_consolidated annual accounts

_auditor's report

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A free translation of the report on the consolidated annual acounts originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain. In the event of a discrepancy, the Spanish language version prevails.

AUDITOR'S REPORT ON THE ANNUAL ACCOUNTS

To the shareholders of Prosegur Compañía de Seguridad, S.A.

We have audited the consolidated annual accounts of Prosegur Compañía de Seguridad, S.A. and subsidies (the Prosegur Group), which comprise the consolidated balance sheet at 31 December 2004, the related statement of profit and loss for the year then ended and the notes thereto, the preparation of which is the responsibility of the directors of the parent Company. Our responsibility is to express an opinion on the consolidated annual accounts taken as a whole, based on our audit which was carried out in accordance with generally accepted auditing standards, which require examining, on a test basis, the evidence supporting the consolidated annual accounts and assessing the appropriateness of their presentation, of the accounting principles applied and of the estimates employed.

In accordance with the prevailing Spanish companies Act, the directors of the parent Company present figures for 2003 for each individual caption of the consolidated balance sheet and statement of profit and loss for comparative purposes. Our opinion refers exclusively to the consolidated annual accounts for 2004. On 1 April 2004 we issued our opinion on the consolidated annual accounts for 2003, which was unqualified.

In our opinion, the accompanying consolidated annual accounts for 2004 present fairly, in all material respects, the shareholders' equity and financial situation of the Prosegur Group at 31 December 2004 and the results of its operations and source and application of funds during the year then ended, and contain sufficient information necessary for their adequate interpretation and understanding in accordance with generally accepted accounting principles applied on a basis consistent with that of the prior year.

The accompanying consolidated directors' report contains such explanations as the directors of the parent company consider appropriate concerning the situation of the Group, the evolution of its business and other matters. It does not form a part of the consolidated annual accounts. We have verified that the accounting information contained in the said directors' report concurs with that disclosed in the consolidated annual accounts for 2004. Our work as audits is limited to the verification of the directors' report within the scope mentioned in this paragraph and does not include a review of information other than that obtained from the accounting records of the companies forming part of the Group.

PricewaterhouseCoopers Auditors, S.L.

Lorenzo López
Audit Partner
1 April 2005

I.- Prosegur Compañía de Seguridad, S.A and subsidiaries
Consolidated balance sheets of at 31 December 2004 and 2003

Thousands of euros

ASSETS	2004	2003
Fixed assets		
Start-up expenses	184.7	314.4
Intangible assets	173,828.9	207,756.6
Goodwill	163,550.8	200,837.5
Other intangible assets	10,278.1	6,919.1
Tangible assets	136,638.5	147,480.4
Land and buildings	55,075.2	55,654.0
Plant and machinery	27,268.9	26,900.2
Other installations, equipment and furniture	100,399.3	117,863.7
Other fixed assets	107,859.5	98,898.1
Advances and tangible assets in course of construction	7,410.8	3,833.6
Depreciation and amortisation	(161,375.2)	(155,669.2)
Investments	2,822.6	2,718.3
Own shares	143.9	0.0
Total fixed assets	313,618.6	358,269.7
Deferred expenses	0.0	45.5
Current assets		
Stocks	12,157.4	11,047.9
Debtors	304,411.8	292,433.7
Trade debtors	246,316.7	232,048.5
Sundry debtors	8,089.0	8,987.1
Employees	1,897.8	1,146.3
Amounts payable to public entities	48,108.3	50,251.8
Short-term investments	40,754.6	12,172.2
Marketable securities	38,515.5	9,906.5
Other loans	2,239.1	2,265.7
Cash in hand and at banks	15,806.2	15,593.9
Pre-paid expenses	5,205.7	12,065.6
Total current assets	378,335.7	343,313.3
TOTAL ASSETS	691,954.3	701,628.5

SHAREHOLDERS' EQUITY AND LIABILITIES	2004	2003
Shareholders' equity		
Share capital	37,027.5	37,027.5
Share premium	25,471.6	25,471.6
Other parent company reserves	50,712.7	34,876.4
Distributable reserves	42,998.1	27,499.1
Restricted reserves	7,714.6	7,377.3
Reserves in consolidated companies	107,664.6	92,973.9
Profit attributable to the parent company	22,993.3	45,218.1
Consolidated profit for the year	23,121.9	45,547.9
Profit attributable to minority interests	(128.6)	(329.8)
Interim dividend on account	0.0	0.0
Total shareholders' equity	243,869.7	235,567.5
Minority interests	403.4	734.8
Deferred income	558.1	1,583.9
Provisions for liabilities and charges	31,958.6	36,766.2
Long-term debt		
Amounts payable to banks	104,807.1	135,055.9
Other amounts payable	408.2	111.5
Total long-term liabilities	105,215.3	135,167.4
Total shareholders' equity and long-term liabilities	382,005.1	409,819.8
Current liabilities		
Amounts payable to banks	48,881.2	43,512.1
Loans and other debt	47,140.8	41,829.9
Interest payable	1,740.4	1,682.2
Trade creditors	15,568.6	2,530.6
Advances received from customers	5.1	3.9
Amounts payable on purchases of goods and services	15,563.5	2,526.7
Other accounts payable	204,576.4	222,432.7
Amounts payable to public entities	103,174.1	105,216.2
Salaries payable	78,350.1	77,780.4
Other amounts payable	23,052.2	39,436.1
Accruals	40,923.0	23,333.3
Total current liabilities	309,949.2	291,808.7
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	691,954.3	701,628.5

