



ANNUAL REPORT 2006



PROSEGUR



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A MESSAGE FROM THE CEO

Dear Shareholders,

Once again I am taking this opportunity to inform you of the Prosegur Group's management performance, overall situation and outlook. For a company, an Annual Report is its main instrument for satisfying the rights of its shareholders, clients, employees and other interested parties to be kept informed of how their business interests are progressing. It is also a company's ideal vehicle for transmitting to all its stakeholders its values, for telling them what the Company is and what it wants to be. And it was with this desire for transcendence that we undertook the preparation of this document in 2006.

2006, a satisfactory performance

The security sector has progressed well in those countries and regions where Prosegur operates. While overall average growth for the world market was 10% in 2006, figures varied according to different regions, with the European market closing the year at 6% and the international market at 10%, with particularly dynamic performances in Central and South America.

Against this backdrop, the Prosegur Group obtained favourable results in 2006, with turnover reaching 1.628 million euros, a market-beating 17% rise on 2005, thanks to the Group's solid organic growth (13%) and the positive impact of acquisitions.

Group Operating Result (EBIT) came to 135 million euros, representing an 8.3% margin on sales and an increase of nearly 19% compared to the previous year. However, following the ruling by Spain's Supreme Court on how overtime is calculated in the Security sector's collective agreement, the Company decided to make a 30 million euros provision to cover possible claims in the periods 2005 and 2006. This provision took the Operating Result for 2006 down to 105 million euros.

Shareholder remuneration, against the 2005 results, rose to 33 million euros.

Consolidation of the business model

These results came from a business strategy that was strengthened in 2006 and that aims at attaining the objectives laid down in our "2000/200" Plan.

In this respect, we have strengthened our commitment to Fire Safety and Prevention Technology in Spain, and we acquired Escol in Portugal and Fireless in Argentina, both of which are companies of reference in their respective markets.



Furthermore, in accordance with our philosophy of always being several steps ahead of the market, we are providing new services in Securities Logistics and Cash Management, with the aim of strengthening our ties as security partners for our clients and to add value to their business, which will, in turn, allow them to concentrate on their core activities.

As part of our efforts to provide the highest quality in Active Guardian services—in a setting of increasing difficulty in hiring qualified professionals—we have put into place a staff loyalty scheme (unique in the sector) and we are using tools designed to make our services transparent and thanks to which not only clients but also the Company obtain more information on services, and in real time.

An efficient strategy

We are firmly convinced—and the results bear it out—that this course of action is the right one for attaining our objectives for growth and for increasing margins. In the short term, we intend to develop this strategy further, with the following priorities:

■ **Corporate Security.** In this division, which is at the very heart of our activity, we will increase revenue by both organic and non-organic growth, and we will invest in processes, infrastructures and technology in order to improve operative efficiency levels in our activities and in each country. In this respect, we will have to take full advantage of our centres of competence, a horizontal structure model that will help to identify best management practices and to transmit them to all levels of the Company.

■ **Residential Security.** We will consolidate our presence in current markets and we will take our business model to other countries in order to make a decisive push in the area of Residential Security Systems.

Prosegur Group is enjoying a favourable moment. We are an experienced leading player. Our strategy is working well, and our professionals have all that it takes to develop that strategy, and the outlook is excellent. I would like to thank our shareholders and clients most sincerely for their continued support, and to our nearly 80.000 employees without whose efforts and support we would never have come this far.



Eduardo Paraja Quirós

1 MISSION AND VALUES

The mission of the Prosegur Group is to be a leader in security services in the markets where it is present. To this end, it aims for high levels of efficiency and profitability, to the benefit of clients, employees, and shareholders. The provision of these security services stands out by our operating excellence, and by the search for continual improvement and innovation.

The values of Prosegur, and how they are manifested in the daily life of the Company, are as follows:

Proactiveness

Prosegur celebrated in 2006 its thirtieth year. The celebration of three decades of leadership in the sector served to reinforce the values that have characterised the Company throughout its history, and of these values, proactiveness has a leading role.

In a traditionally reactive sector, such as security services, the capacity for taking the initiative, anticipating customer demands, and resolving problems before they occur, is a clearly differentiating value compared to competitors.

The Group continues to be a pioneer in the delivery of new services such as Cash Management, Logistics for Valuables and in Active Surveillance.

Leadership

In the corporate world, the leadership of a company consists not only in being number one; in addition, it needs to have the ambition to be a permanent leader in the markets where it operates, and have a specific strategy to realise that ambition.

The Prosegur Group is the leading security company in Spain, Portugal and Latin America, and is among the largest in the world by sales. Its progress in terms of revenues and of profitability are based both on the dynamism of its organic

THE NEW FOCUS OF
THE BUSINESS IS ON
OFFERING **GLOBAL
SECURITY SOLUTIONS**,
ADAPTED TO THE NEEDS
OF EACH CLIENT



growth and on its acquisitions policy, which in 2006 saw the purchase of three companies (Escol, in Portugal; Fireless, in Argentina, and in 2007 Thomas Greg & Sons, in Colombia).

Customer focus

Prosegur believes that customer focus must be more than just a declaration of good intentions, and all its organisation is focussed on this end. In 2006, it finalised the remodelling of its sales policies, restructuring its internal structure (with a global, not compartmentalised, services offer), with increased closeness to the client (who must always have easy access to a company representative).

As a result, all the employees of the Company have an active dialogue with the customer, which means that they can detect in advance any inefficiencies and provide the best solutions in each case.

Excellence

In order to guarantee excellence in all the services that it delivers, Prosegur Group takes the maximum care of the quality of all its internal and external processes (from the selection and training of personnel, to customer relations), and always aims to find new management tools and models in the activities that it carries out.

This ambition is reflected in a twin commitment: to provide the usual security services with the highest level of quality, and to offer new services, in particular by incorporating technology.

In this regard, Prosegur was the first private Spanish security company to list on the Stock Market, to apply the EFQM business excellence model, to obtain ISO 14001:2004 certification (for environmental management) and to establish a rigorous selection process which enables specialised profiles of candidates to be prepared.

Teamwork

The importance of teamwork for Prosegur is reflected in the creation of the Competency Centres, which are specialised institutions for transferring knowledge within the Company.

Their aim is to identify and spread best practices in management, in order to achieve a more efficient use of resources, facilitate innovation, and make best use of synergies.

The Competency Centres, which encourage participation and co-operation in the workforce, are at their most useful in a scenario of international expansion, such as that which Prosegur is experiencing, as they contribute to a more rapid and effective integration of the new markets and businesses.

THE **COMPETENCY CENTRES** IDENTIFY AND DISSEMINATE BEST PRACTICES IN MANAGEMENT, **FACILITATE INNOVATION** AND MAKE BEST USE OF SYNERGIES



Transparency

The Prosegur Group believes that transparency is essential for generating confidence, both from an internal and external perspective. Consequently, the Company has implemented tools based on the latest technology in order to share and transmit information and knowledge in an open way.

The concept of transparency is particularly useful in the area of improving customer service, as customers can receive from the right channels full and complete information concerning the delivery of the services that they have contracted.

At the same time, the fluidity of internal information enables an understanding of the requirements of each client at all levels of the organisation, and hence allows these needs to be met.

Brand

The brand is one of the most significant assets of the Prosegur Group, and serves to differentiate it from other companies in the sector. Consequently, it has to be the vehicle for transmitting the values of the Company.

The Group completed in 2006 a renewal of its corporate image, reflecting the cultural change that had been implemented. The new image was well received, and the Interbrand consultancy said that it was one of the factors which justified the inclusion of Prosegur in the list of the ten most valuable brands in Spain in 2006.

The position of the Group also improved in the ranking of the corporate reputation of Merco. At the international level, the brand appeared in the list of Forbes magazine of the 200 companies with the highest prestige in the world.

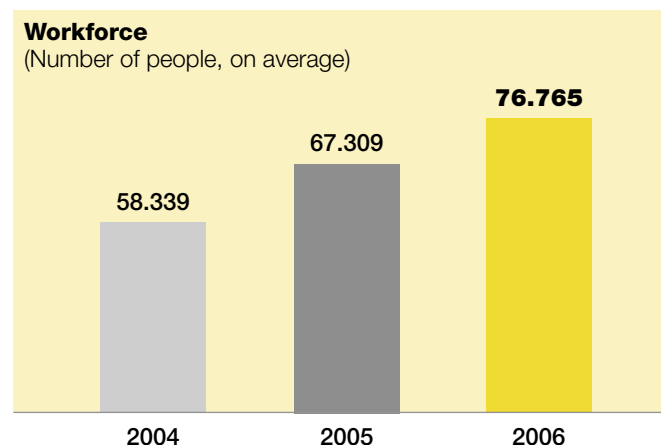
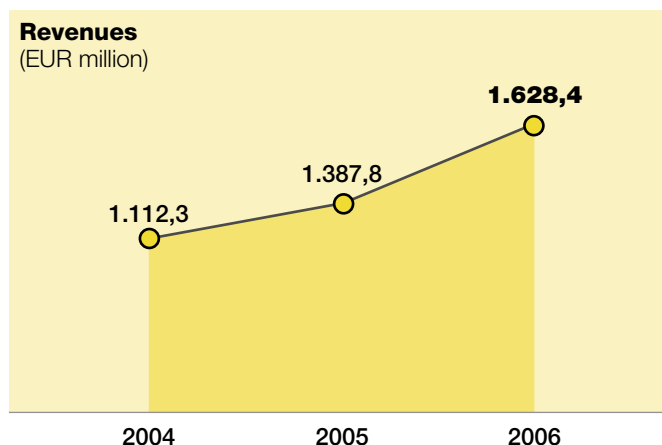
Value creation

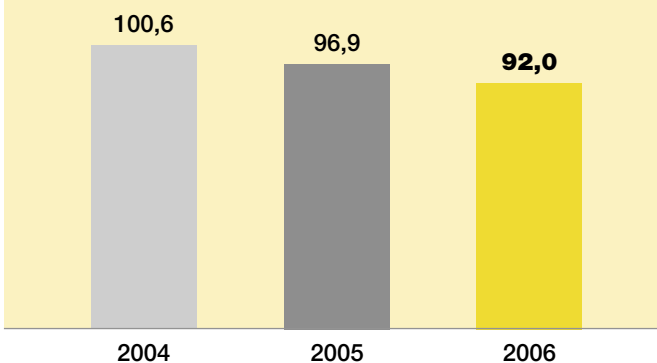
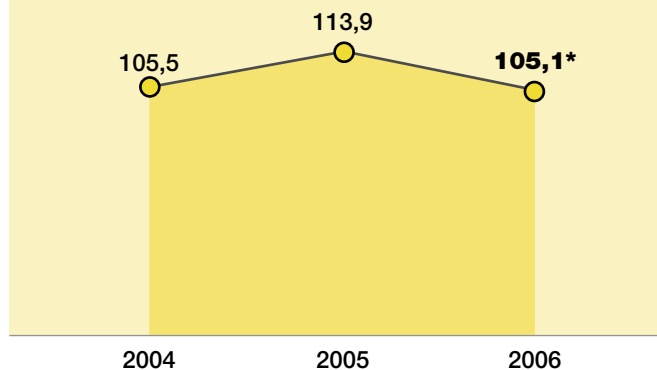
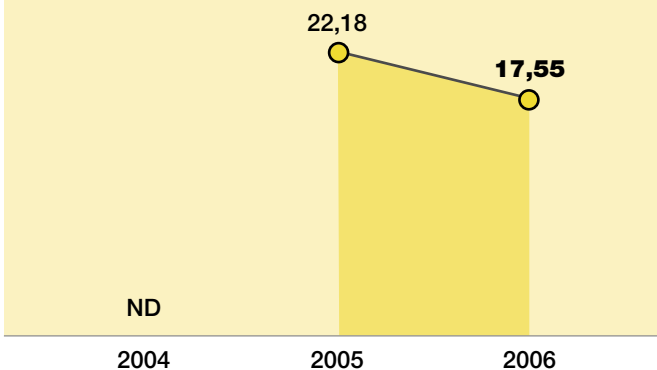
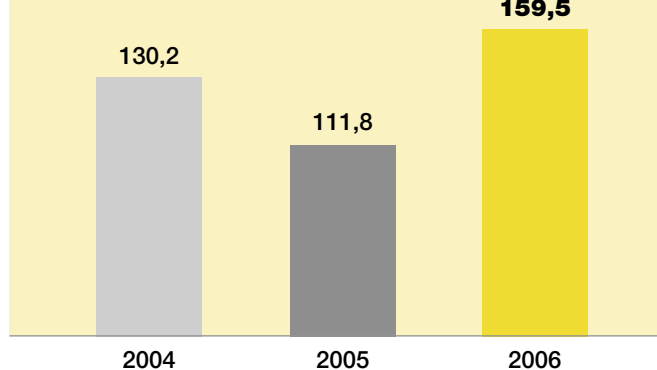
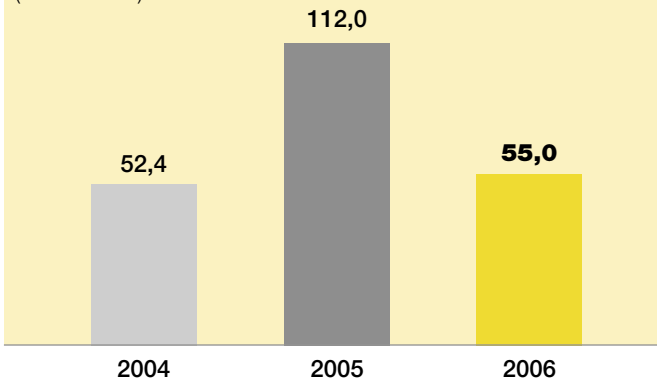
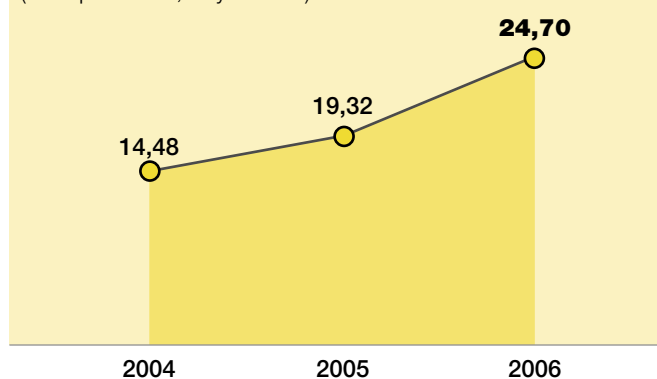
For Prosegur, the principle of value creation is reflected in three areas: Customers, Employees, and Shareholders. The departments of Large Accounts and Global Clients aim to facilitate the coordination with clients of national and international implementations, using just one representative. For employees, using training systems, loyalty and motivation programmes that are unique in the sector, and a continuous internal promotion policy aim to create value. For shareholders, value creation is reflected in a 27.85% rise in the share price in 2006. On 31 December, the shares closed at 24.70 euros.

