# PROSEGUR COMPAÑÍA DE SEGURIDAD, S.A. AND SUBSIDIARIES

## Condensed Interim Consolidated Financial Statements for the six-month period ended 30 June 2014

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

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# I. CONSOLIDATED INCOME STATEMENT (EXPENSES BY FUNCTION)

(In thousands of Euros)

| | Notes | Six-month period ended 30 June | |
|---|---|---|---|
| | | 2014 | 2013 |
| Revenues | 5 | 1,809,557 | 1,840,471 |
| Costs to sell | 6 , 7 | (1,411,309) | (1,426,999) |
| **Gross profit** | | **398,248** | **413,472** |
| Other income | | 11,767 | 5,602 |
| Sale and administrative expenses | 6 , 7 | (270,117) | (278,561) |
| Other expenses | 8 | (9,232) | (14,140) |
| Investments accounted for using the equity method | 13 | (223) | - |
| **Operating profit/(loss) (EBIT)** | | **130,443** | **126,373** |
| Finance income | 9 | 167 | 4,453 |
| Finance expenses | 9 | (27,034) | (36,668) |
| Net financial expenses | 9 | (26,867) | (32,215) |
| **Profit before tax** | | **103,576** | **94,158** |
| Income tax | 21 | (37,290) | (32,283) |
| **Post-tax profit from continuing operations** | | **66,286** | **61,875** |
| Profit/(loss) for the year from discontinued operations | | - | - |
| **Consolidated profit for the period** | | **66,286** | **61,875** |
| Attributable to: | | | |
| Non-controlling interests | | 155 | (140) |
| Owners of the parent | | 66,131 | 62,015 |
| **Earnings per share from continuing operations attributable to the owners of the parent (Euros per share)** | | | |
| - Basic | 17 | 0.11 | 0.11 |
| - Diluted | 17 | 0.11 | 0.11 |
| **Earnings per share from discontinued operations attributable to the owners of the parent (Euros per share)** | | | |
| - Basic | | - | - |
| - Diluted | | - | - |

**The Notes on pages 11 to 41 form an integral part of the condensed interim consolidated financial statements.**

## II. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(In thousands of Euros)

| | Six-month period ended 30 June | |
|---|---|---|
| | **2014** | **2013** |
| **Profit for the period** | **66,286** | **61,875** |
| **Other comprehensive income:** | | |
| **Items which are reclassified to profit and loss:** | | |
| Translation differences of financial statements of foreign operations | (11,050) | (60,910) |
| **Total comprehensive income for the period, net of tax** | **55,236** | **965** |
| Attributable to: | | |
| - Owners of the parent | 55,264 | 943 |
| - Non-controlling interests | (28) | 22 |
| | **55,236** | **965** |

**The Notes on pages 11 to 41 form an integral part of the condensed interim consolidated financial statements.**

# III. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## ASSETS

(In thousands of Euros)

| | Note | 30 June 2014 | 31 December 2013 |
|---|---|---|---|
| **ASSETS** | | | |
| Property, plant and equipment | 11 | 475,381 | 472,041 |
| Goodwill | 11 | 539,294 | 515,959 |
| Intangible assets | 11 | 345,822 | 341,696 |
| Property investment | 11 | 17,298 | - |
| Available-for-sale financial assets and others | 12 | 15,221 | 25,461 |
| Deferred tax assets | | 195,473 | 180,603 |
| Investments accounted for using the equity method | 13 | 6,141 | - |
| **Non-current assets** | | **1,594,630** | **1,535,760** |
| Inventories | 16 | 63,981 | 58,631 |
| Trade and other receivables | | 983,418 | 919,735 |
| Current tax assets | | 47,698 | 89,119 |
| Non-current assets held for sale | | 448 | 448 |
| Derivative financial instruments | 15 | - | 73 |
| Other financial assets | 12 | 1,315 | 1,202 |
| Cash and cash equivalents | 14 | 251,517 | 292,942 |
| **Current assets** | | **1,348,377** | **1,362,150** |
| **Total assets** | | **2,943,007** | **2,897,910** |

**The Notes on pages 11 to 41 form an integral part of the condensed interim consolidated financial statements.**

# EQUITY AND LIABILITIES

(In thousands of Euros)

| | Note | 30 June 2014 | 31 December 2013 |
|---|---|---|---|
| **EQUITY** | | | |
| Share capital | 17 | 37,027 | 37,027 |
| Share premium | 17 | 25,472 | 25,472 |
| Own shares | 17 | (53,493) | (125,180) |
| Other equity instruments | | 2,406 | 3,171 |
| Cumulative translation differences | | (237,204) | (226,337) |
| Retained earnings and other reserves | | 992,321 | 940,700 |
| | | 766,529 | 654,853 |
| Non-controlling interests | | 10,486 | (329) |
| **Total equity** | | **777,015** | **654,524** |
| **LIABILITIES** | | | |
| Financial liabilities | 20 | 773,545 | 862,541 |
| Deferred tax liabilities | | 157,124 | 159,383 |
| Non-current provisions | 18 | 193,792 | 173,668 |
| Other non-current liabilities | | 442 | 1,144 |
| **Non-current liabilities** | | **1,124,903** | **1,196,736** |
| Trade and other payables | | 714,016 | 703,195 |
| Current tax liabilities | | 37,714 | 77,392 |
| Financial liabilities | 20 | 209,689 | 195,727 |
| Derivative financial instruments | 15 | - | 1,640 |
| Provisions | 18 | 32,774 | 39,350 |
| Other liabilities and expenses | | 46,896 | 29,346 |
| **Current liabilities** | | **1,041,089** | **1,046,650** |
| **Total liabilities** | | **2,165,992** | **2,243,386** |
| **Total equity and liabilities** | | **2,943,007** | **2,897,910** |

**The Notes on pages 11 to 41 form an integral part of the condensed interim consolidated financial statements.**

# IV. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## PERIOD ENDED 30 JUNE 2014

(In thousands of Euros)

| | Attributable to shareholders of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital (Note 17) | Share premium (Note 17) | Own shares (Note 17) | Other equity instruments (Note 17) | Cumulative translation differences | Retained earnings and other reserves | Total | Non-controlling interests | Total equity |
| **Balance at 01 January 2014** | 37,027 | 25,472 | (125,180) | 3,171 | (226,337) | 940,700 | 654,853 | (329) | 654,524 |
| Total comprehensive income for the period ended 30 June 2014 | - | - | - | - | (10,867) | 66,131 | 55,264 | (28) | 55,236 |
| Accrued share-based incentive commitments | - | - | - | 677 | - | - | 677 | - | 677 |
| Share-based incentives exercised by employees | - | - | 132 | - | - | 44 | 176 | - | 176 |
| Acquisition/sale of own shares | - | - | 71,555 | - | - | 50,370 | 121,925 | - | 121,925 |
| 2013 dividend | - | - | - | - | - | (65,947) | (65,947) | - | (65,947) |
| Other changes | - | - | - | (1,442) | - | 1,023 | (419) | 10,843 | 10,424 |
| **Balance at 30 June 2014** | **37,027** | **25,472** | **(53,493)** | **2,406** | **(237,204)** | **992,321** | **766,529** | **10,486** | **777,015** |

**The Notes on pages 11 to 41 form an integral part of the condensed interim consolidated financial statements.**

**PERIOD ENDED 30 JUNE 2013**

(In thousands of Euros)

| | Attributable to shareholders of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital (Note 17) | Share premium (Note 17) | Own shares (Note 17) | Other equity instruments (Note 17) | Cumulative translation differences | Retained earnings and other reserves | Total | Non-controlling interests | Total equity |
| **Balance at 1 January 2013** | 37,027 | 25,472 | (125,299) | 2,659 | (52,293) | 844,543 | 732,109 | (309) | 731,800 |
| Total comprehensive income for the period ended 30 June 2013 | - | - | - | - | (61,072) | 62,015 | 943 | 22 | 965 |
| Accrued share-based incentive commitments | | | | 1,134 | | | 1,134 | | 1,134 |
| Share-based incentives exercised by employees | | | 119 | | | 47 | 166 | | 166 |
| Acquisition/sale of own shares | | | | | | | - | | - |
| 2012 dividend | | | | | | (65,947) | (65,947) | | (65,947) |
| Other changes | | | | | | 2,229 | 2,229 | | 2,229 |
| **Balance at 30 June 2013** | **37,027** | **25,472** | **(125,180)** | **3,793** | **(113,365)** | **842,887** | **670,634** | **(287)** | **670,347** |

**The Notes on pages 11 to 41 form an integral part of the condensed interim consolidated financial statements.**

# V. CONSOLIDATED STATEMENT OF CASH FLOWS

(In thousands of Euros)

| | | Six-month period ended 30 June | |
|---|---|---|---|
| | Note | 2014 | 2013 |
| **Cash flows from operating activities** | | | |
| **Profit for the year** | | **66,286** | **61,875** |
| *Adjustments for:* | | | |
| Depreciation and amortisation | 11 | 57,408 | 61,628 |
| Impairment losses on non-current assets | 8 | 53 | 912 |
| Impairment losses on trade receivables | 8 | 7,539 | 8,778 |
| Impairment losses on other financial assets | 9 | 10,000 | 6,600 |
| Exchange (gains)/losses | | - | (728) |
| Change in provisions | 18 | 25,030 | 12,096 |
| Share-based payment expenses | | (765) | 1,134 |
| (Gains)/losses on financial assets at fair value through profit or loss | 9 | (1,083) | (1,207) |
| Finance income | 9 | (6,200) | (4,453) |
| Finance expenses | 9 | 24,150 | 32,003 |
| (Gains)/losses on disposal and sale of property, plant and equipment | 11 | 799 | 363 |
| Income tax | 21 | 37,290 | 32,283 |
| | | **220,506** | **211,284** |
| **Changes in working capital, net of effect of acquisitions** | | | |
| Inventories | | (7,569) | 4,801 |
| Trade and other receivables | | (65,283) | (65,340) |
| Trade and other payables | | (22,472) | 39,243 |
| Payment of provisions | | (31,722) | (13,312) |
| Other current liabilities | | 17,900 | 8,384 |
| **Cash from operating activities** | | **111,360** | **185,061** |
| Interest paid | | (29,474) | (25,020) |
| Income tax paid | | (52,828) | (44,568) |
| **Net cash from operating activities** | | **29,058** | **115,473** |
| **Cash flows from investing activities** | | | |
| Proceeds from sale of property, plant and equipment | | - | 252 |
| Proceeds from sale of financial assets | | 764 | 4,064 |
| Interest and dividend received | | 168 | 4,453 |
| Acquisition of subsidiaries, net of cash and cash equivalents | 23 | (3,153) | - |
| Acquisition of property, plant and equipment | | (45,879) | (44,314) |
| Acquisition of intangible assets | | (5,360) | (2,684) |
| Acquisition of property investment | | (17,990) | - |
| Acquisition of financial assets | | (607) | - |
| **Net cash from investing activities** | | **(72,057)** | **(38,229)** |
| **Cash flows from financing activities** | | | |
| Proceeds from the disposal of own shares and equity instruments | | 121,925 | - |
| Proceeds from loans and borrowings | | 158,115 | 20,813 |
| Proceeds from debentures and other marketable securities | | - | 500,000 |
| Payments for loans and borrowings | | (213,078) | (480,913) |
| Payments for other financial liabilities | | (28,832) | (56,734) |
| Dividends paid | 17 | (31,950) | (29,244) |
| **Net cash from financing activities** | | **6,180** | **(46,078)** |
| Net increase/(decrease) in cash and cash equivalents | | (36,819) | 31,165 |
| Cash and cash equivalents at the beginning of period | | 292,942 | 163,601 |
| Effect of exchange differences | | (4,606) | (10,249) |
| **Cash and cash equivalents at the end of the period** | | **251,517** | **184,517** |

