

**REPORT OF THE BOARD OF DIRECTORS OF PROSEGUR COMPAÑÍA DE SEGURIDAD, S.A. WITH RESPECT TO THE PROPOSAL TO AUTHORISE THE BOARD OF DIRECTORS TO AMPLIFY SHARE CAPITAL REFERRED TO IN ITEM EIGHT OF THE AGENDA OF THE GENERAL SHAREHOLDERS MEETING CONVENED FOR 27 APRIL 2016, ON FIRST CALL, AND FOR 28 APRIL 2016, ON SECOND CALL**

---

The purpose of this report is to provide substantiation of the proposal to authorise the Board of Directors with powers to increase the share capital in accordance with article 297.1.b) of the Spanish Corporate Enterprises Act, including the capacity to exclude the right of first refusal as established in article 506 of the indicated Act, submitted for approval to the General Shareholders Meeting of Prosegur Compañía de Seguridad, S.A. (the "**Company**") in item eight of the agenda, all of which pursuant to the provisions in articles 286, 297.1.b) and 506 of the Spanish Corporate Enterprises Act.

Article 297.1.b) of the Corporate Enterprises Act affords the General Shareholders Meeting so that, with the requirements contemplated for the amendment of the Company Bylaws, it can confer upon the board of directors the power to resolve insofar as increasing the share capital of the company at least once to a certain amount accordingly and at the amount decided thereby with no need for prior consultation at the general shareholders meeting. The rules establish that these increases may in no case surpass half the company's share capital at the time of authorisation, and must be done through cash contributions within the maximum term of five years from the date of resolution by the general meeting.

The Board of Directors understands that the resolution proposal presented to the General Shareholders Meeting is substantiated by the appropriateness that the administrative body has a mechanism contemplated by company rules and regulations to enable resolution to increase capital at least once with no need for further call and holding of an additional General Meeting, though within the limits, terms and conditions decided thereby.

The requirements that the market sets forth for businesses and listed companies in particular, require their governance and administrative bodies to be enabled to make use of the possibilities afforded thereto by the pertinent legislation to provide quick and effective responses to the needs arising in the economic traffic in which large companies are involved. Clearly, these needs include the capacity of the Company to secure new financial resources, which can be articulated through new contributions in capital.

However, on many occasions, one cannot foresee the needs of the Company with any certainty regarding taking on capital and anticipating the delays and increases in costs that could entail the natural call to the General Meeting to increase capital, thus

precluding any effective or agile response of the Company to the needs of the market. This makes it recommendable that the Board of Directors be capable of employing the authorised capital mechanism as contemplated in our legislation. In fact, recourse to the delegation provided for in article 297.1.b) of the Corporate Enterprises Act lets the Company afford the Board of Directors with an agile and flexible instrument or a more appropriate attention to the needs of the Company based on the circumstances in the marketplace.

In view of these purposes, the General Meeting is presented with the proposal to confer on the Board the power to resolve to increase the share capital of the Company to the maximum amount of €18,513,739.20, a figure that is equivalent to half the current capital of the Company, through the issue and circulation of new shares -with or without premiums- which shall be exchanged for money.

Furthermore, as provided for by article 506 of the Corporate Enterprises Act, the authorisation to increase capital is hereby proposed for the Board of Directors as referred to herein, and likewise includes the capacity afforded to the administrators to exclude, fully or partially, first refusal rights of shareholders regarding the issues of shares that are object of the conferral when so required in the interest of the Company within the terms and conditions of the indicated precept. In this regard, it should be reiterated that said article 506 states that the proposal to confer the faculty to exclude the first refusal right, which should be mentioned in the call to convene the General Meeting, must be substantiated in the report of the administrators made available to the shareholders. This report also responds to this provision.

The Board of Directors considers that this capacity to exclude first refusal rights as complementary to the increase in capital is justified for various reasons. Firstly, suppression of the first refusal rights usually entails a considerable lowering of the costs associated with the operation (including, in particular, the commissions of the financial entities involved in the issue) compared with an issue having first refusal rights. Secondly, with the capacity to override the first refusal right, administrators are in conditions to streamline actions and response times that current financial markets occasionally require so that the Company can benefit from favourable market conditions. Additionally, the suppression of the first refusal right can distort the trading of company shares somewhat during the issue period, which normally lasts less time than an issue with first refusal rights.

