 2018 Prosegur issued uncovered bonds with a nominal amount of EUR 700 million maturing on 8 February 2023. The bonds are traded on the secondary market on the Irish Stock Exchange. They bear an annual coupon of 1.00% payable at the end of each year.

On 2 April 2018 the uncovered bonds that were issued on 2 April 2013 in the amount of EUR 500 million were redeemed at maturity.

On 8 June 2018 Prosegur reached an agreement with the Almo Group to acquire 60% of its cash in transit operations in Central America, with an additional commitment to acquire the remaining 40% over the next three years.

2. Business performance

2.1. Sales by region

Prosegur consolidated sales in the first half of 2018 totalled EUR 2,011.1 million (at 30 June 2017: EUR 2,128.8 million at 30 June 2017), which means a decrease of 5.5%, comprising organic sales growth of 8.4% and inorganic growth of 0.8%, while exchange rate differences produced an overall decline of 14.7%.

Consolidated sales by region are broken down in the following table:

	Millions of euros		
	June 2018	**June 2017**	**Variation**
Europe	859.4	808.9	6.3%
AOA	69.2	81.9	(15.5%)
Iberoamerica	1,082.5	1,238.0	(12.6%)
Total	**2,011.1**	**2,128.8**	**(5.5%)**

Sales in Europe were 6.3% higher than in the same period of last year, of which 5.2% corresponds to pure organic growth and the remaining 1.1% to inorganic growth. Sales in Iberoamerica and the Asia/Oceania/Africa regions fell by 12.6% and 15.5%, respectively, compared with the same period of 2017. In Iberoamerica, the change in sales comprised organic growth of 11.8% and inorganic growth of 0.5%, while exchange rate differences produced a decline of 24.9%.

2.2. Sales by business

Consolidated sales by business are broken down in the following table:

	Millions of euros	
	June 2018	**June 2017**
Security	996.3	1,040.4
% of total	*49.5%*	*48.9%*
Cash	883.2	964.2
% of total	*43.9%*	*45.3%*
Alarms	131.6	124.2
% of total	*6.6%*	*5.8%*
Total	**2,011.1**	**2,128.8**

2.3. Margins

Consolidated operating profit (EBIT)* in the first half of 2018 amounted to EUR 180.7 million (at 30 June 2017: EUR 180.0 million euros). The company reported EBIT margin of 9.0% at the end of the first half of 2018 (at 30 June 2017: 8.5%).

That growth is mainly due to the improvement in the profitability of the Security business.
The company's EBIT breakdown is as follows:

	Millions of euros 30 June 2018
	Prosegur
Sales	2,011.1
EBIT	180.7
EBIT Margin	9.0%

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

2.4. Outlook for the second half of 2018

A general rate of sales growth during the second half of 2018 is expected to be similar to that reported during the first half of the year. Sales in the local currency, as is normally the case, benefit from the positive seasonality that is typical in all geographic areas and business. A negative impact is expected when converting consolidated figures to Euro due to the strong depreciation of the two main Iberoamerican currencies during the first half of the year.

By business, the most affected unit by this exchange rate effect is Cash, since it is subject to the highest commercial exposure in that region. In broader terms, Cash expects to maintain growth close to the average during the second half of the year, taking into account that operations in France and AOA are still recovering from the impact of the loss of some significant contracts in Australia at the start of the year and increased competitive pressures in France.

The recent corporate transactions carried out by the Cash business in Central America and the Philippines will have a certain mitigating effect, although they will also give rise to a slight dilution effect on margins as long as the integration process lasts and their profit abilities will match those of the business in the region.

The organic growth rate seen during the first half of the year is also expected to be maintained in the Security business, fundamentally supported by Spain, which maintains excellent commercial performance despite the fact that during the first half of the year some very low profit public administration contracts were not renewed. Brazil will also be a driver as its recovery with respect to the Security business has already been demonstrated and is trending higher as the Country's economy continues to grow and the new labour reform is completely implemented throughout the country.

With this positive outlook, and despite the negative impact of the depreciation of the Brazilian real and the Argentine peso, the Security business will be able to maintain excellent rates of improvement to profitability at ratios similar to those seen in 2017. This will be the case as the penetration of highly profitable new solutions increases and the competitive conditions in less-developed geographic areas improve.