**The Notes on pages 11 to 41 form an integral part of the condensed interim consolidated financial statements.**

# VI. EXPLANATORY NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## 1. General information

Prosegur is a business group formed by Prosegur Compañía de Seguridad, S.A. (hereinafter the Company) and its subsidiaries (collectively, the Group or Prosegur), which provides private security services in the following countries: Spain, Portugal, France, Germany, Romania, Argentina, Brazil, Chile, Peru, Uruguay, Paraguay, Mexico, Colombia, Singapore, India, China and Australia.

Prosegur is organised into the following geographical areas:
- Europe
- Latin America (LatAm)
- Asia-Pacific

The services provided by the Group are distributed into the following business lines:
- Manned Guarding
- Cash in Transit (CIT)
- Technology

Prosegur is controlled by Gubel, S.L., which has its registered offices in Madrid and holds 50.075% of the share capital of Prosegur Compañía de Seguridad, S.A.

Prosegur Compañía de Seguridad, S.A. is a limited liability company whose shares are listed on the Madrid and Barcelona stock exchanges and traded through the Spanish Stock-Exchange Interconnection System (electronic trading system) (SIBE). The Company was incorporated in Madrid on 14 May 1976 and is registered with the Companies Registry of Madrid and the Special Registry of Private Security Companies, which is attached to Spain's Ministry of the Interior. The registered offices of Prosegur Compañía de Seguridad, S.A. are at Calle Pajaritos, 24, Madrid (Spain).

The corporate object of Prosegur Compañía de Seguridad, S.A. is described in Article 2 of its Articles of Association. The main services provided by the Company are as follows:
- Security patrol and protection of premises, goods and individuals.
- The transportation, storage, safekeeping, counting and classification of coins and banknotes, deeds, securities and other items that require special protection due to their economic value or associated risk.
- The installation and maintenance of security equipment, devices and systems.

The individual and consolidated annual accounts of Prosegur Compañía de Seguridad, S.A. for 2013 were approved by the shareholders at the AGM held on 30 June 2014.

**Structure of Prosegur**

Prosegur Compañía de Seguridad, S.A. is the parent company of the Group formed by the subsidiaries specified in Appendix I to the notes to the consolidated annual accounts at 31 December 2013. Likewise, Prosegur holds interests in joint ventures (hereinafter JVs) (Appendix II to the notes to the consolidated annual accounts at 31 December 2013) and business combinations (Appendix III to the notes to the consolidated annual accounts at 31 December 2013).

Prosegur holds interests of less than 20% in the share capital of other entities. It does not exert significant influence over these entities (Note 12).

Details of the principles applied to prepare the Prosegur consolidated annual accounts and define the consolidated group are provided in Note 35.2 to the consolidated annual accounts at 31 December 2013.

## 2. Basis of presentation, estimates and accounting policies

These condensed interim consolidated financial statements of Prosegur for the six-month period ended 30 June 2014 have been prepared in accordance with IAS 34 Interim Financial Reporting.

Pursuant to IAS 34, interim financial reporting is only intended to provide an update on the content of the latest consolidated annual accounts prepared by Prosegur, focusing on new activities, events and circumstances which have occurred in the six-month period ended 30 June 2014, and without repeating the information previously published in the consolidated annual accounts for 2013.

On this basis, and to properly understand the information disclosed in these condensed interim consolidated financial statements, they should be read in conjunction with the consolidated annual accounts of Prosegur for the year ended 31 December 2013, which were prepared in accordance with International Financial Reporting Standards (IFRS), adopted for use in the European Union and approved by the European Commission Regulations currently in force and other applicable financial reporting regulations.

The estimates included herein are based on the best information available, and are the same as those reflected in the notes to the consolidated annual accounts for 2013.

During the six-month period ended 30 June 2014, there have been no significant changes to the estimates made at the 2013 year end.

Except as detailed in Appendix I, the accounting policies applied in the accompanying condensed interim consolidated financial statements at 30 June 2014 are consistent with those applied in the preparation of the consolidated annual accounts of Prosegur at 31 December 2013, details of which are provided in Note 35 thereto.

The Corporate Income Tax expense for the six-month period ended 30 June 2014 has been calculated using the tax rate expected to apply to profit and loss for the year.

**Comparative information**

The condensed interim consolidated financial statements, consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows, consolidated statement of changes in equity and the notes to the condensed interim consolidated financial statements for the six-month period ended 30 June 2014 include comparative figures for the prior year.

As reflected in the consolidated annual accounts for 2013 (Note 2), the Management, seeking to improve the presentation of the results, has carried out certain reclassifications of different headings in the income statement, in respect of the classification which pertained in the six month period ended 30 June 2013, in accordance with the following breakdown:

| Income statement items | June 2013 | Reclassification | June 2013 - reclassified |
|---|---|---|---|
| Other revenues | 8,897 | (8,897) | - |
| Costs to sell | (1,410,609) | (16,390) | (1,426,999) |
| Other income | - | 5,602 | 5,602 |
| Sale and administrative expenses | (302,150) | 23,589 | (278,561) |
| Other expenses | (10,236) | (3,904) | (14,140) |

## 3. Changes to the Group's structure

Appendix I to the consolidated annual accounts for the year ended 31 December 2013 includes important information on the consolidated Group companies at that date.

Changes to the Group's structure during the six-month period ended 30 June 2014 were due to the following events:

- ✓ In January 2014 the company Evtec Management Services PTE LTD was acquired in Singapore by means of the Group subsidiary Singpai Pte. Ltd.
- ✓ In February 2014 the Chorus Group was acquired in Germany by means of the Group subsidiary Prosegur GmbH.

During the first half of year 2014, the following merger took place between Prosegur subsidiaries:

- ✓ In June 2014 Prosegur Telesurveillance SASU merged with and into Prosegur Securite Humaine EURL in France.

Moreover, in the first half of year 2014, the following company has been incorporated:

- ✓ In February 2014 Proservicios, S.A. was incorporated in Peru.

## 4. Significant events subsequent to year-end 2013

In addition to the matters mentioned in Note 3 concerning changes to the Group's structure, details of the most important transactions and events that have occurred during the first half of 2014 are as follows:

### Treasury shares

On 10 January 2014 Prosegur proceeded with the sale of a package of own shares, representing 4.032% of the share capital, for a total amount of EUR 123,169.6 thousand (24,882,749 shares at EUR 4.95) to satisfy the demand presented by JB Capital Markets of a limited number and reduced group of institutional investors.

At 30 June 2014 Prosegur maintains 3.039% of own shares that is deemed strategic to satisfy possible future corporate transactions.

### Financing activities

On 12 June 2014 Prosegur arranged a new five-year syndicated credit financing facility of EUR 400,000 thousand to defer part of its debt (from 2015 to 2019). At 30 June 2014 the drawn down balance amounted to EUR 105,000 thousand.

On 30 June 2014, the syndicated loan granted in August 2010 was repaid in full in the amount of EUR 45,000 thousand corresponding to the loan tranche and in the amount of EUR 60,000 thousand corresponding to the credit facility tranche (at 31 December 2013, the drawn down capital corresponding to the loan tranche amounted to EUR 60,000 thousand and the drawn down balance corresponding to the credit facility tranche amounted to EUR 100,000 thousand).

## 5. Revenues

Details of revenues for the periods ended 30 June 2014 and 2013 are as follows:

| | Thousands of Euros<br>Period ended 30 June | |
|---|---|---|
| | **2014** | **2013** |
| Goods sold | 15,324 | 19,251 |
| Services rendered | 1,731,073 | 1,757,257 |
| Operating lease revenues | 63,160 | 63,963 |
| **Total sales** | **1,809,557** | **1,840,471** |

Operating lease revenues are generated by alarm system rentals. Under the alarm system rental contracts, Prosegur receives an initial amount when the contract is signed and a regular instalment for the rental of the installed equipment and the services rendered.

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

## 6. Costs of sales and administrative expenses

Details of the main costs of sales and administrative expenses in the income statements for the six-month periods ended 30 June 2014 and 2013 are as follows:

| | Thousands of Euros<br>Period ended 30 June | |
|---|---|---|
| | **2014** | **2013** |
| Supplies | 76,402 | 71,951 |
| Employee benefits expense | 1,088,096 | 1,120,111 |
| Operating leases | 24,619 | 23,896 |
| Supplies and external services | 114,905 | 99,810 |
| Depreciation and amortisation | 23,074 | 23,484 |
| Other expenses | 84,213 | 87,747 |
| **Total costs to sell** | **1,411,309** | **1,426,999** |
| Supplies | 1,760 | 1,836 |
| Employee benefits expense | 131,194 | 136,634 |
| Operating leases | 17,430 | 18,729 |
| Supplies and external services | 52,501 | 52,940 |
| Depreciation and amortisation | 34,334 | 38,143 |
| Other expenses | 32,898 | 30,279 |
| **Total sale and administrative expenses** | **270,117** | **278,561** |

Total supplies in the consolidated income statement for the six-month period ended 30 June 2014 amount to EUR 78,162 thousand (EUR 73,787 thousand in 2013).

## 7. Employee benefits expense

Details of the employee benefits expense for the six-month periods ended 30 June 2014 and 2013 are as follows:

| | Thousands of Euros | |
|---|---|---|
| | Period ended 30 June | |
| | **2014** | **2013** |
| Salaries and wages | 938,602 | 962,297 |
| Social Security | 242,187 | 250,571 |
| Other employee benefits expenses | 22,147 | 23,481 |
| Termination benefits | 16,354 | 20,396 |
| **Total employee benefits expense** | **1,219,290** | **1,256,745** |

As explained in Note 18 a), as a result of a ruling by the Spanish Supreme Court on overtime costs, in the first half of 2014, Prosegur has reversed a surplus provision recognised in prior years by taking EUR 3,000 thousand to income under salaries and wages. No expense has been recognised in relation to this matter. At 30 June 2013, credits of EUR 10,600 thousand had been recognised in the income statement.