II.- Prosegur Compañía de Seguridad, S.A and subsidiaries Consolidated statements of profit and loss for the years ended 31 December 2004 and 2003

Thousands of euros

	2004	2003
Income		
Net sales	1,182,825.9	1,116,752.5
Other operating income	343.8	1,685.8
Change in stocks of finished products and work in progress	1,109.5	(860.4)
Expenses		
Materials consumed	41,735.9	38,120.5
Personnel expenses	857,039.2	795,819.2
Wages and salaries	676,984.9	633,878.4
Social charges	180,054.3	161,940.8
Depreciation and amortisation	35,769.8	33,211.2
Charged on tangible assets	33,429.1	31,836.5
Charged on intangible assets and start-up expenses	2,340.7	1,374.7
Change in provision for bad debts	1,634.5	2,723.5
Other operating expenses	149,228.5	145,418.7
External services	142,012.4	137,815.2
Other taxes and levies	7,216.1	7,603.5
Operating profit	98,871.3	102,284.8
Financial income and expenses	(9,882.7)	(9,876.7)
Other interest and similar income	2,263.1	2,977,8
Foreign exchange losses, net	1,192.7	1,681,4
Other interest and similar charges	(13,338.5)	(14,535.9)
Amortisation of goodwill	39,410.9	19,640.6
Profit on ordinary activities	49,577.7	72,767.5
Extraordinary income / (expense)	(11,496.6)	(6,988.9)
Profit (loss) on sale of fixed assets and change in provisions for impairment	(234.0)	(847.2)
Results of operations with own shares and changes in related provisions	3,957.3	597.0
Extraordinary income and expenses	(15,219.9)	(6,738.7)
Consolidated profit before tax	38,081.1	65,778.6
Corporate income tax	(14,959.2)	(20,230.7)
Consolidated profit for the year	23,121.9	45,547.9
Profit attributable to minority interests	(128.6)	(329.8)
Profit attributable to the parent company	22,993.3	45,218.1
NET CASH FLOW	94,893.3	97,382.5

III.- Notes to the consolidated annual accounts as at and for the year ending 31 December 2004

NOTE I > Activity

a) Parent company

Prosegur Compañía de Seguridad, S.A. was incorporated in May 1976 and is registered in Madrid at Calle Pajaritos, 24.

The corporate purpose of the parent company is to provide nationwide security services in accordance with the Spanish Private Security Act, 1992 (Law 23 of 30 July 1992), without prejudice to the powers and jurisdiction of the Spanish Police and Armed Forces. On this basis, the Company carries out the following activities:

1. Surveillance and protection of property, premises, spectacles, events and conventions.
2. Personal protection of certain individuals, subject to official authorisation.
3. Holding, custody, counting and classification of coins and banknotes, share certificates, securities and other items requiring special protection due to their financial or intrinsic value, or their hazardous nature, without prejudice to the activities proper to financial institutions.
4. Transportation and distribution of the items referred to in the preceding paragraph, where applicable using vehicles fitted out and marked in accordance with Ministry of Interior requirements. The Group's vehicles may not resemble those used by the Police or Armed Forces.
5. Installation and maintenance of security apparatus, devices and systems.
6. Operation of control centres to receive, verify and transmit alarm signals and alert the Police or Armed Forces, as well as the provision of services falling under the jurisdiction of the State security services.
7. Security planning and advisory services.
8. Deployment of private estate wardens for the surveillance and protection of rural property.

The parent company's statutes expressly exclude all activities requiring compliance with special conditions established by Law and, in particular, any activity related with financial intermediation or restricted to mutual investment funds and companies by regulations governing such institutions or the Spanish Securities Market Act.

The parent company currently operates exclusively within Spain.

b) Consolidated subsidiaries

The subsidiary undertakings enumerated in the following pages have been fully consolidated because the parent company owns majority interests in share capital or exercises effective control. These subsidiaries were either active at 31 December 2004 or carried out material operations during the year then ended.