THE PROSEGUR GROUP
HAS IMPLEMENTED
**STATE OF THE ART
TECHNOLOGICAL
TOOLS** TO SHARE AND
TRANSMIT INFORMATION,
CLEARLY AND OPENLY

2 PROSEGUR IN NUMBERS

Some data on the business indicators and figures of Prosegur serve to help understand the Group better. Here we will present the main figures in three yearly series. The obligatory application for companies adhering to international accounting norms means that the information prior to that date is not comparable and is not consistent with the data provided afterwards. Hence, here we use the information corresponding to years 2004, 2005 and 2006, which is governed by the same accounting criteria and which is consequently fully comparable.



Pretax profit
(EUR million)**Operating profit**
(EUR million)**Return on equity 1 (ROE)**
(%)**Operating cash flow**
(EUR million)**Investments**
(EUR million)**Share price**
(EUR per share, at year end)

* Operating profit was 105.1 million euros, from 113.9 million euros in 2005. This reduction is explained by the 30 million euros provision made in 2006 to cover possible payments as a consequence of the ruling of the Supreme Court on the valuation of overtime in the sector.



58
31/8
31/8
641/16
241/4
191/8
271/8
31/8
3
27/8
613/8
641/16 + 13/4
221/4
183/4
267/8
461/4
271/8
273/16 - 3/16
461/2 - 3/8
271/8 - 14/8
32 3/4
22
10 1/8
42 1/4
117/8
30
23

3 2006 MILESTONES

Fulfilling commitments

The Prosegur Group reported 2006 turnover of 1.628 million euros, an increase of 17.3% from 2005. By business line, revenues from services for Corporate Security rose by 17.8% to 1.540 million euros, with Residential Security revenues up 9.7% to 88 million euros. By geographical areas, the business in Latin America grew by 30.6% to 513.5 million euros and the business in Spain grew by 11.7% to 843 million euros. The Rest of Europe grew by 14.3% to 272 million euros.

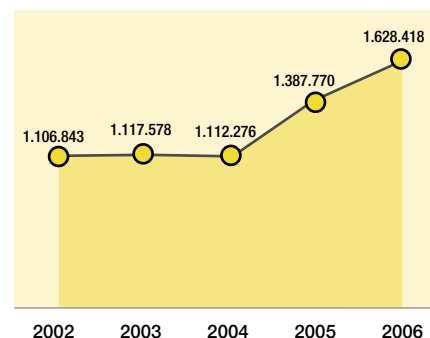
These figures confirm the good track that the Group is on and the compliance with the commitments established in 2005 for significant growth and profitability.

Overseas growth

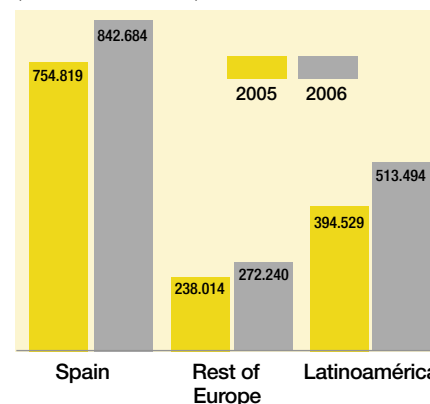
The Group acquired the specialist fire protection companies Fireless (Argentina) and Escol (Portugal). Both companies are leaders in their market, and have experienced significant growth. These acquisitions form part of the strategy of the Prosegur Group of making a concerted move in its area of Safety Systems and Technology.

At the beginning of 2007, Prosegur reached an agreement to acquire 60% of Thomas Greg & Sons Transportadora de Valores (TG&S), a specialist in logistics for valuables and cash management in Colombia. This operation consolidates the strategy of Prosegur of reinforcing its leadership in Latin America, and in particular in those countries where the main clients of the Group already have a significant presence.

Sales growth
(in EUR thousand)



Sales by geographic area
(in EUR thousand)



Commitment to safety technology

Technology is a strategic priority for the Prosegur Group, both because of its importance in the development and innovation in traditional services, and also in the rising demand for technologically advanced systems. In 2006, the area of Nordés Prosegur Tecnología strengthened its R&D department (which analyses new products) and increased its investments in ARC's (Alarm Receiving Centres), particularly aimed at security services in mobile environments.

Consolidation of corporate reputation

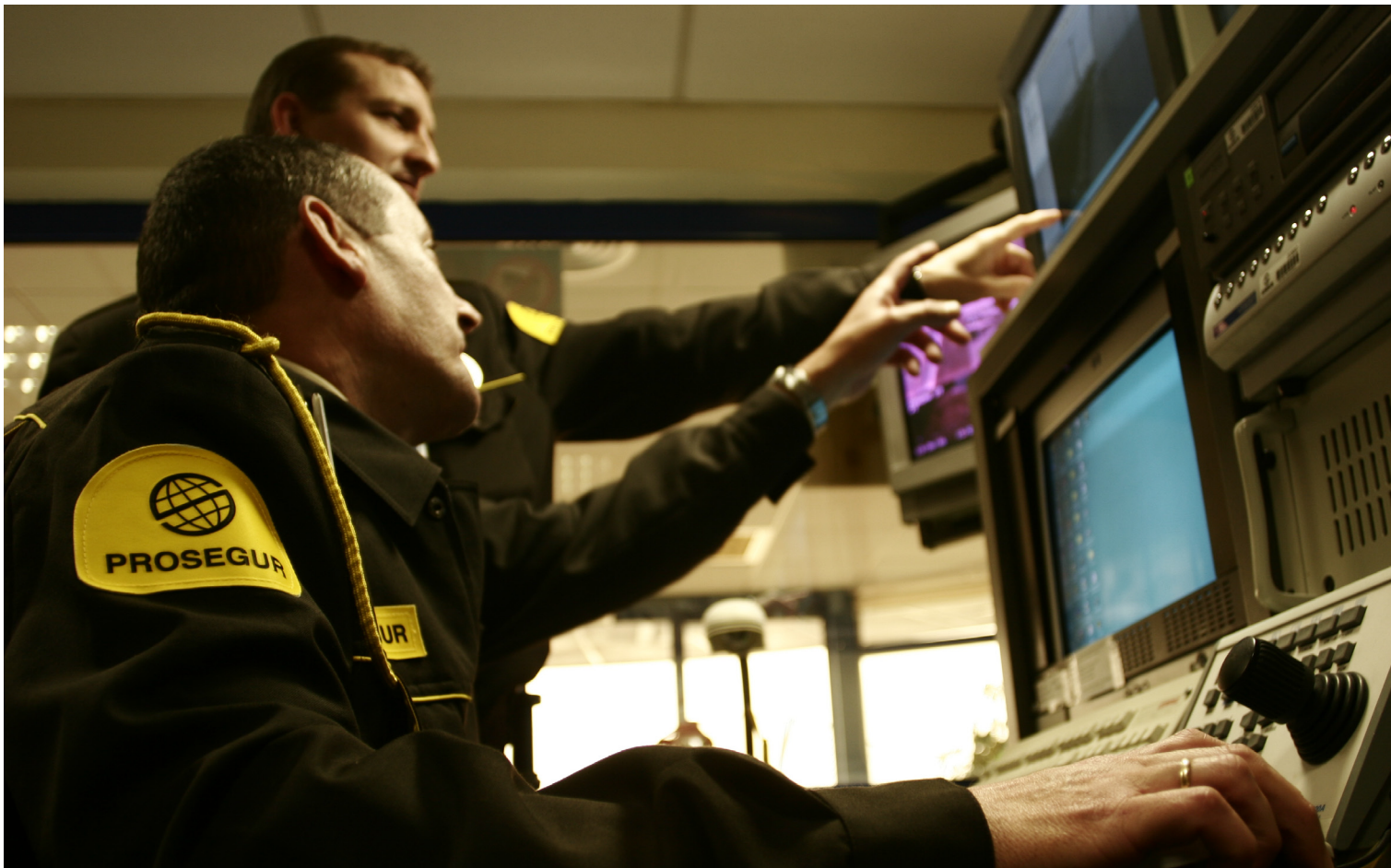
In 2006 the image of the Company was strengthened. This is testified by various studies, rankings, and prizes. In its two yearly study of the most valuable Spanish brands, Interbrand awarded Prosegur the number ten position because of its leadership in the world private security sector and because of its growth opportunities. The Merco index, which is a benchmark for the processes of evaluation and management of corporate reputation in Spain, awarded Prosegur the number 68 position in its classification of Spanish companies, up from 71 in 2005. Internationally, the ranking of the magazine Forbes put the Group at number 200 in its world classification.

Innovation in training and loyalty

The Prosegur Group is fully aware of the importance of human resources for reinforcing its levels of quality, and in 2006 it made improvements to its systems for selection, training, and employee loyalty. Among the initiatives that were rolled out, a highlight was **Prosegur Plus**, which is a programme designed to improve various key operating indicators, such as workforce stability, the attraction of candidates, and in particular the satisfaction of customers with the service provided, by having the guards and assistants which are the most motivated in their activity.



TECHNOLOGY IS A
STRATEGIC PRIORITY, DUE
TO THE IMPORTANCE
OF **INNOVATION** IN
SERVICES AND TO
RISING **DEMAND** FROM
CUSTOMERS



New drive in Residential Security

Prosegur created Prosegur Activa, a financially and organisationally independent business unit which provides residential security services for households and businesses. Prosegur Activa, which includes the former Residential Alarms division, has started business with the vision of growing with the needs and requirements of its over 216,000 clients across the world. The agreement strengthens the Group's plans to make a major drive in its area of Residential Security systems.

Prosegur Activa is committed to the use of cutting edge technology in all its services. In recent months, its product catalogue has seen the introduction of perimeter security solutions, video security, home automation and technical alarms. The other division of the Group is Corporate Security, which will continue to provide its services as it has done until now.

ACCORDING TO
INTERBRAND,
PROSEGUR IS THE
TENTH **MOST VALUABLE**
SPANISH BRAND, DUE TO
ITS LEADERSHIP AND ITS
GROWTH OPPORTUNITIES



4

STRATEGY
AND TARGETS

The Prosegur Group in 2004 said it would recover the pace of the organic and inorganic rise in revenues, and improve operating margins. Results achieved in 2006 confirm that these targets have been met satisfactorily. Group sales rose to EUR1.628 million, 17.3% more than in 2005, with an accumulated rise since 2004 of 46.4%. The performance of operating margins was just as favourable. In 2006, the EBITA margin, excluding new markets, was 6.6%. This figure includes a provision of EUR30 million due to the Supreme Court sentence on the remuneration of overtime.

These results were possible thanks to the implementation of various strategic actions by the Company:

■ **Strengthening the cross-selling strategy (providing services which complement those already received by the client) in Electronic Systems and Fire Protection.** In 2006, this policy led to revenue growth of 30% in these areas, with sales of EUR92 million, up from EUR71 million in 2005. Their weight in overall sales rose from 5% to about 6%.

THE **EXCELLENT RESULTS** ACHIEVED IN 2006 WERE POSSIBLE THANKS TO THE IMPLEMENTATION OF VARIOUS **STRATEGIC ACTIONS**

PRIORITIES FOR THE
FUTURE ARE TO
IMPROVE EFFICIENCY
BASED ON INNOVATION
AND TO **STRENGTHEN**
THE POSITION IN THE
MARKET

■ **Strengthening the cross-selling strategy in Latin America for Active Surveillance services**, which is a high-end service that includes guards, mobile patrols, dynamic protection, rapid response in emergencies and regular technical inspections. Revenues in the region rose by 37% to 154 million euros in 2006.

■ **Consolidation in Latin America and development of new markets.** Sales in Romania and Mexico were 6.6 million euros and 107,000 euros respectively. In traditional markets, revenues in Europe rose by 12% to 1.115 million euros, while in Latin America they rose 30.6% to 513 million euros.

■ **Growth by acquisitions.** In 2006, the Group bought Fireless (Argentina) and Escol (Portugal), companies in the fire protection area. At the start of 2007, the Group acquired the Colombian company Thomas Greg & Sons, which is a specialist in Cash Management and Logistics for Valuables and had sales of 35 million euros in 2006.

■ **Extracting synergies in Brazil.**

For the future, strategic priorities are:

- To improve the levels of efficiency in all countries and businesses, and to continue innovating in service delivery.
- To strengthen the position in the market, by identifying new opportunities for inorganic growth. Likewise, current and future new markets will be developed in accordance with the business model of the Group.



Strategy and management model

These strategic actions form part of the management model of the Prosegur Group, which is defined by the following factors:

■ **Closeness to the client.** The Group aims to be close to the customer, in order to understand their needs and offer them the products and services that are best adapted to them, and establishing a relationship of trust.

■ **Analytical control.** The aim is to have available analytical tools and systems which allow for rapid and accurate understanding of the development of the business, and which enable swift decision making.

■ **Excellence in operations.** The Group is committed to investing in the selection and training of its employees, to managing its operations efficiently, and to innovating in service delivery.

■ **Value creation.** The final result of the sum of the other factors is the creation of value for clients, employees and shareholders.



5 THE EVOLUTION OF BUSINESS

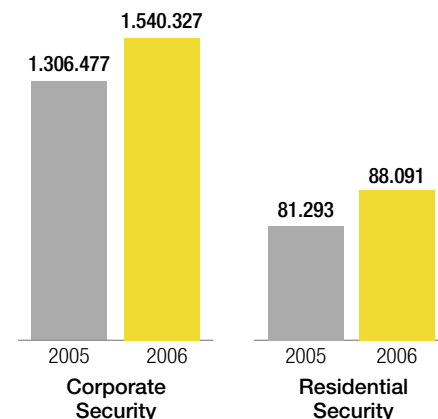
Prosegur Group registered positive results in 2006. The turnover totaled 1,628.40 million euros, which represents a 17.3% increase from the 2005 fiscal year. This increase in the number of business deals is attributed to the Group's solid, organic growth (13.3%), and to the positive impact of its acquisitions. By geographic region, profit volume in Spain increased 11.7%; in the rest of Europe 14.3%, and in Latin America the increase was 30.6%. By company branch, Corporate Security activity grew 17.8% while Residential Security (alarms) grew 9.7%.

The operating income (EBIT) derived from the company reached the amount of 135 million euros, which represents sales margin of 8.3% and a level of growth close to 19% from the previous year. Nevertheless, following the Spanish Supreme Court's decision regarding the Security Sector's collective agreement on overtime pay, the Company decided to set aside a provision of 30 million euros to cover possible complaints for fiscal years 2005 and 2006. This provision caused the 2006 operating income to decrease to the amount of 105 million euros.

These results can be considered highly satisfactory, given the strategic and management challenges that presented themselves during the fiscal year. In 2006 the Company reinforced its leadership in the majority of the countries in which Prosegur is present, and the new acquisitions (Escol, in Portugal; Fireless, in Argentina, and in 2007 Thomas Greg & Sons, in Colombia) confirm Prosegur's resolute bet on global markets and are a guarantee of development in the future.

The following pages explain in detail and with the necessary contextual information what has been the evolution of the Group's business.

