PROSEGUR COMPAÑÍA DE SEGURIDAD, S.A. AND SUBSIDIARIES

Condensed Interim Consolidated Financial Statements for the six-month period ended 30 June 2019

(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)		Six-month period ended 30 June	
	Note	**2019**	**2018**
Revenue	5	2,055,057	2,011,076
Costs to sell	6, 7	(1,567,636)	(1,520,747)
Gross profit		**487,421**	**490,329**
Other income	8	16,836	12,210
Sale and administrative expenses	6, 7	(351,734)	(312,206)
Other expenses	8	(7,049)	(8,755)
Investments accounted for using the equity method	13	(636)	(853)
Operating profit/(loss) (EBIT)		**144,838**	**180,725**
Finance income	9	7,913	15,807
Finance expenses	9	(35,469)	(20,552)
Net financial costs		(27,556)	(4,745)
Profit before tax		**117,282**	**175,980**
Income tax	20	(46,803)	(64,411)
Post-tax profit from continuing operations		**70,479**	**111,569**
Consolidated profit for the period		**70,479**	**111,569**
Attributable to:			
Owners of the Parent		48,394	80,736
Non-controlling interests		22,085	30,833
Earnings per share from continuing operations attributable to the owners of the Parent (Euros per share)			
- Basic	17	0.08	0.13
- Diluted	17	0.08	0.13

The Notes on pages 10 to 61 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	
	2019	**2018**
Result for the period	**70,479**	**111,569**
Other comprehensive income:		
Items which are reclassified to profit and loss		
Translation differences of financial statements of foreign operations	10,533	(166,417)
Total comprehensive income for the period, net of tax	**81,012**	**(54,848)**
Attributable to:		
- Owners of the parent	57,440	(59,959)
- Non-controlling interests	23,572	5,111
	81,012	**(54,848)**

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III. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(In thousands of Euros)	Note	30 June 2019	31 December 2018
ASSETS			
Property, Plant and Equipment	11	726,069	700,131
Rights of use	11	115,042	-
Goodwill	11	622,325	570,073
Other intangible assets	11	319,382	272,247
Property investments	11	49,058	45,308
Investments accounted for using the equity method	13	9,062	29,433
Non-current financial assets	12	18,041	19,251
Deferred tax assets		111,529	84,103
Non-current assets		**1,970,508**	**1,720,546**
Inventory	16	78,166	76,087
Clients and other receivables		926,860	820,890
Current tax assets		135,966	153,982
Non-current Assets held for sale	11	47,292	642
Other financial assets	14	489,588	489,268
Cash and cash equivalents	14	427,749	558,355
Current assets		**2,105,621**	**2,099,224**
Total assets		**4,076,129**	**3,819,770**
EQUITY			
Share capital	17	35,921	37,027
Share premium	17	25,472	25,472
Treasury Stock	17	(910)	(52,777)
Translation differences		(165,351)	(174,397)
Retained earnings and other reserves		1,106,816	1,162,402
Equity attributable to equity holders of the Parent		**1,001,948**	**997,727**
Non-controlling interests		83,549	68,730
Total equity		**1,085,497**	**1,066,457**
LIABILITIES			
Financial liabilities	19	1,343,117	1,391,557
Lease liabilities	11	84,414	-
Deferred tax liabilities		78,774	58,510
Provisions	18	198,415	197,027
Other non-current liabilities		28,748	29,273
Non-current liabilities		**1,733,468**	**1,676,367**
Trade and other payables		745,809	794,840
Current tax liabilities		113,743	78,594
Financial liabilities	19	275,756	150,720
Non-current Assets Held for Sale	11	19,055	-
Lease liabilities	11	45,428	-
Provisions	18	2,432	4,524
Other Current Liabilities		54,941	48,268
Current liabilities		**1,257,164**	**1,076,946**
Total liabilities		**2,990,632**	**2,753,313**
Total equity and liabilities		**4,076,129**	**3,819,770**

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IV. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 30 JUNE 2019

(In thousands of Euros)	Equity attributable to equity holders of the Parent							
	Share capital (Note 17)	Share premium (Note 17)	Own shares (Note 17)	Translation differences (Note 17)	Retained earnings and other reserves	Total	Minority interests	Total equity
Balance at 31 December 2018	**37,027**	**25,472**	**(52,777)**	**(174,397)**	**1,162,402**	**997,727**	**68,730**	**1,066,457**
Transition adjustments (Note 2)	-	-	-	-	(60,133)	(60,133)	(9,682)	**(69,815)**
Balance at 1 January 2019	**37,027**	**25,472**	**(52,777)**	**(174,397)**	**1,102,269**	**937,594**	**59,048**	**996,642**
Total comprehensive income for the period ended 30 June 2019	-	-	-	9,046	48,394	57,440	23,572	**81,012**
Purchase of own shares	-	-	(920)	-	-	(920)	-	**(920)**
Share-based incentives offered to employees	-	-	349	-	-	349	-	**349**
Adjustment for Hyperinflation	-	-	-	-	8,740	8,740	(1,457)	**7,283**
Capital reduction	(1,106)	-	52,438	-	(51,332)	-	-	**-**
Other changes	-	-	-	-	(1,255)	(1,255)	2,386	**1,131**
Balance at 30 June 2019	**35,921**	**25,472**	**(910)**	**(165,351)**	**1,106,816**	**1,001,948**	**83,549**	**1,085,497**

The Notes on pages 10 to 61 form an integral part of the condensed interim consolidated financial statements

PERIOD ENDED 30 June 2018

(In thousands of Euros)	Equity attributable to equity holders of the Parent							
	Share capital (Note 17)	Share premium (Note 17)	Own shares (Note 17)	Translation differences	Retained earnings and other reserves	Total	Minority interests	Total equity
Balance at 31 December 2017	**37,027**	**25,472**	**(53,079)**	**(537,720)**	**1,597,383**	**1,069,083**	**74,357**	**1,143,440**
Transition adjustments	-	-	-	-	6,019	6,019	(329)	**5,690**
Balance at 1 January 2018	**37,027**	**25,472**	**(53,079)**	**(537,720)**	**1,603,402**	**1,075,102**	**74,028**	**1,149,130**
Total comprehensive income for the period ended 30 June 2018	-	-	-	(140,695)	80,736	(59,959)	5,111	**(54,848)**
Other changes (Note 17.7)	-	-	302	-	1,267	1,569	-	**1,569**
Balance at 30 June 2018	**37,027**	**25,472**	**(52,777)**	**(678,415)**	**1,685,405**	**1,016,712**	**79,139**	**1,095,851**

The Notes on pages 10 to 61 form an integral part of the condensed interim consolidated financial statements

V. CONSOLIDATED STATEMENT OF CASH FLOWS

(In thousands of Euros)	Note	Six-month period ended 30 June 2019	2018
Cash flows from operating activities			
Profit/(loss) for the period		**70,479**	**111,569**
Adjustments for:			
Depreciation and amortisation	6, 11	101,818	70,011
Impairment losses on trade receivables and inventory	8, 16	7,841	6,756
Investments accounted for using the equity method	13	636	853
Change in provisions	18	16,123	17,918
Finance income	9	(7,913)	(15,807)
Finance expenses	9	30,706	20,552
(Profit)/losses on disposal and sale of property, plant and equipment		1,073	(3,581)
Income tax	20	46,803	64,411
Changes in working capital, net of the effect of acquisitions and translation differences			
Inventory	16	(3,733)	(3,194)
Clients and other receivables		(83,720)	(71,400)
Trade and other payables		5,665	(13,853)
Payment of provisions	18	(22,312)	(26,033)
Other Current Liabilities		7,330	1,651
Cash from operating activities			
Interest paid		(19,723)	(24,973)
Income tax paid		(61,778)	(76,171)
Net cash from operating activities		**89,295**	**58,709**
Cash flows from investing activities			
Proceeds from investments accounted for using the equity method		19,676	-
Proceeds from sale of subsidaries net of cash and cash equivalents		219	-
Proceeds from sale of property, plant and equipment		-	21,090
Interest collection		6,807	3,023
Proceeds from sale of financial assets	14	1,953	290,000
Investments accounted for using the equity method		-	(1,166)
Acquisition of subsidiaries, net of cash and cash equivalents	22	(79,838)	(8,091)
Acquisition of property, plant and equipment	11	(86,551)	(87,506)
Acquisition of intangible assets	11	(13,182)	(8,590)
Acquisiton of minoritary interest	13	(1,331)	-
Acquisition of financial assets	14	(2,419)	(290,363)
Net cash from investing activities		**(154,666)**	**(81,603)**
Cash flows from financing activities			
Payments arising on purchase own equity instruments	17	(512)	(133)
Proceeds from debentures and other marketable securities	19	-	694,800
Payments for debentures and other marketable securities	19	-	(500,000)
Proceeds from loans and borrowings	19	117,553	50,000
Payments for loans and borrowings	19	(90,436)	(207,313)
Payments arising on lease liabilities	11	(21,941)	-
Payments for other financial liabilities		(7,603)	(3,701)
Dividends paid	17	(54,613)	(69,380)
Net cash from financing activities		**(57,552)**	**(35,727)**
Net increase/(decrease) in cash and cash equivalents		(122,923)	(58,621)
Cash and cash equivalents at the beginning of year		558,355	630,939
Effect of exchange differences		(5,803)	(44,747)
Cash and cash equivalents at the end of the period		**429,629**	**527,571**
It includes:			
- Cash and cash equivalents at the end of the period of continuing operations		427,749	527,303
- Cash and cash equivalents at the end of the period of non current assets held for sale (Note 11)		1,880	268

The Notes on pages 10 to 61 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 composed of Prosegur Compañía de Seguridad, S.A. (hereinafter, the Company) and its subsidiaries (jointly, Prosegur) which provides private security services in the following countries: Germany, Argentina, Australia, Brazil, Chile, China, Colombia, Costa Rica, El Salvador, Spain, United States, Philippines, France, Guatemala, Honduras, India, Indonesia, Luxembourg, Mexico, Nicaragua, Paraguay, Peru, Portugal, Singapore, South Africa, Turkey and Uruguay.

Prosegur is organised into the following business lines:

- Security.
- Cash.
- Alarms.

Prosegur is controlled by Gubel, S.L., a company incorporated in Madrid which, after the capital reduction approved in the Shareholders General Meeting held on 4 June 2019, owns 51.618% of the shares of Prosegur Compañía de Seguridad, S.A. and which consolidates the financial statements of Prosegur.

Prosegur Compañía de Seguridad, S.A. is a public limited company that is listed on the Stock Exchanges of Madrid, Valencia, Bilbao and Barcelona whose shares are traded on the Spanish Stock Exchange Interconnection System (SIBE). The Company was incorporated in Madrid on 14 May 1976 and is entered in the Mercantile Register of Madrid. The registered offices of Prosegur Compañía de Seguridad, S.A. are at Calle Pajaritos, 24, Madrid (Spain).

The corporate purpose is described in Article 2 of its Articles of Association. The main services and activities provided by the Company by means of its subsidiaries 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 2018 have been approved by the shareholders at the Annual General Meeting held on 04 June 2019.

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 2018. In addition, Prosegur has Joint Arrangements (Note 15, 16 and Appendix II to the notes to the consolidated annual accounts at 31 December 2018).

Prosegur holds interests of less than 20% in the share capital of other entities. It does not exert significant influence over these entities (Note 17 of the notes to the consolidated annual accounts at 31 December 2018).

The principles applied in drawing up the consolidated annual accounts of Prosegur and in determining the consolidation perimeter are described in Note 34.2 and Note 2 of the consolidated annual accounts at 31 December 2018 respectively, except for the first-time application of IFRS 16 on Leases and IFRIC 23 on Uncertainty over income tax treatments.

2. Basis of presentation, estimates and accounting policies

These condensed interim consolidated financial statements of Prosegur for the six-month period ended 30 June 2019 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 2019, and without repeating the information previously published in the consolidated annual accounts for 2018.

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 2018, which were prepared in accordance with International Financial Reporting Standards, adopted for use in the European Union and approved by the European Commission Regulations currently in force and other applicable financial reporting regulations.

Significant changes in accounting policies

Except as detailed below and by the other new effective regulations from 1 January 2019 described in Appendix I, the accounting policies applied in the accompanying condensed interim consolidated financial statements at 30 June 2019 are consistent with those applied in the preparation of the consolidated annual accounts of Prosegur at 31 December 2018, details of which are provided in Note 34 of those consolidated annual accounts.

The standards implemented as from 1 January 2019 are listed below:

- Leases (IFRS 16)

This standard establishes that companies which are the lessee in lease agreements will recognise in the consolidated statement of financial position a right-of-use asset for the “underlying asset” and a liability for payments arising from lease agreements. Furthermore, the operating lease expense has been replaced by a charge for straight-line amortisation of right-of-use assets and an interest expense on lease liabilities.

This standard introduced no significant changes in the accounting for lease agreements by the lessor.

The Group previously classified leases as operating leases under IAS 17. The main leases correspond to leases for buildings and items of transportation. The term of the leases depend on the type of building and item of transportation. Some agreements include options to renew for an additional period after a non-cancellable period.

The Prosegur Group opted to use the combined modified retrospective approach on transition which involves applying the standard retroactively with the cumulative effect from the date of first application, without restating the information presented in 2018 under the aforementioned standards. Under this option, the Prosegur Group has calculated the lease liabilities as the current value of the outstanding instalments on the contracts in force at the date of first-time application and has calculated retrospectively the value of the right-of-use asset.

The Prosegur Group has also chosen to not recognise in the balance sheet the lease liabilities and the right-of-use asset corresponding to short term lease agreements (leases for one year or less) and leases for low value assets (5 thousand U.S. Dollars or less).

The impact of the first-time application is described in Note 11.5.

- IFRIC 23. Uncertainty over Corporate Income Tax Treatments.