■ Prosegur Transporte de Valores, S.A.

This company commenced its current cash transportation activity in 1996.

■ Servimax Servicios Generales, S.A.

Incorporated on 29 March 1989, the subsidiary changed its name from Servimax Consulting, S.L. to Servimax Servicios Generales, S.A. in 1998. It provides distribution and ancillary services.

■ Formación, Selección y Consultoría, S.A.

Incorporated on 25 September 1984, the subsidiary changed its name from Umano Servicios, S.A. to Formación Selección y Consultoría, S.A. in 2000. It provides human resources management services.

■ Prosegur Multiservicios, S.A.
Incorporated in May 2000, this company has changed its name from Prosegur Protección Activa, S.A. to the current one. Its statutory activities comprise the installation and maintenance of security devices and systems. The company was inactive during 2004.
■ Prosegur Seguridad, S.A.
This subsidiary is 76.71% owned by Prosegur Compañía de Seguridad, S.A., the remaining 23.29% of the shares being held by Banco Zaragozano. It provides security services throughout Spain.
■ Malcoff Holdings, B.V.
This company was incorporated in the Netherlands in April 2001 and is wholly owned by Prosegur Compáñía de Seguridad, S.A. Its corporate purpose is to hold investments in security services companies.

Prosegur Group companies in Germany

■ Prosegur Internationale Handels G.M.B.H.
This German company was incorporated on 4 September 2002 and acquired on 2 December 2002. It is 100% owned by Malcoff Holdings BV. Its corporate purpose is to hold investments in security services companies.

Prosegur Group companies in Latin America

■ Prosegur, S.A. (Argentina)
The Group acquired a 50% interest in this company in May 1995. The shares are currently owned by Prosegur Internationale Handels GmbH. The Argentinean company is, in turn, the owner of a 70% interest in Prosegur Chile, S.A. and 100% of the share capital of Prosegur (Uruguay) B.V., which holds a 90% interest in Prosegur Uruguay Compañía de Seguridad, S.A.
■ Armor Acquisition, S.A.
A 100% interest was acquired in July 2001 together with 25.97% of Juncadella Prosegur Internacional (JPI). Details of investments in other undertakings held through these companies are disclosed in note 23.
■ Prosegur Primera Agencia de Seguridad, S.A. (Panama)
The Group acquired a 90% interest in this company in 1995. The shares are currently owned by Prosegur Compañía de Seguridad, S.A. The company provides security services.
■ Prosegur Universal Security, S.A. (Panama)
The Group acquired a 90% interest in this company in 1995. The shares are currently owned by Prosegur Compañía de Seguridad, S.A. The company provides security services.

Prosegur Group companies in Ireland

■ Reinsurance Business Solutions Limited
This company was incorporated in Ireland on 29 May 2003. It is 100% owned by Prosegur Compañía de Seguridad, S.A. and its corporate purpose is to conduct reinsurance business.

Prosegur Group companies in Portugal

■ Prosegur Companhia de Segurança, L.D.A.
This company was incorporated in 1982, and its statutory activities comprise cash transport, the provision of security services and the installation of security systems in Portugal.
■ Prosegur Distribução e Serviços, L.D.A.
This company was acquired in 1994. It provides courier services in the Portuguese market. It currently owns a majority shareholding in Servimax, S.A.

Prosegur Group companies in Italy

■ Mabro, S.R.L.
This company was acquired on 13 February 2003 and is 100% owned by Prosegur Compañía de Seguridad, S.A. Its statutory activity is to provide security services.
■ Prosegur Servizi, S.R.L.
(formerly Prosegur Servizi di Sicurezza, S.R.L.)
This company was incorporated in Italy in December 1993. Its corporate purpose is the provision of security services. It also owns 100% shareholdings in the Italian companies Prosegur Roma, S.R.L., Prosegur Torino, S.R.L. (formerly Ferdy Vigilanza, S.R.L.) and Prosegur Milano, S.R.L. (formerly Vigilar Security, S.R.L.). The latter two investments were acquired in May 2000. Its share capital is currently 100% owned by Mabro, S.R.L.

Prosegur Group companies in France

The Prosegur Group acquired 100% of the Cinieri Group in May 2001. This Group currently comprises Prosegur France; Prosegur Securite Humaine; Prosegur Traitement de Valeurs; Prosegur Teleserveillance; Prosegur Systemes and Jean Jaures S.C.I..

On 16 June 2002, Prosegur acquired 100% of the Bac Sécurité Group, which comprises Prosegur Sécurité (formerly S.A. Bac Sécurité), Sas Bfactive, Sarl Yardair and Sarl Initiale.