Evolution by business branch





5.1 THE MARKET ENVIRONMENT

The 2006 fiscal year was characterized by a favorable macroeconomic context, both on a global level and in the principle markets in which Prosegur Group operates. The world economy grew 5.4% and completed the most durable positive cycle in the past three decades. Some emerging countries, such as China and India, increased their production close to 10%. The GNP of Latin America grew 5.3%, while that of the United States and Europe progressed more moderately (3.3% and 3%, respectively). The rhythm of growth in the Spanish economy, which reached 3.9%, was one of the highest of the developed countries.

The predictions for 2007 and the following years are also promising. The risks of inflation seem reduced, interest rate policies will remain solid and the world economy is on a path of relatively vigorous growth, although possibly more gentle than the 2006 fiscal year. Only the deceleration of the United States' economy, caused by the problems in the housing sector, casts some doubt over all countries' economic behavior, given the risk that the deceleration could have a contagious effect. In the case of Spain, the predictions are mostly positive, although it seems inevitable that the GNP growth, which reached its highest point in 2006, will slow down slightly in 2007 and 2008.

The environment in which security companies move is equally as favorable. In the first place, because it is a sector that is linked to the economic cycle (although maybe not as much as other industries), it benefits from the solid phase of expansion that the world economy is currently in. Furthermore, some emerging markets, such as Latin America, have shown signs of macroeconomic stability in past fiscal years. This setting, though not exempt from uncertainties that should be carefully monitored, is very beneficial for the sector's groups that, like Prosegur, have wagered the expansion of their operations on these markets.

From the point of view of the world's demand for security services, the estimations point to solid growth. The improvement in the quality of life in developing countries and the growing complexity of their corporate operations (which entail greater vulnerability and, in consequence, a greater need of protection) are the primary motors that propel demand.

In this setting, the prediction for growth of the sector's profits on a world level is between 8% and 9%. Surveillance services, which make up almost half of the market, are likely to increase around 7%, while value logistics, the most mature segment, could grow by up to 5%. The most dynamic areas are electronic systems and residential security, both with gains clearly over 10%.



Evolution of the Spanish market

It's considered that the 2006 fiscal year closed with an increase in business volume close to 9%, and the prediction for 2007 is similar. The economic development and the common perception citizens have of the risks associated with the challenges of modern living make possible sustainable demand for security services in Spain, both in the residential and corporate markets.



Trends and challenges

Within this context, it is possible to identify diverse business trends that signify, at the same time, important strategic challenges for the sector's companies. They are the following:

■ **Differentiation and segmentation.** The complexity of today's society (which incorporates into daily life phenomena like globalization, deregulation or democratization) requires personalized security answers and solutions for corporations, institutions and individuals.

■ **Concentration.** Business, initially very fragmented, has consolidated within the past ten years, especially in Spain and the rest of Europe. The result of this change is favorable for the sector's image, raising the quality standards and eliminating illegal practices.

■ **Quality.** Competitive differentiation is based on terms of service quality. In a labor-intensive sector (the big companies within the sector represent the principle employers in their respective countries), the level of quality is closely related to employee training, emphasizing the importance of the selection, training and loyalty of the staff. The shortage of labor in some areas (it is estimated, for example, that in Spain there is a deficit of more than 20,000 security guards, in part due to the impossibility of contracting non-European personnel) complicates the process.

■ **Technology.** Business development depends largely on the incorporation of advances in technology. In a double sense: greater investment in technology in the sector's traditional activities (like surveillance or cash management) and an increase in technological security (electronic systems and protection against fire).

■ **Outsourcing.** There's a growing inclination towards the outsourcing of security services, both by private companies and public administration, which opens up the possibility of new business opportunities, especially for specialized and established companies.

5.2 GEOGRAPHIC REGIONS

The Prosegur Group has a presence in 13 countries (Argentina, Brazil, Chile, Colombia, Spain, France, Italy, Mexico, Paraguay, Peru, Portugal, Romania and Uruguay) and is geographically organized into three regions (Spain, the Rest of Europe and Latin America).

In 2006, Spain's market generated 51.8% of business. Its profits were 842.7 million euros, which represented an increase of 11.7% from the previous year. The Rest of Europe registered profits of 272 million euros, a 14.3% increase from the previous year, reaching a total quota of 16.7%. The region with the greatest growth was Latin America, whose business brought in 513.5 million euros, with a growth of 30.6%. The sales of the entire Latin American region already represent 31.5% of the total Group.

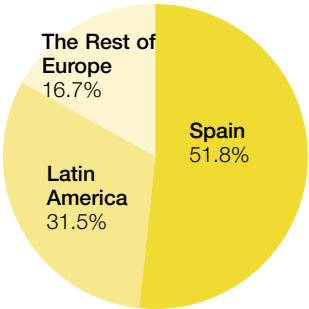
The following paragraphs describe the situation in each country and the environment in which the Company's activities take place.

Spain

Spain closed 2006 with economic growth of 3.9%, one of the highest rates of all developed countries. This boost aided activity in the private security sector, which



Contributions to overall profit by geographic area



grew an estimated 8.7%, a similar rate to that of 2005, achieving a total profit of 3.162 million euros.

The Prosegur Group improved the average growth of the sector. In 2006 it brought in 842.7 million euros, 11.7% more than the previous fiscal year. The Company's market quota was almost 27%. This rate is superior in more than one way to the previous fiscal year, confirming the Company's leadership in the Spanish market.

Prosegur's benefit of operation in Spain totaled 45.1 million euros. This result is due to the provision of 30 million Euros put aside to cover the repercussion of the Supreme Court's ruling on payment for overtime in the private security sector.

The Company has a staff of 25,472 people, a 5% increase. In 2006, tensions were detected in the labour market due to the labour shortage, especially in the surveillance sector. Prosegur developed diverse, pioneering initiatives to improve its ability to attract and retain the best professionals.

Among the initiatives to make employees more loyal is the **Prosegur Plus** programme, which incentivizes the commitment an operative employee has with a client, rewarding the service and company stability he/she offers through professional activities. **Prosegur Plus**, initially put in practice in the central region of Spain, was greatly accepted among clients and employees, achieving, among other results, a five-point decrease in the turnover rate of operational personnel, from the area of application.

Portugal

The Portuguese macroeconomic environment improved slightly. Although the expectations of economists continue to be less than satisfactory, the GNP grew 1.8% and for the first time in past years signs of economic recovery are appearing.

In Portugal, Prosegur offers a complete catalogue of Corporate and Residential Security services and is the leader in the private security sector with 19.5% of the market. Its turnover reached 125.3 million euros. There are 7,100 employees (making the Company the seventh largest employer in the country) and a fleet of 250 light vehicles, 100 armoured vehicles and 50 motorcycles.

In 2006, Prosegur consolidated its branch in Portugal as a company specializing in security for large events, offering services in the Lisbon-Dakar Rally and in the Estoril Motorcycle World Championship, among other large-scale events. Another important project was the installation of a complete security system in the Serpa solar power station, southeast of Lisbon, considered the largest photovoltaic installation in Europe, that ensures the protection of 52,000 solar panels located in 32 hectares.

Important information by country

Spain

Business figures: 842.7 million euros.

Staff: 25,471.

France

Business figures: 107 million euros.

Staff: 2,200.

Fleet: 25 armoured and 21 light vehicles.

Italy

Business figures: 33.7 million euros.

Staff: 900.

Portugal

Business figures: 125.3 million euros.

Staff: 7,100.

Fleet: 100 armoured, 250 light vehicles and 50 motorcycles.

Romania

Business figures: 13 million euros.

Brazil

Business figures: 263.5 million euros.

Staff: 19,329.

Fleet: 1,018 armoured and 446 light vehicles.

Argentina

Business figures: 128.5 million euros.

Staff: 10,159.

Chile

Business figures: around 70 million euros.

Staff: 5,188.

Fleet: 227 armoured and 298 light vehicles, 8 lorries and 20 motorcycles.

Mexico

Business figures: 107,000 euros.

Staff: 96.

Peru

Business figures: 33.5 million euros.

Staff: 4,000.

Fleet: 111 armoured, 86 light vehicles and 18 motorcycles.

Paraguay

Business figures: around 7 million euros.

Staff: 387.

Fleet: 43 armoured vehicles.

Uruguay

Business figures: 11.9 million euros.

Staff: 1,876.

The most important new development was the acquisition of Escol, a company specializing in the prevention and extinction of fires that is considered one of the best in the Portuguese market. With the integration of Escol, which generates more than 3 million euros annually and has close to 40 employees, Prosegur reasserts its leadership in the country's security sector.

France

France's economic activity changed moderately in 2006 and the GNP grew 1.7%, below the average of the European Union. The country's private security market is valued at 4.200 million euros.

Prosegur, which offers surveillance services, value logistics, technology and fire detection, saw profits of 107 million euros in 2006, representing an increase of 5.2%, in a highly competitive market environment and with decreasing margins. The growth was organic, placing it in markets with higher added value.

The Group in France has 2,200 employees and its fleet consists of 25 armoured vehicles and 21 light vehicles. Clients come mostly from the sectors of mass distribution (50% of the total) and banking (20%).

Italy

The Italian economy grew 1.7% in 2006 and is hoped to increase 1.3% this year, though in both cases below the European average.

The private security business in Italy is worth around 1.700 million euros and employs 60,000 people. Given the atomization of the sector and the regulatory difficulties (the norm requires the acquisition of a license to operate in each prefect), Prosegur's profits increased notably, totaling 33.7 million euros, and the 2006 fiscal year closed with good expectations. This was made possible thanks to the extensive penetration in the public sector, especially in Turin and Milan.

Prosegur Italy, whose business nucleus is surveillance, began in 2006 activities in the technology field (installing video control, fire detection systems and anti-intrusion systems). This addition to the company's range of activities allowed it to offer more integrated security services.

The Company in Italy has more than 900 employees, and its market quota in the areas where it has presence is 3%.



Romania

The Romanian economy grew at a good pace, supported by the dynamism of internal demand and investments. In 2006, the GNP increase in real terms was 7.7%. In this favorable macroeconomic context, the business volume within the security sector grew to 200 million euros.

Prosegur, which offers surveillance services, systems, value logistics and residential security in the country, has 6.5% of the market and occupies the second-highest position in the sector's ranking. Its profits totaled 13 million euros in 2006, and its annual growth rate is 20%, thanks mostly to the vigor of the active surveillance and residential security activities.

In 2006, the Romanian companies Rosegur Holding Corporation, S.L. (formerly Romanian Holding Corporation, S.L), Rosegur, S.A. (formerly Dragon Star Guard) and Security Dragon Star SRL became considered dependent companies, raising participation to 50%. In the 2005 fiscal year, these companies were considered associates.

Brazil

The Brazilian GNP increased 3.7% in 2006, a rate below the developed-country average. Despite the moderate progress of the economy, in general, the security sector is considered to have made considerable advances.

In this environment, Prosegur, which offers value logistics services, cash and teller management, electronic security, personal security and surveillance, registered a spectacular increase in its business volume. Its profits were 721 million reales (263.5 million euros), a 33.2% increase. This growth was made possible by the expansion of its business portfolio, pricing updates and the revenue generated by the yearly acquisition operations in 2005.

The Group in Brazil has 19,329 employees and dispatches a fleet of 1,018 armoured vehicles and 446 light vehicles. With the incorporation of new services, in 2006 it especially developed its image as a distinguished reference, both in the value logistics segment (in which its market quota is 37%) and in surveillance (1.9%).

One of the most emblematic projects of the Company in Brazil that took place in 2006 was the change made in the operative model of automatic teller management in Bradesco, the country's largest private bank. The project allowed a reduction in the financial company's costs and reaffirmed Prosegur's position as an innovative company dedicated to resolving the client's needs.

5

IN 2006, THE **SPANISH MARKET** GENERATED 51.8% OF THE **PROSEGUR GROUP'S** BUSINESS. WITH A MARKET QUOTA OF 27%, PROSEGUR MAINTAINS ITS LEADERSHIP IN THE SECTOR

Argentina

In 2006 the economy maintained the favourable accelerated growth trend initiated in 2003 and closed the year with a GNP increase of 8.5%. The accumulated increase over the past four years totaled 40%. The predictions for 2007 are also positive and it's hoped the economy grows 8% in turn. The possible increase of inflation tensions (prices rose 9.8% in 2006) could overshadow these expectations.

The private security sector had a good fiscal year in 2006. The positive evolution of the Argentine economy and the growth in demand for these types of services fomented its development. In particular, clients demanded higher quality surveillance services and the strong consumer pull made transportation activities extremely profitable. In the residential security business, a clear trend towards diversification and new product development was observed.

Within this expansive context, Prosegur, which employs a staff of 10,159 employees in Argentina, reinforced its leadership in the sector with profits of 128.5 million euros, of which more than half came from value logistics activity. The acquisition of Fireless, a company specializing in fire protection, completes the services offered and obviously consolidated Prosegur's image as a highly regarded company in the Argentine market.

In 2006 the Group in Argentina developed an integral cash management service to facilitate the development of operations in bank branches. The service, named Nodo, allows the mechanical processing of a large volume of money, which frees financial company personnel to provide better service to their regular clients.

Chile

In 2006 the Chilean economy registered a growth of 4.4%, less than the growth in 2005 and the previous year. The deceleration of internal demand and investment explains this decrease in the GNP growth rate. However, the continuity of government policy and a favorable external environment assure a stable macroeconomic situation.

From the point of view of the sector, the vigorous passing of new rules regulating security, surveillance and subcontracting introduced restrictions on companies' activities.

In this environment, Prosegur, which offers surveillance, value logistics, technology and messenger services in the Chilean market, registered sales of almost 70 million



WITH THE ACQUISITION OF
FIRELESS, A COMPANY
SPECIALIZING IN FIRE
PROTECTION, PROSEGUR
BECAME **HIGHLY**
REGARDED IN THE
ARGENTINE MARKET

euros. More than half of the sales were concentrated in the value logistics segment, where the Company has a market quota of 49% and occupies the highest position in the country's ranking. The growth of profits in this area were 9.9%. In its messenger service, which already represents 20% of profits, the Group brought in a 6.5% increase and is fifth in the classification by market quota. The surveillance business was the segment that most noted the economy's deceleration and the regulatory restrictions. Its profits fell 2.9% and its participation sat at 7% (fourth position).

Prosegur in Chile has 5,188 employees and its transportation fleet is composed of 553 vehicles (227 armoured, 298 light, 8 trucks and 20 motorcycles).

Mexico

2006 was an election year in Mexico, which slowed down economic activity for some months. In spite of this, the balance resulted positively: GNP growth of 6.5%, 4.1% inflation and a fall in unemployment to 3.5%. Another positive note is that the country's new president is partial to encouraging foreign investments, especially those coming from Spain. Within this context, Prosegur began its activities in the country in 2006, where it has offered active surveillance services since August.