This interpretation includes how to apply the recognition and measurement criteria of IAS 12 when there is uncertainty regarding the tax authority’s acceptance of a specific tax treatment used by the Group in its tax settlement.

If the Group considers it is likely that the tax authority will accept an uncertain tax treatment, the Group will establish the taxable gain (loss), the tax bases, unused tax losses, unused tax credits or the tax rates consistent with the tax treatment used or intended to be used in its income tax returns.

If the Group considers it unlikely that the tax authority will accept an uncertain tax treatment, the Group will reflect the effect of the uncertainty to establish the taxable gain (loss), the tax bases, unused tax losses or credits or the corresponding tax rates. The Group will reflect the effect of the uncertainty for each uncertain tax treatment by using the most likely amount or the expected value of the probability-weighted amounts.

The impact upon transition of adopting IFRIC 23 at 1 January 2019 was EUR 60,844 thousand, having recorded that impact under the heading of Retained earnings which appears under the item for “Other Changes” of the consolidated statement of changes in equity, and in Other risks under the heading of current tax liabilities (Note 20).

Estimates, assumptions and relevant judgements

The estimates, made on the basis of the best available information, are the same as those set out in Notes of the consolidated annual accounts for 2018, except for making new judgements, estimates and assumptions relating to the application of IFRS 16 and IFRIC 23.

During the six-month period ended 30 June 2019, there have been no significant changes to the estimates made at the 2018 year end.

The Corporate Income Tax expense for the six-month period ended 30 June 2019 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 Notes to the condensed interim financial statements for the six-month period ended 30 June 2019 include comparative figures for the prior year, except for the consolidated statement of financial position for which it presents the consolidated figures for the twelve-month period ended 31 December 2018.

For the purposes of comparing the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Argentinian subsidiaries whose functional currency is the Argentine peso, Argentina must be treated as a hyper-inflationary economy during the first six months of 2019, as they have been restated in terms of the current measuring unit before including them in the mentioned consolidated financial statements.

In accordance with the criteria contained in IFRS-EU, the comparative figures for the first six months of 2018 have not been restated.

In addition, the accounting policies applied for the first time in 2019 (IFRS 16 and IFRIC 23) did not entail restating the comparative figures corresponding to the first six months of 2018.

3. Changes to the Group's structure

Appendix I to the consolidated annual accounts for the year ended 31 December 2018 includes important information on the consolidated Group companies at that date.

In the first half of year 2019, the following companies have been incorporated:

- ✓ In March 2019 Prosegur Alpha3 Cashlabs S.L. was incorporated in Spain.
- ✓ In April 2019 Prosegur Pay Consultoria em Tecnologia da Informaçao Ltda was incorporated in Brazil.

Furthermore, the following mergers took place between subsidiaries in 2019:

- ✓ In May 2019 Integra Security Systems SA, merged with and into Prosegur Seguridad Electronica SAS in Colombia.

On 4 February 2019, Prosegur sold 100% of the German companies M Sicherheitstechnik Venwaltungs Gmbh, AC Alarm Verwaltungs Gmbh, M Sicherheitstechnik Gmbh & Co KG and AC Alarm Gmbh & Co KG for the total amount of EUR 559 thousand.

The cash and cash equivalents that were sold with the company amounted to EUR 51 thousand.

The net assets of the German companies at the time of sale amounted to EUR 65 thousand. The sale involved revenue for Prosegur of EUR 494 thousand.

4. Significant events subsequent to year-end 2018

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 2019 are as follows:

Reduction of share capital

On 26 June 2019 the share capital was reduced following approval by the Shareholders General Meeting held on 4 June 2019.
The Company's share capital was reduced by 1,106,716.68 Euros, through the cancellation of 18,445,278 treasury shares.

Consequently, article 5 of the Company's Articles of Association was modified and after the reduction, the share capital stood at 35,920,761.72 Euros, divided into 598,679,362 ordinary shares of the same class and series each with a par value of 0.06 Euros, fully subscribed and paid up (Note 17).

The capital reduction was made against free reserves, by provisioning an amortised capital reserve with an amount equivalent to the par value of the cancelled shares (that is, 1,106,716.68 Euros) (Nota 17).

Share buyback programme

On 4 June 2019 the Board of Directors of Prosegur decided to implement a share buyback programme.

The Programme will be put into effect under the provisions of Regulation (EU) no. 596/2014 on market abuse and the Commission Delegated Regulation 2016/1052, making use of the authorisation granted by the Shareholders General Meeting held on 27 April 2016 for the purchase of treasury shares, for the purpose of reducing the share capital of Prosegur Compañía de Seguridad, S.A. in the terms agreed by the Shareholders General Meeting held on 4 June 2019.

The Programme will apply to a maximum of 59,850,000 shares, representing approximately 10% of Prosegur's share capital (after the capital reduction agreed upon).

Change in shareholder structure

In May of 2019, through various managed funds and as a result of the acquisition and merger with Oppenheimer Funds Inc., Invesco Ltd. reached a total of 38,260,693 shares, equivalent to 6.391% of the shareholding structure of Prosegur, following the capital reductions agreed by the Shareholders General Meeting and approved on 4 June 2019.

Share transfers

On 4 April Prosegur Cash entered into negotiations with Loomis AB, both by means of subsidiaries, for the sale and purchase of their operations in France. This transaction is expected to conclude in the third quarter of 2019. The final price of the transaction will be determined and paid at closing.

5. Revenue

Details of revenues for the periods ended 30 June 2019 and 2018 are as follows:

	Thousands of Euros Period ended 30 June	
	2019	**2018**
Provision of services	1,975,706	1,931,021
Sale of goods	6,365	3,394
Operating lease revenues	72,986	76,661
Total revenues	**2,055,057**	**2,011,076**

Operating lease revenues are generated by alarm system rentals. When a customer rents a system, the Company receives an initial amount which is taken to the income statement over the average contract duration and a regular payment for the rental of the equipment and the service provided.

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

6. Cost of sales and selling and administrative expenses

The main cost of sales and selling, general and administrative expenses in the income statements for the six-month periods ended 30 June 2019 and 2018 are as follows:

		Thousands of Euros	
		Period ended 30 June	
		2019	**2018**
Supplies		100,610	87,678
Employee benefits expenses	(Note 7)	1,226,926	1,211,894
Operating leases		14,263	17,166
Supplies and external services		126,074	115,316
Depreciation and amortisation		45,748	33,657
Other expenses		54,015	55,036
Total sale expenses		**1,567,636**	**1,520,747**
Supplies		5,335	3,569
Employee benefits expenses	(Note 7)	178,314	158,413
Operating leases		6,231	21,562
Supplies and external services		63,482	56,810
Depreciation and amortisation		56,070	36,354
Other expenses		42,302	35,498
Total sale and administrative expenses		**351,734**	**312,206**

Total supplies in the consolidated income statement for the six-month period ended 30 June 2019 amount to EUR 105,945 thousand EUR (2018: 91,247 thousand EUR).

The heading of supplies and external services includes the costs for the repair of items of transport, bill-counting equipment, operating subcontracts with third parties and other advisors such as lawyers, auditors and consultants.

The heading of operating leases contains the lease costs for right of use corresponding to leases for one year or less and leases for low value assets for 5 thousand U.S. Dollars or less. All other contracts appear under the heading of rights of use (Note 11.5 and Note 2).

7. Employee benefits expenses

Details of the employee benefits expense for the six-month periods ended 30 June 2019 and 2018 are as follows:

	Thousands of Euros	
	Period ended 30 June	
	2019	2018
Salaries and wages	1,067,651	1,017,080
Social Security	264,315	265,592
Other employee benefits expenses	49,741	60,042
Indemnities	23,533	27,593
Total employee benefits expense	**1,405,240**	**1,370,307**

The accrual of the long-term incentive associated with the 2017 and 2020 Plans for the Executive Director and the Management of Prosegur was included under the heading of salaries and wages (Note 18).

The heading of indemnities includes the allocation to the provision for labour related riks which in the first six months of 2019 continued to fall compared to the first six months of 2018 as a result of changes in Brazilian labour reforms which are applied since 2018 (Note 18).

8. Other comprehensive income

Other expenses

Details of other expenses recognised in the income statements for the six-month periods ended 30 June 2019 and 2018 are as follows:

	Thousands of Euros	
	Period ended 30 June	
	2019	2018
Impairment losses on trade receivables	(5,156)	(5,743)
Net Losses through disposal of PPE/Non-current Assets Held for Sale	(1,073)	(512)
Other expenses	(820)	(2,500)
Total other expenses	**(7,049)**	**(8,755)**

Other income

During the first six months of 2019 the heading of Other income mainly records:

- ✓ Profit arising from exercising the option for 33.33% of the share capital of the South African company SBV Services Proprietary Limited (Note 13).
- ✓ Profit arising from the sale of 50% of the share capital of the joint venture for the alarms business in India, SIS Prosegur Alarms Monitoring and Response Services Pte Ltd, for the amount of EUR 1,605 thousand (Note 13).
- ✓ Profit arising from 100% of the German companies M Sicherheitstechnik Venwaltungs Gmbh, AC Alarm Verwaltungs Gmbh, M Sicherheitstechnik Gmbh & Co KG and AC Alarm Gmbh & Co KG for the amount of EUR 494 thousand.
- ✓ Income generated by the investment properties located in Buenos Aires (Note 11.2). The income generated during the first half of 2019 was EUR 2,960 thousand.

During the first half of 2018, the heading of other revenue mainly recorded the income from the sale of a property in Madrid for the amount of EUR 4,093 thousand (Note 11.1) and the income from damages and losses for a total of EUR 3,073 thousand relating to the funds on deposit for a client withheld in Brazil from 2008 until 2014.

9. Net financial costs

Details of net financial expenses for the six-month periods ended 30 June 2019 and 2018 are as follows:

	Thousands of Euros Period ended 30 June	
	2019	**2018**
Interest expenses	(15,177)	(15,241)
Interest received	7,060	4,452
Net profits/(losses) on foreign currency transactions	(4,010)	11,355
Finance expenses on finance leases	(453)	(666)
Finance expenses on discounting lease liabilities	(3,274)	-
(Losses)/gains on the fair value of financial instruments	853	-
Net financial expenses from net monetary position	(6,357)	-
Other net finance income and expenses	(6,198)	(4,645)
Total net financial expenses	**(27,556)**	**(4,745)**

As a result of the first-time application of IFRS 16, finance expenses went up by EUR 3,274 thousand (see Note 11.5).

In addition as a result of the application of IAS 29 during the first half of 2019, net financial expenses of EUR 6,357 thousand have arisen from the net monetary position (Note 2). That item reflects the exposure to the change in the purchasing power of the Argentine currency.

The heading of gains on the fair value of financial instruments contains the revenue generated by the sale of Cognigo Research Ltd for the amount of EUR 853 thousand (Note 12).

10. Segment reporting

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

Business is the backbone of the organisation and is represented in the General Business Management Areas which are responsible for the design of security solutions for clients and cover the main business lines: Security, Cash and Alarms which therefore correspond to the segments of the Group.

- Security: mainly includes the activities of guarding and protection of premises, goods and individual and activities related to technological security and cybersecurity solutions.
- Cash: mainly includes 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.
- Alarms: this includes the installation and maintenance of home alarm systems, as well as the alarm monitoring service by Alarm Reception Centre (ARC).

The corporate functions are supervised by the Global Support Divisions which cover the Financial-Economic department, Prosegur Gestión de Activos (Prosegur Asset Management), Risk Management and CEO’s Office. From the geographical perspective, the following geographical areas are identified:

- Europe, which includes the following countries: Germany, Spain, France, Luxembourg (despite not being an area where it has any operational activities, it is included due to the existence of the Luxembourg company Pitco Reinsurance, S.A., whose corporate purpose is insurance cover), Portugal and Turkey.
- ROW, which includes the following countries: Australia, China, United States, Philippines, India, Indonesia, Singapore and South Africa.
- Latin America, including the following countries: Argentina, Brazil, Chile, Colombia, Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Paraguay, Peru and Uruguay.

The Board of Directors uses earnings 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 other current and non-current financial assets, non-current assets held for sale - property investments of cash and cash equivalents, as these are managed at Prosegur Group level.

The total liabilities assigned to segments exclude bank borrowings as Prosegur jointly handles the financing, and they include amounts payable under finance leases and those arising from the application of IFRS 16.

Details of revenues by geographical segment for the six-month periods ended 30 June 2019 and 2018 are as follows:

	Europe		ROW		LatAm		Total	
Thousands of Euros	at 30 June 2019	at 30 June 2018	at 30 June 2019	at 30 June 2018	at 30 June 2019	at 30 June 2018	at 30 June 2019	at 30 June 2018
Total sales	**867,725**	**859,401**	**151,364**	**69,188**	**1,035,968**	**1,082,487**	**2,055,057**	**2,011,076**
% of total	42%	43%	7%	3%	51%	54%	100%	100%

The breakdown of sales and EBIT is as follows:

	Cash		Security		Alarms		Not assigned		Total	
Thousands of Euros	at 30 June 2019	at 30 June 2018	at 30 June 2019	at 30 June 2018	at 30 June 2019	at 30 June 2018	at 30 June 2019	at 30 June 2018	at 30 June 2019	at 30 June 2018
Total sales	888,424	883,219	1,026,978	996,256	139,655	131,601	-	-	2,055,057	2,011,076
EBIT	136,736	158,663	20,022	25,566	7,715	6,093	(19,635)	(9,597)	144,838	180,725

Unallocated costs are composed of the support costs of the Security and Alarms business, as well as any exceptional costs incurred during the year which are not considered as the outcome of any of the three business lines themselves, mainly for the costs associated with the digital transformation of the company.