On 3 April 2003, Prosegur acquired the SEEI group, which comprises the following companies: Securite Europeenne de L'Espace Industriel, S.A.; Esta Service, S.R.L.; Force Gardiennage, S.R.L.; Appi, S.R.L.; Ars Formation, S.R.L. and Prosegur Services (formerly Seei Paca, S.R.L.).

c) Merger

The following operations were carried out in 2004:
■ Merger of Prosegur Holding International, S.L. with Prosegur Compañía de Seguridad, S.A., which absorbed the former. The absorption of this subsidiary by the parent company was approved by the shareholders at their respective Annual General Meetings held in June 2004. The merger took effect for accounting purposes on 1 January 2004.
■ Merger of Prosegur S.G.P.S., L.D.A, Prosegur Vigilancia, S.A., Prosegur Transporte de Valores, S.A. and Prosegur Prevençao e Vigilancia, S.A. with Prosegur Companhia de Segurança, L.D.A. In October 2004 the

shareholders of Prosegur Companhia de Segurança, LDA and of the absorbed companies approved the merger operation. The merger took effect for accounting purposes on 1 January 2004.

■ Merger of Serius Prosegur S.A.R.L., with SA Prosegur France, S.A. The absorption of Serius Prosegur S.A.R.L.by Prosegur France, S.A. was approved by the shareholders at their respective Annual General Meetings held in October 2004. The merger took effect for accounting purposes on 1 January 2004.

d) Acquisitions

Prosegur has made a number of significant acquisitions during the year within the framework of its international positioning strategy. Key operations during the year were as follows:

■ On 19 February 2004 (consolidated as from 30 April 2004) acquired 70% of the Italian company Nuova Prealpol, S.R.L. The remaining 30% is owned by Intituto di Vigilanza Nocturna S.R.L. During the year, the company's name was changed to Prosegur Varese, S.R.L.

■ On 16 December 2004 the Group acquired 25.10% of Prosegur Seguridad, S.A. The purchase price was € 941,200, resulting in the recognition of goodwill on consolidation totalling € 663,300 in the consolidated annual accounts of the Prosegur Group, which will be amortised on a straight line basis over a period of 20 years as from the moment the Company is included in the consolidated Group.

NOTE 2 > Basis of presentation of the consolidated annual accounts

a) These consolidated annual accounts have been prepared on the basis of the accounting ledgers of the Group companies in accordance with generally accepted accounting principles in Spain, as defined in relevant legislation.

b) The consolidated annual accounts have been prepared in euros. All figures contained in these annual accounts are expressed in thousands of euros, except where otherwise stated.

c) In accordance with prevailing legislation in Spain, the accompanying consolidated annual accounts include balances of Prosegur Compañía de Seguridad, S.A. and its main subsidiaries, as enumerated in Note 1. The subsidiaries have been fully consolidated by incorporating their assets and liabilities into the balance sheet and income and expenses into the statement of profit and loss, eliminating the cost of the relevant investments, and calculating gains or losses arising upon acquisition.

d) The consolidated annual accounts include the operations of the joint venture Prosegur Compañía de Seguridad, S.A. – Valchip, S.L.U.T.E., in which the parent Company owns a 51.90% interest. The joint venture generated income in 2004, recognised in the consolidated accounts for € 8,000.

e) The net worth of investments made during the year has been integrated into the relevant shareholdings, and the result consolidated as from the date of the investment.

f) All balances and transactions between the Group companies, as well as unrealised profits, have been eliminated from the balance sheet and statement of profit and loss in the consolidation process.

g) Dividends received from companies that do not form a part of the Prosegur Group are recorded when they are collected.

h) Foreign currency balances of consolidated companies have been translated into euros at the rates of exchange prevailing at 31 December for assets, rights and obligations and at the average rate of exchange for the year for revenues and expenses. The share capital and reserves of these subsidiaries have been translated using historic rates of exchange.

i) For the purposes of the presentation of these consolidated financial statements, net cash flow represents the sum of earnings for the year, amortisation and depreciation, and provisions for own shares.

NOTE 3 > Distribution of earnings of the Prosegur Group

The Directors of the parent company, Prosegur Compañía de Seguridad, S.A., will propose to the Shareholders at their Annual General Meeting that the profit for the year ended 31 December 2004 be distributed as follows:

Basis of distribution	
Profit for the year	(17,588.8)
Distribution	
Prior years' losses	(17,588.8)
Total	(17,588.8)

On the same date as these annual accounts are approved, the Board of Directors will propose to the Annual General Meeting that a dividend of € 20,334.5 thousand be distributed out of unrestricted reserves.