As explained in Note 35.17 to the consolidated annual accounts for the year ended 31 December 2013, at the AGM held on 27 June 2008, the shareholders approved the 2011 Plan relative to long-term incentives for executive directors and management of Prosegur. The 2011 Plan foresaw the payment of Company share-based incentives to executive directors, and Company shares and cash to Prosegur management. This Plan has been fully paid and settled in the first half of year 2014.

At the AGM held on 29 May 2012, the shareholders approved the 2014 Plan relative to long-term incentives for Prosegur executive directors and management. The 2014 Plan is generally linked to value creation during the 2012-2014 period and foresees the payment of Company share-based incentives to executive directors, and Company shares and cash to Prosegur management. The maximum number of shares earmarked for the 2014 Plan is 4,120,000, representing 0.668% of the Company’s current share capital.

The 2014 Plan has a duration of three years, based on length of service and the achievement of targets, and includes an additional length-of-service bonus verified over the following two years. The Plan measures target achievement from 1 January 2012 until 31 December 2014 and length of service from 1 January 2012 until 31 December 2016. Entitlement to incentives is assessed on the following dates:

- Final assessment date: 31 December 2014
- Length-of-service bonus date: 2017

Salaries and wages recognised in the first half of 2014 include an expense of EUR 1,575 thousand in relation to the 2014 Plan, EUR 898 thousand of which are cash incentives and EUR 677 thousand are shares.

## 8. Other expenses

Details of other expenses recognised in the income statements for the six-month periods ended 30 June 2014 and 2013 are as follows:

| | Thousands of Euros | |
|---|---|---|
| | Period ended 30 June | |
| | **2014** | **2013** |
| Impairment losses on trade receivables | (7,539) | (8,778) |
| Impairment losses on non-current assets | (53) | (912) |
| Net gains/(losses) on disposal of fixed assets | (799) | (882) |
| Other expenses | (841) | (3,568) |
| **Total other expenses** | **(9,232)** | **(14,140)** |

## 9. Net financial expenses

Details of net financial expenses for the six-month periods ended 30 June 2014 and 2013 are as follows:

| | Thousands of Euros | |
|---|---|---|
| | Period ended 30 June | |
| | **2014** | **2013** |
| Interest expenses | (16,117) | (22,129) |
| Interest received | 28 | 315 |
| Dividend received | 139 | 4,138 |
| Net gains/(losses) on foreign currency transactions | 6,033 | 728 |
| Finance expenses on finance leases | (558) | (754) |
| (Losses)/gains on the fair value of financial instruments | 1,083 | 1,207 |
| Other (losses)/gains on derivative transactions | (1,151) | (1,102) |
| Impairment (losses)/gains of investments in equity instruments | (10,000) | (6,600) |
| Other net finance income and expenses | (6,324) | (8,018) |
| **Total net financial expenses** | **(26,867)** | **(32,215)** |

In the first half of 2014, an impairment loss has been recognised on the fair value of available-for-sale financial assets totalling EUR 10,000 thousand (EUR 6,600 thousand at 30 June 2013) (Note 12).

## 10. Segment reporting

The Executive Committee of the Board of Directors is ultimately responsible for making decisions on Prosegur's operations and, together with the Audit Committee, for reviewing the Group's internal financial information to assess performance and to allocate resources.

The Executive Committee analyses business at parent level on two fronts: by geographical area and by activity. In terms of geographical area, three main segments are identified: Europe, Latin America (LatAm) and Asia-Pacific, which, in turn, contain the segments of activity identified as manned Guarding, Cash in transit (CIT) and Technology.

The Executive Committee uses ear nings before interest and tax (EBIT) to assess segment performance, since this indicator is considered to best reflect the results of the Group's different activities.

Total assets allocated to segments do not include non-current financial assets, derivative financial assets, other current financial assets or cash and cash equivalents.

Total liabilities allocated to segments do not include loans and borrowings, except for finance lease payables, and derivative financial liabilities.

Details of revenues by segment for the six-month periods ended 30 June 2014 and 2013 are as follows:

Thousands of Euros

| | Europe | | Asia-Pacific | | LatAm | | Total Prosegur | |
|---|---|---|---|---|---|---|---|---|
| | at 30 June 2014 | at 30 June 2013 | at 30 June 2014 | at 30 June 2013 | at 30 June 2014 | at 30 June 2013 | at 30 June 2014 | at 30 June 2013 |
| **Manned Guarding** | 390,923 | 414,791 | 24,199 | 14,174 | 404,091 | 422,087 | 819,213 | 851,052 |
| % of total | *55%* | *59%* | *37%* | *83%* | *39%* | *38%* | *45%* | *46%* |
| **Cash in Transit** | 207,664 | 183,124 | 40,758 | 2,913 | 541,814 | 588,950 | 790,236 | 774,987 |
| % of total | *29%* | *26%* | *62%* | *16%* | *53%* | *53%* | *44%* | *42%* |
| **Technology** | 113,669 | 110,163 | 430 | 86 | 86,009 | 104,183 | 200,108 | 214,432 |
| % of total | *16%* | *15%* | 1% | 1% | *8%* | *9%* | *11%* | *12%* |
| **Total sales** | **712,256** | **708,078** | **65,387** | **17,173** | **1,031,914** | **1,115,220** | **1,809,557** | **1,840,471** |

A reconciliation of EBIT by segment with net profit for the year attributable to the owners of the parent is as follows:

| | Thousands of Euros | |
|---|---|---|
| | at 30 June 2014 | at 30 June 2013 |
| EBIT allocated to segments | 130,443 | 126,373 |
| Net financial expenses | (26,867) | (32,215) |
| Profit before tax | 103,576 | 94,158 |
| Income tax | (37,290) | (32,283) |
| Post-tax profit from continuing operations | 66,286 | 61,875 |
| Non-controlling interests | 155 | (140) |
| **Profit for the year attributable to owners of the parent** | **66,131** | **62,015** |

Details of assets at 30 June 2014 and 31 December 2013 are as follows:

Thousands of Euros

| | Europe | | Asia-Pacific | | LatAm | | Not allocated to segments | | Total Prosegur | |
|---|---|---|---|---|---|---|---|---|---|---|
| | at 30 June 2014 | at 31 December 2013 | at 30 June 2014 | at 31 December 2013 | at 30 June 2014 | at 31 December 2013 | at 30 June 2014 | at 31 December 2013 | at 30 June 2014 | at 31 December 2013 |
| **Assets allocated to segments** | **818,393** | **794,953** | **124,065** | **95,604** | **1,732,496** | **1,687,675** | **-** | **-** | **2,674,954** | **2,578,232** |
| | - | - | - | - | - | - | - | - | - | - |
| **Other unallocated assets** | **-** | **-** | **-** | **-** | **-** | **-** | **268,053** | **319,678** | **268,053** | **319,678** |
| - Other non-current financial assets | - | - | - | - | - | - | 15,221 | 25,461 | 15,221 | 25,461 |
| - Other current financial assets | - | - | - | - | - | - | 1,315 | 1,202 | 1,315 | 1,202 |
| - Cash and cash equivalents | - | - | - | - | - | - | 251,517 | 292,942 | 251,517 | 292,942 |
| - Derivative financial instruments | - | - | - | - | - | - | - | 73 | - | 73 |
| **Total assets** | **818,393** | **794,953** | **124,065** | **95,604** | **1,732,496** | **1,687,675** | **268,053** | **319,678** | **2,943,007** | **2,897,910** |

Details of liabilities at 30 June 2014 and 31 December 2013 are as follows:

Thousands of Euros

| | Europe | | Asia-Pacific | | LatAm | | Not allocated to segments | | Total Prosegur | |
|---|---|---|---|---|---|---|---|---|---|---|
| | at 30 June 2014 | at 31 December 2013 | at 30 June 2014 | at 31 December 2013 | at 30 June 2014 | at 31 December 2013 | at 30 June 2014 | at 31 December 2013 | at 30 June 2014 | at 31 December 2013 |
| **Liabilities allocated to segments** | **501,381** | **483,548** | **75,251** | **77,148** | **745,270** | **778,960** | **-** | **-** | **1,321,902** | **1,339,656** |
| | - | - | - | - | - | - | - | - | - | - |
| **Other unallocated liabilities** | **-** | **-** | **-** | **-** | **-** | **-** | **844,090** | **903,730** | **844,090** | **903,730** |
| - Other loans and borrowings | - | - | - | - | - | - | 844,090 | 902,090 | 844,090 | 902,090 |
| - Derivative financial instruments | - | - | - | - | - | - | - | 1,640 | - | 1,640 |
| **Total liabilities** | **501,381** | **483,548** | **75,251** | **77,148** | **745,270** | **778,960** | **844,090** | **903,730** | **2,165,992** | **2,243,386** |

The geographical distribution of total sales and non-current assets is as follows:

Thousands of Euros

| | Sales | | Non-current assets allocated to segments | |
|---|---|---|---|---|
| | at 30 June 2014 | at 30 June 2013 | at 30 June 2014 | at 31 December 2013 |
| Country in which the parent is domiciled (Spain) | 425,032 | 447,356 | 308,413 | 312,705 |
| Brazil | 499,575 | 538,016 | 547,071 | 519,164 |
| Argentina | 259,234 | 300,839 | 147,252 | 141,129 |
| Other countries | 625,716 | 554,261 | 576,673 | 537,301 |
| **Total** | **1,809,557** | **1,840,471** | **1,579,409** | **1,510,299** |

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

### 11.1. Property, plant and equipment

Details of property, plant and equipment for the six-month periods ended 30 June 2014 and 2013 are as follows:

| | Thousands of Euros | |
|---|---|---|
| | Period ended 30 June | |
| | **2014** | **2013** |
| **Cost** | | |
| **Opening balance** | 926,435 | 907,232 |
| Additions | 45,879 | 44,314 |
| Business combinations | (2,405) | - |
| Disposals | (8,003) | (8,033) |
| Translation differences | 1,459 | (36,960) |
| **Closing balance** | 963,365 | 906,553 |
| **Accumulated amortisation** | | |
| **Opening balance** | (452,813) | (446,763) |
| Disposals | 4,438 | 7,893 |
| Provisions charged to the income statement | (33,462) | (34,543) |
| Translation differences | (4,513) | 19,619 |
| **Closing balance** | (486,350) | (453,794) |
| **Impairment losses** | | |
| **Opening balance** | (1,581) | - |
| Provisions charged to the income statement | (53) | (883) |
| Translation differences | - | 165 |
| **Closing balance** | (1,634) | (718) |
| **Net assets** | | |
| **Opening balance** | **472,041** | **460,469** |
| **Closing balance** | **475,381** | **452,041** |

During the first half of 2014, Prosegur invested EUR 45,879 thousand in property, plant and equipment (EUR 44,314 thousand at 30 June 2013). These investments are primarily additions and fitting-out work on bases and armoured vehicles in Germany, Argentina, Peru and Brazil.