A reconciliation of EBIT allocated to segments with net profit/(loss) for the year attributable to the owners of the parent is as follows:

	Thousands of Euros	
	at 30 June 2019	**at 30 June 2018**
EBIT allocated to segments	164,473	190,322
EBIT not allocated	(19,635)	(9,597)
EBIT of the period	144,838	180,725
Net financial costs	(27,556)	(4,745)
Profit before tax	117,282	175,980
Income tax	(46,803)	(64,411)
Post-tax profit from continuing operations	70,479	111,569
Non-controlling interests	22,085	30,833
Profit for the period attributable to owners of the Parent	**48,394**	**80,736**

Details of assets allocated to segments and a reconciliation with total assets at 30 June 2019 and at 31 December 2018 are as follows:

Thousands of Euros	Cash		Security		Alarms		Not allocated to segments		Total	
	At 30 June 2019	At 31 December 2018	At 30 June 2019	At 31 December 2018	At 30 June 2019	At 31 December 2018	At 30 June 2019	At 31 December 2018	At 30 June 2019	At 31 December 2018
Assets allocated to segments	**1,462,443**	**1,380,932**	**1,036,130**	**821,064**	**262,513**	**242,180**	**283,315**	**262,770**	**3,044,401**	**2,706,946**
Other unallocated assets	**-**	**-**	**-**	**-**	**-**	**-**	**1,031,728**	**1,112,824**	**1,031,728**	**1,112,824**
Other non-current financial assets	-	-	-	-	-	-	18,041	19,251	18,041	19,251
Property investments	-	-	-	-	-	-	49,058	45,308	49,058	45,308
Non-current Assets held for sale	-	-	-	-	-	-	47,292	642	47,292	642
Other current financial assets	-	-	-	-	-	-	489,588	489,268	489,588	489,268
Cash and cash equivalents	-	-	-	-	-	-	427,749	558,355	427,749	558,355
	1,462,443	**1,380,932**	**1,036,130**	**821,064**	**262,513**	**242,180**	**1,315,043**	**1,375,594**	**4,076,129**	**3,819,770**

Details of liabilities allocated to segments and a reconciliation with total liabilities at 30 June 2019 and at 31 December 2018 are as follows:

Thousands of Euros	Cash		Security		Alarms		Not allocated to segments		Total	
	At 30 June 2019	At 31 December 2018	At 30 June 2019	At 31 December 2018	At 30 June 2019	At 31 December 2018	At 30 June 2019	At 31 December 2018	At 30 June 2019	At 31 December 2018
Liabilities allocated to segments	**676,908**	**634,384**	**495,955**	**390,057**	**140,479**	**130,964**	**155,964**	**139,184**	**1,469,306**	**1,294,589**
Other unallocated liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**1,521,326**	**1,458,724**	**1,521,326**	**1,458,724**
Non-current Assets Held for Sale	-	-	-	-	-	-	19,055	-	19,055	-
Bank borrowing	-	-	-	-	-	-	1,502,271	1,458,724	1,502,271	1,458,724
	676,908	**634,384**	**495,955**	**390,057**	**140,479**	**130,964**	**1,677,290**	**1,597,908**	**2,990,632**	**2,753,313**

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 2019 and 2018 are as follows:

	Thousands of Euros Period ended 30 June	
	2019	**2018**
Cost		
Opening balance	**1,411,721**	**1,175,606**
Translation differences	12,396	(79,679)
Transfer to Non-current Assets held for sale	(32,691)	-
Impact IFRS 15	-	51,989
Adjustments Hyperinflation	19,724	-
Business Combinations	1,887	3,735
Additions	86,551	91,209
Disposals	(21,444)	(47,348)
Closing balance	**1,478,144**	**1,195,512**
Accumulated amortisation		
Opening balance	**(711,590)**	**(588,656)**
Translation differences	(3,805)	30,118
Transfer to Non-current Assets held for sale	25,394	-
Adjustments Hyperinflation	(9,152)	-
Disposals	7,979	21,497
Provisions charged to the income statement	(60,901)	(51,290)
Provision for impairment recognised in profit and loss (Note 8)	-	-
Closing balance	**(752,075)**	**(588,331)**
Net assets		
Opening balance	**700,131**	**586,950**
Closing balance	**726,069**	**607,181**

During the first half of 2019, Prosegur invested EUR 86,551 thousand in property, plant and equipment (at 30 June 2018: EUR 91,209 thousand). These investments correspond mainly to cash automation equipment fitted in customers premises and purchasing and conditioning bases and armoured vehicles in Spain, Argentina and Brazil.

In May 2018, a property in Paseo de las Acacias in Madrid was sold for a total of EUR 24,761 thousand. That property had a net carrying amount of EUR 20,668 thousand after a reappraisal under the initial transition to IFRS-EU of EUR 19,890 thousand. The revenue from the sale of that property was EUR 4,093 thousand (Note 8).

No assets are subject to restrictions on title or pledged as security for particular transactions at 30 June 2019.

11.2. Property investments

Details of movement in property investments for the six-month periods ended 30 June 2019 and 2014 are as follows:

	Thousands of Euros Period ended 30 June	
	2019	**2018**
Cost		
Opening balance	48,773	-
Adjustment for Hyperinflation	4,567	-
Transfer of non-current assets held for sale	-	52,623
Translation differences	-	(17,499)
Closing balance	**53,340**	**35,124**
Accumulated amortisation		
Opening balance	(3,465)	-
Adjustment for Hyperinflation	(317)	-
Transfer of non-current assets held for sale	-	(1,660)
Provisions charged to the income statement	(500)	(687)
Translation differences	-	598
Closing balance	**(4,282)**	**(1,749)**
Net assets		
Opening balance	**45,308**	**-**
Closing balance	**49,058**	**33,375**

11.3. Non-current Assets Held for Sale

Assets and liabilities classified as held for sale in June 2019 are associated to the France business line of Cash, the sale of which is subject to approval by the competent French authorities for foreign investment, and which is expected to materialise in the third quarter of 2019.

On 4 April 2019, Prosegur Cash entered into negotiations with Loomis AB for selling its business in France. As part of those negotiations, Loomis granted Prosegur Global CIT Row an option to sell on 100% of the capital of Prosegur Cash Holding France to Loomis, which will materialise once the corresponding process has been concluded for consulting with the representatives of the employees.

As a result, all of its associated assets and liabilities have been classified as held-for-sale. It was not considered as an ongoing operation due to it is not a significant business line and separated from the rest, nor a separate geographical area.

On 8 June 2018, Prosegur reached an agreement for the purchase of the Almo Group's business of transporting valuables in Central America. Under that agreement, the Company purchased a number of assets of the security business from the company Alarmas de Guatemala. Those security business assets were sold in the first half-year of 2019.

At 30 June 2019 and 31 December 2018, non-current assets held for sale and liabilities directly linked to non-current assets held for sale are recognised at carrying amount and include the following assets and liabilities:

	Thousands of Euros	
	30/06/2019	**31/12/2018**
Non-current Assets held for sale		
Property, plant and equipment (Note 10.1)	7,297	22
Right-of-use (Note 10.3)	2,831	-
Goodwill (Note 10.2)	16,938	-
Non-current financial assets	378	-
Other intangible assets (Note 10.4)	4,236	-
Deferred tax assets	2,592	-
Inventory	454	-
Receivables	10,686	351
Current financial assets	-	1
Cash and cash equivalents	1,880	268
	47,292	**642**

	Thousands of Euros	
	30/06/2019	**31/12/2018**
Liabilities associated to non-current assets held for sale		
Long-term financial liabilities	25	-
Lease liabilities (Note 10.3)	2,858	-
Deferred tax liabilities	1,411	-
Non-current provisions (Note 16)	2,758	-
Short-term financial liabilities	-	-
Trade and other payables	11,187	-
Other Current Liabilities	816	-
	19,055	**-**

11.4. Goodwill

Details of goodwill for the six-month period ended 30 June 2019 are as follows:

	Thousands of Euros
Carrying amount at 31 December 2018	**570,073**
Additions to to consolidated group (Note 22)	62,526
New additions	178
New additions for hyperinflation	4,463
Transfer to Non-current Assets held for sale	(16,938)
Translation differences	2,023
Carrying amount at 30 June 2019	**622,325**

Additions to goodwill were generated on the following business combinations in the six-month period ended 30 June 2019:

	2019
	Thousands of Euros
Business combinations Cash Europe(1)	436
Business combinations Cash Latin America(1)	14,313
Business combinations Cash ROW (1)	3,317
Security business combinations in Europe(1)	1,625
Business combinations Security LatAm (1)	13,845
Business combinations Security ROW (1)	28,990
	62,526

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

Additions correspond to the adjustments made to the value of goodwill associated to a combination of Cash businesses in Latin America as a result of re-estimating the associated opening balance:

	2019
	Thousands of Euros
Business combinations Cash Latin America(1)	178
	178

At 30 June 2019, there are no indications that the goodwill recognised may be impaired.

Details of goodwill for the six-month period ended 30 June 2018 are as follows:

	Thousands of Euros
Carrying amount at 31 December 2017	**520,389**
Additions to to consolidated group (Note 22)	6,678
New additions	1,150
Translation differences	(12,405)
Carrying amount at 30 June 2018	**515,812**

During the six month period ended on 30 June 2018, additions to goodwill are itemised in Note 22 on business combinations.

11.5. Rights of use

On 1 January 2019, the Group adopted IFRS 16, on Leases (Note 2). The following table reflects the impact of the first application in Retained earnings and other reserves which is reflected in the item of "Other Changes" on the consolidated statement of changes in equity.

	Thousands of Euros
	01/01/2019
Right of use	130,286
Deferred tax assets	4,221
Long term lease liabilities	(101,749)
Short term lease liabilities	(41,729)
Retained earnings and other reserves	**(8,971)**

The breakdown of changes in right-of-use assets for the six-month period ended 30 June 2019 is as follows:

	Thousands of Euros Period ended 30 June 2019
<u>Cost</u>	
Balance at 31 December 2018	**-**
Transition adjustments	**130,286**
Balance at 1 January 2019	**130,286**
Additions	6,033
Adjustment for Hyperinflation	132
Business Combinations	2,455
Transfer to Non-current Assets held for sale	(3,340)
Retirements and cancellations	(2,123)
Translation differences	(710)
Closing balance	**132,733**
<u>Accumulated amortisation</u>	
Opening balance	**-**
Transfer to Non-current Assets held for sale	509
Provisions charged to the income statement	(18,260)
Translation differences	60
Closing balance	**(17,691)**
<u>Net assets</u>	
Opening balance	**-**
Closing balance	**115,042**

The breakdown of changes in lease liabilities for the six-month period ended 30 June 2019 is as follows:

	Thousands of Euros Period ended 30 June 2019
<u>Cost</u>	
Balance at 31 December 2018	**-**
Transition adjustments	**(143,478)**
Balance at 1 January 2019	**(143,478)**
Additions	(6,033)
Business Combinations	(2,653)
Retirements and cancellations	21,941
Financial Expenses (Note 9)	(3,274)
Translation differences	797
Liabilities directly associated to non-current assets held for sale	2,858
Closing balance	**(129,842)**

The average discount rates for the main countries affected by this standard, used for calculating the current value of the operating lease liabilities recognised at the date of first-time application of IFRS 16 were as follows:

	Average rate		
	First 5 years	5 to 10 years	10 to 15 years
Germany	1.53%	2.03%	2.61%
Brazil	10.20%	12.29%	13.17%
Peru	5.89%	6.69%	7.34%
Argentina	30.57%	30.37%	27.20%
Colombia	7.02%	8.27%	9.10%
Chile	5.65%	6.38%	6.92%
Spain	1.20%	1.71%	2.42%

The rates have been calculated on the basis of the life of the right of use.

As indicated in Note 2 the Group has chosen to not recognise in the balance sheet the lease liabilities and the right-of-use asset corresponding to short term lease agreements (leases for one year or less) and leases for low value assets (5 thousand U.S. Dollars or less). Those exceptions have been recorded entirely under the heading of operating leases (Note 7).

11.6. Other intangible assets

Details of intangible assets for the six-month periods ended 30 June 2019 and 2018 are as follows:

	Thousands of Euros Period ended 30 June	
	2019	**2018**
Cost		
Opening balance	**617,671**	**558,336**
Adjustment for Hyperinflation	3,654	
Additions	13,182	8,590
Transfer to Non-current Assets held for sale	(16,103)	-
Business Combinations	56,442	6,791
Disposals	(744)	(784)
Translation differences	2,148	(34,194)
Closing balance	**676,250**	**538,739**
Accumulated amortisation		
Opening balance	**(345,424)**	**(313,374)**
Adjustment for Hyperinflation	(2,146)	-
Transfer to Non-current Assets held for sale	11,867	-
Disposals	1,148	103
Provisions charged to the income statement	(22,157)	(18,034)
Translation differences	(156)	16,390
Closing balance	**(356,868)**	**(314,915)**
Net assets		
Opening balance	**272,247**	**244,962**
Closing balance	**319,382**	**223,824**

Additions for the first half of 2019 included intangible assets allocated on measurement of the following business combinations:

	Thousands of Euros				
	Customer portfolio	**Non-competition agreement**	**Brand**	**Computer software**	**Total**
Business combinations Cash Europe(1)	-	-	-	48	48
Business combinations Cash Latin America(1)	21,708	1,343	-	470	23,521
Business combinations Cash ROW (1)	-	-	-	-	-
Security business combinations in Europe(1)	792	-	258	-	1,050
Business combinations Security LatAm (1)	6,938	-	1,053	-	7,991
Business combinations Security ROW (1)	20,084	-	3,671	77	23,832
	49,522	**1,343**	**4,982**	**595**	**56,442**

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

12. Non-current financial assets

Details of non-current financial assets at 30 June 2019 and 31 December 2018 are as follows:

	Thousands of Euros	
	30/06/2019	**31/12/2018**
Equity instrument	11,923	9,954
Deposits and guarantees	2,961	6,182
Other non-current financial assets	3,157	3,115
Total non-current financial assets	**18,041**	**19,251**

As described in Note 17 of the consolidated annual accounts for the year ended on 31 December 2018, the item for equity instruments includes the minority shareholdings in certain companies in which the Prosegur Group exercises no significant management influence. The shareholdings in question are measured at fair value. At 30 June 2019, there are no indications that the shareholdings recognised may be impaired.