NOTE 4 > Significant accounting principles

Significant accounting principles applied in the preparation of these consolidated annual accounts are as follows:

a) Start-up expenses

Formation expenses are reflected at the cost of acquisition or production of the relevant goods and services, and are amortised on a systematic basis over a maximum of five years.

b) Intangible assets

Intangible assets are stated at cost of acquisition. Goodwill represents the unamortised difference between the cost and proportional net worth of consolidated investments made by the Group. In accordance with prevailing accounting regulations in Spain, goodwill may be amortised over a period of up to 20 years for financial statements prepared subsequent to 31 December 1998. The Prosegur Group changed the amortisation period for goodwill from 10 to 20 years in 1998 without adjusting charges made in prior accounting periods. Goodwill generated as a result of the purchase of alarm contracts in the Active Protection business is amortised over the eight-year period in which the investment is expected to be recovered.

Where necessary, such goodwill is written down in light of future cash flow forecasts for the recovery of the investment.

Assets acquired under lease financing are recorded as intangibles with an equivalent charge to the relevant liability account.

Computer software applications are amortised over their estimated useful lives as estimated in view of the effects of use and obsolescence. Amortisation is provided at a rate of 20% per year. Where appropriate in view of the technological evolution of projects or the outlook for the use of developments in the Group's IT environment, costs incurred are charged to expenses for the year in accordance with the principle of prudence.

c) Tangible assets

Tangible assets are stated at cost of acquisition, which includes all costs incurred until the asset enters service.

Maintenance costs that do not improve the related assets or extend their useful lives are charged to expenses for the year.

Depreciation is provided on a straight-line basis over the useful lives of tangible assets estimated on the basis of normal wear and tear resulting from use. The percentage rates utilised in the calculation of annual depreciation charges in respect of fixed assets are substantially similar to the rates applicable for tax purposes, as follows:

	Depreciation rate (%)
Buildings	2 to 3
Plant and machinery	10 to25
Other installations and equipment	10 to 30
Furniture	10
Computer hardware	25
Motor vehicles	16
Other tangible assets	10 to 25

d) Marketable securities

Marketable securities are recorded at cost, representing the price paid on subscription or purchase. Where the year-end market value of listed securities is lower than cost, a provision equal to the resulting diminution in value is made with a charge to expenses. Valuation adjustments are also made during the year where circumstances indicate that the carrying value of securities is lower than market. Unlisted shares are stated at cost, net of provisions made, where applicable, to reflect any decline in value. Such provisions are at all times at least equal to the portion of losses incurred by the investee company attributable to the percentage interest held therein.

e) Own shares

Own shares are reflected at the lower of cost or underlying net book value.

f) Other accounts receivable and payable

Current and long-term non-trade receivables are recorded at the cash value of the loan. Provision is made for such receivables where recovery appears doubtful. Current and long-term non-trade payables are recorded at their repayment value. The difference between the repayment value and the sum received is deferred and charged to expenses over the term of the debt on a financial basis. Credit facilities are recorded for the amounts actually drawn down.

g) Stocks

Stocks are valued as follows:

- Stocks held at warehouses and in vans are stated at weighted average cost.
- Plants in course of installation is recorded at cost, which includes the cost of materials and spare parts, as well as labour charged at standard rates.
- Uniforms are stated at weighted average cost.

The standard cost of labour attributed to installation work does not differ significantly from the actual cost incurred during the year. Provisions for stocks are charged or released as appropriate on the basis of annual valuation studies performed to establish the amount of any differences between cost and realisable value.

h) Recognition of income and expenses

Sales of goods and revenues generated from services are recorded on an accruals basis, net of taxes charged on transactions and any discounts applied. With the exception of value added tax (VAT) and transportation expenses, all taxes other charges incurred on the purchase of goods for resale or services are included as a part of their cost.

i) Trade receivables and payables

Current and long-term accounts receivable and payable arising from trade operations are recorded at their nominal value.

j) Executive compensation

The parent company has established a compensation scheme for executives, under which they are awarded shares free of charge subject to certain length-of-service requirements (between three and four years). In the prior year, the parent company reflected the cost of this compensation in its accounts by purchasing the shares required for the scheme in the market and providing for 100% of the cost when they were earmarked for use in the executive compensation scheme. In the current year, the commitment acquired by the company has been provided for under other accounts payable – salaries payable.

k) Income tax

The income tax expense for the year reflected in the consolidated statement of profit and loss is calculated on the basis of tax accruing during the year, taking into consideration any permanent differences arising between taxable income and the accounting result before tax, as well as tax credits and deductions.

In accordance with the prudence principle, all Group companies recognise tax loss carryforwards only in the year in which they are offset against taxable income.