The Alarms business is also expected to maintain high net growth in the range of 15% per year. Average growth will be similar to that attained in 2017, and continues to double the average development in the global alarm industry in emerging countries and mature markets. The main business development indicators such as sales productivity, recurring monthly payments, and the churn rate within the customer portfolio remain within the parameters established to obtain those high growth rates. The adverse exchange rate has a slight negative effect on the average monthly payments received, although it continues to improve in local currency terms, and a slight voluntary deceleration in growth may be observed in Iberoamerica in order to protect the return on an investment that was made in Euro and has been affected by a too aggressive exchange rate.

In any event, and taking into consideration those two factors, the alarm business will continue to show the highest proportional growth within the Group as the market continues to demand residential protection services that are immediate and reliable in terms of human responses to incidents.

In summary, the estimation is that the second half of the year will bring growth ratios that are similar to those seen in 2017 with a higher level of deterioration in the final sales figures due to the high devaluation rates but whose effect is only translational and does not compromise the Group´s profitability. Its margins will remain close to historic maximum levels or even show additional potential improvement.

During the six-month period ended 30 June 2018 there have been no other events or circumstances affecting the business that could foreshadow possible risks or uncertainties during the second half of the year. There have been no significant contingent liabilities in addition to those mentioned in the consolidated financial statements at 31 December 2017.

3. Average headcount

The average headcount of Prosegur in the six-month period ended 30 June 2018 and 30 June 2017 is as follows:

	Prosegur	
	June 2018	**June 2017**
Men	141,390	139,796
Women	26,964	26,369
	168,354	**166,165**

4. Investments

Prosegur's investments are always reviewed by the technical and operational division concerned and by the management control department, who estimate and analyse their strategic importance, payback period and returns of the investment prior to approval. They are then submitted to the Investment Committee for final approval. Investments over EUR 1 million also require the approval of the Board of Directors.

Capital investments totalling EUR 71.0 million were approved in the first half of 2018 (at 30 June 2017: EUR 67.3 million) primarily in Argentina and Brazil.

5. Financial management

Prosegur calculates its net financial net by deducting cash and cash equivalents and other current financial assets from its total current and non-current external debt (excluding other non-bank debts) plus net derivative financial instruments.

Net financial debt at 30 June 2018 amounts to EUR 390.9 million (at 31 December 2017: EUR 251.8 million euros).

The net financial debt to equity ratio at 30 June 2018 was 0.36 (at 31 December 2017: 0.22).

6. Treasury shares

The movements in treasury shares in the first half of 2018 were as follows:

	Number of shares	Millions of euros
Balance at 31 December 2017	**18,627,835**	**53.1**
Transfers	(85,829)	(0.3)
Balance at 30 June 2018	**18,542,006**	**52.8**

7. Environment

As of June 30, 2018 Prosegur had made no provision for environmental contingencies, legal claims or revenues and expenses of this nature.