In June, the minority holding in Cognigo Research, Ltd was sold for the amount of EUR 1,716 thousand, having generated revenue amounting to EUR 853 thousand (Note 9). That start-up was engaged in developing software based on Artificial Intelligence (AI) provided by Cognigo on heterogeneous databases and distributed enabling the data to be automatically categorised and classified in context with its location and environment.

Deposits and bonds are measured at amortised cost. Items that do not explicitly accrue interest are measured at face value, provided that the effect of not discounting the cash flows is not significant.

The item of other non-current financial assets mainly includes a loan granted to one of the subsidiaries of the Prosegur Group in India, SIS Cash Services Private Ltd, which is consolidated using the equity method and not therefore eliminated in the consolidation process; it is measured at amortised cost for the amount of EUR 2,502 thousand.

During the first half of 2019, no significant purchases, sales, issues or settlements have been made in relation to non-current financial assets.

13. Investments accounted for using the equity method

Joint arrangements

The main Joint Arrangements of Prosegur at 30 June 2019 correspond to companies operating in India, engaged in the Cash business line. These Joint Arrangements are structured as separate vehicles and Prosegur has a share of their net assets. Consequently, Prosegur has classified these shareholdings as Joint Ventures.

The breakdown of the movements of the investments in joint ventures accounted for under the equity method during he six-month periods ended 30 June 2019 and 2018 is as follows:

	Thousands of Euros	
	30/06/2019	**30/06/2018**
Opening balance	**29,433**	**29,837**
New additions	-	1,166
Share in profits/(losses)	(636)	(853)
Sales	(19,794)	-
Translation differences	59	(1,866)
Closing balance	**9,062**	**28,284**

The breakdown of the main amounts of investments accounted for under the equity method at the end of 2018 is included in Appendix III of the consolidated annual accounts for the year that ended on 31 December 2018.

On 23 April 2019, Prosegur sold its entire interest in the joint venture for the alarm business in India, SIS Prosegur Alarms Monitoring and Response Services Pte Ltd, for the total amount of 204,432 thousand Indian rupees (equivalent at the transaction date to EUR 2,505 thousand). The value of the holding at the time of being sold was 73,448 thousand rupees (equivalent to EUR 900 thousand at the transaction date). The sale involved revenue for Prosegur of EUR 1,605 thousand (Note 8).

On 4 June 2019, Prosegur exercised the sales option on the 33.33% interest in SBV as, at the time of exercising it, the entire holding of Prosegur did not exceed 50% of the capital. The shares taken up by Prosegur were acquired by the other shareholders of the company. The revenue from the sale was recorded under the heading of other income (Note 8).

Prosegur has no significant contingent liability commitments in any of the joint ventures accounted for under the equity method.

14. Other financial assets

Other financial assets

Details of other financial assets and changes in Other financial assets during the year are as follows:

	Thousands of Euros	
	30/06/2019	**30/06/2018**
Balance at 1 January	489,268	490,298
Interest	320	328
New additions	-	290,000
Write offs	-	(290,157)
Balance at 30 June	**489,588**	**490,469**

The composition and the issue of financial assets at 30 June 2019 are as follows:

Description	Date of issue	Principal	Thousands of Euros Balance at 30/06/2019
Fixed-income investment fund	07/04/2017	25,000	24,794
Fixed-income investment fund	19/04/2017	25,000	24,794
Fixed-term deposit	22/06/2017	150,000	150,000
Fixed-term deposit	15/03/2018	150,000	150,000
Fixed-term deposit	20/03/2018	140,000	140,000
		490,000	**489,588**

15. Cash and Cash Equivalents

Details of Cash and Cash equivalents at 30 June 2019 and 31 December 2018 are as follows:

	Thousands of Euros	
	30/06/2019	**31/12/2018**
Cash in hand and at banks	339,109	468,968
Current bank deposits	88,640	89,387
	427,749	**558,355**

The effective rate of interest on current bank deposits is 1.55% (at 31 December 2018: 1.52%) and the average term of deposits held in the first half of 2019 is 171 days (at 31 December 2018: 210 days).

16. Inventory

Details of inventories at 30 June 2019 and 31 December 2018 are as follows:

	Thousands of Euros	
	30/06/2019	**31/12/2018**
Work in progress	9,316	11,614
Goods for resale, fuel and other	67,592	62,038
Operating materials	1,801	2,358
Uniforms	5,700	5,186
Impairment of inventories	(6,243)	(5,109)
	78,166	**76,087**

No inventories have been pledged as collateral to secure loans.

Details of impairment for the six-month periods ended 30 June 2019 and 30 June 2018 are as follows:

	Thousands of Euros	
	30/06/2019	**30/06/2018**
Balance at 1 January	(5,109)	(5,459)
Additions	(2,685)	(1,013)
Applications and other	2,134	2,093
Translation differences	(583)	297
Balance at 30 June	**(6,243)**	**(4,082)**

17. Net equity

17.1. Share capital

Share capital is divided as follows:

	Thousands				**Thousands of Euros**
	Number of shares	**Share capital**	**Share premium**	**Treasury Stock**	**Total**
01 January 2018	617,125	37,027	25,472	(53,079)	9,420
31 December 2018	617,125	37,027	25,472	(52,777)	9,722
30 June 2019	598,679	35,921	25,472	(910)	60,483

At 30 June 2019, the share capital of Prosegur Compañía de Seguridad, S.A. totals EUR 35,921 thousand and is represented by 598,679,362 shares with a par value of EUR 0.06 each, fully subscribed and paid. These shares are listed on the Madrid, Bilbao, Valencia and Barcelona stock exchanges and traded via the Spanish Stock-Exchange Interconnection System (electronic trading system) (SIBE).

On 26 June 2019 the share capital was reduced following approval by the Shareholders General Meeting held on 4 June 2019.

The Company's share capital was reduced by 1,106,716.68 Euros, through the cancellation of 18,445,278 treasury shares.

Consequently, article 5 of the Company's Articles of Association was modified and after the reduction, the share capital stood at 35,920,761.72 Euros, divided into 598,679,362 ordinary shares of the same class and series each with a par value of 0.06 Euros, fully subscribed and paid up.

The capital reduction was made against free reserves, by provisioning an amortised capital reserve with an amount equivalent to the par value of the cancelled shares (that is, 1,106,716.68 Euros).

17.2. Share premium

The share premium amounts to EUR 25,472 thousand, is freely distributable and has not changed in 2018 or the six-month period ended 30 June 2019.

17.3. Treasury Stock

Details of the own shares account for the six-month period ended 30 June 2019 are as follows:

	Number of shares	Thousands of Euros
Carrying amount at 31 December 2018	**18,542,006**	**52,777**
Purchase of own shares	235,330	920
Amortisation own shares (capital reduction)	(18,445,278)	(52,438)
Other awards	(99,185)	(349)
Carrying amount at 30 June 2019	**232,873**	**910**

On 4 June 2019 the Board of Directors of Prosegur decided to implement a share buyback programme.

The Programme will be put into effect under the provisions of Regulation (EU) no. 596/2014 on market abuse and the Commission Delegated Regulation 2016/1052, making use of the authorisation granted by the Shareholders General Meeting held on 27 April 2016 for the purchase of treasury shares, for the purpose of reducing the share capital of Prosegur Compañía de Seguridad, S.A. in the terms agreed by the Shareholders General Meeting held on 4 June 2019.

The Programme will apply to a maximum of 59,850,000 shares, representing approximately 10% of Prosegur's share capital (after the capital reduction agreed upon).

The Programme will have the following features:

a) Maximum amount allocated to the Programme: EUR 300,000 thousand.
b) Maximum number of shares that can be acquired: up to 59,850,000 shares representing approximately 10% of the Company's share capital.
c) Maximum price per share: the Company will not buy shares at a price higher than the highest of the following: (i) the price of the last independent trade; or (ii) the highest current independent bid on the trading venues where the purchase is carried out.
d) Maximum volume per trading session: in so far as volume is concerned, Prosegur must not purchase more than 25% of the average daily volume of the shares in any one day on the regulated market on which the purchase is carried out.
e) Duration: the Programme will commence on 5 June 2019 and finish no later than 5 June 2022. Notwithstanding the above, Prosegur reserves the right to conclude the Programme, if prior to the indicated maximum date of the term, it has acquired the maximum number of shares authorised by the Board of Directors, if it has reached the maximum monetary amount of the Programme or if any other circumstances arise that call for it.

17.4. Cumulative translation differences

The change in the balance of the cumulative translation differences at 30 June 2019 as compared to 31 December 2018 was EUR 9,046 thousand, resulting mainly from the appreciation of the Brazilian real.

As mentioned in the consolidated annual accounts for the year ended 31 December 2018, note 34.27, as a result of applying IAS 29 for Argentina (Note 34.1), the Company has adopted the accounting policy of entirely recognising changes in equity, associated with currency effects, under the heading of other reserves. IAS 29 does not consider that these changes lead to profit and loss in the income statement, but rather treats them as adjustments to equity balances.

Under changes in equity associated to hyperinflation, an increase of EUR 35,390 thousand is recorded associated to inflation and a decrease of EUR 26,650 thousand associated to translation differences.

17.5. Dividends

On 20 December 2018 the Board of Directors approved the distribution of a regular dividend of EUR 0.1281 per share on account of the 2018 profits, or a total maximum dividend of EUR 79,054 thousand (as at the date of approving the dividend, the share capital is represented by 617,124,640 shares). That decision of the Board of Directors was ratified in the Shareholders General Meeting held on 04 June 2019. The portion that is not distributed as a dividend on the total agreed for treasury stock existing on the date of each payment will be sent to voluntary reserves and is reflected under the item “other changes” in the consolidated statement of changes in equity.

The first instalment of the dividend was paid on 16 January 2019 against 2018 profits amounting to EUR 19,764 thousand (reflecting a gross amount of EUR 0.032025 per outstanding share, equivalent to a net amount of EUR 0.02594025 per share).

The second instalment of the dividend was paid on 8 April 2019 against 2018 profits amounting to EUR 19,764 thousand (reflecting a gross amount of EUR 0.032025 per outstanding share, equivalent to a net amount of EUR 0.02594025 per share).

On 9 July 2019 the shareholders were paid the third instalment of the dividend against 2018 profits reflecting a gross amount of EUR 0.032025 per outstanding share with economic rights at that date, equivalent to a net amount of EUR 0.02594025 per share.

The remainder, up to the amount approved for the dividend of EUR 0,1281 per share, considering that the share capital at the date of approving the dividend was divided into 617,124,640 shares, will be paid in October 2019.

17.6. 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.

	Thousands of Euros	
	30/06/2019	**30/06/2018**
Profit for the year attributable to owners of the Parent	48,394	80,736
Weighted average number of ordinary shares outstanding	598,602,011	598,543,795
Basic earnings per share	**0.08**	**0.13**

- ***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.

The parent company has no different classes of partially diluted ordinary shares.

17.7. Non-controlling interests and other changes

Prosegur Cash, S.A. is a subsidiary of the Spanish company Prosegur Compañía de Seguridad, S.A., which currently holds 51% of the shares, and indirectly controls another 21.5% through its wholly-owned subsidiary, Prosegur Assets Management, S.L.U. The remaining 27.5% of the shares are in the hands of non-controlling interests as a result of its first listing on the stock market on 17 March 2017

Prosegur Cash shares started trading at 2 Euros per share on the Madrid and Barcelona Stock Exchanges and they are traded through the Spanish Stock Markets Interconnection System (Continuous Market) (SIBE). This operation was reflected as an operation with own equity instruments.

The impact of this transaction amounted to EUR 824,992 thousand and the expenses related to it came to EUR 28,018 thousand. As a result, the positive impact registered for the sale of the equity instruments amounted to EUR 796,974 thousand in 2017.

On 8 May 2017, Prosegur Cash, S.A. signed a liquidity agreement in accordance with the regulations in force at the time. Prior to signing this agreement, the said company did not have treasury stock. The operating process prior to the liquidity contract to set up treasury stock ended on 8 June, having attained treasury stock of 1,000,000 shares. The liquidity contract came into operation on 9 June 2017 and ended on 10 July 2017, when contract agreement was terminated. On 7 July 2017, Prosegur Cash S.A. signed a new liquidity agreement, entering into force on 11 July 2017, in accordance with the new legislation, commencing operations again to boost the contractual liquidity.

At 30 June 2019, the treasury stock of Prosegur Cash, S.A. is composed of 894,538 shares, of which 471,452 are linked to the liquidity agreement, for a total amount of EUR 1.545 thousand.

18. Provisions

Details of provisions and changes for the six-month period ended 30 June 2019 are as follows:

Thousands of Euros	Labour-related risks	Legal risks	Restructuring	Employee benefits expense (Note 7)	Other risks	Total
Carrying amount at 31 December 2018	**66,211**	**16,101**	**577**	**14,918**	**103,744**	**201,551**
Provisions charged to income statement	10,934	2,283	-	-	11,420	**24,637**
Reversals credited to income statement	(5,039)	(1,591)	-	-	(1,884)	**(8,514)**
Aplicaciones	(15,047)	(3,811)	(577)	-	(2,877)	**(22,312)**
Financial effect of the discount	2,440	573	-	-	1,692	**4,705**
Transfer liabilities directly associated to Non-current A	(384)	(16)	-	(1,844)	(514)	**(2,758)**
Additions to consolidated group	673	-	-	-	1,095	**1,768**
Translation differences	(208)	1,828	-	73	77	**1,770**
Carrying amount at 30 June 2019	**59,580**	**15,367**	**-**	**13,147**	**112,753**	**200,847**
Non Current 2019	59,580	15,367	-	13,147	110,321	198,415
Current 2019	-	-	-	-	2,432	2,432

a) *Labour-related risks*

The provisions for occupational risks, which amount to EUR 59,580 thousand (at 31 December 2018: EUR 66,211 thousand), are calculated individually based on the estimated probability for success or failure. In addition, an internal review is carried out of the probabilities of reaching agreements in each of the cases, depending on the past experience of Prosegur, in order to arrive at the final provision to be recorded.