In accordance with international accounting standards and general practice in Spain, the effects of timing differences between the group companies and the parent company are only recorded as an expense to the extent that the company is unable to defer the payment of taxes over a reasonably certain future period.

l) Foreign exchange gains and losses

Balances receivable and payable in foreign currencies are recorded at the exchange rates prevailing at the transaction date and restated at 31 December on the basis of the year-end rate. Any exchange losses arising are expensed.

Where exchange differences arise as a consequence of financing operations carried out between Group companies, any amounts expensed in the individual financial statements of the companies participating in the operation in accordance with the rule described in the foregoing paragraph are reclassified to conversion differences in the consolidated accounts in order to reflect their true nature. Differences arising in respect of foreign currency liabilities contracted with third parties to hedge net investments in non-Spanish companies denominated in the same currencies are likewise recorded under conversion differences in the consolidated balance sheet. Finally, all derivatives operations that do not efficiently hedge assets, liabilities or forward transactions are treated as equivalent or speculative operations and provided for, where applicable, based on their value at term at each accounting close.

NOTE 5 > Start-up expenses

Details of and changes in start-up expenses are as follows:

	Incorporation costs	Share issue costs	Total
Balance at 31 Dec 2002	73.9	318.7	392.6
Additions	0.0	0.0	0.0
Disposals and other changes	0.0	0.0	0.0
Amortisation	(6.5)	(71.7)	(78.2)
Balance at 31 Dec 2003	67.4	247.0	314.4
Additions	0.0	0.0	0.0
Disposals and other changes	(31.8)	(26.8)	(58.6)
Amortisation	(5.1)	(66.0)	(71.1)
Balance at 31 Dec 2004	30.5	154.2	184.7

(thousands of euros)

NOTE 6 > Intangible assets

Details of and changes in the cost and accumulated amortisation of intangible assets are as follows:

Cost	Goodwill	Computer software	Other intangibles	Total
Balance at 31 Dec 2002	333,568.5	4,994.6	1,524.5	340,087.6
Increases	12,683.9	4,343.8	1,420.0	18,447.7
Transfers	—	927.0	(927.0)	—
Disposals	(540.6)	(485.8)	(252.7)	(1,279.1)
Balance at 31 Dec 2003	345,711.8	9,779.6	1,764.8	357,256.2
Increases	2,324.2	6,837.3	70.6	9,232.1
Transfers	—	—	—	—
Disposals	(200.0)	(2,759.5)	(180.2)	(3,139.7)
Balance at 31 Dec 2004	347,836.0	13,857.4	1,655.2	363,348.6

(thousands of euros)

Accumulated amortisation	Goodwill	Computer software	Other intangibles	Total
Balance at 31 Dec 2002	125,233.7	2,082.4	947.7	128,263.8
Charge for the year	19,640.6	1,273.1	891.5	21,805.2
Transfers	—	54.0	(54.0)	—
Disposals	—	(447.1)	(122.3)	(569.4)
Balance at 31 Dec 2003	144,874.3	2,962.4	1,662.9	149,499.6
Charge for the year	39,410.9	2,233.5	36.1	41,680.5
Transfers	—	—	—	—
Disposals	—	(1,436.5)	(223.9)	(1,660.4)
Balance at 31 Dec 2004	184,285.2	3,759.4	1,475.1	189,519.7
Net book value	163,550.8	10,098.0	180.1	173,828.9

(thousands of euros)

6.1 As explained in Note 1d), the main acquisition in 2004 was the purchase of 25.10% of the share capital of the Prosegur Seguridad, S.A., which resulted in the recognition of goodwill totalling € 663,400 supported by studies of future income generation. Goodwill is amortized over the period in which the investments are held, assuming a time horizon of 10 years in all cases.

Other changes in goodwill comprise increases in the goodwill recorded in respect of the Chilean companies Capacitaciones Ocupacionales Sociedad Limitada, Servicios Prosegur Limitada, Empresa de Transportes Compañía de Seguridad Chile Limitada and Prosegur Chile, S.A. (holdings acquired in 2002) for a total of € 1,660.8 thousand.

Disposals for the year basically reflect write-downs in the goodwill booked in respect of security firms based in northern France.

6.2 Amortisation of goodwill during 2004 totalled € 39,410.9 thousand. The charge for 2003 was € 19,640.6 thousand.

During the year Prosegur wrote down goodwill recorded in respect of the Seei group and the Bac group (companies operating in northern France) by € 19,221.5 thousand.

6.3 A detail of net goodwill at 31 December 2004 is as follows:

Net goodwill	Balance at 31 Dec 2004
Portfolio of Active Protection alarms customers	1,949.8
Italy	5,172.5
Portugal	10,832.1
Cinieri	15,503.2
Malcoff	109,852.5
Other	20,240.7
Total	163,550.8

(thousands of euros)

6.4 Other goodwill basically comprises the unamortised portion of goodwill arising on the acquisition of certain companies in Spain in prior years.