Its staff consists of 96 people. Profits during the fiscal year were 1.6 million pesos (107,000 euros). Prosegur's leading clients in Mexico are Inditex (which gives Prosegur visibility in the market), Vitalmex (a Mexican capital group that is key to giving notable service to local clients) and Abengoa.

Peru

The energy of the exports in the service and construction sectors charged the country's economy in 2006, which grew 7.9%, while inflation stayed put at moderate levels (1.5%).

The favorable macroeconomic situation and good outlook from the financial sector favoured the increase of the Group's business figures, especially in the value logistics segment (including cash and automatic teller management), which achieved profits of 22.2 million euros, a 11.2% increase over 2005. This branch of activity consolidated Prosegur's position as the market leader, with a quota of 52%.

The surveillance segment's profits grew to 11.3 million euros in 2006, representing 7.3% of the business volume in Peru. In this market, characterized by the abundance

THE **LATIN AMERICAN**
REGION, WHOSE
SALES ALREADY MAKE UP
31.5% OF THE GROUP'S
TOTAL, IS THE AREA
THAT EXPERIENCED
THE GREATEST **GROWTH**
IN 2006

of informal companies with low costs, there are signs of a price war. Prosegur's strategy consists of promoting the brand and empowering activities in order to make clients more loyal.

The company has almost 4,000 workers and a fleet of 111 armoured vehicles, 86 light vehicles and 18 motorcycles.

Paraguay

The Paraguayan economy saw positive growth for the fourth consecutive year. The GNP increased 4%, in part due to the good results in the national banking system. The inflation rate during 2006, however, was high (12.5%, compared to 9.9% the previous fiscal year).

Prosegur, which performs surveillance and value logistics activities in this country, obtained profits of almost 7 million euros in 2006, representing 21% of the existing market in Paraguay. In the value logistics segment, Prosegur's market quota is 77%, while in the surveillance segment it is 3%.

The Company employs a staff of 387 workers (101 in surveillance and 286 in value logistics) and has a fleet of 43 armoured vehicles. Of clients in Paraguay, 80% correspond to the financial segment; 10% to industry and commerce; 5% belong to State administration and the other 5% work in non-financial services.

Uruguay

In 2006 the country's economy combined notable growth (the GNP increase was 7%) with greater stability of other indicators prone to abrupt oscillations, such as prices, public finances and the exchange rate.

This virtual macroeconomic cycle had positive effects on Prosegur's activities. However, as in other countries, the bouyant labour market generated problems in hiring and retaining adequate professionals, especially in the surveillance area.

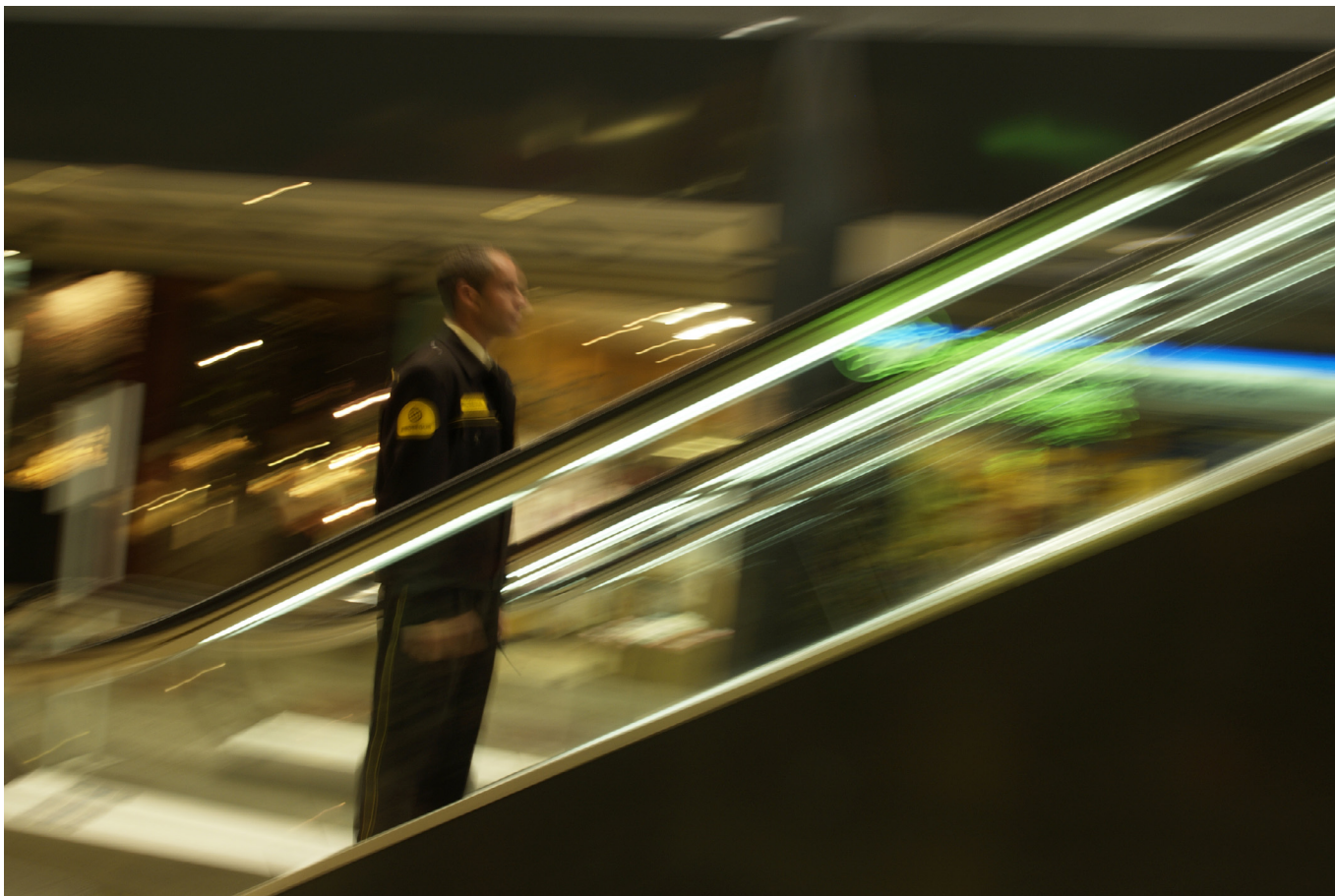
In 2006 the Group achieved business figures of 11.9 million Euros. The major jump in profits occurred in the surveillance area, which grew 28%. In Residential Security (alarms) the increase was 14%, while value logistics, cash management and teller management activity remained stabilized due to the absence of a consistent recuperation in the country's financial sector.

These figures allow Prosegur to be the distinguished leader in the Uruguayan security sector, with a market quota of 28% The Group employs 1,876 people, of which 58 correspond to Residential Security; 1,543 to surveillance and 275 work in value logistics, cashier and cash management.

THE PROSEGUR GROUP
OCCUPIES THE POSITION
OF **DISTINGUISHED
LEADER** IN THE
URUGUAYAN SECURITY
SECTOR, WITH A MARKET
QUOTA OF 28%.







5.3 AREAS OF BUSINESS

The Prosegur Group reorganized itself internally during 2006, in a process that culminated in the beginning of 2007 with the legal separation between the Corporate Security segment, whose activities are carried out by the Prosegur Security Company, and the Residential Security segment, which assumes the acts and functions of the former alarms division and becomes Prosegur Activa.

5.3.1. Corporate Security

The Corporate Security service area was the segment with the most organic growth in 2006. Its profits were 1.540 million euros, which signifies a 17.8% increase from the 2005 fiscal year. This is the activity of its business branches.



Active Surveillance

The Active Surveillance branch forms part of the fundamental nucleus of the Prosegur Group's activities. It employs more than 70,000 people and 4,600 vehicles, and is present in 12 countries (Spain, Portugal, France, Italy, Romania, Argentina, Brazil, Mexico, Chile, Paraguay, Peru and Chile), or in other words, all of the countries that the Company is present except Colombia. Although it deals with a business considered to be mature within the security segment, the rate of growth of its profits is notable (close to 7%) and the demand for its services remains firm.

However, the business also considers the existence of certain background trends as less favourable. Surveillance services have converted into a type of commodity with a value-added shortage and about which the majority of clients make decisions based exclusively on price.

The result is that, despite the strong demand, companies have difficulties maintaining their quality levels in the service offered, and margins have weakened.

Prosegur's Surveillance segment tries to move past these unsatisfactory roadblocks. Its objective is to offer excellent service and commit itself entirely to the client in return for just prices. With this goal, in 2006 it made decisions based on the following lines of work:

■ **Efficiency in operations.** For this, it invested in information technology (1,500 PDAs, or the latest electronic personal agenda devices, were distributed among all of the staff's managers) and in human resources (increasing the number of inspectors and improving the training of intermediary authorities).

■ **Consolidation of the differentiation policy.** The Prosegur Group proposes to offer the highest quality basic surveillance services, which are also offered by the rest of the companies within the sector, along with new surveillance services, especially through the incorporation of advanced technology. On this point, in 2006 the Company developed the concept of active surveillance, which includes internal and external rounds of buildings, mobile patrols in open grounds and large extensions, shared dynamic surveillance, rescue and quick response in emergencies, scheduled technical inspections and geo-positioning systems given to patrols in industrial parks and urbanizations, and bodyguard services.

■ **Complete supply of information to the client.** In line with the efforts made in previous years to perfect reporting methodology, during the 2006 fiscal year the Company offered exhaustive information about the people who were given service, their activities and interventions, with the goal of making it easier for the client to more easily manage his or her investment in security.

■ **Improving human capital.** The importance of personal surveillance is critical; because of this Prosegur makes an effort to select, train and retain the best professionals. One of the key tools in 2006 was **Prosegur Plus**, a loyalty system

IN THE BEGINNING OF
2007, THE GROUP
CARRIED OUT THE LEGAL
SEPARATION OF THE
CORPORATE SECURITY
SEGMENT AND THE
RESIDENTAL **SECURITY**
SEGMENT

that rewards the professionalism of security guards and service assistants who offer services.

Prosegur Plus is a motivation and recognition programme that rewards professionalism and employee attitude regarding his or her commitment to the client and professional trajectory, translating daily work into points exchangeable for gifts and trips.

Prosegur Plus began in a partial form in the central region of Spain and has had great acceptance among security guards and assistants upon being rewarded, individually, for their work done. This programme allowed the Company to improve many of the most important operative indicators, such as staff stability, candidate recruitment and, especially, clients' satisfaction with the service provided by security guards and assistants that are more motivated and dedicated to their jobs.

Other measures taken to aid the recruitment of good security guards were the awarding of credits to promote work mobility, cooperation agreements made with private surveillance training academies, the promotion of professional careers and other actions directed at developing Prosegur's reputation as one of the best companies to work for.

The excellent philosophy that governs the Group's surveillance activities is summed up by, and centered upon, the special personal security services (bodyguards). This activity adapts itself to the complex security needs of modern society and uses the integration of technological advances, such as geo-positioning systems. The process of providing personal security service includes identifying the protection needs, designing the security plan and choosing the personnel team, in collaboration with psychologists and other experts.

Value Logistics and Cash and Teller Management

The business branch of Value Logistics, which aside from value logistics activities also includes cash management and the management of tellers, is present in Spain, Portugal, France, Argentina, Brazil, Chile, Paraguay, Peru and Uruguay. Because of its mature business condition (especially in the Spanish, Argentine, Chilean and Peruvian markets), and its small growth potential, its basic objective during 2006 was to grow and reinforce ways to incorporate added value.

These were the primary business actions:

■ **Search for new business segments.** In particular, it created jobs by means of small and medium-sized companies, whose particularities demand the development of new concepts of protection and fund transfers.

■ **Greater integration with traditional clients,** improving efficiency in accountant operations.



IN 2006, PROSEGUR
DEVELOPED THE
INTEGRAL SERVICE OF
DISPLACED TELLERS AND
BEGAN THE **INTEGRAL**
MANAGEMENT OF
BANKING OFFICES

■ **Offer new services.** Prosegur developed the integral service of automatic, displaced tellers. In 2006 it reached 4,500 tellers. Moreover, it began the integral management of banking offices, a more complex service than the one for tellers, though both share some essential characteristics. The goal is to diminish the institutions' immobilized balance and make their operations more effective.

■ **Consolidation of services in which the Prosegur Group has been a pioneer.** This is the case of the Auxiliary Deposit Systems (storage from the Bank of Spain displaced in the Prosegur installations).

Also, the Value Logistics segment gave priority in 2006 to the increase in efficiency of its operations. For this, it completed diverse improvement projects, such as optimizing its actions with information applications and greater visibility around vehicles, whose movements generate immediate information regarding stops, door openings and other incidents.

In fiscal year 2006, it also improved the efficiency of managers' activities through greater procedural integration, creating a customised salary system.

Looking to fiscal year 2007, one of the business branch's fundamental goals is to adapt the frame regulations (or framework) of the European Central Bank (ECB) in order to recycle euro bills, which aims to ensure the quality, integrity and authenticity of the money in circulation.

This regulation, which due to a moratorium will be implemented progressively until 31 December 2010, affects more than anything the movement of cash in the automatic tellers, and demands that the recycling be done under certain conditions which is good for the respective financial organization and good for a standardized company.

The new requirements created by the ECB have repercussions for installations, procedures, machinery and security. Prosegur is undergoing the necessary processes to achieve standardization, whose guidelines were recently published.

Other challenges for 2007 are:

- Undertake the automatic teller management service in offices, reproducing the model of the displaced tellers.
- Develop the integral management of banking offices.
- Introduce a model of variable payment for transportation personnel.
- Promote competitive logistics centers, generalising and homogenising good practices.

ONE OF THE PRIORITIES
FOR 2007 OF THE
VALUE LOGISTICS
SEGMENT IS TO ADAPT
THE **NEW FRAMEWORK**
OF THE CENTRAL
EUROPEAN BANK

Prosegur Technology

The Security and Protection Against Fires Technology is one of the Prosegur Group's strategic investments, given its growth potential in the principle markets. The purpose is to spark its growth both organically and through acquisitions. The objective of the business area is to be the company most highly regarded for these types of services.

In 2006, Nordés-Prosegur Technology centered its efforts on consolidating professional teams, strengthening its presence in Spain and improving its processes, since company acquisitions (Escol, in Portugal and Fireless, in Argentina, both specialising in protection from fires) demanded an important effort for integration. In this sense, it invested in the creation of a common information technology platform and unified the procedures in the relationships with suppliers and other collaborators.

The **services** offered, always under the proud philosophy of the team, are the following:

- Protection against fires (detection and extinction).
- Electronic security systems.
 - Image treatment.
 - Access control.
 - Anti-intrusion systems.
 - Interphone and megaphone systems.
- Control centres.
 - Remote localization systems.
- Alarm Receiving Centres (ARC's)
 - Technical alarms.
- System integration
- Maintenance.

At the same time, Prosegur strengthened the activity of the Department of Research and Development (R+D), which analyses new technology products entering the market and work for their integration.