## 11.2. Property investments

Details of property investments for the six-month period ended 30 June 2014 are as follows:

| | Thousands of Euros |
|---|---|
| | **30/06/2014** |
| **Cost** | |
| **Opening balance** | - |
| Additions | 17,990 |
| Translation differences | (615) |
| **Closing balance** | 17,375 |
| **Accumulated amortisation** | |
| **Opening balance** | - |
| Provisions charged to the income statement | (80) |
| Translation differences | 3 |
| **Closing balance** | (77) |
| **Net assets** | |
| **Opening balance** | **-** |
| **Closing balance** | **17,298** |

These investments pertain to the purchase of a number of buildings in Argentina.

## 11.3. Goodwill

Details of goodwill for the six-month period ended 30 June 2014 are as follows:

| | Thousands of Euros |
|---|---|
| **Carrying amount at 31 December 2013** | **515,959** |
| Additions to consolidated group | 3,213 |
| Additions | 14,181 |
| Disposals | (1,541) |
| Translation differences | 7,482 |
| **Carrying amount at 30 June 2014** | **539,294** |

Additions to goodwill were generated on the following business combinations in the six-month period ended 30 June 2014:

| | Country | % ownership | Thousands of Euros |
|---|---|---|---|
| **Additions to consolidated group** | | | |
| Evtec Management Services Pte Ltd (1) | Singapore | 100% | 1,922 |
| Chorus Group (1) | Germany | 100% | 1,291 |
| | | | **3,213** |

(1) Calculations relating to business combinations are provisional and may be adjusted for up to a year from the acquisition date.

Details of the estimated goodwill in the table above are provided in Note 23.

Additions reflect adjustments to the value of the following goodwill:

| | Thousands of Euros |
|---|---|
| Chubb Security Services Pty Ltd (Australia) (1) | 1,969 |
| Brinks Deutschland GmbH (Germany) (1) | 12,212 |
| | **14,181** |

(1) Calculations relating to business combinations are provisional and may be adjusted for up to a year from the acquisition date.

At 30 June 2014, there are no indications that the goodwill recognised may be impaired.

Details of goodwill for the six-month period ended 30 June 2013 are as follows:

| | Thousands of Euros |
|---|---|
| **Carrying amount at 31 December 2012** | **529,453** |
| Additions to consolidated group | - |
| Additions | 658 |
| Disposals | (26,234) |
| Translation differences | (14,670) |
| **Carrying amount at 30 June 2013** | **489,207** |

Disposals reflect adjustments to the value of the following goodwill:

| | Thousands of Euros |
|---|---|
| **Adjustments on allocation of value to acquired assets** | |
| Segura Group (Uruguay) | (4,771) |
| T.C. Interplata, S.A. (Argentina) | (2,744) |
| Servin Seguridad, S.A. (Argentina) | (5,498) |
| Roytronic, S.A. (Uruguay) | (1,388) |
| GRP Group (France) | (4,565) |
| SIS Cash Services Private Ltd (India) | (2,513) |
| Imperial Dragon Security Ltd (China) | (4,755) |
| | **(26,234)** |

## 11.4. Other intangible assets

Details of intangible assets for the six-month periods ended 30 June 2014 and 2013 are as follows:

| | Thousands of Euros | |
|---|---|---|
| | Period ended 30 June | |
| | **2014** | **2013** |
| **Cost** | | |
| **Opening balance** | 532,318 | 522,717 |
| Additions | 10,822 | 2,684 |
| Business combinations | 1,531 | 38,570 |
| Disposals | (276) | (699) |
| Translation differences | 21,589 | (26,484) |
| **Closing balance** | 565,984 | 536,788 |
| **Accumulated amortisation** | | |
| **Opening balance** | (190,593) | (161,559) |
| Disposals | 106 | 224 |
| Provisions charged to the income statement | (23,866) | (27,085) |
| Translation differences | (5,780) | 3,557 |
| **Closing balance** | (220,133) | (184,863) |
| **Impairment losses** | | |
| **Opening balance** | (29) | - |
| Provisions charged to the income statement | - | (29) |
| **Closing balance** | (29) | (29) |
| **Net assets** | | |
| **Opening balance** | **341,696** | **361,158** |
| **Closing balance** | **345,822** | **351,896** |

Additions for the first half of 2014 include intangible assets allocated on measurement of the following business combinations:

| | Thousands of Euros | |
|---|---|---|
| | **Customer portfolio** | **Total** |
| Evtec Management Services Pte Ltd (Singapore) | 1,065 | 1,065 |
| Chubb Security Services PTY LTD (Australia) | 195 | 195 |
| Chorus Group (Germany) | 269 | 269 |
| | **1,529** | **1,529** |

Additions for the first half of 2013 included intangible assets allocated on measurement of the following business combinations:

| | Thousands of Euros | | | |
|---|---|---|---|---|
| | Customer portfolio | Trademarks | Other intangible assets | Total |
| Segura Group (Uruguay) | 6,348 | - | - | 6,348 |
| T.C. Interplata, S.A. (Argentina) | 4,154 | 66 | - | 4,220 |
| Servin Seguridad, S.A. (Argentina) | 7,398 | 1,520 | 391 | 9,309 |
| Roytronic, S.A. (Uruguay) | 1,786 | - | - | 1,786 |
| GRP Group (France) | 6,482 | 367 | - | 6,849 |
| SIS Cash Services Private Ltd (India) | 1,561 | 1,673 | 486 | 3,720 |
| Imperial Dragon Security Ltd (China) | | 506 | 5,832 | 6,338 |
| | **27,729** | **4,132** | **6,709** | **38,570** |

## 12. Financial assets

Details of available-for-sale financial assets and other current and non-current financial assets at 30 June 2014 and 31 December 2013 are as follows:

| | Thousands of Euros | |
|---|---|---|
| | **30/06/2014** | **31/12/2013** |
| Available-for-sale financial assets | 14,155 | 23,518 |
| Other non-current financial assets | 1,066 | 1,943 |
| **Total non-current financial assets** | **15,221** | **25,461** |
| **Other current financial assets** | **1,315** | **1,202** |

**a) Available-for-sale financial assets**

The most significant component of this item at 30 June 2014 is the 19% ownership interest in the share capital of the investment vehicle Capitolotre, S.P.A., which the Company acquired on 18 December 2007, as described in Note 14 to the consolidated annual accounts of Prosegur at 31 December 2013. During the first half of 2014, no purchases, sales, issues or settlements have been made in relation to Prosegur's ownership interest in Capitolotre, S.P.A.

The investment in Capitolotre, S.P.A. has been classified as a level three fair value measurement. As mentioned in the consolidated annual accounts for 2013, the valuation techniques used by Prosegur to estimate the fair value of this investment were based on transaction multiples among comparable companies: measurement by comparison of the prices paid in acquisitions of comparable companies in relation to their basic financial magnitudes, obtaining multipliers that may be applied as reference. Prosegur uses the EBITDA as the reference multiplier.

At 30 June 2014, Prosegur updated the estimated fair value of this investment using the available information. It concluded that there is objective evidence that the investment is impaired, and the impairment is estimated to be EUR 10,000 thousand (EUR 6,600 thousand at 30 June 2013) (Note 9).

**b) Other non-current financial assets**

This item includes fix-term deposits maturing between 2016 and 2017 in the amount of EUR 1,066 thousand.

## 13. Investments accounted for using the equity method

As set forth in Appendix I to the condensed interim consolidated financial statements, at 30 June 2014 Prosegur has interests in several associates. Below is the cumulative carrying amount thereof and share of results.

| | Thousands of Euros |
|---|---|
| | **Total** |
| Carrying amount of investments in associates | 6,141 |
| Profit/(loss) from continuing operations | (223) |

## 14. Cash and cash equivalents

Details of cash and cash equivalents at 30 June 2014 and 31 December 2013 are as follows:

| | Thousands of Euros | |
|---|---|---|
| | **30/06/2014** | **31/12/2013** |
| Cash in hand and at banks | 192,575 | 229,738 |
| Current bank deposits | 58,942 | 63,204 |
| | **251,517** | **292,942** |

The effective interest rate on current bank deposits is 3.63% (5.72% at 31 December 2013) and the average term of deposits held in the first half of 2014 is 38 days (23 days at 31 December 2013).

## 15. Derivative financial instruments

No derivative financial assets and liabilities have been contracted by Prosegur at the end of the first half of 2014.

| | Notional amount | At 30 June 2014 Fair value | | At 31 December 2013 Fair value | |
|---|---|---|---|---|---|
| | | Assets | Liabilities | Assets | Liabilities |
| Interest rate swap (IRS) | EUR 100,000 thousand | - | - | - | 1,640 |
| Currency forward contract | AUD 15,000 thousand | - | - | 73 | - |
| | | **-** | **-** | **73** | **1,640** |

Changes in the fair values of the derivatives held by Prosegur are taken to the income statement as they are not considered to be accounting hedges. In the first half of 2014, income of EUR 1,083 thousand has been recognised in the income statement (EUR 2,419 thousand in December 2013), reflecting changes in the fair value of derivative financial instruments (Note 9). Losses of EUR 1,151 thousand (EUR 2,288 thousand in December 2013) have been recognised on settlements during the year (Note 9).

## 16. Inventories

Details of inventories at 30 June 2014 and 31 December 2013 are as follows:

| | Thousands of Euros | |
|---|---|---|
| | **30/06/2014** | **31/12/2013** |
| Merchandise | 41,680 | 42,078 |
| Work in progress | 25,784 | 19,397 |
| Impairment of inventories | (3,483) | (2,844) |
| **Total inventories** | **63,981** | **58,631** |

No inventories have been pledged as collateral to secure loans.