In any case, it should be borne in mind that the possibility of excluding the first refusal right is a power that the General Shareholders Meeting delegates in the Board of Directors, who in turn must decide in each case whether the particular circumstances, likewise considering the legal requirements, warrant the effective exclusion of that right of first refusal on a subscription or not. Should the Board of Directors opt to exclude the first refusal right in connection with a specific capital increase that it may possibly resolve in exercising the authorisation granted by the General Shareholders Meeting in accordance with the pertinent legislation in force, the administrators' and auditor's reports must be drawn up as stipulated in article 308 of the Corporate Enterprises Act.

Both reports should be made available to the shareholders, who must be notified at the first General Shareholders Meeting held after the resolution to increase capital as stipulated in article 506 of the Corporate Enterprises Act.

In any case, following best practices in corporate governance, the authorisation to exclude, fully or partially, the right of first refusal will be limited to increases of share capital made under this authorisation and the authorisation addressed in item nine of this General Meeting's agenda, up to the maximum amount, overall, corresponding to 20% of the Company's current share capital, i.e. no greater than the nominal quantity of €7,405,495.68.

Moreover, the proposal contemplates the request, where pertinent, of the permission to trade shares issued by the Company by virtue of this delegation in secondary markets, whether official or unofficial, organised or not, domestic or foreign; authorising the Board of Directors to take the steps necessary for admission to listing before the relevant bodies of foreign and domestic stock markets.

A proposal is also put forth to expressly authorise the Board of Directors to delegate, as provided for in article 249.2 of the Spanish Corporate Enterprises Act, the delegated powers referred to herein.

Finally, a proposal is made to terminate, in the part unused, the authorisation granted in point eight of the agenda for the Ordinary General Shareholders Meeting held on 27 June 2011.

### **Resolution proposal for the General Shareholders Meeting**

The following is a transcription of the resolution proposal for the General Shareholders Meeting regarding item eight of the agenda:

***Authorise the Board of Directors –with powers of substitution and for a maximum period of five years– to increase the share capital in accordance with article 297.1.b) of the Spanish Corporate Enterprises Act by up to half of the total share capital on the date of the authorisation. The Board shall have powers to exclude the first refusal right, power which shall in any case be limited to 20% of the total share capital on the date of the authorisation.***

### **RESOLUTION PROPOSAL**

***“1.- Authorise the Board of Directors –as broadly and sufficiently as may be required by law– and under article 297.1.b) of the Spanish Corporate Enterprises Act, to increase the share capital at least once and at any moment, within a period of five years from the date of this General Ordinary Shareholders Meeting by up to the nominal amount of €18,513,739.20, equal to half of the share capital on the date of the approval of this resolution.***

- 2.- *Increases in capital under this authorisation shall be made by issuing new shares –with or without premiums– which shall be exchanged for money. Regarding each particular increase, the Board of Directors must decide whether the fresh shares to issue will be ordinary, preferred, non-voting, redeemable or any other type permitted by Law. Moreover, the Board of Directors may establish, when not already contemplated, the terms and conditions of the capital increases and the characteristics of the shares, and freely offer unsubscribed new shares within the term or terms for exercising the right to first refusal of subscription. The Board of Directors may also establish that, in case of incomplete subscription, the capital shall remain increased only in the amount of the subscriptions effectively made and amend the wording of the articles in the Bylaws regarding capital and number of shares. The shares issued against this authorisation may be used to converting convertible securities issued or to be issued by the Company or companies within its Group.*
- 3.- *In connection with the capital increases made by virtue of this authorisation, the Board of Directors may exclude, fully or partially, the right to first refusal of subscription as provided for in article 506 of the Spanish Corporate Enterprises Act, though this power shall be limited to increases of share capital that are made under this authorisation and as contemplated in item eight of this General Meeting's agenda, up to the maximum overall amount of 20% of the Company's share capital on this resolution's approval date, i.e., €7,405,495.68.*
- 4.- *The Company shall request, as required, permission to negotiate shares issued by virtue of this delegation in secondary markets – be they official or unofficial, organised or not, domestic or foreign – authorising the Board of Directors to carry out the procedures and actions necessary for admission to listing before the relevant bodies of foreign and domestic stock markets.*
- 5.- *The Board of Directors is also expressly authorised to delegate, as provided for in article 249.2 of the Spanish Corporate Enterprises Act, the delegated powers referred to in this agreement.*
- 6.- *Terminate, in the part unused, the authorisation granted in point eight of the agenda for the Ordinary General Shareholders Meeting held on 27 June 2011."*

\* \* \*

Madrid, 21 March 2016.