Amplified list of activities offered

From the point of view of service demand, one of the activities with the most drive in 2006, and possibly also in the coming years, was system integration. Once again companies must exchange the information they give out in order to manage more efficiently their security investments.

The other segment with great growth is that of Alarm Receiving Centres. In 2006, the demand for this service triggered strong investments in technology and an amplified number of activities offered. Aside from the traditional anti-intrusion alarms, they



NORDÉS PROSEGUR TECHNOLOGY

IS ONE OF THE GROUP'S STRATEGIC INVESTMENTS. ITS GOAL IS TO BE THE MOSTLY **HIGHLY REGARDED COMPANY** IN THE COUNTRIES WHERE IT OPERATES

also offer fire detectors, technical alarms, image treatment (security cameras), security in mobile environments (fleets, freights and people), and maintenance and remote programming of security systems.

It's hoped the Alarm Receiving Centres business continues increasing at a good pace over the coming years, especially in the areas of security in mobile environments and image treatment.



5.3.2 Residential Security

The Residential Security segment, focused on service to homes and businesses, has become the most economic and organizationally independent unit with the establishment of Prosegur Activa, which was managed from an operative point of view in 2006 and assumed control of in 2007. The creation of Prosegur Activa, which assumed the actions, liabilities and personnel of the previous division of residential alarms, is a reflection of the investment in this line of business, decided upon by the Group.

The goal is to provide the Residential Security segment with the greatest amount of transparency and maneuvering margin, both from the financial and provisional points of view, and, in short, to become more dynamic.

In parallel to the organizational restructuring, Prosegur Activa developed in 2006 a conceptual change to make its activities more visible, elaborating on its offer of personalised security and attention to the client and his or her needs. In particular, it underwent a remodeling of its installations, with the goal of becoming more accessible to clients and to the public, in general, through the conversion of its security offices to walk-in commercial establishments and customer service centres. The goal is to familiarise citizens with the security services and interact with them. The result was very satisfactory, both in terms of business volume and profitability. Prosegur Activa, which has more than 216,000 clients in Spain, Portugal, Argentina and Uruguay, achieved profits of 88.1 million euros, 9.7% more than in 2005.

The lines of work of the Residential Security segment were the following:

■ **Quality.** To guarantee excellent service, in 2006 Prosegur moved its second Alarms Receiving Centre to Barcelona, which complements and serves as backup security for Madrid. It was also completely renovated in the beginning of 2007, incorporating the latest technological advances. The offer includes Acuda motorized service, call cancellation, key custody, warning of electricity interruption, inspections in absence, Internet remote control, IP image transmission as alarm backup, management and image custody.

■ **Personalization.** Based on the fundamental idea that Prosegur's professionals are security experts. They carry out projects according to the specific necessities of each client, taking into account the physical and human circumstances of the space to be protected. Furthermore, they make recommendations to maximize the service benefits in each case.

■ **Innovation.** The goal is to offer the latest technological advances in the technical configuration and hardware of the alarm systems.

With respect to the products included in the service package, one of the main novelties in 2006 was the launch of perimeter security solutions, whose demand is growing notably. The change in robbery methods of homes and business, which

THE RESIDENTIAL
SECURITY SEGMENT
HAS DESIGNED
**PERSONALISED
SERVICES**
GUARANTEERING QUALITY
AND OFFERING THE BEST
TECHNOLOGY IN ALARM

Closer to the Client

To be closer to its clients, Prosegur Activa set in motion a plan to open commercial offices, with personnel specializing in personal assessments according to each case. With this goal, in 2006 it remodelled six offices in Spain (in Madrid, Barcelona, Valencia, Seville, Bilbao and Tarragona) and opened three more (in Torrevieja, Murcia and Almería).

are becoming more violent, has led the residential client to demand absolute priority in personal security, in contrast to the concern for the protection of property that dominated years ago.

The Prosegur Group's response to this necessity has been to reinforce its detection systems to be able to confront the problem before access to the home or location is achieved.

Another important new development from 2006 were the video-security solutions. The closed television circuits (especially for businesses) and the video surveillance IP (which allows access through the Internet and the ability to see what is occurring in a determined space when the alarm sounds) have become the most requested products.

Prosegur Activa's goal for the coming fiscal years is to extend its activities and enter into new markets. Latin America is the priority (especially those countries in which the Company already offers Corporate Security services), although it will study in detail the opportunities that could arise in other geographical areas.

5



OUR EMPLOYEES

Human capital is the fundamental base of the Prosegur Group. The Company's professionals are the reason why the Company has become one of the principle multinational European service companies. For this reason, the selection of staff is so important. Finding and training proper employees, in an area as sensitive as corporate and personal security, is a permanent challenge that intensifies more in expansion phases, such as the one in which Prosegur currently finds itself.

In 2006, the Group's staff made another important quantitative jump. On 31 December, 79,830 people worked for Prosegur around the world, a 12.7% increase from the end of 2005. On average, during the fiscal year, the number of employees went from 67,309 to 76,765, representing an important increase of 14%. Over the past two years, the accumulated growth of the Group's staff was 31.6%.

This accelerated expansion, due to organic growth and Prosegur's acquisition policy, has demanded an important selection and training effort to guarantee that the growth of the staff corresponds with the ability and competence of all employees.

Constant Progress

One example of the continual improvement of the Human Resources Department processes is the intense activity exerted in candidate selection for Spain in the Corporate Security segment.

In 2006 there were 39,285 applicants, of which 13,201 were selected—in other words, one third of the total. In the training aspect, 107 access courses were given, in which 2,595 people participated, and 728 internal training courses, which 16,772 employees attended.

THE **SELECTION**
AND TRAINING OF
PROFESSIONALS IS A
KEY FACTOR IN THE
CORPORATE AND
PERSONAL SECURITY
SECTOR



Instilling Loyalty

Prosegur doesn't just worry about finding the best and training them adequately. The goal is also to retain and instill loyalty. In a sector with strong demand for jobs and traditionally prone to high turnover rates, one of Prosegur Group's strategic objectives is to stabilise the staff, especially in the Corporate Security segment.

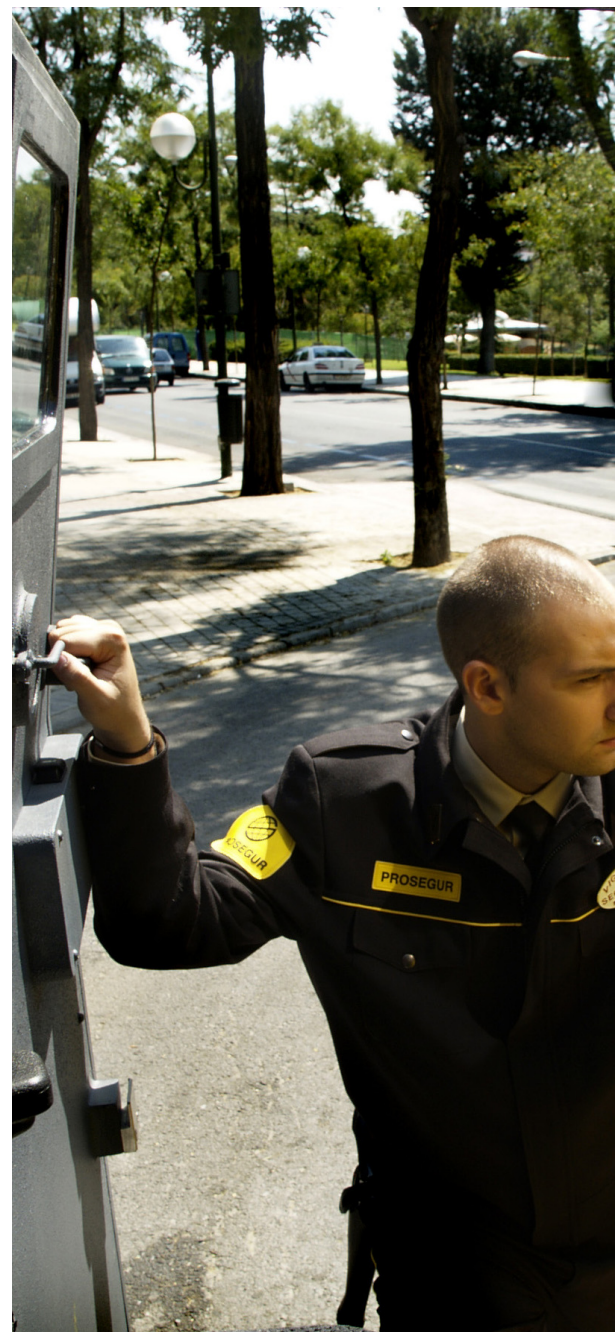
In 2006, this objective gave birth to **Prosegur Plus**, an innovative programme that instills loyalty by rewarding the operative personnel's professionalism (security watchmen and service assistants), translating into points which are exchangeable for gifts that adequately reward their performance. The operative personnel accumulates points according to the amount of time they've spent working for the Company, their availability and flexibility for work, their assistance levels and adequate service performance, among other criteria. The points won can be exchanged for gifts (such as trips, domestic appliances or products for the home). **Prosegur Plus** began in 2006 as an experiment in Madrid. The programme was widely accepted and permitted an increase in staff stability (one of the Company's biggest concerns) in the associations that also benefited.


The loyalty policy also includes the goal of securing the job position. In this regard, in 2006 the company made a considerable effort to reduce temporary contracts. Spain's figures are a good example. During the fiscal year, the percentage of temporary employees fell to 13%, compared to the 21% registered in 2005. On the same note, the rate of permanent positions rose from 79% to 87%.

Another aspect to consider in practices to ensure the permanency of workers and the stability of the staff is the Company's new social action policy. The Prosegur Foundation's activities are based, in good part, on the satisfaction and needs of the Group's employees, especially those who pertain to the most disadvantaged social and economic groups, which also leads to retention.

The Corporate Culture Initiative

Another of the Group's essential objectives regarding Human Resources during 2006 was the consolidation of the new corporate culture, based on the transparency of communication and the alignment of the Company's strategic goals, such as the promotion





of values that it supports. For this, the Company put in place different training and participation activities. Among the activities, those most worth mentioning are:

Course on Commercial Training. Given in collaboration with the Superior School of Commercial Management and Marketing (ESIC), it is a higher client management course directed towards reinforcing the global vision of the Group's commercial services. It is taught to all of the professionals in the Commercial Department.

Conviction Management Program. This initiative, started in 2005, is marked by a new Company management model that tries to identify the goals of each business unit, produce positive attitudes and internalise the factors which are key to success and that facilitate work processes. At the same time, the goal is to confront the problems that could arise from a spirit of collaboration and detect the existing weaknesses in order to correct them using Prosegur Group contributions. The actions of Conviction Management are channelled through meetings with directors and intermediary authorities (in 2006 it culminated in meetings with the directors of Spain's six geographical regions), in which the horizontal nature of the Company's operations are emphasized, and the participation of all employees in the process of generating and installing business ideas is encouraged.

Prosegur Value Workdays. Initiated in 2006, these are recreational/training meetings directed towards spreading and strengthening the Group's management principles. Representatives from the Central Service departments participate, and are considered the launching point of the corporate culture reorientation. They are also responsible for transmitting the principles to the rest of the organization.

Professional Career Promotion

Prosegur makes a great effort in aiding the professional careers of its employees, with the goal of offering them a future of probable development within the Group, and motivating them in their work performance. In this regard, the first goal is to fill job vacancies as soon as possible with employees from within the company. For this, Prosegur started a series of **communication mechanisms** that operate in a double sense: promote the distribution of information related to the promotion of potential aspirants and facilitate as much as possible the presentation of internal candidates to fill in the vacancies.

Service Differentiation

The Prosegur Plus programme is working towards the differentiation of the Company's Active Surveillance services among security professionals.

6

The professional development policy also offers the possibility of continuing one's career in another country, through the **International Displacement Program**. In 2006, employees from Italy, Argentina and Portugal took advantage of this plan, transferring to Romania and Mexico. The program includes incentives, specific training on the cultural and language differences and different ways to ensure worker adaptation to his/her new destination. Also, it lays out in detail the conditions of returning to the native country (one of the principle problems that expatriate workers deal with), whose confirmation is given six months in advance.

Other activities that achieve the same goal are:

Audit Management Program. A professional development tool that allows the detection, using a detailed performance analysis, of the strong points and areas in need of improvement for each director. All of this is detailed in an individual report given to the employee. They have started using both individual and group actions to develop the detected areas of improvement. This program is applied in all of the countries and affects 175 Group directors.

Prosegur University. A training project designed in 2006 whose results will begin to be visible during the 2007 fiscal year. The goal is to unite in one e-learning platform the knowledge and experience accumulated by Prosegur's 80,000 or so employees, making them available to everyone in all parts of the world. In this sense, Prosegur University doesn't compete with the training programs of the traditional centres, instead it develops a model of specific training for the Group's employees, in such a way that they can easily and simply resolve any doubts they may have about their position. At the same time, Prosegur University will allow the appointment of minimal knowledge for each job position (especially in the case of managers and intermediary authorities), in a way that encourages professionalism in management and homogenizes the vital abilities for each level of performance.

Commitment to Employees

Prosegur Group actively promotes taking on measures to elevate employees' quality of life, surpassing the legally established requirements.

In **Spain**, it offers all employees life/disability insurance and additional payment in the case of illness. Prosegur also supplies aid for disability, child education and employee participation in courses from outside of the Company.

In **Portugal**, Prosegur offers medical, life, and personal injury insurance to certain groups.



Displacement with Guarantee

To encourage the exchange of experiences and information regarding expatriate workers' needs, the Prosegur Group has been an associate sponsor of the Spanish Expatriate Workshop (FEEX) since 2003. This is an association that spreads the best practices related to this issue.

In **France**, all employees receive medical insurance whose coverage offers additional services to those who work in public sanitation.

In **Italy** the company takes responsibility for the cost of all the employees receiving specific training outside of Prosegur.

In **Brazil**, social benefits include life/disability insurance for all employees, transportation passes, medical and dental services in some conditions and a grant to 30% of the staff who complete high-ranked courses.

In **Peru**, all employees are given life/disability insurance the first day on the job. There is also a Family Medical Program with reduced prices in clinics and associated pharmacies, in which the company is responsible for 70% of the payment. In the case of employee death, direct family members receive a Minimum Life Salary that is calculated according to the amount of time the worker spent with the Company. It also gives out personal loans. Another benefit is the School Grant Program for employees' children who are in primary and secondary education. This benefit is given out according to a worker's performance and socio-economic situation. Prosegur also gives credits for materials, school uniforms and school packets for employees' children between 5 and 16 years. There's also a vacation program for employees' children (excursions, museum visits, art classes, etc.)

In **Argentina**, the Company awards graduate or postgraduate grants for studies related to the employee's job position. Prosegur also makes personal loans in cases of need, supplies employees with money for the birth of each child and auctions off among employees the Company vehicles being replaced for newer ones.

In **Chile**, it gives university grants to the children of employees, loans to handle emergency situations, free basic and intermediate schooling for students, social aid for health and free illness detection and prevention programmes. It also partially finances employees' lunches.