6.5 Disposals of computer software resulted in a net extraordinary expense of € 1,035.9 thousand.

6.6 The outstanding debt resulting from the acquisition of the shares of Prosegur Málaga, S.L. in 2000 has been recorded as a current liability under other amounts payable for a total of € 961,600.

6.7 The cost and accumulated amortisation of intangible assets at 31 December 2004 were reduced by € 236,600 and € 192,900 respectively due to conversion differences.

NOTE 7 > Tangible assets

Details of and changes in tangible assets are as follows:

Cost	Land and buildings	Plant and machinery	Other installations, equipment and furniture	Other tangible assets	Advances and tangible assets in course of construction	Total
Balance at 31 Dec 2002	54,406.0	27,566.9	92,196.1	101,246.0	6,333.6	281,748.6
Increases	3,725.0	1,399.4	29,089.0	14,668.6	3,663.2	52,545.2
Decreases	(5,133.0)	(2,072.1)	(3,687.4)	(18,518.5)	(1,733.2)	(31,144.2)
Transfers	2,656.0	6.0	266.0	1,502.0	(4,430.0)	—
Balance at 31 Dec 2003	55,654.0	26,900.2	117,863.7	98,898.1	3,833.6	303,149.6
Increases	997.6	2,379.8	18,934.7	11,415.8	11,745.2	45,473.1
Decreases	(2,003.7)	(2,034.7)	(38,021.9)	(7,686.5)	(862.2)	(50,609.0)
Transfers	427.3	23.6	1,622.8	5,232.1	(7,305.8)	—
Balance at 31 Dec 2004	55,075.2	27,268.9	100,399.3	107,859.5	7,410.8	298,013.7

(thousands of euros)

Cost	Land and buildings	Plant and machinery	Other installations, equipment and furniture	Other tangible assets	Advances and tangible assets in course of construction	Total
Balance at 31 Dec 2002	20,635.3	17,197.0	42,978.3	63,343.0	—	144,153.6
Increases	1,268.4	2,445.2	18,820.0	9,589.8	—	32,123.4
Decreases	(4,926.8)	(1,677.0)	(3,447.4)	(10,556.6)	—	(20,607.8)
Transfers	—	—	—	—	—	—
Balance at 31 Dec 2003	16,976.9	17,965.2	58,350.9	62,376.2	—	155,669.2
Increases	1,946.3	2,429.0	17,361.2	11,692.6	—	33,429.1
Decreases	(283.3)	(254.9)	(19,727.8)	(7,457.1)	—	(27,723.1)
Transfers	—	—	—	—	—	—
Balance at 31 Dec 2004	18,639.9	20,139.3	55,984.3	66,611.7	—	161,375.2
Net book value	36,435.4	7,129.6	44,415.0	41,247.8	7,410.8	136,638.6

(thousands of euros)

7.1 Sales of tangible assets generated net extraordinary income € 693.1 thousand.

7.2 Tangible assets include an amount of € 4,784,000 (€ 4,784,000 in 2,003), which reflects the principal on assets acquired under finance leases by companies based in Spain, as well as accumulated depreciation provided over the useful lives of these items for € 4,344.6 thousand (€ 4,166.1 thousand). The principal on lease financing agreements entered into by companies established in France and accumulated depreciation provided in respect of the related tangible assets total € 3,163.9 thousand and € 1,308.1 thousand respectively.

7.3 At 31 December 2004 the cost and accumulated depreciation of tangible assets has been reduced by € 2,816.7 thousand and € 1,894.4 thousand respectively (decreases of € 3,434.1 and 1,845.2 thousand respectively in 2003), due to the effect of conversion differences.

7.4 The net value of tangible assets located outside Spain is € 71,717.5 thousand (€ 84,002.4 thousand in 2003).

NOTE 8 > Long-term investments and own shares

Details of and changes in investments and the own-share portfolio are as follows:

	Balance at 31 Dec 2002	Additions	Disposals	Balance at 31 Dec 2003	Additions	Disposals	Balance at 31 Dec 2004
Investments in associated undertakings	1,582.2	—	(150.1)	1,432.1	33.1	—	1,465.2
Long-term investments	309.2	328.8	(210.2)	427.8	102.3	(284.3)	245.8
Long-term guarantee deposits	2,735.4	308.4	(2,339.4)	704.4	25.1	(76.1)	653.4
Other loans	727.0	—	(243.0)	484.0	520.8	(294.9)	709.9
Provisions and decline in value of investments	(204.7)	(125.3)	—	(330.0)	(13.9)	92.2	(251.7)
Total financial investments	5,149.1	511.9	(2,942.7)	2,718.3	667.4	(563.1)	2,822.6
Own shares	4,885.9	192.6	(947.9)	4,130.6	—	(3,136.7)	993.9
Provisions for own shares	(4,635.8)	—	505.2	(4,130.6)	(850.0)	4,130.6	(850.0)
Total own shares	250.1	192.6	(442.7)	0.0	(850.0)	993.9	143.9