The provision for labour-related risks mainly includes provisions for work-related causes in Brazil. The characteristics of labour legislation in that country result in such processes becoming drawn out, and has led to a provision in 2019 of EUR 36,571 thousand (at 31 december 2018: EUR 40,601 thousand).

This provision also includes Euros 3,672 thousand (Euros 6,614 thousand at 31 December 2018) relating to the business combination formed with Transpev in 2005.

b) *Legal risks*

The provisions for legal risks, that amount to EUR 15,367 thousand (at 31 December 2018: Eur 16,101 thousand), 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 under way.

c) *Restructuring*

The provisions for re-structuring corresponded to the company acquired in 2013, Brinks Deutschland GmbH, were entirely paid during the first half-year of 2019 for an amount of EUR 577 thousand.

d) *Employee benefits*

As indicated in Note 5.2 of the consolidated annual accounts for the year ending at 31 December 2018, Prosegur has contribution plans defined in Germany, Brazil, France, Honduras, Nicaragua, El Salvador and Mexico. The actuarial valuation, carried out by qualified actuaries, of the value of the benefits to which the company is committed is updated each year. The last update was at the close of 2018 applicable to the current period.

In addition, as a result of the business combination described in Note 22, Honduras, Nicaragua and El Salvador by law have obligations under defined benefit schemes arising from the termination of employment contracts by dismissal or following a mutual agreement.

The defined benefit schemes of Germany and France consist of Pension and retirement schemes, while the benefit scheme defined for Mexico consists of a seniority scheme. In Brazil they comprise post-employment healthcare compliant with local legislation (Act 9656).

e) *Other risks*

The provision for other risks, amounting to EUR 112,753 thousand (at 31 December 2018: EUR 103,744 thousand), includes a whole multitude of items

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 under way.

We list the most significant ones below:

Tax risks

These mainly refer to tax risks in Brazil and Argentina for the amount of EUR 79,696 thousand (at 31 December 2018: EUR 79,282 thousand).

The tax risks associated with Brazil are mainly related to claims for direct and indirect local and State taxes, as well as provisions coming from the business combination of Nordeste and Transpev. In Argentina they relate to various amounts that are not individually material, linked to direct and indirect municipal and provincial taxes. The most representative risks arise as a result of the disparity in criteria between Prosegur and Management.

Tax risks are classified as material on the basis of opinions in external studies according to the analysis of case law in the matter of reference. In addition, it makes internal analyses based on similar cases occurring in the past in Prosegur or in other companies.

At each close of quarter, a detailed analysis of conducted of each of the tax contingencies is made. This analysis refers to quantification, qualification and the level of provision associated with the risk. An annual letter with the respective analysis and assessment by an independent expert is used to determine these parameters in the most significant risks. On the basis of this, the level of provision is adjusted.
Provisions charged to income and reversals credited to income are included under other expenses in Note 6.

Comcare Australia

In the first half-year of 2019 payments were made for commitments associated to the insurance scheme for work-related accidents in Australia amounting to EUR 156 thousand, reaching a total provision of EUR 3,396 thousand (31 December 2018: EUR 3,474 thousand), of which EUR 997 thousand expire in the short term (31 December 2018: EUR 1,001 thousand).

Accrued obligations to personnel

These provisions include the accrued incentive in the 2017 and 2020 long-term incentive plan for the Executive Director and Senior Management of Prosegur. During the year, provisions charged against profit/(loss) for the year amounted to EUR 5,499 thousand (30 June 2018: EUR 2,067 thousand, making a total provision of EUR 10,967 thousand. The expenses are contained under the heading of Wages and salaries in Note 7.

As described in Note 34.19 of the consolidated annual accounts for the year ended on 31 December 2018, the 2017 Plan is generally linked to the creation of value during the 2015-2017 period and provides for giving cash incentives, calculated for some beneficiaries on the basis of the listing value of the shares. In the vast majority of cases, the Plan measures target achievement from 1 January 2015 until 31 December 2017 and length of service from 1 January 2015 until 31 December 2019.

In the first half-year of 2019 a total amount of EUR 1,594 thousand was paid out associated to the 2017 Plan.

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

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

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

19. Financial liabilities

Details of financial liabilities at 30 June 2019 and 31 December 2018 are as follows:

Thousands of Euros	30/06/2019		31/12/2018	
	Non-current	**Current**	**Non-current**	**Current**
Bonds and other marketable securities	1,288,435	7,482	1,287,370	15,124
Syndicated loan	-	38,258	-	-
Loans and borrowings	993	153,893	64,314	77,482
Finance lease payables	3,317	8,099	6,380	7,230
Credit accounts	-	13,210	-	14,434
Other payables	50,372	54,814	33,493	36,450
	1,343,117	**275,756**	**1,391,557**	**150,720**

Details of the most significant items making up this balance at 31 December 2018 are set out in Note 23 to the consolidated annual accounts for the year then ended.

The financial liabilities associated to the application of IFRS 16 (Note 2) were recorded under the heading of leasing liabilities (Note 11) for a total of EUR 129,842 thousand.

During the six-month period ended 30 June 2019, there have been no repayment defaults or breaches of agreement in relation to the loans and credit facilities granted to Prosegur.

Syndicated Loan (Spain)

On 12 June 2014 Prosegur contracted a new syndicated financing operation for a credit facility in the amount of EUR 400,000 thousand for a five-year term. On 18 March 2015, the syndicated loan was renewed, mainly modifying the maturity date and postponing its expiry until 18 March 2020. On 10 February 2017 this credit-type syndicated finance operation was cancelled and substituted with two new syndicated finance operations:

Syndicated finance operation EUR 200,000 thousand (Spain)

On 10 February 2017 Prosegur arranged a five-year syndicated credit financing facility of EUR 200,000 thousand to provide the company with long-term liquidity. On 7 February 2019, this syndicated financing facility was renewed, and its maturity extended by another 5 years until February 2024. At 30 June 2019, no amount of this credit facility has been drawn down.

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

Syndicated finance operation EUR 300,000 thousand (Spain)

On 10 February 2017 Prosegur's subsidiary, Prosegur Cash, S.A., arranged a five-year syndicated credit financing facility of EUR 300,000 thousand to provide the company with long-term liquidity. On 7 February 2019, this syndicated financing facility was renewed, and its maturity extended by another 5 years until February 2024. At 30 June 2019 the balance drawn down from this loan amounted to EUR 40,000 thousand.

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

Bonds and other marketable securities

On 2 April 2018 the uncovered bonds issued on 2 April 2013 for EUR 500,000 thousand were amortised on their due date.

On 4 December 2017 Prosegur, through its subsidiary Prosegur Cash, S.A. made an issue of uncovered bonds with a nominal value of EUR 600,000 thousand, maturing on 4 February 2026. The bond was issued in the Euromarket as part of the Euro Medium Term Note Programme. This issue will enable the deferment of maturities of part of the debt of Prosegur Cash and the diversification of funding sources. The bonds are traded on the secondary market, on the Irish Stock Exchange. They accrued an annual coupon of 1.38% payable at the end of each year.

On 8 February 2018 an issue of uncovered bonds with a nominal value of EUR 700,000 thousand, maturing on 08 February 2023, was made. The bonds are traded on the secondary market of the Irish Stock Exchange. They accrued an annual coupon of 1.00% payable at the end of each year.

Bailment

Prosegur in Australia has access to facilities under loan for use for the supply of cash to automatic teller machines belonging to Prosegur. According to the contract, the cash belongs to the supplier under the gratuitous loan agreement. Prosegur has access to this money with the only purpose of loading into the ATMs belonging to it, which are provisioned under this contract. The settlement of the assets and liabilities is carried out via regulated clearing systems, such as the right to offset balances. As a result of the foregoing, no assets and liabilities are shown in these consolidated financial statements for this item. The outstanding cash amount at 30

June 2019 is AUD 36,900 thousand (equivalent to EUR 22,700 thousand) (at 31 December 2018 it was AUD 43,900 thousand, equivalent to EUR 27,700 thousand).

Bank borrowings (South Africa)

In order to partially finance the subscription of shares representing 33.33% of the share capital of the South African company SBV Services Proprietary Limited, Prosegur arranged a 4-year bullet loan on 29 January 2016 for ZAR 272,000 thousand (Note13).

On 20 June 2019, and as a consequence of exercising the sales option on the 33.33% holding in SBV, the entire loan has been cancelled in advance, therefore there is no outstanding amount at 30 June 2019 (at 31 December 2018: 272,000 thousand Rand) equivalent value at 31 December 2018: EUR 16,534 thousand.

Syndicated loan (Australia)

On 28 April 2017, Prosegur, via its subsidiary Prosegur Australia Investments Pty, arranged a syndicated financing operation in the amount of AUD 70,000 thousand for a 3-year term. At 30 June 2019 the drawn down capital corresponding to the loan amounts to AUD 70,000 thousand (equivalent to the close of the first half of 2019: EUR 43,093 thousand).

Other payables

Details of the most significant items making up this balance at 31 December 2018 are set out in Note 23 to the consolidated annual accounts for the year then ended.

Other payables relate mainly to business combinations pending payments formed.

20. Taxation

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	
	2019	**2018**
Current tax	53,965	57,644
Deferred tax	(7,162)	6,767
Total	**46,803**	**64,411**

	Thousands of Euros Period ended 30 June	
	2019	**2018**
Income tax expense	46,803	64,411
Profit before tax	117,282	175,980
Effective tax rate	**39.91%**	**36.60%**

The effective tax rate is 39.91% in the first half of 2019, compared to 36.60% in the same period of 2018, implying an increase of 3.31 percentage points, mainly as a result of implementing IAS 29.

Under the heading of tax liabilities the company has recorded the effect associated to the application of IFRIC 23 at 1 January 2019, for an amount of EUR 60,844 thousand (Note 2).

On 6 June 2018, the Technical Office handed down a tax settlement decision for EUR 1,354 thousand, of which EUR 1,195 thousand correspond to principal and EUR 159 thousand to late-payment interest for "tax deductibility of directors' remuneration" for the delayed period 2011 to 2014. The Company has lodged a claim against that Resolution with the Central Court for Economic-Administrative Issues. That claim is awaiting a decision.

In addition, the Company has two lawsuits awaiting decision arising from two records of non-acceptance and for which no provision was made, in proceedings brought by the Spanish Administration. The first was brought in 2012, in relation to Corporate Income Tax for the years 2005, 2006 and 2007 and is for a tax liability of EUR 8,268 thousand; at the present date, that lawsuit is awaiting a decision by the National High Court. The second was brought in 2014 in relation to Corporate Income Tax for the years 2008 and 2009 and is for a tax liability of EUR 16,072 thousand. On 10 May 2019 a contentious-administrative appeal was lodged with the National High Court relating to this second lawsuit.

Lastly, on 4 April 2019 The Brazilian Tax Authority notified Prosegur Brasil S.A. Transportadora de Valores e Segurança, of a tax settlement decision regarding Personal Income Tax, Social Security and withholdings at source in relation to the corporate cost incurred from 2014 to 2016. The amount under that notice was 214,820 thousand reals (tax liability 102,938 thousand reals, interest 30,833 thousand reals and penalties 81,049 thousand reals), equivalent value at 30 June 2019 EUR 49,371 thousand. The decision was challenged by the company in first instance and in the administrative stage on 29 April 2019. That appeal is still awaiting a ruling. The group has not made any provision associated to that litigation as it considers the likelihood of failure in defending itself in that procedure to be unlikely, and it has two independent tax opinions on that classification.

The other Group companies are subject to the local jurisdictions in the countries in which they operate. Due to the treatment permitted by fiscal legislation of certain transactions, additional tax liabilities could arise in the event of inspection. In any event, the Directors of the Company do not consider that any such liabilities that could arise would have a significant effect on the consolidated annual accounts.

21. Contingencies

Note 27 to the consolidated annual accounts for the year ended 31 December 2018 includes information on contingent assets and liabilities at that date.

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

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

On 13 February 2017, the National Court accepted the appeal proposed by Prosegur for processing, commencing the relevant proceedings, prior to formal filing of the appeal. To date, that contentious-administrative appeal is yet to be lodged by Prosegur and a ruling will subsequently be handed down by the the National High Court on the merits of the case.

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

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

The ruling that will be given in due course by the National High Court on the decision of the National Commission on Financial Markets and Competition (CNMC) could lead to additional liabilities when the proceedings conclude. In any event, the Directors of the Company do not consider that any such liabilities that could arise would have a significant effect on the consolidated annual accounts.

22. Business Combinations

Details of changes in goodwill during the first half of 2019 are presented in Note 11.4.