In **Uruguay**, Prosegur provides life insurance for security guards and to Value Logistics and Cash Management personnel. The company also affiliates employees with an emergency medical program, along with the usual health coverage. It also makes personal loans and free passes for market shopping and alarm system installation.

In **Paraguay**, employees have life and disability insurance along with medical assistance.

THE PROSEGUR GROUP
ACTIVELY ENCOURAGES
MEASURES TO IMPROVE
ITS **EMPLOYEES'**
QUALITY OF LIFE, IN ALL
COUNTRIES IN WHICH IT IS
PRESENT



7 OUR CLIENTS

The commitment to clients has always been one of the Prosegur Group's principle inspirations. To achieve this goal, the Company maintains constant dialogue with clients based on fluid and transparent communication, always making an effort to offer them the best quality through constant innovation and the permanent effort to do good business.

Closeness to the client entails knowing his or her demands and concerns, being proactive in all relationships, identifying the services that would best adapt to client needs and create an atmosphere of trust so that Prosegur becomes his or her security assessor.

This commitment has been introduced into the new organisational system of the Commercial Department, whose results were already visible in the first phase of 2006 and whose installation, predictably, will continue having positive results throughout 2007. This new system gives importance to transparency in client relationship in these two regards:

■ **External Information.** The client must receive systemized information (or reporting) about the results of the service he or she is receiving. Also an interlocution system that is clear and efficient to resolve any doubt or accident, especially in the case of multi-product services must be offered.

■ **Internal Information.** All of the areas of the Company involved should perfectly recognise the specific needs and goals of each client, with the objective of offering them adequate service. At the same time, the Group has established a map of relationships with each client.

DIALOGUE,
TRANSPARENCY IN
COMMUNICATION, AND
SEAMLESS COMMERCIAL
ATTENTION ARE THE
KEYS THAT WILL BRING IN
THE BEST SERVICE

The Prosegur Group's solution to these priorities is a new structure based on the following lines of work:

■ **Establishment of commercial policies common throughout the Company and based on the principle of service integration.**

■ **Creation of a Large Account team** (client in more than one operative zone). The goal is to become closer to the client.

■ **Coordination with the Direction of Global Accounts.**

■ **Creation of a Public Administration segment.** These clients have specific needs and require a specialized work team.

In order to follow through with these priorities, Prosegur has created different internal tools, such as the establishment of service specifications (work protocols to recognise the security paradigm of each client and establish objectives and mechanisms of assurance) or control panels (account panels focused on the client, created with information technology support).

Client response to this new focus has been very positive. According to a survey conducted in Spain among 1,000 clients to measure their level of satisfaction, 93.2% were satisfied, compared to 92.2% in 2005. The most valued aspects, according to the study's results, are client/service communication, commercial attention and the image or global connotation of the Group. This last criterion and the services offered were the areas that most improved in clients' evaluations in comparison to the results of the previous fiscal year.

The commitment to clients reflects, at least partially, the activity developed by the Client Management Centre which offers 24-hour service.

Another essential aspect of the relationship with the client are the communication tools that the Company makes available. The publication Magazine Prosegur, which is published quarterly and has a circulation of 8,000, informs clients about the Company's activities and communicates the modern concepts, leadership and technology that form a fundamental part of Prosegur's work. The magazine is also written as a tool that supports the commercial department, which actively participates in the elaboration of its content.

Other tools for reaching out to the client are the Prosegur web site, whose constant updating on a world level reinforces Prosegur's image as a provider of global security services, and the so-called road shows, events in which the Group offers new products and services to its clients through presentations and descriptions of real cases. In 2006 the company conducted road shows specifically about cash management, protection against fires, and security in hospitals, hotels and malls.

Additional activities in the overall strategy to become closer to clients are the related marketing activities that Prosegur carries out occasionally through different sponsor-



THE COMMITMENT TO
CLIENTS IS REFLECTED
IN THE ACTIVITIES
CARRIED OUT BY THE
**CLIENT MANAGEMENT
CENTRE**, WHICH OFFERS
24-HOUR SERVICE

ships (ATP Tennis, the America's Cup) regatta , travelling expositions, distribution of graphic material (catalogues, videos and presentations), direct marketing campaigns (mailings, e-mailings, telemarketing) and conducting market studies.

Global Accounts Program

The Prosegur Group's effort to orient its work towards the satisfaction of its clients' needs is completed by the activities of the Global Accounts Program, which was created in 2005 and consolidated as one of the Company's biggest strategic challenges in 2006. The Global Accounts Program responds to the growing complexity of the operations of the biggest corporations, which due to the needs derived from the internationalization and globalization of their economies (with chains of command and supply management placed in different countries and with delicate time concerns) demand more than ever personalised, simple and homogenous solutions to confront the security risks implicit by the organisation's sophisticated system.

The three types of client benefits of the Global Accounts Program are:

■ **Management.** Probably the most advantageous aspect of the offer. The client receives unified global management, which permits him or her to save costs and provides immediate knowledge of the client's security situation investments.

■ **Service.** The security levels are homogenous in quality and control in all of the countries in which it operates. Also, the solutions it offers are flexible, adaptable and can be easily amplified for the client's expansion plans.

■ **Communication.** The methodology employed allows the design of a personalised relationship map, offering personal attention (through a system of unique interlocution) and information management that is timely, complete and homogenous, in such a way that the client can know quickly and easily the circumstances of each of the contracted services.

Due to its recent creation, Prosegur's Global Accounts Program already makes up close to 10% of the Group's total profits.

GLOBAL SERVICE TO MULTINATIONAL COMPANIES

The goal of the Global Accounts Program is to offer global security service to the principle multinational Spanish companies, whose environment of geographical expansion coincides in many cases with that of the Prosegur Group, but also to other large, non-Spanish corporations, with affiliates in the same countries. Also, the Company offers services to international clients in countries or regions where work centres are not available but in which Prosegur maintains cooperation agreements with other security companies of equal quality.



8

INNOVATION AND NON-TANGIBLE ASSETS

Innovation is one of Prosegur Group's intrinsic values. By innovating, Prosegur is able to stay well ahead of its rivals both in the variety and the excellent levels of its services and operations. And all thanks to Prosegur's pioneering role in the application of cutting-edge technologies and the Group's ground-breaking focus.

In this scenario, special mention should be made of two projects financed by Spain's Programa de Fomento de la Investigación Técnica (Technical Research Promotion Programme, or PROFIT), within the Plan Nacional de Investigación Científica, Desarrollo e Innovación Tecnológica (National Scientific Research, Development and Technological Innovation Plan) for the period 2004-2007:

■ **Integrated Logistics (Exp. FIT-350100-2006-354).** A project for developing a new and technologically advanced logistics process for the transportation of funds, and to improve upon existing pick-up and delivery processes for cash, allowing for optimal

IN 2006, TWO PROJECTS RECEIVED THE SUPPORT OF **PROFIT**, THE **INNOVATION PROMOTION** PROGRAMME OF THE INDUSTRY, TOURISM AND TRADE MINISTRY

planning of operations routes, and to make it easier to adapt to continuous contingencies by means of a new real-time control system.

■ **New model of Supply Chain Management for Cash (Exp. FIT-350100-2006-298).** Aimed at designing and developing a new process for managing cash assets of financial services companies and organizations, allowing integrated management of ATMs and bank vaults.

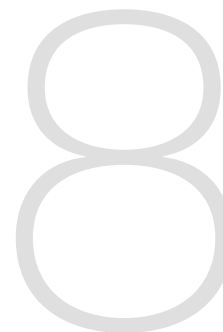
The following are other innovative programmes put into place in 2006:

- **Prosegur Plus.** A staff motivation and recognition programme rewarding employees' professional quality and outlook. Workers receive reward points which can be redeemed against items and trips.
- **Previo Project.** A mobility programme for security employees making it easier to obtain and process information using GPRS technology.
- **Use of Geolocation Services in Vigilance activities.**
- **Integration of counting machinery and systems in the Cash Management area.**
- **Application of a variable remuneration system for operative personnel.**

Yet Prosegur's concept of innovation extends well beyond the limits marked by technological change or management. For ideas to emerge, knowledge must flow freely within the organization. This idea is what gave rise in 2005 to what we call Centres of Competence, designed to create a horizontal structure for transmitting knowledge, identifying opportunities and extending best practices to all of those countries where the Company operates and its activities.

This same idea of transmitting information (and incorporating it in the Company's products, services and processes in order to obtain long-lasting competitive advantages) is behind the **Universidad Prosegur Project**, an e-learning platform-based integrated training system. Work on its design got under way in 2006 and is slated for completion some time in 2007. The intention is to provide all Company employees with a threshold-level body of standardized knowledge according to each specific post.

The Prosegur brand is yet another means of expressing our advanced corporate culture, and is enhanced and distributed through a variety of internal communication channels, such as Internet or the Gente Prosegur ("Prosegur People") in-house magazine. Similarly, 2006 saw the start of a number of activities designed to spread Prosegur's corporate culture and leadership style (a programme known as Gestión por Convencimiento (Management by Conviction) amongst its employees, as well as a series of "learn-through-play" training days aimed at consolidating Group values and enhancing internal unity.



A State-of-the-Art Workplace

Prosegur's innovative spirit is also there to be seen in our workplaces. In 2006 the Group opened its new Madrid headquarters, a tangible example of the Company's philosophy of transparency and teamwork. The building, which boasts a number of state-of-the-art construction refinements, was conceived as a tool to communicate our corporate values and culture.

The Brand and other non-tangible assets

The strength and leadership of our brand is one of Prosegur Group's major assets and stands as a key element that sets us apart from our rivals in the Security market. Consequently, the brand must serve not only as a vehicle for transmitting Prosegur's values but also as a factor for injecting dynamism into those values.

In 2006, the Group revamped its corporate image, to reflect the cultural changes that it had introduced previously. The new image got a good reception and the design consultants Interbrand included it among the factors that warrant placing Prosegur among Spain's ten most valuable brands in 2006. The Group also climbed several places in the Merco Corporate Reputation table, moving up from 71 to 68. Internationally, the Prosegur brand appeared at number 200 in the Forbes classification (drawn up by the Reputation Institute), as part of a study taking in the world's 750 most prestigious companies. Prosegur Group also achieved recognition in Argentina, where it took Ford's 2006 Best Provider award for its closeness to clients and its ability to adapt.

PROSEGUR GROUP'S
**NEW CORPORATE
IMAGE** WAS A DECISIVE
FACTOR IN EARNING US
A PLACE AMONG SPAIN'S
TEN MOST-VALUABLE
COMPANIES IN 2006





9 RISK MANAGEMENT

The Prosegur Group's main risks are of an operative, financial and reputational nature. Their management and coverage is carried out through a risk control system involving several Company areas.

Financial Risk

Financial risk is managed by the Financial Department, which takes steps according to the policy approved by the Board of Directors and in close cooperation with each of the Group's operative units.

From a global perspective, the supervision of accounts policies and internal control procedures, along with audits by top-tier international companies, are enough to reasonably ensure that the Company's economic and financial data are wholly reliable.

Furthermore, Prosegur has to face a set of specific financial risks, the most relevant of which are the following:

■ **Exchange rate fluctuations.** Owing to its international profile the Group is exposed to the exchange rate risks involved in currency transactions, particularly so in the case of the Argentine peso and the Brazilian real. In order to control this risk, we display caution with investments when it comes to conducting business in those countries with a currency other than the euro. Furthermore, we use long-term contracts, as Prosegur's strategy is to remain long-term in those foreign markets where it operates.

■ **Liquidity.** Liquidity risk is managed by maintaining a sufficient level of cash, a high level of debt financing availability and the capacity for liquidating positions. For strate-

**MANAGEMENT AND
COVERAGE OF THE
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INVOLVING SEVERAL
COMPANY AREAS**

gic reasons, and in order to take full advantage of all market opportunities, one of the Group's objectives is to maintain a high liquidity level. On 31 December, 2006, this level stood at 384 million euros.

■ **Interest rates.** Prosegur is faced with interest rate risk from floating-rate assets. To mitigate this risk, the Group carries out floating-to-fixed-rate swaps, though only in the right market conditions. In 2006, in view of forecasts of interest rate hikes, the Group opted for a floating-to-fixed swap on a 250-million-dollar syndicated loan.

Operative Risk

Operative risk is managed by the Risk Management area applying a policy based on the continuous analysis of procedures and the application of regular controls that ensure that those procedures are complied with. The objective is to identify, assess and mitigate risks.

Prosegur Group's Risk Management area has a team of controllers who carry out regular reviews and audits at all of the Group's delegations and business units in every country where the Group operates, as well as at our central departments and services centres. Thanks to the controllers' activities, we are able to keep the Company's risk map permanently up-to-date

These control functions are designed to add value and to improve our operations, and stand as a distinguishing feature that sets us apart from rival firms.

Our management policy for operative risk is based on the constant revamping and updating of procedures, which we adapt to the needs of an increasingly dynamic and demanding market.

The Risk Management area also manages our Quality policy, based on ISO 9001, which affects all of our Securities Logistics and Vigilance; and based also on ISO 14001, which is applied to the Vigilance delegations. To do so, regular certification work is carried out, and we are constantly maintaining and updating Quality manuals for each activity. These controls are validated annually by a qualified external third agency.

The control and checking functions carried out by the Risk Management area are based on the Ethical Conduct Code and other norms approved by the Spanish Institute of Internal Auditors, of which Prosegur is a corporate member/partner.

Insurance Management

The last step in the management of operative risk is the transference to the insurance market. The Group has an Insurance Management Department, reporting to the Financial Department, which determines transference policies and management procedures. Prosegur's relationship with the insurance and reinsurance market is based

The different audit tests are aimed at achieving:

- Reliability and integrity of operative information
- Efficacy and efficiency of operations
- Protection of assets
- Compliance with legal requirements, internal and external regulations and contracts.

9



on transparency of information and also on the search for long-term relationships with our partners.

Our insurance portfolio is made up of a variety of multinational insurance programmes and local policies, all of which are intended to cover the following groups of risk:

- **Protection of proprietary assets.** We have a worldwide programme for damage to property, vehicle insurance, etc.
- **Employee protection.** Life and accident policies adjusted to the current collective agreements or internal benefits schemes.
- **Shareholder protection.** A worldwide third-party liability programme is available for Board members and directors.
- **Third-party and activities protection.** We use a variety of multinational third-party programmes, the guarantees and limits of which exceed the standards required by local law in different countries. In our Securities Logistics and Cash Management activities, the Group uses three multinational programmes that cover our clients' securities.

Reputational risk

At Prosegur, reputational risk is managed via the strict and meticulous application of the principles of our corporate culture and of the eight principles that define that culture: proactiveness, value creation, customer-oriented service, transparency, excellence, leadership, teamwork and brand.

OUR **INSURANCE**
PORTFOLIO COVERS
PROPRIETARY
ASSETS, EMPLOYEES,
SHAREHOLDERS AND
ACTIVITIES AND THIRD
PARTIES

VALUE CREATION: STOCK MARKET REPORT

Maximizing the Company's capacity to create value is not only one of Prosegur's core values, but it is also an objective to be achieved by being constantly on the lookout for growth opportunities.