Details of impairment for the six-month periods ended 30 June 2014 and 30 June 2013 are as follows:

| | Thousands of Euros | |
|---|---|---|
| | **30/06/2014** | **30/06/2013** |
| Opening balance | (2,844) | (2,918) |
| Additions | (712) | (500) |
| Reversals | 73 | 72 |
| Disposals | - | (14) |
| **Closing balance** | **(3,483)** | **(3,360)** |

# 17. Equity

## 17.1. Share capital

Share capital is divided as follows:

| | Thousands | Thousands of Euros | | | |
|---|---|---|---|---|---|
| | Number of shares | Share capital | Share premium | Own shares | Total |
| 01 January 2013 | 617,125 | 37,027 | 25,472 | (125,299) | (62,800) |
| 31 December 2013 | 617,125 | 37,027 | 25,472 | (125,180) | (62,681) |
| 30 June 2014 | 617,125 | 37,027 | 25,472 | (53,493) | 9,006 |

At 30 June 2014, the share capital of Prosegur Compañía de Seguridad, S.A. totals EUR 37,027 thousand and is represented by 617,124,640 shares with a par value of EUR 0.06 each, fully subscribed and paid. These shares are listed on the Madrid and Barcelona stock exchanges and traded via the Spanish Stock-Exchange Interconnection System (electronic trading system) (SIBE).

## 17.2. Share premium

The share premium amounts to EUR 25,472 thousand, is freely distributable and has not changed in 2013 or the six-month period ended 30 June 2014.

## 17.3. Own shares

Details of the own shares account for the six-month period ended 30 June 2014 are as follows:

| | Number of shares | Thousands of Euros |
|---|---|---|
| Balance at 31 December 2013 | 43,685,484 | 125,180 |
| Shares sold | (24,882,749) | (71,555) |
| Other shares granted to employees | (45,845) | (132) |
| **Balance at 30 June 2014** | **18,756,890** | **53,493** |

As mentioned in Note 35.17 to the consolidated annual accounts at 31 December 2013, at the AGM held on 27 June 2008, the shareholders approved the 2011 Plan relative to long-term incentives. In January 2014 this incentive plan has been settled in full.

Moreover, at the AGM held on 29 May 2012, the shareholders approved the 2014 Plan relative to long-term incentives for Prosegur Group executive directors and management. The total commitment undertaken by Prosegur at 30 June 2014 in relation to share-based incentives established in the 2014 Plan is recognised under other equity instruments in equity and amounts to EUR 2,406 thousand (EUR 3,171 thousand at 31 December 2013).

## 17.4. Dividends

Details of dividends distributed by the parent for the six-month periods ended 30 June 2014 and 30 June 2013 are as follows:

| | Period ended 30 June 2014 | | | Period ended 30 June 2013 | | |
|---|---|---|---|---|---|---|
| | % of par value | Euros per share | Amount (Thousands of Euros) | % of par value | Euros per share | Amount (Thousands of Euros) |
| Ordinary shares | 89.05 | 0.05 | 32,974 | 85.00 | 0.05 | 31,474 |
| Remaining shares (without voting rights, recallable, etc.) | - | - | - | - | - | - |
| **Total dividends paid** | **89.05** | **0.05** | **32,974** | **85.00** | **0.05** | **31,474** |
| a) Dividends charged to the income statement | 89.05 | 0.05 | 32,974 | 85.00 | 0.05 | 31,474 |
| b) Dividends charged to reserves or share premium | - | - | - | - | - | - |
| c) Dividends in kind | - | - | - | - | - | - |

The third instalment of the dividend was paid against 2012 profits on 20 January 2014, amounting to EUR 16,487 thousand (reflecting a gross amount of EUR 0.02670000 per share with economic rights, equivalent to a net amount of EUR 0.02109300 per share).

The fourth instalment of the dividend was paid against 2012 profits on 22 April 2014, amounting to EUR 16,487 thousand (reflecting a gross amount of EUR 0.02670000 per share with economic rights, equivalent to a net amount of EUR 0.02109300 per share).

At the AGM held on 30 June 2014, the shareholders approved the distribution of a dividend of EUR 0.10686172 per share outstanding at each payment date. As capital was divided into 617,124,640 shares at 30 June 2014, the total maximum dividend payable is EUR 65,947 thousand. 25% of this amount will be distributed to the shareholders on 17 July 2014.

Consequently, the payment for 17 July 2014 represents a gross amount of EUR 0.02670000 per share outstanding and with economic rights on that date, equivalent to a net amount of EUR 0.02109300 per share.

The remaining payments to make up the approved dividend of EUR 0.1068 per share, given that the capital was divided into 617,124,640 shares at 30 June 2014, will be made in October 2014, January 2015 and April 2015.

## 17.5. Earnings per share

- ***Basic***

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

| | 30/06/2014 | 30/06/2013 |
|---|---|---|
| Profit attributable to the owners of the parent (in thousands of Euros) | 66,131 | 62,015 |
| Weighted average number of ordinary shares outstanding | 597,367,262 | 573,414,471 |
| **Basic earnings per share (Euros per share)** | **0.11** | **0.11** |

- ***Diluted***

Diluted earnings per share are calculated by adjusting the profit for the year attributable to the owners of the parent and the weighted average number of ordinary shares outstanding for all the inherent diluting effects of potential ordinary shares.

| | 30/06/2014 | 30/06/2013 |
|---|---|---|
| Profit attributable to the owners of the parent (in thousands of Euros) | 66,131 | 62,015 |
| (Diluted) weighted average number of ordinary shares outstanding | 601,487,262 | 577,974,471 |
| **Diluted earnings per share (Euros per share)** | **0.11** | **0.11** |

## 18. Provisions

Details of provisions and movement for the six-month period ended 30 June 2014 are as follows:

| Thousands of Euros | Overtime costs | Labour-related risks | Legal risks | Restructuring | Employee benefits expense | Accrued obligations to personnel | Other risks | Total |
|---|---|---|---|---|---|---|---|---|
| **Balance at 01 January 2014** | **7,352** | **91,281** | **9,113** | **36,165** | **8,061** | **1,545** | **59,501** | **213,018** |
| Provisions charged to income statement | - | 16,921 | 2,142 | - | 1,449 | 1,102 | 11,231 | **32,845** |
| Reversals credited to income statement | (3,000) | (3,786) | (605) | - | - | (204) | (221) | **(7,816)** |
| Business combinations (Note 23) | - | - | - | 11,015 | 898 | - | 133 | **12,046** |
| Amounts used | (410) | (9,296) | (754) | (17,859) | (944) | - | (2,009) | **(31,272)** |
| Non-current / current transfers | - | 418 | (767) | - | 400 | - | (229) | **(178)** |
| Translation differences | - | 4,363 | 153 | - | 297 | - | 3,110 | **7,923** |
| **Balance at 30 June 2014** | **3,942** | **99,901** | **9,282** | **29,321** | **10,161** | **2,443** | **71,516** | **226,566** |
| Non-current | 3,942 | 99,901 | 9,282 | - | 8,166 | 985 | 71,516 | 193,792 |
| Current | - | - | - | 29,321 | 1,995 | 1,458 | - | 32,774 |

### *a) Overtime costs*

Details on the legal background relating to this provision are set out in Note 21 a) to the consolidated annual accounts for the year ended 31 December 2013.

During the six-month period ended 30 June 2014, payments totalling EUR 410 thousand have been made in respect of settlements reached with some claimant employees (EUR 1,722 thousand at 30 June 2013) and EUR 3,000 thousand has been taken into income (EUR 10,600 thousand at 30 June 2013), which mainly comprises amounts provided for in prior years which, based on the information available at 30 June 2014, Prosegur does not expect to arise.

### *b) Labour-related risks*

Provisions for labour-related risks, that amount to EUR 99,901 thousand (EUR 91,281 thousand at 31 December 2013), are calculated on a case-by-case basis, considering Prosegur's past experience. The provision for labour-related risks mainly includes provisions for work-related causes in Brazil. The provision for labour-related risks furthermore includes retirement bonuses payable to employees amounting to EUR 3,389 thousand (EUR 3,389 thousand at 31 December 2013) and a provision in the amount of EUR 31,432 thousand (EUR 29,654 thousand at 31 December 2013) regarding the business combination realised in 2005 with Transpev.

### *c) Legal risks*

Provisions for legal risks, that amount to EUR 9,282 thousand (EUR 9,113 thousand at 31 December 2013), correspond mainly to civil claims, which are analysed on a case-by-case basis. The settlement of these provisions is highly probable, but both the value of the final settlement as well as the moment are uncertain and depend upon the outcome of the proceedings underway.

### *d) Restructuring*

The provisions correspond to acquiree Brinks Deutschland GmbH, which has a restructuring provision recognised that corresponds to estimates for the payment of severances for dismissal and other costs. The settlement of the provision is highly probable. While the moment of settlement is uncertain, it is highly probable that it will take place in the short term.

***e) Employee benefits***

Prosegur has a defined contribution plan comprising post-employment healthcare offered to employees in Brazil to comply with local legislation (Law 9656).

Additions to the consolidated group essentially comprise the Chubb Security Services PTY LTD business combination (Note 23) which corresponds to an insurance plan for occupational accidents.

***f) Accrued obligations to personnel***

These provisions contain the incentive accrued for the part in cash of the 2014 Plan. During the year, an endowment was made against the profit and loss of the year in the amount of EUR 1,102 thousand and a reversal with a credit to the profit and loss of the year in an amount of EUR 204 thousand. Additionally, part of this provision was recognised as current provisions in an amount of EUR 545 thousand, since the maturity of this commitment will take place in 2014. The commitment undertaken at 30 June 2014 in relation to share-based incentives established in the 2014 Plan is recognised under other equity instruments in equity (Note 17).

***g) Other risks***

Provisions for other risks, that amount to EUR 71,516 thousand (EUR 59,501 thousand at 31 December 2013), mainly include Brazil and Argentina tax risks, as well as provisions from the Chubb Security Services PTY LTD business combination and other risks deriving from operations. The settlement of these provisions is highly probable, but both the value of the final settlement as well as the moment are uncertain and depend upon the outcome of the proceedings underway.

## 19. Suppliers

Information on deferred payments to suppliers by consolidated Spanish companies is as follows:

| | 2014 | |
|---|---|---|
| | **Thousands of Euros** | % |
| Within the maximum legal payment term | 36,737 | 35% |
| Other | 67,473 | 65% |
| Total payments for the year | 104,210 | 100% |
| Weighted average term by which payments are past due (in days) | 91 | |
| Late payments for which the maximum legal payment term has been exceec | 8,099 | |

At 31 December 2013, payables to suppliers totalling EUR 7,087 thousand exceeded the legal payment period.