22.1. Goodwill included in 2019

Details of the net assets acquired and goodwill recognised on business combinations during the first half of 2019 are as follows:

Thousands of Euros	Cash payment	Deferred amount at fair value	**Total purchase price**	Fair value of identifiable net assets	**Goodwill**
Business combinations Cash Europe (1)	2,650	-	2,650	2,214	**436**
Business combinations Cash Latin America (1)	17,772	16,143	33,915	19,602	**14,313**
Business combinations Cash ROW (1)	905	2,692	3,597	280	**3,317**
Security business combinations in Europe (1)	1,875	939	2,814	1,189	**1,625**
Business combinations Security LatAm (1)	14,450	7,235	21,685	7,840	**13,845**
Business combinations Security ROW (1)	47,539	10,907	58,446	29,456	**28,990**
	85,191	**37,916**	**123,107**	**60,581**	**62,526**

(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	Cash payment	Cash and cash equivalents acquired	**Cash outflow for the acquisition**
Business combinations Cash Europe (1)	2,650	(2,157)	493
Business combinations Cash Latin America (1)	17,772	(2,438)	15,334
Business combinations Cash ROW (1)	905	(23)	882
Security business combinations in Europe (1)	1,875	(47)	1,828
Business combinations Security LatAm (1)	14,450	(77)	14,373
Business combinations Security ROW (1)	47,539	(611)	46,928
	85,191	(5,353)	79,838

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

Cash business combinations in Latin America

During the first half of 2019, in Latin America Prosegur acquired a number of security companies and assets providing cash in transit and cash management services and administrative banking services. The total acquisition price was EUR 33,915 thousand, comprising a cash consideration of EUR 17,772 thousand, a deferred contingent consideration amounting to a total of EUR 12,040 thousand, due in 2019 and 2020 and a deferred payment of EUR 4,103 thousand, due in 2020 and 2021.

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

(Thousands of Euros)	**Carrying amount of the acquired company**	**Fair value**
Cash and cash equivalents	2,438	2,438
Property, Plant and Equipment	588	588
Clients and other receivables	4,947	4,947
Non-current financial assets	24	24
Current tax assets	416	416
Trade and other payables	(5,480)	(5,480)
Short-term financial liabilities	(270)	(270)
Current tax liabilities	(776)	(776)
Provisions	(673)	(673)
Deferred tax liability	(154)	(4,710)
Other intangible assets	48	23,098
Identifiable net assets acquired	**1,108**	**19,602**

The goodwill on this acquisition was allocated to the Cash segment and to the Latin American geographical area and mainly reflects the profitability of the business and major synergies expected to arise as a result of the acquisition by Prosegur. The intangible assets are based on client relationships (EUR 21,707 thousand) with a useful life of 9-13 years and a non-competition agreement (EUR 1,343 thousand) with a useful life of 10 years.

Cash business combinations in Europe

During the first half of 2019, Prosegur acquired a number of security companies in Europe providing cash management services related to digital software in the retail sector. The total purchase price was EUR 2,650 thousand, comprising a cash payment of EUR 2,650 thousand.

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

(Thousands of Euros)	**Carrying amount of the acquired company**	**Fair value**
Cash and cash equivalents	2,157	2,157
Clients and other receivables	337	337
Property, Plant and Equipment	2	2
Trade and other payables	(144)	(144)
Deferred tax assets	2	2
Short-term financial liabilities	(38)	(38)
Long-term financial liabilities	(150)	(150)
Other intangible assets	48	48
Identifiable net assets acquired	**2,214**	**2,214**

The goodwill on this acquisition was allocated to the Cash segment and to the European geographical area and mainly reflects the profitability of the business and major synergies expected to arise as a result of the acquisition by Prosegur.

Business combinations Cash ROW

During the first half of 2019, Prosegur acquired a security company that provides cash in transit and cash management services. The total purchase price was EUR 3,597 thousand, comprising a cash payment of EUR 905 thousand, and a deferred payment of EUR 2,692 thousand maturing in 2019 and 2020.

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

(Thousands of Euros)	Carrying amount of the acquired company	Fair value
Cash and cash equivalents	23	23
Property, Plant and Equipment	123	123
Clients and other receivables	344	344
Trade and other payables	(517)	(517)
Inventory	431	431
Short-term financial liabilities	(124)	(124)
Identifiable net assets acquired	**280**	**280**

Goodwill was allocated to the Cash segment to the ROW geographical area and mainly reflects the profitability of the business and major synergies expected to arise as a result of the acquisition by Prosegur.

Business combinations Security ROW

During the first half of 2019, in Latin America Prosegur acquired a number of security companies providing services of surveillance, remote video-surveillance, cyber-security and sales of security devices. The total acquisition price was EUR 58,446 thousand, comprising a cash consideration of EUR 47,539 thousand, a deferred contingent consideration amounting to a total of EUR 10,301 thousand, due in 2019, 2022, 2023, and 2024 and a deferred payment of EUR 606 thousand, due in 2021, 2022, 2023, 2024 and 2025.

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

(Thousands of Euros)	Carrying amount of the acquired company	Fair value
Cash and cash equivalents	611	611
Property, Plant and Equipment	733	733
Rights of use	2,400	2,400
Clients and other receivables	30,262	30,262
Inventory	5,096	5,096
Current tax assets	311	311
Other liabilities and expenses	(581)	(581)
Trade and other payables	(15,499)	(15,499)
Non-current financial assets	166	166
Short-term financial liabilities	(13,770)	(13,770)
Long-term financial liabilities	(249)	(249)
Long term lease liabilities	(1,343)	(1,343)
Short term lease liabilities	(1,198)	(1,198)
Deferred tax asset	4,298	4,298
Provisions	(1,066)	(1,066)
Current tax liabilities	(93)	(93)
Deferred tax liability	-	(4,454)
Other intangible assets	77	23,832
Identifiable net assets acquired	**10,155**	**29,456**

The goodwill on this acquisition was allocated to the Security segment and to the ROW geographical area and mainly reflects the profitability of the business and major synergies expected to arise as a result of the acquisition by Prosegur. The intangible assets acquired comprise client relationships (EUR 20,084 thousand) with a useful life of between 8 and 23 years and trademarks (EUR 3,671 thousand) with a useful life of 5 years and an indefinite useful life.

Security business combinations in Latin America

During the first half of 2019, Prosegur acquired in Latin America a security company specialising in cybersecurity. The total acquisition price was EUR 21,685 thousand, comprising a cash consideration of EUR 14,450 thousand, a deferred contingent consideration amounting to a total of EUR 6,231 thousand, due in 2023 and 2024 and a deferred payment of EUR 1,004 thousand, due in 2021, 2022, 2023, 2024 and 2025.

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

(Thousands of Euros)	Carrying amount of the acquired company	Fair value
Cash and cash equivalents	77	77
Property, Plant and Equipment	254	254
Deferred tax assets	15	15
Current tax assets	205	205
Clients and other receivables	5,355	5,355
Trade and other payables	(3,564)	(3,564)
Provisions	(29)	(29)
Other intangible assets	422	8,413
Deferred tax liability	-	(2,717)
Short-term financial liabilities	(149)	(149)
Long-term financial liabilities	(20)	(20)
Identifiable net assets acquired	**2,566**	**7,840**

The goodwill on this acquisition was allocated to the Security segment and to the Latin American geographical area and mainly reflects the profitability of the business and sizeable synergies expected to arise as a result of the acquisition by Prosegur. The intangible assets acquired comprise client relationships (EUR 6,938 thousand) with a useful life of 7 years, and trademarks (EUR 1,053 thousand) with an indefinite useful life.

Security business combinations in Europe

During the first half of 2019, Prosegur acquired in Europe a security company specialising in cybersecurity. The total acquisition price was EUR 2,814 thousand, comprising a cash consideration of EUR 1,875 thousand, a deferred contingent consideration amounting to a total of EUR 809 thousand, due in 2023 and 2024 and a deferred payment of EUR 130 thousand, due in 2021, 2022, 2023, 2024 and 2025.

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

(Thousands of Euros)	Carrying amount of the acquired company	Fair value
Cash and cash equivalents	47	47
Property, Plant and Equipment	187	187
Clients and other receivables	342	342
Trade and other payables	(259)	(259)
Other intangible assets	-	1,051
Deferred tax liability	-	(179)
Identifiable net assets acquired	**317**	**1,189**

The goodwill on this acquisition was allocated to the Security segment and to the Europe geographical area and mainly reflects the profitability of the business and sizeable synergies expected to arise as a result of the acquisition by Prosegur. The intangible assets acquired comprise client relationships (EUR 793 thousand) with a useful life of 9 years, and trademarks (EUR 258 thousand) with an indefinite useful life.

22.2. Goodwill added in 2018 whose valuation is reviewable in 2019

Details of the net assets acquired and goodwill recognised on business combinations during 2018 whose valuation is reviewable in 2019 are as follows:

Thousands of Euros	Cash payment	Deferred amount at fair value	**Total purchase price**	Fair value of identifiable net assets	**Goodwill**
Business combinations Cash Latin America	26,568	22,593	49,161	25,850	**23,311**
	26,568	**22,593**	**49,161**	**25,850**	**23,311**

Goodwill is not tax-deductible.

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

Thousands of Euros	Cash payment	Cash and cash equivalents acquired	**Cash outflow for the acquisition**
Business combinations Cash Latin America	26,568	(2,887)	23,681
	26,568	(2,887)	23,681

Cash business combinations in Latin America

In 2018, in Latin America Prosegur acquired a series of security companies and assets providing cash in transit and cash management services and conducting correspondent banking activities. The total purchase price was EUR 49,161 thousand, comprising a cash payment of EUR 26,568 thousand, and a deferred contingent consideration totalling EUR 22,593 thousand maturing in 2018, 2019, 2020 and 2021.

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

(Thousands of Euros)	Carrying amount of the acquired company	Fair value
Cash and cash equivalents	2,887	2,887
Property, Plant and Equipment	9,710	9,710
Clients and other receivables	6,899	6,899
Inventory	129	129
Non-current financial assets	859	859
Deferred tax assets	981	981
Current tax assets	581	581
Trade and other payables	(7,379)	(7,379)
Short-term financial liabilities	(440)	(440)
Long-term financial liabilities	(2,241)	(2,241)
Provisions	(8,702)	(8,702)
Current tax liabilities	(565)	(565)
Deferred tax liabilities	(342)	(5,995)
Other intangible assets	27	29,126
Identifiable net assets acquired	**2,404**	**25,850**

The goodwill on this acquisition was allocated to the Cash segment and to the Latin American geographical area and mainly reflects the profitability of the business and major synergies expected to arise as a result of the acquisition by Prosegur. The intangible assets acquired comprise client relationships (EUR 28,018 thousand) with a useful life of between 7 and 16 years, licences (EUR 178 thousand) with a useful life of 2 years, and trademarks (EUR 930 thousand) with a useful life between 2 years and one month and a half.

22.3. Goodwill incorporated in year 2018 not reviewable in 2019

Details of the net assets acquired and goodwill recognised on business combinations during 2018 whose valuation has not been reviewable in 2019 are as follows:

Thousands of Euros	Cash payment	Deferred amount at fair value	**Total purchase price**	Fair value of identifiable net assets	**Goodwill**
Business combinations Cash Europe (1)	6,922	4,742	11,664	5,674	**5,990**
Business combinations Cash ROW (1)	12,593	8,071	20,664	8,757	**11,907**
Business combinations Security ROW (1)	18,526	4,885	23,411	11,073	**12,338**
Business combinations Latin America Alarms (1)	124	650	774	320	**454**
	38,165	**18,348**	**56,513**	**25,824**	**30,689**

Goodwill is not tax-deductible.

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

Thousands of Euros	Cash payment	Cash and cash equivalents acquired	**Cash outflow for the acquisition**
Business combinations Cash Europe (1)	6,922	(2,358)	4,564
Business combinations Cash ROW (1)	12,593	(2,232)	10,361
Business combinations Security ROW (1)	18,526	(2,076)	16,450
Business combinations Latin America Alarms (1)	124	(20)	104
	38,165	(6,686)	31,479

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

Cash business combinations in Europe

In 2018, in Europe, Prosegur acquired a series of security companies providing ATM management and maintenance services, cash in transit and document management and the development and marketing of software specialising in prevention of money-laundering and terrorist financing. The total acquisition price was EUR 11,664 thousand, comprising a cash consideration of EUR 6,922 thousand, a deferred contingent consideration amounting to a total of EUR 4,492 thousand, due in 2018, 2019, 2020, 2021, 2022 and 2023 and a deferred payment of EUR 250 thousand, due in 2019.

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

(Thousands of Euros)	Carrying amount of the acquired company	Fair value
Cash and cash equivalents	2,358	2,358
Property, Plant and Equipment	176	176
Clients and other receivables	2,175	2,175
Inventory	786	786
Deferred tax assets	37	37
Current tax assets	12	12
Non-current financial assets	52	52
Trade and other payables	(1,979)	(1,979)
Other liabilities and expenses	(414)	(414)
Short-term financial liabilities	(342)	(342)
Deferred tax liabilities	(148)	(1,087)
Other Current Liabilities	(1)	(1)
Other intangible assets	429	3,901
Identifiable net assets acquired	**3,141**	**5,674**

The goodwill on this acquisition was allocated to the Cash segment and to the European geographical area and mainly reflects the profitability of the business and major synergies expected to arise as a result of the acquisition by Prosegur. The intangible assets acquired comprise client relationships (EUR 3,311 thousand) with a useful life of 6-12 years and other intangible assets (EUR 161 thousand) with a useful life of 6.5 years.

Business combinations Cash ROW

In 2018, Prosegur acquired in ROW a security company that provides cash in transit and cash management services. The total purchase price has been EUR 20,664 thousand, comprising a cash payment of EUR 12,593 thousand, and a deferred contingent consideration totalling EUR 8,071 thousand.

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

(Thousands of Euros)	Carrying amount of the acquired company	Fair value
Cash and cash equivalents	2,232	2,232
Property, Plant and Equipment	4,540	4,540
Clients and other receivables	6,851	6,851
Inventory	216	216
Deferred tax assets	144	654
Trade and other payables	(5,819)	(5,819)
Long-term financial liabilities	(202)	(202)
Short-term financial liabilities	(3,131)	(3,131)
Provisions	-	(1,700)
Deferred tax liabilities	(13)	(2,166)
Other intangible assets	105	7,282
Identifiable net assets acquired	**4,923**	**8,757**

Goodwill was allocated to the Cash segment to the ROW geographical area and mainly reflects the profitability of the business and major synergies expected to arise as a result of the acquisition by Prosegur. The intangible assets acquired comprise client relationships (EUR 5,717 thousand) with a useful life of 14 years, and trademarks (EUR 1,460 thousand) with a useful life of 5 years.