1. Control Panel and Principal Ratios

By using what is known as the Control Panel, shareholders are able to find relevant information on the Company:

(Updated 31 December 2006)

Shares

Capitalization (millions of euros)	1.524,3
Shares (millions)	61,7

Debt coverage ratios (covenants)

Net Debt (in millions of euros)	218
Net Debt/EBITDA	1,47
EBITDA/Financial Costs	6,75

Ratios

Market Value/Book Value	4,6
Market Value /Net Profit	26,5
Enterprise Value (EV)/Sales	1,07
Enterprise Value (EV)/EBITDA	11,77
Enterprise Value (EV)/EBIT	16,59
Price Earnings Ratio (PER)	26,46

Per share data (euros)

Book Value	5,42
Net Profit	0,93

10

2. Principal Shareholders and Profitability

One of Prosegur Group's main qualities is its solidity, and this is reflected clearly in the Company's shareholder structure. The shareholders' strong presence on the Board of Directors allows the top tiers of our management team (particularly the Executive Committee) to draw up strategy and to make decisions in line with the interests of all shareholders.

Shareholder Structure

Tranches	Nº of Shareholders	%	Nº of Shares	%
More than 100.000	50	1%	55,109,077	89%
More than 10.000	135	3%	3,589,724	6%
Between 1 and 10.000	4,439	96%	3,013,663	5%
Total	4,624	100%	61,712,464	100%

Traditionally, Prosegur Group has been received very favourably by international investors, as the Group is seen as being a company with a level of potential that is hard to find in other markets just as stable as Spain. This means that its shareholder mass includes foreign investors who make up a significant part of the Company's free-float.

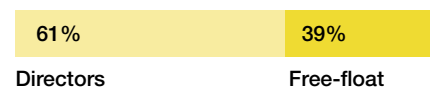
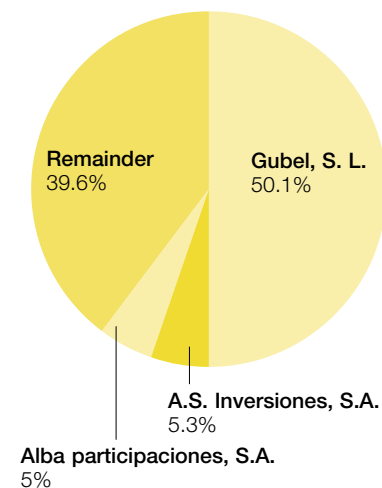
Profitability

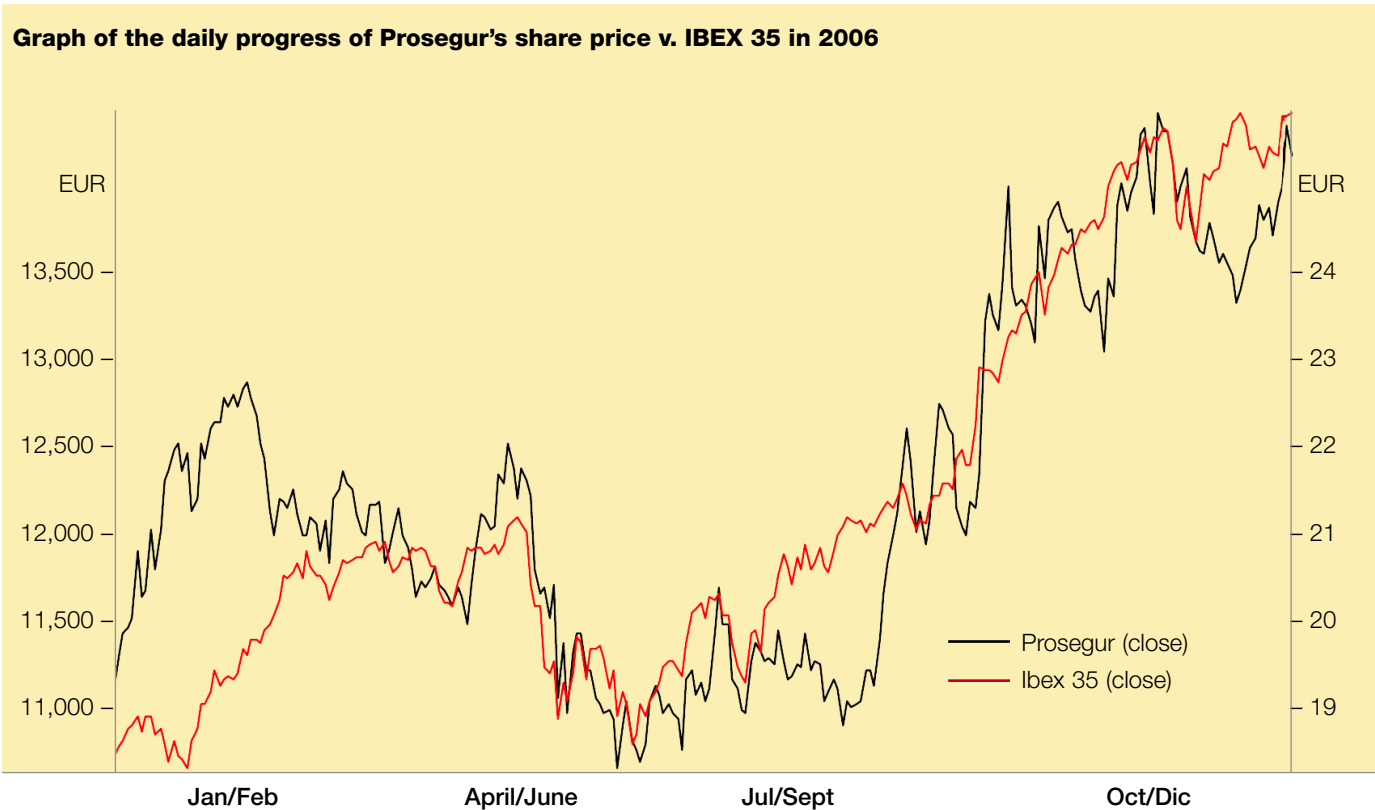
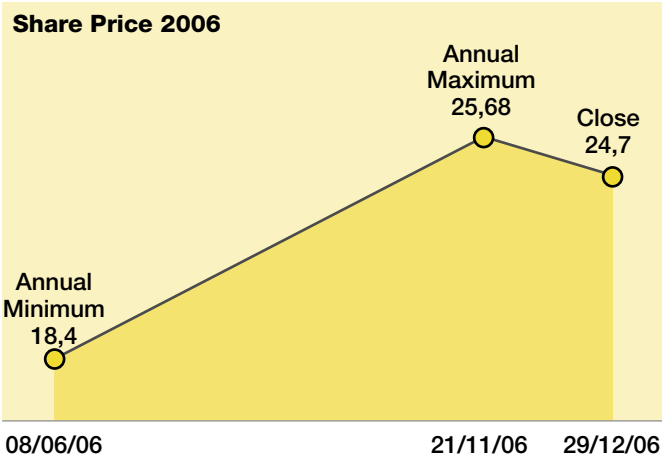
Prosegur Group's objective is to reach each year the maximum share value for its shareholders. This objective has been achieved in two ways: the positive progress of the share price on the stock market (up 27.85% in 2006); and the pay-out of dividends which, on profits for 2006, reached 0.65 /share.

Dividends	
Dividend per share 2006 (euros)	0,65*
Profitability/Average Share Price 2006	3,0%
Pay-out 2006	69,4%

* Board of Directors' dividend proposal

Major Shareholders





Relations with Investors and Analysts

Prosegur Group uses a variety of communication channels to keep close and permanent ties with shareholders and financial analysts who watch the company:

- Quarterly reports sent to the Stock Exchange and to the Spanish markets watchdog, Comisión Nacional del Mercado de Valores.
- Group roadshow in London in March 2006
- Over 250 special personal sessions with analysts and investors
- Seminars and conferences at different times of the year
- Permanent relations with current and potential analysts and investors via e-mail (accionistas@es.prosegur.com) and through the Group's website

www.prosegur.com

Analysts who cover Prosegur

Company	Analysts	E-mail
Ahorro Corporación	César Sánchez-Grande	csgbergon@ahorrocorporacion.com
Banesto Bolsa	Juan A. Tuesta	jtuesta@notes.banesto.es
BBVA	Luis de Toledo	luis.detoledo@grupobbva.com
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UBS	Ignacio Carvajal	ignacio.carvajal@ubs.com
Caja Madrid	David Cabeza Jareño	dcabezaj@cajamadrid.es
Iberian Equities A.V.	Íñigo Vega	i.vega@ibequities.com
Fortis	Manuel Zayas Carvajal	manuel.zayas@fortis.com
La Caixa	Borja Pagoaga	bpagoaga@lacaixa.es
Venture Finanzas	Ignacio Méndez	imendez@venture.es

CORPORATE SOCIAL RESPONSIBILITY

11

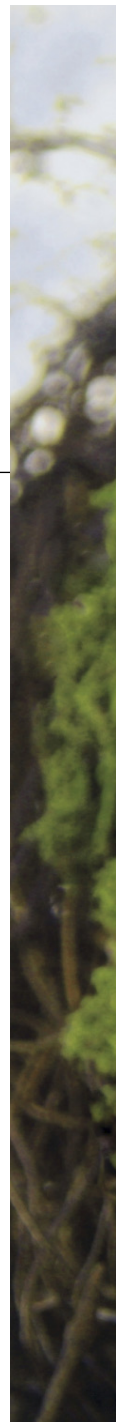
At Prosegur Group we are convinced that a balance sheet is not the only measure of a company's success. As the sector's leading player, at Prosegur we are aware that we have a far-reaching responsibility to meet with our Security services in the countries where we operate and to which, undoubtedly, we belong; and also with the Company's various stakeholders -in particular employees, clients, suppliers and shareholders- and with society as a whole.

This chapter is the expression of our desire, as sincere as it is enduring, to assume the commitments that the man on the street demands of Prosegur as a company. Clearly, this is no easy feat. Respect for the principles of good practice of Corporate Social Responsibility (CSR) implies a permanent, ongoing and endless process of improvement that makes us work daily towards internalising the mechanisms that make those principles possible and towards meeting the objectives that we have set ourselves.

As a Group based firmly on a set of values, Prosegur accepts this challenge. Out of sheer conviction and because in today's complex society it is hard to imagine a successful company that is not ready and willing to commit itself to the world around it.

In order to achieve these objectives, Prosegur Group is a signatory of the World

THE **PROSEGUR**
FOUNDATION HEADS
A NUMBER OF SOCIAL
ACTION PROJECTS,
FOSTERING ACTIVITIES
AIMED AT, PRINCIPALLY,
EDUCATION, HOUSING
AND THE **PHYSICALLY**
CHALLENGED





Pact, a UN initiative incorporating companies and organizations that share a common respect for ten principles of behaviour with regard to human rights, employment, the environment and the war on corruption. Similarly, the Prosegur Foundation, which heads a number of Social Action projects, fosters activities aimed at, principally, education, housing and the physically challenged, and which attempts to get employees and their families involved.

Furthermore, it is impossible to understand Corporate Social Responsibility without an adequate explanation of how the principles of Good Government are applied to the management of Prosegur. As is explained in detail in the Corporate Governance included in our Group Financial Report, 30% of the Group's Board of Directors is made up of independent Directors while a further 30% are women. Similarly, and in an attempt to display transparency, every year the Company publishes the joint salary of its Directors (broken down by remuneration categories and types) and the members of its Senior Management team.

In this year's Financial Report, CSR content has been divided into three blocks (Economic, Social and Environmental Contribution), in accordance with the criteria laid down by the Global Reporting Initiative (GRI), the world's main CSR reporting standard.

11.1 ECONOMIC CONTRIBUTION

Economic Contribution is the first pillar of Prosegur's contribution to society. The Company makes a direct contribution to the wealth of the countries where it operates, via taxation (direct, indirect and other taxes), through salaries, by purchasing goods and services (suppliers and investments) and with its support for social action projects –together these various means of contribution help to drive economic progress in those geographical areas that fall within Prosegur's sphere of influence.

Moreover, Prosegur's activity generates profit for its shareholders, for whom remuneration (direct pay-out of dividends, basically) is one of the basic principles of the market economy.

Regarding Economic Contribution, special mention should be made of (because of its importance) the contribution provided through wages for local workers. Like the rest of the Private security sector, the Group is labour intensive. At end 2006, the Prosegur workforce came to a total of 79.838 employees, making the Company one of Spain's four leading business groups by workforce. This capacity for generating employment makes Prosegur a basic driving force for economic development in the countries where the Group operates, particularly in those areas, such as Latin America, with a less well-developed labour market.

Shareholder Remuneration (millions of euros)

2005	2006
20,3	16,5

Social Action Spending (millions of euros)

2005	2006
0,51	0,50



From a more conceptual perspective, the Company plays a fundamental role in economic development when businesses are hard to set up if they do not have the necessary means to protect both the physical goods and the people that they have to manage. Private Security has become a basic necessity for many economic sectors, from large industrial complexes to banks, from distribution companies to offices or transport public networks.

11.2. CONTRIBUTION TO SOCIETY

For Prosegur, being socially responsible has become a requirement. In its policies and in its actions, the Company has assumed the ethical commitment of being socially aware, in a complex society in which social demands go far beyond conventional concepts and make their presence felt in very different settings. The ultimate aim is to help to build a society with less inequality and greater solidarity.

From this point of view, the Prosegur Foundation, which channels the Group's non-profit-making activities, has embarked on a new stage in which priority is given to Social Action projects. Furthermore, this greater emphasis on social questions is projected in two directions:

- Company employees and their families. As far as possible, the actions are aimed at benefiting the Company's own employees and/or foster a spirit of cooperation (Volunteers) in the initiatives that are carried out.
- The complicated social situation of many of the geographical areas where Prosegur operates. A case in point is Latin America, where inequality is rife.

In this sense, the Group is promoting initiatives aimed at covering the primary needs of underprivileged segments of society in fields such as education and housing, or employment for the physically challenged.

The new focus does not at all mean that we think any less of the importance of the Foundation's traditional activity in Culture, the Arts and Research, which remain high on the Foundation's list of priorities.

The frame of reference for this ethical commitment is the UN's World Pact, of which Prosegur is a signatory, and which operates in Spain through the Spanish World Pact Association (ASESPAM). The World Pact, which incorporates companies and organizations, is based on a shared commitment to ten principles regarding human rights, the war on corruption, employment and the environment. The sheer breadth of the Company's geographical sphere of influence means that Prosegur Group is particularly active in fulfilling its Pact obligations regarding human rights (company policy, communicating ethical principles to its employees, complaints channels, classification of

PROSEGUR GROUP IS
A SIGNATORY OF THE
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WAR ON CORRUPTION,
EMPLOYMENT AND THE
ENVIRONMENT

suppliers, and so on) and the war on corruption (taking part in the dissemination among employees, partners and suppliers of policies against negative practices, ensuring that those policies are being followed, transparency in donations and sponsorship, etc.).