## 20. Financial liabilities

Details of financial liabilities at 30 June 2014 and 31 December 2013 are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 30/06/2014 | 31/12/2013 |
| **Non-current** | | |
| Loans and borrowings | 109,946 | 151,081 |
| Syndicated loans | 102,772 | 130,469 |
| Finance lease liabilities | 16,863 | 14,399 |
| Debentures and other marketable securities | 496,762 | 495,757 |
| Other payables | 47,202 | 70,835 |
| | 773,545 | 862,541 |
| **Current** | | |
| Credit accounts | 89,155 | 42,073 |
| Loans and borrowings | 42,018 | 41,798 |
| Syndicated loan | - | 30,000 |
| Finance lease liabilities | 5,740 | 7,778 |
| Debentures and other marketable securities | 3,437 | 10,912 |
| Other payables | 69,339 | 63,166 |
| | 209,689 | 195,727 |
| **Total financial liabilities** | 983,234 | 1,058,268 |

Details of the most significant items making up this balance at 31 December 2013 are set out in Note 22 to the consolidated annual accounts for the year then ended.

On 12 June 2014 Prosegur arranged a new five-year syndicated credit financing facility of EUR 400,000 thousand to defer part of its debt (from 2015 to 2019). At 30 June 2014 the drawn down balance amounted to EUR 105,000 thousand.

On 30 June 2014 the syndicated loan granted in August 2010 was repaid in full in the amount of EUR 45,000 thousand corresponding to the loan tranche and in the amount of EUR 60,000 thousand corresponding to the credit facility tranche (at 31 December 2013, the drawn down capital corresponding to the loan tranche amounted to EUR 60,000 thousand and the drawn down balance corresponding to the credit facility tranche amounted to EUR 100,000 thousand).

The debenture issued in Brazil on 23 April 2012 has been partly repaid early in January 2014 in the amount of BRL 140,000 thousand, equivalent to EUR 42,645 thousand at the repayment date. The outstanding amount at 30 June 2014 is BRL 110,359 thousand, equivalent to EUR 36,784 thousand (at 31 December 2013, BRL 258,250 thousand, equivalent to EUR 79,277 thousand).

The contract states that the future instalments should be paid at the following dates:

| | Thousands of Euros | |
|---|---|---|
| Repayment date | Amount | Outstanding balance |
| 07 September 2014 | 2,630 | 34,154 |
| 07 March 2015 | 2,630 | 31,524 |
| 07 September 2015 | 7,881 | 23,643 |
| 07 March 2016 | 7,881 | 15,762 |
| 07 September 2016 | 7,881 | 7,881 |
| 07 March 2017 | 7,881 | - |

During the six-month period ended 30 June 2014, there have been no repayment defaults or breaches of agreement in relation to the loans and credit facilities granted to Prosegur.

In December 2013 Prosegur arranged a new three-year syndicated financing facility of AUD 70,000 thousand to finance the acquisition of security sector companies, by means of its subsidiaries Prosegur Australia Holdings PTY Limited and Prosegur Australia Investments PTY Limited. At 30 June 2014 the capital drawn on the syndicated loan comes to AUD 70,000 thousand (equivalent to EUR 48,153 thousand at the close of the first half of 2004). The contract stipulates one sole repayment for the entirety thereof at maturity. The interest rate is pegged to the 1-year BBSY plus a spread of 1.65%.

**Debentures and other marketable securities**

On 02 April 2013 an issue of uncovered bonds with a nominal value of EUR 500,000 thousand, maturing on 02 April 2018, was made. The bonds are traded on the secondary market of the Irish Stock Exchange. They accrue a coupon of 2.75% per annum, payable yearly in arrears.

**Other payables**

Details of the most significant items making up this balance at 31 December 2013 are set out in Note 22 to the consolidated annual accounts for the year then ended.

The other payables heading includes the amounts outstanding associated with business combinations carried out, which have experienced a reduction due to payments made, mainly of Nordeste, which in 2014 amounted to EUR 20,248 thousand.

## 21. Tax matters

The income tax expense is recognised in the interim accounting period based on the best estimate of the weighted average effective tax rate expected to apply to the annual accounting period. The income tax expense calculated for the interim accounting period may require adjusting in subsequent periods in the event of a change in the estimated annual effective tax rate.

| | Thousands of Euros | |
|---|---|---|
| | Period ended 30 June | |
| | **2014** | **2013** |
| Current tax | 54,419 | 21,660 |
| Deferred tax | (17,129) | 10,623 |
| **Total** | **37,290** | **32,283** |

| | Thousands of Euros | |
|---|---|---|
| | Period ended 30 June | |
| | **2014** | **2013** |
| Income tax expense | 37,290 | 32,283 |
| Profit before tax | 103,576 | 94,158 |
| **Effective tax rate** | **36.00%** | **34.29%** |

On 16 June 2013, the Company was informed of the commencement of a general tax inspection for all years open to inspection (2008, 2009 and 2010) in relation to corporate income tax, withholdings on account of non-resident income tax and withholdings on account of investment capital. Furthermore, the Company was informed of the commencement of a partial tax inspection in relation to withholding income tax for the same period. Likewise, tax inspection in relation to withholdings on account of non-resident income tax and withholdings on account of investment capital is extended to financial year 2011. At 30 June 2014 tax inspection is still underway.

## 22. Contingencies

Note 26 to the consolidated annual accounts for the year ended 31 December 2013 includes information on contingent assets and liabilities at that date.

No significant contingent assets or liabilities arose during the period ended 30 June 2014.

In 2008, Prosegur enforced guarantees of EUR 9,469 thousand relating to funds retained on deposit by a customer in Brazil. In 2012, the Federal Court for the corresponding region in southern Brazil handed down a ruling in favour of Prosegur, ordering the funds to be returned. These funds have been collected in full during the first half of 2014.

## 23. Business combinations

Details of changes in goodwill during the first half of 2014 are presented in Note 11.

### 23.1. Goodwill included in 2014

Details of the net assets acquired and goodwill recognised on business combinations during 2014 are as follows:

| | | | | | | Thousands of Euros |
|---|---|---|---|---|---|---|
| | Segment | Cash payment | Deferred amount at fair value | **Total purchase price** | Provisional fair value of identifiable net assets | **Provisional goodwill** |
| Evtec Management Services PTE LTD (1) | Asia-Pacific | 2,098 | 2,153 | **4,251** | 2,329 | **1,922** |
| Chorus Group (1) | Europe | 1,689 | - | **1,689** | 398 | **1,291** |
| | | 3,787 | 2,153 | **5,940** | 2,727 | **3,213** |

(1) Calculations relating to business combinations are provisional and may be adjusted for up to a year from the acquisition date.

Goodwill is not tax-deductible.

Had the businesses acquired in 2014 been acquired on 01 January 2014, consolidated revenues would have been EUR 998 thousand higher and consolidated net profit for the year would have been EUR 52 thousand higher.

The cash outflow incurred to purchase these businesses, net of cash acquired, is as follows:

| | | | | Thousands of Euros |
|---|---|---|---|---|
| | Country | Cash payment | Cash and cash equivalents acquired | **Cash outflow for the acquisition** |
| Evtec Management Services PTE LTD | Singapore | 2,098 | (538) | **1,560** |
| Chorus Group | Germany | 1,689 | (96) | **1,593** |
| | | 3,787 | (634) | **3,153** |

**Evtec Management Services PTE LTD**

On 23 January 2014 Prosegur acquired 100% of Evtec Management Services PTE LTD, a company located in Singapore and specialised in manned guarding. The total purchase price was SGD 7,345 thousand (equivalent to EUR 4,251 thousand at the acquisition date), comprising a cash payment of SGD 3,625 thousand (equivalent to EUR 2,098 thousand at the acquisition date), contingent consideration of SGD 3,346 thousand (equivalent to EUR 1,937 thousand at the acquisition date), to be settled in 2014 and 2015, and a further SGD 374 thousand (equivalent to EUR 216 thousand at the acquisition date), maturing in 2016, deferred to secure any possible liabilities.

The acquiree was added to the consolidated group on 23 January 2014. It contributed revenues of EUR 3,748 thousand and profit for the year of EUR 579 thousand to the consolidated income statement for the first half of 2014.

The assets and liabilities that arose from this acquisition are as follows:

| | Thousands of Euros | |
|---|---|---|
| | **Carrying amount of the acquiree** | **Fair value** |
| Cash and cash equivalents | 538 | 538 |
| Property, plant and equipment | 84 | 84 |
| Other non-current assets | 30 | 30 |
| Trade and other receivables | 1,980 | 1,980 |
| Trade and other payables | (723) | (723) |
| Current tax liabilities | (60) | (60) |
| Other intangible assets | - | 1,065 |
| Financial debt | (400) | (400) |
| Deferred taxes | (4) | (185) |
| **Identifiable net assets acquired** | **1,445** | **2,329** |

The goodwill on this acquisition was allocated to the Asia-Pacific segment and mainly reflects the profitability of the business and major synergies expected to arise as a result of the acquisition. The intangible assets acquired comprise customer relationships (EUR 1,065 thousand) with a useful life of 11 years.

**Chorus Group**

On 17 February 2014 Prosegur acquired 100% of Chorus Security Service Wervaltungs GmbH and its subsidiary Chorus Security Service GmbH, companies located in Germany and specialised in cash in transit. The total purchase price was EUR 1,689 thousand, comprising a cash payment of EUR 1,689 thousand.

The acquiree was added to the consolidated group on 17 February 2014. It contributed revenues of EUR 1,183 thousand and profit for the year of EUR 51 thousand to the consolidated income statement for the first half of 2014.

The assets and liabilities that arose from this acquisition are as follows:

| | Thousands of Euros | |
|---|---|---|
| | **Carrying amount of the acquiree** | **Fair value** |
| Cash and cash equivalents | 96 | 96 |
| Property, plant and equipment | 265 | 265 |
| Trade and other receivables | 460 | 460 |
| Current tax assets | 358 | 358 |
| Trade and other payables | (480) | (480) |
| Current tax liabilities | (110) | (110) |
| Other financial liabilities | (249) | (249) |
| Provisions | (133) | (133) |
| Other intangible assets | 2 | 271 |
| Deferred taxes | - | (80) |
| **Identifiable net assets acquired** | **209** | **398** |

The goodwill on this acquisition was allocated to the Europe segment and mainly reflects the profitability of the business and major synergies expected to arise as a result of the acquisition. The intangible assets acquired comprise customer relationships (EUR 269 thousand) with a useful life of 19 years.

## 23.2. Goodwill generated in 2013 whose valuation is reviewable in year 2014

Details of the net assets acquired and goodwill recognised on business combinations during 2013 whose valuation is reviewable in 2014 are as follows:

| | Segment | Cash payment | Deferred amount at fair value | **Total purchase price** | Provisional fair value of identifiable net assets | **Provisional goodwill** |
|---|---|---|---|---|---|---|
| Brinks Deutschland GmbH [(1)] | Europe | - | - | **-** | (33,164) | **33,164** |
| Chubb Security Services PTY LTD [(1)] | Asia-Pacific | 61,385 | 4,682 | **66,067** | 35,780 | **30,287** |
| | | 61,385 | 4,682 | **66,067** | 2,616 | **63,451** |

(Amounts in thousands of euros.)