Business combinations Security ROW

In 2018, Prosegur acquired in ROW a number of security companies providing surveillance and remote video surveillance services. The total purchase price was EUR 23,411 thousand, consisting of a cash payment of EUR 18,526 thousand, and a deferred contingent consideration for a total of EUR 4,885 thousand due for payment in 2018, 2019, 2020, 2021, 2022 and 2023.

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

(Thousands of Euros)	Carrying amount of the acquired company	Fair value
Cash and cash equivalents	2,076	2,076
Property, Plant and Equipment	399	399
Clients and other receivables	2,374	2,374
Inventory	5	5
Deferred tax assets	509	509
Current tax assets	4	4
Other financial assets	27	27
Provisions	(114)	(114)
Trade and other payables	(1,525)	(1,525)
Non-current financial assets	102	102
Short-term financial liabilities	(139)	(139)
Other Current Liabilities	(7)	(7)
Current tax liabilities	(334)	(334)
Deferred tax liability	-	(2,607)
Other intangible assets	25	10,303
Identifiable net assets acquired	**3,402**	**11,073**

The goodwill on this acquisition was allocated to the Security segment and to the ROW geographical area and mainly reflects the profitability of the business and major synergies expected to arise as a result of the acquisition by Prosegur. The intangible assets acquired comprise client relationships (EUR 9,429 thousand) with a useful life of between 10 and 23 years and trademarks (EUR 849 thousand) with a useful life of between 5 and 9 years.

Business combinations Alarms Latin America

In 2018, Prosegur acquired in Latin America a security company specialising in monitoring residential alarm systems. The total purchase price was EUR 774 thousand, comprising a cash payment of EUR 124 thousand, and a deferred payment of EUR 650 thousand maturing in 2018.

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

(Thousands of Euros)	Carrying amount of the acquired company	Fair value
Cash and cash equivalents	20	20
Property, Plant and Equipment	453	453
Clients and other receivables	1,009	1,009
Inventory	250	250
Deferred tax assets	643	643
Current tax assets	216	216
Non-current financial assets	53	53
Provisions	(754)	(754)
Other Current Liabilities	(88)	(88)
Trade and other payables	(1,262)	(1,262)
Other liabilities and expenses	(88)	(88)
Short-term financial liabilities	(142)	(142)
Current tax liabilities	(14)	(14)
Other intangible assets	24	24
Identifiable net assets acquired	**320**	**320**

The goodwill on this acquisition was allocated to the Alarms segment and to the Latin America geographical area and mainly reflects the profitability of the business and major synergies expected to arise as a result of the acquisition by Prosegur.

23. Related parties

Prosegur is controlled by Gubel, S.L., a company incorporated in Madrid which, after the capital reduction approved in the Shareholders General Meeting held on 4 June 2019, owns 51.618% of the Company shares. The remaining 48.382% is held by various shareholders, including Invesco Limited with 6.391%, AS Inversiones S.L. with 5.492% and FMR LLC with 5.173%.

Goods and services

During the first half-year of 2019 Proactinmo, S.L.U. (controlled by Gubel, S.L.) has billed Prosegur EUR 964 thousand for the lease of three buildings located in Madrid (EUR 1,032 thousand at 30 June 2018, corresponding to two buildings located in Madrid). Three leases are at market prices.

During the first half of 2019, the Euroforum Group (controlled by Gubel, S.L.) billed Prosegur for hotel services amounting to EUR 193 thousand (at 30 June 2018: EUR 380 thousand).

During the first half of 2019, Agrocinegética San Huberto (controlled by Gubel, S.L) billed Prosegur for EUR 129 thousand.

Provision of services

During the first half of 2019, Prosegur provided security services to Proactinmo, S.L.U. (controlled by Gubel, S.L) for EUR 29 thousand (at 30 June 2018: EUR 19 thousand).

In the first half of 2019, Prosegur provided security services to Grupo Euroforum (controlled by Gubel, S.L) for EUR 164 thousand (EUR 137 thousand at 30 June 2018).

Remuneration of members of the Board of Directors and senior 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 2019 and 2018 are as follows:

	Thousands of Euros	
	30/06/2019	**30/06/2018**
Fixed remuneration	465	465
Variable remuneration	154	154
Remuneration for membership of the Board and	10	9
Life insurance premiums	26	24
Per diems	558	538
	1,213	**1,190**

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 Executive Director, 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 2019 and 2018 are as follows:

	Thousands of Euros	
	30/06/2019	**30/06/2018**
Total remunerations accrued by senior management	1,201	1,146

The total commitment undertaken by the Company at 30 June 2019 in relation to the incentives established in the 2017 y 2020 Plan amounts to EUR 10,967 thousand and is recognised in liabilities (Note 18).

Loans to related parties

At 30 June 2019 and 2018, there were no loans to related companies except for the loan granted from Prosegur to one of its subsidiaries in India, SIS Cash Services Private Ltd, which is consolidated using the equity method for the amount of EUR 2,502 thousand (Note 12).

Through the company Gestconsult S.A. Prosegur invested EUR 50,000 thousand in a fixed income fund in 2017, for which an expense was recognised for a management fee of 0.60%. The chairman of Gestconsult, Juan Lladó Fernandez-Urrutia, is a person related to Mr Christian Gut Revoredo. Following a favourable report from the corresponding Committee, on 3 April 2017 the Board of Directors authorised this related transaction. That investment is recorded under the heading of other financial assets at 30 June 2019.

Information required by article 229 of the Spanish Companies Act

As required by articles 228, 229 and 230 of the Restated Text of the Spanish Companies Act, approved by Royal Decree Act 1/2010 of 2 July 2010 and amended by Act 31/2014 concerning improvements to corporate governance, the members of the board of directors declare that they have not been involved in any direct or indirect conflicts of interest with the company during the first half of 2019.

Recurrently, and for many years before the appointment of Fernando Vives as a director of the Company, the law firm J&A Garrigues, S.L.P. has provided Prosegur with legal counsel and tax advice, within the ordinary course of business and in market terms. Prosegur does not work solely with J&A Garrigues, S.L.P., but also receives legal counsel and tax advice from other firms. The fees received by J&A Garrigues, S.L.P. from Prosegur are not material for the firm and neither do they represent a significant amount on the accounts of Prosegur. At 30 June 2019 the fees amounted to EUR 211 thousand, representing less than 0.5% of Prosegur's total administration and sales expenses (Note 6) (at 31 June 2018 the amount was EUR 369 thousand).

In addition, in 2018 Prosegur provided surveillance services to the offices of J&A Garrigues, S.L.P., during the half of the year period ended 30 June 2019. The surveillance services billed to J&A Garrigues, S.L.P. at 30 June 2019 stood at EUR 308 thousand, accounting for less than 0.5% of Prosegur's sales (at 30 June 2018 it was EUR 284 thousand).

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

24. Average Headcount

Details of Prosegur's average headcount for the six-month periods ended 30 June 2019 and 30 June 2018 are as follows:

	30/06/2019	30/06/2018
Male	143,032	141,390
Female	27,608	26,964
	170,640	**168,354**

25. Events after the reporting date

On July 22, 2019, Prosegur Cash has signed an agreement to sell 100% of the capital of Prosegur Cash Holding France to Loomis AB (Note 11).

APPENDIX I.- Summary of the Main Accounting Principles

Standards effective from 1 January 2019 that could require changes to accounting policy and changes to presentation

The accounting principles used in the preparation of these interim condensed consolidated financial statements for the six-month period ended 30 June 2019 are the same as those followed in the preparation of the annual consolidated financial statements for 2018, Note 32 of the annual consolidated financial statements for the period ended 31 December 2018.

In addition to the first time application of IFRS 16 and IFRIC 23 (Note 2), in 2019 the following regulations came into effect, published by the IASB and IFRS Interpretations Committee and adopted by the European Union for their application in Europe, and which were therefore considered in preparing these interim condensed consolidated financial statements:

Standards		**Mandatory application: Years beginning on or after: IASB Effective Date**
IFRS 16	Leases	1 January 2019
IFRIC 23	Uncertainty over Income Tax Treatment	1 January 2019
Amendment to IAS 28	Long term interests in associate companies and Joint Ventures	1 January 2019
Amendment to IAS 19	Amendment, curtailment or settlement of a plan.	1 January 2019
Improvements to the IFRS 2015-2017	Improvements to IFRSs 2015-2017 Cycle	1 January 2019

The application of IFRS 16 on Leases and IFRIC 23 on Uncertainty over Income Tax Treatment, which have had a significant impact on the interim condensed consolidated financial statements for the half-year period, is described in Note 2.

Amendment to IAS 28

The amendment means the Group will have to apply IFRS 9 to the financial instruments which are long term interests in an associate company or Joint Venture forming part of the net investment in that associate or Joint Venture,

but which are not accounted for using the equity method.

This standard coming into force on 1 January 2019 has not had any significant impact on the consolidated financial statements of the Group.

Amendment to IAS 19

Amendment, curtailment or settlement of a plan. Specifying how to calculate the cost of the service for the current period and the net interest for the rest of an annual period when there is an amendment, curtailment or settlement of a defined benefit plan.

This standard coming into force on 1 January 2019 has not had any significant impact on the consolidated financial statements of the Group.

Improvements to IFRSs 2015-2017 Cycle

The minor amendments and improvements to IAS 28 on Investments in associates and joint ventures, IAS 12 on Income Tax and IAS 23 on borrowing costs, which are obligatory since 1 January 2019, have not had any significant effect on the financial statements of the Group.

At the date of drawing up these consolidated condensed interim financial statements, the following IFRS, amendments and interpretations of the IFRIC had been published by the IASB but their application is not obligatory:

Standards		**Application: Years beginning on or after: IASB Effective Date**
IFRS 3	Amendments- Definition of a business	2020
IAS 1 and IAS 8	Disclosure Initiative-Definition of material	2020
Conceptual framework	Improvements to the conceptual framework of the International Financial Reporting Standards	2020

The Group has not applied any of these regulations or interpretations ahead of their effective date.

PROSEGUR COMPAÑIA DE SEGURIDAD, S.A. AND SUBSIDIARIES

Consolidated interim directors' report
for the six-month period
ended at 30 June 2019

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Consolidated interim directors' report for the six-month period ended 30 June 2019

1. Significant events subsequent to year-end 2018

The most significant transactions and events for Prosegur during the first half of year 2019 are summarised below:

Reduction of share capital

On 26 June 2019 the share capital was reduced following approval by the Shareholders General Meeting held on 4 June 2019.

The Company's share capital was reduced by 1,106,716.68 Euros, through the cancellation of 18,445,278 treasury shares.

Consequently, article 5 of the Company's Articles of Association was modified and after the reduction, the share capital stood at 35,920,761.72 Euros, divided into 598,679,362 ordinary shares of the same class and series each with a par value of 0.06 Euros, fully subscribed and paid up.

The capital reduction was made against free reserves, by provisioning an amortised capital reserve with an amount equivalent to the par value of the cancelled shares (that is, 1,106,716.68 Euros).

Share buyback programme

On 4 June 2019 the Board of Directors of Prosegur decided to implement a share buyback programme.

The Programme will be put into effect under the provisions of Regulation (EU) no. 596/2014 on market abuse and the Commission Delegated Regulation 2016/1052, making use of the authorisation granted by the Shareholders General Meeting held on 27 April 2016 for the purchase of treasury shares, for the purpose of reducing the share capital of Prosegur Compañía de Seguridad, S.A. in the terms agreed by the Shareholders General Meeting held on 4 June 2019.

The Programme will apply to a maximum of 59,850,000 shares, representing approximately 10% of Prosegur's share capital (after the capital reduction agreed upon).

Change in shareholder structure

In May of 2019, through various managed funds and as a result of the acquisition and merger with Oppenheimer Funds Inc., Invesco Ltd. reached a total of 38,260,693 shares, equivalent to 6.391% of the shareholding structure of Prosegur, following the capital reductions agreed by the Shareholders General Meeting and approved on 4 June 2019.

Share transfers

On 4 April Prosegur Cash entered into negotiations with Loomis AB, both by means of subsidiaries, for the sale and purchase of their operations in France. This transaction is expected to conclude in the third quarter of 2019. The final price of the transaction will be determined and paid at closing.

2. Business Performance

2.1. Sales by geographical area

Prosegur's consolidated sales for the first half of 2019 amounted to EUR 2,055.1 million (EUR 2,011.1 million at 30 June 2018), which represents a total reduction of 2.2%, of which 7.3% corresponds to purely organic growth, 6.7% to inorganic growth, while the effect of the exchange rate accounts for a drop of 11.8%.

Consolidated sales are distributed by geographical area as follows:

	Millions of Euro		
	June 2019	**June 2018**	**Variation**
Europe	867.7	859.4	1.0%
ROW	151.4	69.2	118.7%
Ibero-America	1,036.0	1,082.5	(4.3%)
Total	**2,055.1**	**2,011.1**	**2.2%**

Sales increased by 1.0% in the European area as compared to the same period of the previous year, corresponding to a 0.2% purely organic growth and 0.8% in inorganic growth. Sales went down in Ibero-America, with a 4.3% drop in sales compared to the same period of 2018. The variation in sales for the Ibero-American area corresponds to purely organic growth of 13.5%, 4.1% of inorganic growth, while the exchange rate effect accounts for a drop of 21.9%. Sales increased in ROW area by 118.7%, mainly due to the inorganic growth, representing a 122.3% increase.