In the field of human rights, the Company defends the right to union membership and free collective bargaining; supports the abolition of forced labour and is against all forms of labour discrimination.

Regarding the environment, the Group conducts natural resources awareness campaigns among its employees, fosters initiatives aimed at increasing responsibility and favours the development of eco-friendly technology.

Moreover, Prosegur is also a partner of the Fundación Empresa y Sociedad (Company and Society Foundation), an organization that attempts to narrow the social gap and bring about the full social integration of the underprivileged. For its part, the Prosegur Foundation is a member of the Spanish Association of Foundations.

In 2006, all of these commitments of a social nature took the form of a variety of projects, among them the following:-

Un Techo para Chile (A Roof Over Chile). The Foundation promoted emergency housing projects, cooperating economically with the building of homes in the depressed districts of the city of Santiago. Workers from both Spain and Chile worked on Un Techo para Chile, a project carried out jointly with the Un Techo para Chile Foundation. This initiative, combining improvements in the quality of life of people with scant resources, and volunteer aid, was so successful that there are plans to extend the project in 2007 to four Latin American countries.

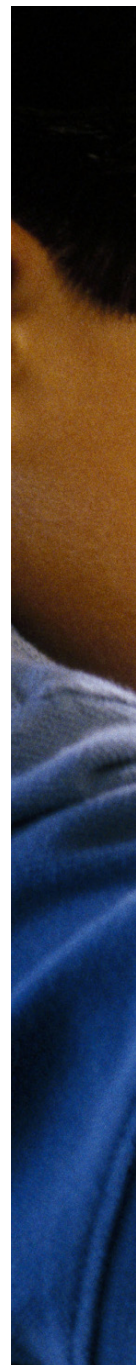
Rebuilding schools in Argentina. On the initiative of Prosegur employees, 2006 saw the total rebuilding of two badly run-down schools in the towns of Salta and Jujuy (Northern Argentina).

Both schools were sponsored by Prosegur, and Company employees took an active part in the project. The Group provided water purifying plants, electricity supply, running water and sanitary systems, kitchen and dining-room furniture and fittings, school equipment and clothing, plus a monthly school-lunches endowment. In 2007, more schools will undergo a similar process of improvement.

Special Employment Centre, Spain. In 2006 an agreement was signed to begin work in Madrid on the first Special Employment Centre, in cooperation with the Aprocor Foundation (an organization with over 15 years' experience in social and workplace integration of mentally challenged people) and the Madrid Regional Authorities. The Centre's objective is to favour workplace integration for mentally challenged people and to provide them with the opportunity to carve out a stable future for themselves. The project will provide laundry and dry cleaning services; in an initial phase, it will recycle

11

IN 2006, THE PROSEGUR FOUNDATION INITIATED PROJECTS SUCH AS THE **REBUILDING OF SCHOOLS** IN LATIN AMERICA AND SUPPORTED THE FUNDING OF GRANTS







and clean Prosegur security-men's uniforms. The Employment Centre will provide jobs for people with different types of disabilities who will be trained to carry out these tasks. The challenged people with family ties to the Company's employees will be given priority for joining the Special Work Centre.

Grants for compulsory and higher education. The Prosegur Foundation is firmly committed to Education and promotes the awarding of grants in a variety of fields. Thanks to cooperation with the Carolina Foundation, postgraduate studies grants are awarded to people from Latin America. Moreover, in Latin America numerous grants are awarded to people mainly because they are members of employees' families. In each country, the nature and conditions of the grants are adjusted according to the workforce's profiles and needs.

Sport and Disability. The social integration of disabled citizens and the improvement of their lifestyle are a primary objective for the Prosegur Foundation.

THE PROSEGUR
FOUNDATION LOOKS
TO THE FUTURE BY
PROVIDING GRANTS FOR
EMPLOYEES' CHILDREN
AND SUPPORTING
WORKPLACE
INTEGRATION OF
PHYSICALLY AND MENTALLY
CHALLENGED PEOPLE

This objective is also what moves the Fundación Deporte y Desafío (Sport and Challenge Foundation) to cooperate in the organization of special sporting events for the mentally and physically challenged. Sport helps to build self-confidence and acts as a stimulus to overcoming personal limitations. With this philosophy as a starting point, 2006 saw a number of activities –water-skiing, diving and ice hockey– organized for mentally and/or physically challenged people of all ages, as well as for those with sensory problems.

Close to the Community. The Prosegur Foundation fostered a variety of activities aimed at bringing Company employees closer to the social reality of society around them. Two of the most representative projects took place in depressed quarters in Lisbon and Oporto, in Portugal. A large group of Prosegur volunteers, in cooperation with a number of neighbourhood associations, took on the task of building an area for kids and youngsters in Lisbon's Bairro 6 de Mayo district and at the Campanha Youth Centre, in Oporto. The upshot was a children's park and a safe-zone where local residents could get together. The success of this project stemmed from the way it was designed: on the one hand, the idea came from Prosegur employees, and on the other, there was permanent dialogue with the representatives of local residents' associations to raise awareness of their most important needs and demands.

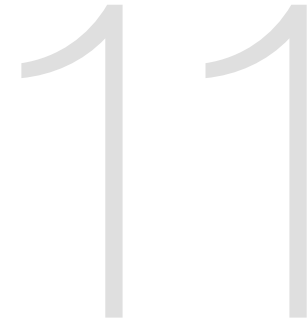
The Group also organized a number of other activities in several countries, as follows:

Portugal. An internal CSR commission was set up, incorporating all Group departments for coordinating projects. Prosegur is also a member of the Grace Group, an association created to develop the role of companies in social development. The majority of Portugal's leading companies are in this group.

Chile. In the capital, Santiago, the Foundation organized a number of support and recognition activities for elderly people with limited resources. Higher education grants were awarded to employees' children and 55 grants were awarded for training in Security.

Peru. Employees were awarded grants and received loans, and there was financial assistance for employees' children undergoing compulsory education. In Lima, a special family medicine assistance programme was set up.

Argentina. Prosegur carried out numerous activities designed to support employees. Health-wise, financial assistance was made available for employees with difficulties in covering their medical needs. Similarly, higher education and postgraduate grants were awarded and a special workplace integration workshop was organized for employees' children. Also, several employees received special discounts on security systems, while others were given soft loans.



HELP FOR THE ELDERLY,
HEALTH ASSISTANCE
FOR EMPLOYEES OR
FUND-RAISING FOR A
VARIETY OF NGOS ARE
JUST A FEW EXAMPLES
OF PROSEGUR'S SOCIAL
ACTIVITIES

Uruguay. Prosegur's CSR plan gives priority to the quality of life of the Company's employees, who tend to come from low-income sectors of society. To achieve this aim, the Company has set up a loans system for building or converting homes for employees with housing difficulties; provides discounts at a selection of stores and provides dental assistance, among other forms of help. Also, the Group cooperated with several foundations, providing donations for homes for the elderly and state schools.

Paraguay. The Group organized a vaccination campaign against rubella (German measles) among workers and their families. We are currently looking at the possibility of reaching an agreement with the Spanish International Cooperation Agency to provide training for youngsters at a workshop-school for disciplines related to the arts, culture and the environment.

11



Support for Culture and Research

In accordance with the Foundation's efforts to meet society's demands, its second line of activity is fostering culture and scientific research, as well as providing help for talented young musicians and artists. The following is a list of its activities in 2006:

■ **Promoting music.** Agreements were maintained with the Reina Sofia Higher School of Music and the Isaac Albeniz Foundation for organizing concerts and lending support to the musical careers of gifted young musicians. In 2006 two concerts were held –one in Barcelona and another in Madrid (the latter was presided by Queen Sofia)- to celebrate Prosegur's 30th anniversary. Similarly, the Company sponsored the Baroque Season at the Casa de las Flores (a series of morning concerts at the La Granja Royal Palace in Segovia province), and we supported the activities of Barcelona's Palau de la Musica Theatre.

■ **Dissemination of the Artistic Heritage.** A programme of private visits to the Prado Museum got under way, in cooperation with the Friends of the Prado Museum Foundation, of which Prosegur is a member. Thanks to this project, named El Prado se llena de familias ("The Prado is filled with families"), Company employees and their families were given special guided tours of Madrid's renowned museum in small groups.

■ **Support for the Plastic Arts.** Cooperation and sponsorship agreements were signed with the Gala-Salvador Dali Foundation and the Queen Sofia National Art Centre.

■ **Support for scientific research.** The Foundation gave its support to the research programme on the origins of man under way in the Atapuerca Mountain Range in the province of Burgos. The objective is to foster the cultural and scientific projection of this archaeological project and to support Spain's natural and historical heritage.

11.3. CONTRIBUTION TO THE ENVIRONMENT

Prosegur Group is fully aware of how important it is to respect the environment and has set itself the objective of documenting, setting up and maintaining an Integrated Quality and Environment Management System to develop the following commitments:-

- Design and introduce security services fully compliant to current law, adapted to the client's needs and in accordance with the agreed requirements.
- Comply to the requirements and rules applicable to its activity.
- Define and regularly review quality- and environment-related objectives.
- Carry out its activities with the best possible practices so as to avoid pollution.
- Constantly review and improve the functioning of the Integrated Management System.

PROSEGUR HOLDS
THE **ISO 14001: 2004**
ENVIRONMENTAL
CERTIFICATION FOR ITS
GUARDIAN SERVICE
AND IS WORKING
TO EXTEND THIS
CERTIFICATION TO
OTHER COUNTRIES
AND ACTIVITIES

■ Optimize the consumption of the natural and energy resources and raw materials required for the adequate functioning of its processes.

Prosegur's determination to protect the environment goes beyond mere compliance to current law governing the Group's activities, and is based on fostering measures aimed at measures for the efficient use of resources and reducing to a minimum the environmental impact of its operations. In this respect, the Company holds the ISO 14001: 2004 Environmental Certification for its Guardian Service and, at the time, was even Spain's first security Services company to extend this certification to other countries and activities.

Each year's actions are guided by the Environment Management Plan. In 2006, and regarding office and personal use waste materials, the Company identified a number of problems related to paper, toner, plastics, batteries, uniforms (the Group's main source of waste) and fluorescent lighting tubes.

For each of these materials, agreements have been signed with authorised waste management bodies, or otherwise they are recycled at local refuse points. In particular, in 2006 a systematic toner plan was introduced across Spain through our delegations. In 2006 the Environment Management Plan included an adaptation project for our new offices in Madrid, for managing waste generated there, and in which the accent was placed on the dissemination among employees of the corresponding regulations.

Also, objectives were set for the reduction of some of the basic materials used routinely in the Company, and with notable results. Bearing in mind the cost per employee (i.e. considering the consumption in absolute terms vis-a-vis the variations in the workforce), it was observed that paper, for example, dropped from 1.33 kilos to 0.85 (down 36.1%), when the reduction target was originally 5%. With water, for its part, per capita consumption was 0.60 cubic metres compared to 1.11 in 2005, a 45.9% fall.

Another front on which we are fighting is the adaptation of buildings and installations, especially with regard to energy savings. The opening of our new Madrid HQ, in 2006, marked the way ahead in this particular area. The building has its own automatic climate control system that adjusts automatically according to the outside temperature in each area; movement detectors to turn lighting on and off and "maxi-meters" (devices that register the power used at each moment by the consumer and that provide savings on the final bill).

The Group's main delegations in Spain also have maxi-meters and individual climate control equipment to adapt their functioning to the different working hours of each of the Company's activities.

Other actions aimed at protecting the environment in 2006 were:





- 1.6 million euros were invested in armoured vehicles compliant with the Euro III regulations which demand non-contaminating particles.
- We conducted a study on the possibility of using solar energy at Company facilities as a partial or complete alternative to electricity. The substitution project has been suspended for the moment, awaiting proposals for guaranteeing its economic viability.
- We looked into the possible future use and adaptation of ecologically-powered (biodiesel-like fuels) motors.
- We encouraged the use of videoconferences to cut down on fuel that pollutes.

Similarly, Prosegur carried out several local and nationwide environment-related initiatives.

Portugal. We conducted a campaign to plant almost 3,000 trees in the areas most affected by forest fires, and we gave financial aid to help improve equipment for local firefighters. We also installed “Ecological Points” at the Lisbon HQ to make possible selective refuse collection of solid waste. This project will be extended in 2007 to other delegations in Portugal.

Brazil. White paper was replaced by recycled paper and a recycling system was set up.

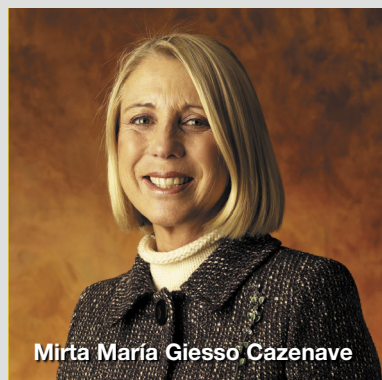
Paraguay. White paper was replaced by recycled paper and original computer consumables were replaced by recycled ones. We also installed special toner cartridge recycling containers, we programmed automatic on-off for photocopiers and we introduced a special system for picking-up and recycling motor oil from our armoured vehicles and electronic apparatus.

Uruguay. We set up a system for collecting batteries and we decided to reuse, pick-up and recycle paper used in photocopiers and printers.

Colaboradores concienciados

The Company's environmental concern also extends to its suppliers. In the selection process, the Group's Purchasing department takes into consideration certificates of quality and of the environment. Of the Prosegur suppliers which impact on the environment (cleaning, pest control, maintenance, etc.), it is estimated that 60% have an integral environmental management system (ISO 14001). For the remainder, the Company suggests to the suppliers that they make a commitment to the environment.

BOARD OF DIRECTORS



BOARD OF DIRECTORS

Chairman

Helena Revoredo Delvecchio (Executive Director)

CEO

Eduardo Paraja Quirós (Executive Director)

Members

Isidro Fernández Barreiro (Director representing substantial shareholder)

Mirta Giesso Cazenave (Director representing substantial shareholder)

Chantal Gut Revoredo (Director representing substantial shareholder)

Christian Gut Revoredo (Executive Director)

José Luis Martínez Candial, representing Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón and

Rioja Ibercaja (Independent Director)

Ángel Vizcaino Ocariz (Executive Director)*

Pedro Guerrero Guerrero (Independent Director)

Eugenio Ruiz-Gálvez Priego (Independent Director)

Secretary (non-director)

Fernando Vives Ruiz

EXECUTIVE COMMITTEE

Chairman

Helena Revoredo Delvecchio

Members

Isidro Fernández Barreiro

Christian Gut Revoredo

Chantal Gut Revoredo

Eduardo Paraja Quirós

Eugenio Ruiz-Gálvez Priego

Pedro Guerrero Guerrero

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* Ángel Vizcaino Ocariz presented his resignation as Company Director as of the beginning of January 2007

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