[(1)] Calculations relating to business combinations are provisional and may be adjusted for up to a year from the acquisition date.

Goodwill is not tax-deductible.

The cash outflow incurred to purchase these businesses, net of cash acquired, is as follows:

| | | Thousands of Euros | | |
|---|---|---|---|---|
| | Country | Cash payment | Cash and cash equivalents acquired | **Cash outflow for the acquisition** |
| Brinks Deutschland GmbH | Germany | - | (9,002) | **(9,002)** |
| Chubb Security Services PTY LTD | Australia | 61,385 | (31,852) | **29,533** |
| | | 61,385 | (40,854) | **20,531** |

**Brinks Deutschland GmbH**

On 09 December 2013 Prosegur acquired 100% of Brinks Deutschland GmbH, a company located in Germany and specialised in cash in transit. The total purchase price was EUR 1, comprising a cash payment of EUR 1.

The acquiree was added to the consolidated group on 31 December 2013.

The assets and liabilities that arose from this acquisition are as follows:

| | Thousands of Euros | |
|---|---|---|
| Thousands of Euros | **Carrying amount of the acquiree** | **Fair value** |
| Cash and cash equivalents | 9,002 | 9,002 |
| Property, plant and equipment | 3,297 | 3,297 |
| Inventories | 63 | 63 |
| Trade and other receivables | 6,122 | 6,122 |
| Trade and other payables | (4,675) | (4,675) |
| Provisions | (47,374) | (47,374) |
| Current tax assets | 42 | 42 |
| Other intangible assets | 359 | 359 |
| **Identifiable net assets acquired** | **(33,164)** | **(33,164)** |

The goodwill on this acquisition was allocated to the Europe segment and mainly reflects the profitability of the business and major synergies expected to arise as a result of the acquisition.

**Chubb Security Services PTY LTD**

On 16 December 2013 Prosegur acquired 100% of Chubb Security Services PTY LTD, a company located in Australia and specialised in cash in transit. The total purchase price was AUD 101,742 thousand (equivalent to EUR 66,066 thousand at the acquisition date), comprising a cash payment of AUD 94,532 thousand (equivalent to EUR 61,385 thousand at the acquisition date), and a further AUD 7,210 thousand (equivalent to EUR 4,682 thousand at the acquisition date) deferred to secure any possible liabilities, maturing in 2014.

The acquiree was added to the consolidated group on 16 December 2013.

The assets and liabilities that arose from this acquisition are as follows:

| | Thousands of Euros | |
|---|---|---|
| Thousands of Euros | Carrying amount of the acquiree | Fair value |
| Cash and cash equivalents | 31,852 | 31,852 |
| Property, plant and equipment | 14,319 | 17,046 |
| Inventories | 366 | 366 |
| Trade and other receivables | 9,930 | 9,930 |
| Trade and other payables | (36,148) | (36,148) |
| Provisions | (11,158) | (11,158) |
| Other intangible assets | - | 32,013 |
| Deferred taxes | 2,301 | (8,121) |
| **Identifiable net assets acquired** | **11,462** | **35,780** |

The goodwill on this acquisition was allocated to the Asia-Pacific segment and mainly reflects the profitability of the business, future customers, human capital and value of the operating business. The intangible assets acquired comprise customer relationships (EUR 32,013 thousand) with a useful life of 19 years.

The valuation technique used to measure the fair value of intangible assets acquired was the "Multi-period excess earnings method", which takes into account the present value of net cash flows expected to be generated from customer relations, excluding any cash flow related to contributory assets.

## 24. Related party transactions

Prosegur is controlled by Gubel, S.L., which was incorporated in Madrid and holds 50.075% of the Company's share capital. The remaining 49.925% is held by various shareholders, including AS Inversiones, S.L. with 5.32%, FMR LLC with 4.846%, Oppenheimer Acquisition Corporation with 3.665% and Cantillon Capital Management LLC with 3.050%.

**Goods and services**

In October 2005 Prosegur and Proactinmo, S.L. (controlled by Gubel, S.L.) signed a lease contract for the building located at Calle Santa Sabina, 8 (Madrid), which is adjacent to a building owned by Prosegur at Calle Pajaritos, 24. The term of the contract is for five years, extendible for a further five, and it was arranged at arm's length. A total expense of EUR 611 thousand was incurred in relation to this contract in the first half of 2014 (EUR 607 thousand at 30 June 2013).

**Remuneration of members of the Board of Directors and key management personnel**

1. Remuneration of members of the Board of Directors

Details of the total remuneration accrued by the members of the Board of Directors during the six-month periods ended 30 June 2014 and 2013 are as follows:

| | Thousands of Euros | |
|---|---|---|
| **Item** | **30/06/2014** | **30/06/2013** |
| Fixed remuneration | 548 | 548 |
| Variable remuneration | 250 | 250 |
| Remuneration in kind | 25 | 23 |
| Allowances | 554 | 504 |
| **Total** | 1,377 | 1,325 |

2. Remuneration of senior management personnel

Senior management personnel are understood to be Prosegur employees who hold, de facto or de jure, senior management positions reporting directly to the Board of Directors, executive committees or managing directors, including those holding a power of attorney which relates to the corporate object and is not restricted to specific areas or matters. Details of total remuneration accrued by the senior management of Prosegur during the six-month periods ended 30 June 2014 and 2013 are as follows:

| | Thousands of Euros | |
|---|---|---|
| | **30/06/2014** | **30/06/2013** |
| Total remunerations accrued by senior management | 2,110 | 1,665 |

As explained in Note 17.3, at the AGM held on 27 June 2008, the shareholders approved the 2011 Plan relative to long-term incentives for executive directors and management, having been settled in full in January 2014. Subsequently, at the AGM held on 29 May 2012, the shareholders approved the 2014 Plan, which is linked to value creation in the 2012-2014 period.

The total commitment undertaken by the Company at 30 June 2014 in relation to the share-based incentives established in the 2014 Plan amounts to EUR 2,406 thousand and is recognised in equity (Note 17.3).

The total commitment assumed by the Company at 30 June 2014 in relation to the cash incentives specified in the 2014 Plan amounts to EUR 2,443 thousand (Note 18).

**Loans to related parties**

At 30 June 2014 Prosegur has not granted any loans to related parties.

**Investments and positions held by the members of the Board of Directors of the parent and their related parties in other companies**

Neither the members of the Board of Directors nor their related parties hold any investments or positions or conduct any activities in companies with an identical, similar or complementary corporate object to that of the Company, outside of the scope of the Group.

**Information required by article 229 of the Spanish Companies Act**

As required by article 229 of the Spanish Companies Act, which was introduced by Royal Decree-Law 1/2010 of 2 July 2010, the members of the Board of Directors declare that they have not been involved in any direct or indirect conflicts of interest with the Company in the first half of 2014.

## 25. Average headcount

Details of Prosegur's average headcount for the six-month periods ended 30 June 2014 and 30 June 2013 are as follows:

| | Total Prosegur | |
|---|---|---|
| | **30/06/2014** | **30/06/2013** |
| Male | 133,157 | 129,369 |
| Female | 22,115 | 20,851 |
| **Average Headcoun** | **155,272** | **150,220** |

## 26. Events after the reporting date

At 30 June 2014 no subsequent events significantly affecting such condensed consolidated financial statements have taken place.

## APPENDIX I.- Summary of the main accounting principles

***Standards effective from 01 January 2014 that could require changes to accounting policy and changes to presentation***

The accounting principles used in the preparation of these financial statements for the six-month period ended 30 June 2014 are the same as those followed in the preparation of the annual consolidated financial statements for 2013, except for the following standards and amendments adopted by the European Union and of mandatory application from 01 January 2014:

- IFRS 10 - Consolidated Financial Statements.
- IFRS 11 - Joint Arrangements.
- IFRS 12 - Disclosure of Interests in Other Entities.
- IAS 27 - Separate Financial Statements.
- IAS 28 - Investments in Associates and Joint Ventures.
- IAS 32 - Financial Instruments (Presentation). Amendment to Offsetting Financial Assets and Financial Liabilities.

The following standards and amendments adopted by the European Union have a significant effect on Prosegur's condensed interim financial statements:

**IFRS 10 - Consolidated Financial Statements**

The IFRS 10 amendment establishes one single control model applicable to all entities, including entities with a special purpose. The changes brought about by the IFRS 10 have required Prosegur management to make important judgements to ascertain which companies are controlled and, therefore, consolidated by the parent Company. The changes in the conclusions on control which have taken place in the six month period ended 30 June 2014 as a result of the application of these standards affect the following companies:

- Shanghai Weldon Security Equipment Co Ltd
- Shanghai Weldon Security Service Co Ltd
- Hangzhou Weldon Security Service Co Ltd
- Leshan Weldon Security Service Co Ltd
- Sichuan Weldon Security Service Co Ltd

Prosegur has determined that it has the capacity to manage any activities of the abovementioned companies which significantly affect the returns thereof.

The 2013 figures have not been restated as these adjustments are not considered to be significant.

**IFRS 11 - Joint Arrangements**

The application of the IFRS 11 requires the analysis of Prosegur joint arrangements, the assessment of the control held thereon and, accordingly, their classification as joint ventures or joint transactions. Joint ventures must be integrated via the equity method, whereas stakes in joint transactions must be posted by integrating the proportional share of the assets, liabilities, income and expenses thereof pertaining to Prosegur.

The effect of the application of the IFRS 11 has meant a reduction in the proportionally integrated assets and liabilities from joint ventures, and a corresponding increase in the investments posted by using the method of share of non-current assets in the balance sheet. On the other hand, the income statement will show a reduction in income and expenses in line with the proportional share which has been integrated, with the corresponding net increase of the share in profit (or losses) of the year posted using the equity method. The application of this standard by Prosegur has meant the equity method integration of the following companies:

- SIS Cash Services Private Limited
- Prosegur Technological Security Solutions LLC
- Rosegur SA
- Rosegur Fire SRL
- Rosegur Holding Corporation SL
- Rosegur Training RL

The 2013 figures have not been restated as these adjustments are not considered to be significant.

# STATEMENT OF RESPONSIBILITY FOR THE FINANCIAL INFORMATION FOR THE FIRST HALF OF 2014

The members of the Board of Directors of Prosegur Compañía de Seguridad, S.A. hereby confirm that, to the best of our knowledge, the financial information selected by Prosegur Compañía de Seguridad, S.A., and the condensed interim consolidated financial statements of Prosegur Compañía de Seguridad, S.A. and subsidiaries for the first half of 2014, authorised for issue by the Board of Directors at the meeting held on 29 July 2014 and prepared in accordance with applicable accounting principles, give a true and fair view of the equity, financial position and results of Prosegur Compañía de Seguridad, S.A. and the consolidated subsidiaries taken as a whole, and that the respective interim directors' reports provide a reliable analysis of the required information.