2.2. Sales by business area

Consolidated sales are distributed by business area as follows:

	Millions of Euro	
	June 2019	**June 2018**
Security	1,027.0	996.3
% of total	*50.0%*	*49.5%*
Cash	888.4	883.2
% of total	*43.2%*	*43.9%*
Alarms	139.7	131.6
% of total	*6.8%*	*6.6%*
Total	**2,055.1**	**2,011.1**

2.3. Margins

The consolidated operating profit (EBIT) for the first half of 2019 was EUR 144.8 million (EUR 180.7 million at 30 June 2018). The EBIT margin at the end of the first half of 2019 stood at 7.0% (9.0% at 30 June 2018).

That growth is mainly due to the improvement in profits of the Security business.
The EBIT margin is distributed as follows:

	Millions of Euro 30 June 2019
	Prosegur
Sales	2,055.1
EBIT	144.8
EBIT Margin	7.0%

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

2.4. Outlook for the second half of year 2019

Expectations for growth for the second half-year of 2019 are positive. The dynamics for growth in local currency will remain stable taking advantage of the typical positive seasonality in all geographical areas and business lines, and no significant incidences are foreseen that might alter that trend.

During the six-month period ended 30 June 2019, 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 2019. Furthermore, no additional significant contingent liabilities have arisen other than those mentioned in the consolidated annual accounts at 31 December 2017.

At the same time, in terms of consolidation in Euros, the negative effect suffered in the second half-year of 2018 is expected to be normalised, caused by the strong devaluation of the main South American currencies and the application of accounting standards IAS 21 and 29 relating to the consideration of Argentina as a hyper-inflationary economy, which were implemented as from the third quarter of 2018 and which entailed a comparable additional negative effect on the income/(loss) for the first half-year period.

The performance of the different business lines remains within the habitual margins and expectations, with rising volumes benefiting from the positive seasonality that is typical of the second half-year and the increasingly growing penetration of new solutions and products both in Security and in Cash and Alarms.

In all, the great uncertainty of the macro-situation in Argentina and Brazil lead the estimates for the second half-year of the year to be positive but somewhat more moderate compared to previous years.

Per business line, the unit most affected by this exchange rate effect is Cash, as it is the one with most trading exposure in this region.
In broader terms, Cash is estimated to see growth – in local currency – similar to last year, which could be improved by divestments in South Africa during the second half of the year, while Australia continues recovering from the impact generated at the beginning of the year by the loss of some important contracts.

Recent corporate transactions carried out by the Cash business in Central America and Philippines will also have a relative accelerator effect on sales volumes, while on the other hand they will also have the effect of slightly diluting the margins during the process of integration and their returns are brought into line with those of the business in the region.

As for the Security business, we also expect to continue with the pace of organic growth seen during the first half of the year, backed up by the start of operations in the US market as a result of the acquisitions during the first quarter of the year and the last quarter of 2018.

In terms of profits, the application of accounting standards 21 and 29 in Argentina and the four acquisitions carried out in US could have a diluting effect on the margins due to a change in the mix (less weight of Argentina in the consolidated) and integration costs. Although it is possible that the smooth progress of advanced comprehensive solutions for security and constant improvement in Brazil – backed up by labour reforms being introduced by the government of that country – might reduce that margin erosion to the minimum or even turn it into positive growth.

With reference to the Alarms business, the major changes applied to the sales model aiming at greater returns and portfolio stability will translate as a slower growth than in previous years.

Since the beginning of the year we have started a thorough review of the process for attracting customers aimed at reducing the churn rate and improving the operating margins of the business. To achieve this, we are strongly promoting the use of bank funding models to facilitate customers' access to the product, placing standing orders for bills (greater customer use of banking services) in countries where this is not habitual practice, and the expansion of the smart platform to all newly registered services in the group.

These measures are highly beneficial to the portfolio in the medium and long term, but they have the effect of slowing down the sales cycle in the short term which will translate during the remaining half year period as a new registration rate that is lower than normal, with average single-digit growth compared to the double-digit growth seen over recent years.

At the same time, recurring billing under contract, or ARPU, will remain stable at 36 Euros per contract per month, despite the sharp deterioration of the main currencies in Ibero-America.

To summarise, we expect a second half-year period with growth dynamics in line with the averages for previous years, without structural risks or variations in the essentials of each business line, and with the only uncertainty generated by the current macro-situation following the entry of the new government in Brazil and the elections scheduled in Argentina for the end of the year which could be determining factors for changes that might have an impact on the business.

3. Average Headcount

Details of Prosegur's average headcount for the six-month periods ended 30 June 2019 and 30 June 2018 are as follows:

	June 2019	June 2018
Male	143,032	141,390
Female	27,608	26,964
	170,640	**168,354**

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 Board of Directors.

During the first half of year 2019, investments were made in fixed assets totalling EUR 68.9 million (EUR 71.0 million at 30 June 2018), mainly in Argentina and Brazil.

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 2019 amounted to EUR 594.4 million (EUR 424.7 million at 31 December 2018).

The ratio of net financial debt to equity at 30 June 2019 stood at 0.67 (0.40 at 31 December 2018).

6. Treasury Stock

The breakdown of the activity on the own shares account for the first half of year 2019 is as follows:

	Number of shares	**Millions of Euro**
Balance on 31 December 2018	18,542,006	52.8
Purchase of own shares	235,330	0.9
Own shares amortisation (capital reduction)	(18,445,278)	(52.4)
Other transfers	(99,185)	(0.3)
Balance on 30 June 2019	**232,873**	**0.9**

7. Environmental issues

At 30 June 2019, Prosegur has no environment-related contingencies, legal claims or income and expenses relating to the environment.

8. Alternative Performance Measures

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

APM	Definition and calculation	Purpose
Working capital	A financial measure show ing the Group's operational liquidity. Working capital is calculated as current assets less current liabilities, plus deferred tax assets less deferred tax liabilities, less non-current provisions.	Positive w orking capital is needed to ensure that a company is able to continue operating and has sufficient funds w ith w hich to meet its current debt obligations and imminent operating expenses. The management of w orking capital requires the Group to control inventories, accounts receivable and payable and cash.
EBIT Margin	EBIT Margin is calculated as results from operating activities divided by total revenue.	EBIT margin provides a view of the company's operating results in comparison w ith the total revenue.
Organic Grow th	Organic Grow th is calculated as the increase or decrease in revenue betw een tw o periods adjusted for acquisition and divestitures and changes in exchange rate.	Organic Grow th provides a view of the company's organic revenue grow th.
Inorganic Grow th	Company calculates Inorganic grow th for a given period as the aggregation of all the revenues from all the acquired entities during the last 12 months.	Inorganic Grow th provides a view of the company's increase or decrease of revenue due to M&A or Sales variations.
Effect of exchange rate fluctuations	The Group calculates the Effect of exchange rate fluctuations as the different of Revenues for the current year less revenues for the current year at exchange rates of previous year.	The Effect of exchange rate fluctuations provides the impact of the currencies in the company's revenues.
Net Financial Debt	The Group calculates Net Financial Debt as the sum of current and non-current financial liabilities (including other non-bank payables corresponding to deferred payments for M&A acquisitions and financial liabilities w ith Group companies) less cash and cash equivalents, less current investments in group companies, less other current financial assets.	Net Financial Debt provides the absolute figure of the Groups level of debt.
EBITA	EBITA is calculated on the Group's Consolidated profit for the year w ithout factoring in loss from discontinued operation net of tax, income tax expenses, net finance income or cost and amortisation of goodw ill or of intangible assets, but including amortisation of softw are.	EBITA provides a view of the company's earnings before interest, taxes and amortisation of goodw ill or of intangible assets.
EBITDA	EBITDA is calculated on the Group's Consolidated profit w ithout factoring in loss from discontinued operations net of tax, income tax expenses, net finance income or cost and any depreciation or amortisation of goodw ill.	EBITDA provides an accurate view of w hat a company is earning or losing from its business. EBITDA excludes non-cash variables, w hich can vary significantly from one company to another, depending on the accounting policies applied. Depreciation and amortisation are non-monetary variables and are therefore of limited interest to investors.

Working Capital (Millions of Euro)	**30.06.2019**	**31.12.2018**
Non-Current Assets held-for-sale	47.3	0.6
Inventories	78.2	76.1
Trade and other receivables	926.9	820.9
Current tax assets	136.0	154.0
Cash and cash equivalents	427.7	558.4
Other current financial assets	489.6	489.3
Deferred tax assets	111.5	84.1
Trade and other payables	(745.8)	(794.8)
Current tax liabilities	(113.7)	(78.6)
Financial liabilities	(275.8)	(150.7)
Other current liabilities	(54.9)	(48.3)
Deferred tax liabilities	(78.8)	(58.5)
Provisions	(200.8)	(201.6)
Total Working Capital	**747.4**	**850.9**

EBIT Margin (Millions of Euro)	**30.06.2019**	**30.06.2018**
EBIT	144.8	180.7
Revenues	2,055.1	2,011.1
Adjusted EBIT Margin	**7.0%**	**9.0%**

Organic Growth (Millions of Euro)	**30.06.2019**	**30.06.2018**
Revenues for current year	2,055.1	2,011.1
Less: Revenues for the previous year	2,011.1	2,128.8
Less: Inorganic Growth	134.8	16.3
Effect of exchange rate fluctuations	(236.9)	(313.6)
Total Organic Growth	**146.0**	**179.6**

Inorganic Growth (Millions of Euro)	**30.06.2019**	**30.06.2018**
Cash Ibero-America	33.5	3.2
Cash Europe	5.9	9.1
Cash Row	16.7	1.5
Security Ibero-America	10.4	-
Security Europe	0.3	0.1
Security Row	68.0	-
Alarms Ibero-America	-	2.4
Alarmas Row	-	-
Divestments	-	-
Total Inorganic Growth	**134.8**	**16.3**

Effect of exchange rate fluctuations (Millions of Euro)	**30.06.2019**	**30.06.2018**
Revenues for current year	2,055.1	2,011.1
Less: Revenues for the current year at exchange rates of previous year	2,292.0	2,324.7
Effect of exchange rate fluctuations	**(236.9)**	**(313.6)**

Net Financial Debt (Millions of Euro)	**30.06.2019**	**31.12.2018**
Financial liabilities	1,618.9	1,542.3
Financial liabilities related to leases	129.8	-
Adjusted financial liabilities **(A)**	1,748.7	1,542.3
Not assigned financial liabilities with group companies **(B)**	-	-
Cash and cash equivalents	(427.7)	(558.4)
Cash and cash equivalents (held for sale)	(1.9)	-
Less: adjusted cash and cash equivalents **(C)**	(429.6)	(558.4)
Less: not assigned current investments in group companies **(D)**	-	-
Less: other financial current assets **(E)**	*(489.6)*	*(489.3)*
Total Net Financial Debt (A+B+C+D+E)	829.5	494.6
Less: Financial liabilities related to leases	(129.8)	-
Less: other non-bank payables **(F)**	(105.3)	(69.9)
Total Net Financial Debt (excluding other non-bank payables corresponding to deferred payments for M&A acquisitions) **(A+B+C+D+E+F)**	**594.4**	**424.7**

EBITA (Millions of Euro)	**30.06.2019**	**30.06.2018**
Consolidated profit for the year	48.4	80.8
Minority interests	22.1	30.8
Income tax expenses	46.8	64.4
Net finance costs	27.6	4.7
Amortizations	13.9	11.3
EBITA	**158.8**	**192.0**

EBITDA (Millions of Euro)	**30.06.2019**	**30.06.2018**
Consolidated profit for the year	48.4	80.8
Minority interests	22.1	30.8
Income tax expenses	46.8	64.4
Net finance costs	27.6	4.7
Depreciation and amortization	101.8	70.0
EBITDA	**246.7**	**250.7**

As mentioned in note 2 of the consolidated abridged interim Financial Statements, the comparative information presented in this Directors Report has not been restated by the application of IFRS 16 on Leases and IAS 29 relating to financial reporting in hyperinflationary economies applied in Argentina.

9. Subsequent significant events

As of July 22nd, 2019 Prosegur Cash Group has signed a sale agreement for the 100% of the capital shares of Prosegur Cash Holding France to Loomis AB (Note 11).

STATEMENT OF RESPONSIBILITY FOR THE FINANCIAL INFORMATION FOR THE FIRST HALF OF 2019

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 2019, authorised for issue by the Board of Directors at the meeting held on 25 July 2019 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, 25 July 2019.

Ms Helena Irene Revoredo Delvecchio Chair	Mr. Isidro Fernández Barreiro Vice-chairman
Mr. Christian Gut Revoredo Managing Director	Ms. Chantal Gut Revoredo* Director
Mr Eugenio Ruiz-Gálvez Priego Director	Mr Ángel Durández Adeva Director
Mr Fernando Vives Ruíz Director	Mr Fernando D'Ornellas Silva Director

* Mrs. Chantal Gut Revoredo does not sign this declaration for having attended, represented by D.Christian Gut Revoredo, to the meeting of the Board of Directors where the information, financial statements and reports referred to therein were made.

Certification attesting that, at their meeting held in Madrid on 25 July 2019, the Board of Directors of Prosegur Compañía de Seguridad, S.A. drew up the half-yearly financial report for the first half of 2019, 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 2019 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 25 July 2019.

Signed: Mr Arnau Tapias Monné
Secretary (non-director) to the Board

Ms Helena Irene Revoredo Delvecchio
Chair

Mr. Isidro Fernández Barreiro
Vice-chairman

Mr. Christian Gut Revoredo
Managing Director

Ms. Chantal Gut Revoredo*
Director

Mr Eugenio Ruiz-Gálvez Priego
Director

Mr Ángel Durández Adeva
Director

Mr Fernando Vives Ruíz
Director

Mr Fernando D'Ornellas Silva
Director

* Mrs. Chantal Gut Revoredo does not sign this declaration for having attended, represented by D.Christian Gut Revoredo, to the meeting of the Board of Directors where the information, financial statements and reports referred to therein were made.