8. Alternative Performance Measures

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

APM	Definition and calculation	Purpose
Working capital	A financial measure showing the Group's operational liquidity. Working capital is calculated as current assets less current liabilities, plus deferred tax assets less deferred tax liabilities, less non-current provisions.	Positive working capital is needed to ensure that a company is able to continue operating and has sufficient funds with which to meet its current debt obligations and imminent operating expenses. The management of working capital requires the Group to control inventories, accounts receivable and payable and cash.
EBIT Margin	EBIT Margin is calculated as results from operating activities divided by total revenue.	EBIT margin provides a view of the company's operating results in comparison with the total revenue.
Adjusted EBIT Margin	Adjusted EBIT Margin is calculated as results from operating activities, after eliminating the results that can not be assigned to any segment, divided by total revenue.	Adjusted EBIT Margin provides a view of the company´s operating pure results in comparison with the accrued revenue.
Organic Growth	Organic Growth is calculated as the increase or decrease in revenue between two periods adjusted for acquisition and divestitures and changes in exchange rate.	Organic Growth provides a view of the company's organic revenue growth.
Inorganic Growth	Company calculates Inorganic growth for a given period as the aggregation of all the revenues from all the acquired entities during the last 12 months.	Inorganic Growth provides a view of the company's increase or decrease of revenue due to M&A or Sales variations.
Effect of exchange rate fluctuations	The Group calculates the Effect of exchange rate fluctuations as the different of Revenues for the current year less revenues for the current year at exchange rates of previous year.	The Effect of exchange rate fluctuations provides the impact of the currencies in the company's revenues.
Net Financial Debt	The Group calculates Net Financial Debt as the sum of current and non-current financial liabilities (including other non-bank payables corresponding to deferred payments for M&A acquisitions and financial liabilities with Group companies) less cash and cash equivalents, less current investments in group companies, less other current financial assets.	Net Financial Debt provides the absolute figure of the Groups level of debt.
EBITA	EBITA is calculated on the Group's Consolidated profit for the year without factoring in loss from discontinued operation net of tax, income tax expenses, net finance income or cost and amortisation of goodwill or of intangible assets, but including amortisation of software.	EBITA provides a view of the company's earnings before interest, taxes and amortisation of goodwill or of intangible assets.
EBITDA	EBITDA is calculated on the Group's Consolidated profit without factoring in loss from discontinued operations net of tax, income tax expenses, net finance income or cost and any depreciation or amortisation of goodwill.	EBITDA provides an accurate view of what a company is earning or losing from its business. EBITDA excludes non-cash variables, which can vary significantly from one company to another, depending on the accounting policies applied. Depreciation and amortisation are non-monetary variables and are therefore of limited interest to investors.

Working Capital (Millions of Euro)	**30.06.2018**	**31.12.2017**
Non-Current Assets held-for-sale	0.5	51.0
Inventories	63.2	70.7
Trade and other receivables	921.0	941.6
Current tax assets	109.0	158.5
Cash and cash equivalents	527.5	630.9
Deferred tax assets	85.9	86.3
Trade and other payables	(707.0)	(850.7)
Current tax liabilities	(37.1)	(30.8)
Financial liabilities	(76.4)	(701.0)
Other current liabilities	(51.8)	(44.1)
Deferred tax liabilities	(37.1)	(30.8)
Provisions	(189.0)	(214.1)
Total Working Capital	608.7	67.7

Adjusted EBIT Margin (Millions of Euro)	**30.06.2018**	**30.06.2017**
EBIT	180.7	180.0
Less: items not assigned	-	3.4
Adjusted EBIT	180.7	183.4
Revenues	2,011.1	2,128.8
Adjusted EBIT Margin	9.0%	8.6%

Organic Growth (Millions of Euro)	**30.06.2018**	**30.06.2017**
Revenues for current year	2,011.1	2,128.8
Less: Revenues for the previous year	2,128.8	1,837.1
Less: Inorganic Growth	16.3	4.6
Effect of exchange rate fluctuations	(313.6)	71.4
Total Organic Growth	179.6	215.6

Inorganic Growth (Millions of Euro)	**30.06.2018**	**30.06.2017**
Procesos Tecnicos de Seguridad y Valores	-	1.9
Grupo Contesta	9.1	-
Radar	2.4	-
Toll+CSA	0.5	8.1
Others	4.3	(5.5)
Total Inorganic Growth	16.3	4.5

Effect of exchange rate fluctuations (Millions of Euro)	**30.06.2018**	**30.06.2017**
Revenues for current year	2,011.1	2,128.8
Less: Revenues for the current year at exchange rates of previous year	2,324.7	2,057.4
Effect of exchange rate fluctuations	(313.6)	71.4

Net Financial Debt (Millions of Euro)	**30.06.2018**	**31.12.2017**
Financial liabilities	1,458.8	1,418.4
Less: not assigned financial liabilities	-	-
Adjusted financial liabilities **(A)**	1,458.8	0.0
Not assigned financial liabilities with group companies **(B)**	-	-
Cash and cash equivalents	(527.5)	(630.9)
Less: not assigned cash and cash equivalents	-	-
Less: adjusted cash and cash equivalents **(C)**	(527.5)	(630.9)
Less: not assigned current investments in group companies **(D)**	-	-
Less: other financial current assets **(E)**	*(490.5)*	*(490.3)*
Total Net Financial Debt (A+B+C+D+E)	440.8	297.2
Less: other non-bank payables **(F)**	(49.9)	(45.4)
Total Net Financial Debt (excluding other non-bank payables corresponding to deferred payments for M&A acquisitions) **(A+B+C+D+E+F)**	390.9	251.8