Madrid, 29 July 2014.

Ms. Helena Irene Revoredo Delvecchio
Chair

Mr. Isidro Fernández Barreiro
Vice-chairman

Mr. Christian Gut Revoredo
Managing Director

(Not signed due to absence) [1]
Ms. Mirta María Giesso Cazenave
Director

Ms. Chantal Gut Revoredo
Director

Mr. Pedro Guerrero Guerrero
Director

Mr. Eduardo Paraja Quirós
Director

Mr. Eugenio Ruiz-Gálvez Priego
Director

Mr. Fernando Vives Ruíz
Director

[1] Ms. Mirta María Giesso Cazenave was unable to attend the meeting of the board of directors held on 29 July 2014, having appointed a representative and expressly stated her approval of the First Half of 2014.

Certification attesting that, at their meeting held in Madrid on 29 July 2014, the Board of Directors of Prosegur Compañía de Seguridad, S.A. drew up the half-yearly financial report for the first half of 2014, which comprises the following documents: selected individual financial information; selected consolidated financial information; the condensed interim consolidated financial statements and interim directors' report of Prosegur Compañía de Seguridad, S.A. and subsidiaries; and the directors' statement of responsibility. All of these documents refer to the first half of 2014 and were unanimously authorised for issue by the Board of Directors of the Company at the meeting held on the above-mentioned date, as required by article 35 of Law 24/1988 of 28 July 1988 on the Securities Market.

The aforementioned documents, combined as a single unit, are transcribed on the preceding sheets of paper, which are numbered consecutively and printed on one side only. All sheets have been signed by the Secretary to the Board of Directors for identification purposes and stamped with the Company stamp.

In accordance with the applicable legislation in force, the directors currently comprising the Board of Directors of the Company have signed the last page of this document, to which I, the Secretary to the Board of Directors, bear witness in Madrid on 29 July 2014.

Signed: Ms. Sagrario Fernández Barbé
Secretary (non-director) to the Board

Ms. Helena Irene Revoredo Delvecchio
Chair

Mr. Isidro Fernández Barreiro
Vice-chairman

Mr. Christian Gut Revoredo
Managing Director

(Not signed due to absence) [1]
Ms. Mirta María Giesso Cazenave
Director

Ms. Chantal Gut Revoredo
Director

Mr. Pedro Guerrero Guerrero
Director

Mr. Eduardo Paraja Quirós
Director

Mr. Eugenio Ruiz-Gálvez Priego
Director

Mr. Fernando Vives Ruíz
Director

[1] Ms. Mirta María Giesso Cazenave was unable to attend the meeting of the board of directors held on 29 July 2014, having appointed a representative and expressly stated her approval of the First Half of 2014.

**PROSEGUR COMPAÑÍA DE SEGURIDAD, S.A. AND SUBSIDIARIES**

**Consolidated interim directors' report for the six-month period ended 30 June 2014**

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# Consolidated interim directors' report for the six-month period ended 30 June 2014

## 1. Significant Events Subsequent to year-end 2013

The most significant transactions and events for Prosegur during the first half of year 2014 are summarised below:

### Treasury shares

On 10 January 2014 Prosegur proceeded with the sale of a package of own shares, representing 4.032% of the share capital, for a gross amount of EUR 123.2 million (24,882,749 shares at EUR 4.95) to satisfy the demand presented by JB Capital Markets of a limited number and reduced group of institutional investors.

At 30 June 2014 Prosegur maintains 3.039% of own shares that is deemed strategic to satisfy possible future corporate transactions.

### Financing activities

On 12 June 2014 Prosegur arranged a new five-year syndicated credit financing facility of EUR 400 million to defer part of its debt (from 2015 to 2019). At 30 June 2014 the drawn down balance amounted to EUR 105 million.

On 30 June 2014, the syndicated loan granted in August 2010 was repaid in full in the amount of EUR 45 million corresponding to the loan tranche and in the amount of EUR 60 million corresponding to the credit facility tranche (at 31 December 2013, the drawn down capital corresponding to the loan tranche amounted to EUR 60 million and the drawn down balance corresponding to the credit facility tranche amounted to EUR 100 million).

## 2. Business Performance

### 2.1. Sales by geographical area

Prosegur's consolidated sales for the first half of 2014 amounted to EUR 1,809.6 million (EUR 1,840.5 million at 30 June 2013), which represents a total reduction of 1.7%, of which 10.3% corresponds to purely organic growth, 3.4% to inorganic growth, while the effect of the exchange rate accounts for a drop of 15.4%.

Consolidated sales are distributed by geographical area as follows:

| | Millions of Euros | | |
|---|---|---|---|
| | **June 2014** | **June 2013** | **Growth** |
| Europe | 712.3 | 708.1 | 0.6% |
| Asia-Pacific | 65.4 | 17.2 | 280.7% |
| LatAm | 1,031.9 | 1,115.2 | (7.5%) |
| **Total Prosegur** | **1,809.6** | **1,840.5** | **(1.7%)** |

The most significant sales decline was seen in Latin America. In the six-month period ended 30 June 2014, sales have experienced a total drop of 7.5% with respect to the same period of year 2013. This downturn is due to the negative performance of exchange rates compared to the same period in 2013, with a reduction in sales of 25.4% for this reason whilst organic growth achieved in the region was 17.9%.

## 2.2. Sales by business area

Consolidated sales are distributed by business area as follows:

| | Millions of Euros | | |
|---|---|---|---|
| | **June 2014** | **June 2013** | **Growth** |
| Manned Guarding | 819.3 | 851.1 | (3.7%) |
| *% of total* | *45.3%* | *46.2%* | |
| Cash in Transit | 790.2 | 775.0 | 2.0% |
| *% of total* | *43.7%* | *42.1%* | |
| Technology | 200.1 | 214.4 | (6.7%) |
| *% of total* | *11.0%* | *11.7%* | |
| **Total Prosegur** | **1,809.6** | **1,840.5** | **(1.7%)** |

## 2.3. Margins

The consolidated operating profit (EBIT) for the first half of 2014 was EUR 130.4 million (EUR 126.4 million at 30 June 2013). The EBIT margin at the end of the first half of 2014 stood at 7.2% (6.9% at 30 June 2013).

The EBIT margin is distributed by geographical area as follows:

| | | | **Millions of Euros at 30 June 2014** |
|---|---|---|---|
| | **Europe-Asia-Pacific** | **LatAm** | **Prosegur** |
| Sales | 777.7 | 1,031.9 | 1,809.6 |
| EBIT | 21.0 | 109.4 | 130.4 |
| EBIT margin | *2.7%* | *10.6%* | 7.2% |

| | | | **Millions of Euros at 30 June 2013** |
|---|---|---|---|
| | **Europe-Asia-Pacific** | **LatAm** | **Prosegur** |
| Sales | 725.3 | 1,115.2 | 1,840.5 |
| EBIT | 16.2 | 110.1 | 126.4 |
| EBIT margin | *2.2%* | *9.9%* | *6.9%* |

## 2.4. Outlook for the second half of year 2014

The Europe-Asia-Pacific area continues along the growth trend which begun at the end of 2013, despite the lingering recession in some of the countries. In Latin America there is still potential development, in spite of the signs of slowdown evident in some countries. Prospects for the second half of 2014 are in line with forecasts for both areas.

During the six-month period ended 30 June 2014, there have been no other significant events or circumstances concerning business performance which have required anticipation of potential risks or uncertainties for the second half of year 2014. Furthermore, no additional significant contingent liabilities have arisen other than those mentioned in the consolidated annual accounts at 31 December 2013.

## 3. Average Headcount

Details of Prosegur's average headcount for the six-month periods ended 30 June 2014 and 30 June 2013 are as follows:

| | **Total Prosegur** | |
|---|---|---|
| | **June 2014** | **June 2013** |
| Male | 133,157 | 129,369 |
| Female | 22,115 | 20,851 |
| **Average headcount** | **155,272** | **150,220** |

## 4. Investments

All of Prosegur's investments are analysed by the corresponding technical and operating areas and the management control department, which estimate and examine the strategic importance, return period and yields of the investments before these are approved. Subsequently these are submitted to the Investment Committee for a final decision on whether to proceed with the investment. Investments in excess of EUR 1 million are submitted to the Executive Committee for approval.

During the first half of year 2014, investments were made in fixed assets totalling EUR 74.6 million (EUR 46.9 million at 30 June 2013).

## 5. Financial Management

Prosegur calculates net financial debt in the following manner: total current and non-current borrowings (excluding other non-bank payables) plus net derivative financial instruments, minus cash and cash equivalents, and minus other current financial assets.

The net financial debt at 30 June 2014 amounted to EUR 613.9 million (EUR 631.7 million at 31 December 2013).

The ratio of net financial debt to equity at 30 June 2014 stood at 0.79 (0.97 at 31 December 2013).

On 12 June 2014 Prosegur arranged a new five-year syndicated credit financing facility of EUR 400 million to defer part of its debt (from 2015 to 2019). At 30 June 2014 the drawn down balance amounted to EUR 105 million.

On 30 June 2014, the syndicated loan granted in August 2010 was repaid in full in the amount of EUR 45 million corresponding to the loan tranche and in the amount of EUR 60 million corresponding to the credit facility tranche (at 31 December 2013, the drawn down capital corresponding to the loan tranche amounted to EUR 60 million and the drawn down balance corresponding to the credit facility tranche amounted to EUR 100 million).

## 6. Own Shares

The breakdown of the activity on the own shares account for the first half of year 2014 is as follows:

| | Number of shares | Millions of Euros |
|---|---|---|
| Balance at 31 December 2013 | 43,685,484 | 125.2 |
| Shares sale | (24,882,749) | (71.6) |
| Other shares granted to employees | (45,845) | (0.1) |
| **Balance at 30 June 2014** | **18,756,890** | **53.5** |

The total commitment undertaken by Prosegur at 30 June 2014 in relation to the share-based incentives established in the 2014 Plan amounts to EUR 2.4 million and is recognised in equity (2011 and 2014 Plans: EUR 3.2 million at 31 December 2013).

## 7. Environmental Issues

At 30 June 2014, Prosegur has no environment-related contingencies, legal claims or income and expenses relating to the environment.

In accordance with the Prosegur's environmental policy, investments continue to be made in armoured vehicles that meet the Euro III standard on the emission of non-polluting particles.

## 8. Subsequent Significant Events

At 30 June 2014 no subsequent events significantly affecting such condensed consolidated financial statements have taken place.