EBITA (Millions of Euro)	**30.06.2018**	**30.06.2017**
Consolidated profit for the year	80.8	73.5
Minority interests	30.8	19.3
Income tax expenses	64.4	68.2
Net finance costs	4.7	19.0
Amortizations	11.3	12.4
EBITA	192.0	192.4

EBITDA (Millions of Euro)	**30.06.2018**	**30.06.2017**
Consolidated profit for the year	80.8	73.5
Minority interests	30.8	19
Income tax expenses	64.4	68.2
Net finance costs	4.7	19.0
Depreciation and amortization	70.0	63.8
EBITDA	250.7	243.8

9. Events after the end of the reporting period

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

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

The hyperinflation is based on indicators relating to the economic climate in Argentina, including a cumulative inflation rate of over 100% over the last three years. The Group is currently assessing the impacts to be recognised following Argentina’s designation as a hyperinflationary economy.

DECLARATION OF RESPONSIBILITY FOR THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2018

The members of the Board of Directors of Prosegur Compañía de Seguridad, S.A. declare that, to the best of their knowledge, the selected financial information presented for Prosegur Compañía de Seguridad, S.A. and the condensed consolidated interim financial statements of Prosegur Compañía de Seguridad, S.A. and its subsidiaries for the first six-month period ended of 2018, approved by the Board of Directors at its meeting of 26 July 2018, and prepared in compliance with applicable accounting principles, provide a true and fair view of the equity, financial position and results of operations of Prosegur Compañía de Seguridad, S.A. and the subsidiaries included in its scope of consolidation, taken as a whole, and that the corresponding interim management reports contain a reliable analysis of the required information.

Madrid, 26 July 2018

Mrs. Helena Irene Revoredo Delvecchio
Chair/

Mr. Isidro Fernández Barreiro
Vice-Chair

Mr. Christian Gut Revoredo
CEO

Mrs. Chantal Gut Revoredo
Director

Mr. Eugenio Ruiz-Gálvez Priego
Director

Mr. Ángel Durández Adeva
Director

Mr. Fernando Vives Ruíz
Director

Mr. Fernando D'Ornellas Silva
Director

Statement attesting that the Board of Directors of Prosegur Compañía de Seguridad, S.A. at its meeting of 26 July 2018 authorised for issue the Interim Financial Report for the first half of 2018, comprising the following documents: selected individual financial disclosures, selected consolidated financial disclosures, the condensed consolidated interim financial statements and the management report of Prosegur Compañía de Seguridad, S.A. and its subsidiaries, and the Directors' declaration of responsibility, all corresponding to the first half of 2018 and unanimously authorised for issue by the Company's Board of Directors in accordance with article 35 of Law 24/1988, of 28 July, on the Securities Market, at the meeting held on said date.

The aforementioned documents, which form a single text, are presented on the obverse of the sheets preceding this statement, numbered sequentially and individually signed by the Secretary of the Board of Directors and bearing the Company's seal.

In compliance with the legislation applicable to the Company, the Directors forming the Board of Directors at this date, sign this, the last page in this document, as witnessed by me, the Secretary of the Board of Directors, in Madrid on 26 July 2018.

Signed:

Mrs. Sagrario Fernández Barbé
(Secretary non-Board Member)

Mrs. Helena Irene Revoredo Delvecchio
Chair/

Mr. Isidro Fernández Barreiro
Vice-Chair

Mr. Christian Gut Revoredo
CEO

Mrs. Chantal Gut Revoredo
Director

Mr. Eugenio Ruiz-Gálvez Priego
Director

Mr. Ángel Durández Adeva
Director

Mr. Fernando Vives Ruíz
Director

Mr. Fernando D'Ornellas Silva
Director