(thousands of euros)

8.1 Long-term investments and shareholdings in associated companies are as follows (net):

Investment	% ownership	Cost of the investment	Net worth of holdings
Euroforum Escorial, S.A.	8.1	883.0	883.0
Keytech	37.0	215.9	215.9
Other	—	360.4	—
Total	—	1,459.3	—

(thousands of euros)

8.2 On 9 May 2000 the General Meeting of the Shareholders authorised the Board of Directors to acquire own shares up to a maximum 5% of the parent company's share capital and to apply up to 0.75% to the Plan 2000 executive motivation and loyalty scheme. At the Shareholders' Meeting held on 29 June 2001 the Board of Directors was authorised to acquire own shares and apply up to 0.065% of the Company's share capital to the Plan 2001 executive compensation scheme. At their Meeting on 18 April 2002 the Shareholders' approved the Plan 2002 executive compensation scheme, to which a maximum of 0.095% of share capital may be applied. The Shareholders' Meeting held on 29 April 2003 approved the Plan 2003 executive compensation scheme, to which a maximum of 1.37% of share capital may be applied. The Shareholders' Meeting held on 26 April 2004 approved the Plan 2004 executive compensation scheme, to which a maximum of 0.067% of share capital may be applied.

A total of 92,859 own shares have been recorded at 31 December 2004 for a gross amount of € 993,900. The related provision totals € 850,000. During the year the Company acquired 150,000 of its own shares for a gross amount of € 1,974,000.

During 2003 a total of 143,049 shares with a gross value of € 1,531.1 thousand were allocated to certain executives. These share had been provided for in their entirety. Of this amount, € 1,375.5 thousand were allocated to directors.

A detail of the shares assigned to each of the executive compensation (excluding directors) schemes at 31 December 2004 is as follows:

Plan 2002	33,733
Plan 2003	23,097
Plan 2004	10,107
Total	66,937

The commitment acquired by the company in connection with the various executive remuneration schemes has been provided for under other payables – salaries payable for a total of € 1,004,000.

NOTE 9 > Debtors

Trade debtor balances are presented net of provisions for bad debts totalling € 18,101,5 thousand (€ 20,092.7 thousand in 2003) and include foreign currency receivables for the equivalent of € 40,210.6 thousand (€ 39,380.8 in 2003). Provisions for bad debts are set aside on the basis of the ageing of trade receivables and adjusted each year with a credit or debit to profit and loss as appropriate. At 31 December 2002, no trade debtor balances exceed 5% of outstanding receivables or accumulated revenues billed to a single customer 5% of consolidated net sales.

NOTE 10 > Short-term investments

Short-term investments have earned interest of € 334,200 during the year. The average rate of interest obtained was 2.15%.

This caption includes credit notes totalling € 12,950,000 in respect of credit notes guaranteeing a loan awarded by Barclays Bank to a Brazilian subsidiary. See Note 17.1.

NOTE 11 > Amounts receivable from and payable to public entities

Accounts with public entities are as follows:

	Receivable	Payable
VAT	8,017.6	27,710.0
Personal income tax withholdings	0.0	6,329.5
Withholding tax on interest income	26.3	0.0
Payments on account of corporate income tax	12,507.7	0.0
Corporate income tax	737.6	31,766.6
Other balances	8,955.5	6,084.0
Deferred tax asset	17,641.6	0.0
Deferred tax liability	0.0	2,665.6
Social security authorities	222.0	28,618.4
Total	48,108.3	103,174.1

NOTE 12 > Shareholders' equity and minority interests

Details of and changes in consolidated share capital and reserves are as follows:

	Share capital	Share premium	Other parent company reserves	Prior years' losses	Reserves in consolidated companies	Profit and loss attributable to the parent company	Dividend on account	Total shareholders' equity
Balance at 31 Dec 2002	37,027.5	25,471.6	54,852.4	(9,131.1)	54,354.9	40,575.4	—	203,150.7
Dividends	—	—	(13,703.1)	—	—	—	—	(13,703.1)
Reserves and other items	—	—	—	2,858.2	38,619.0	(40,575.4)	—	901.8
Profit for 2003	—	—	—	—	—	45,218.1	—	45,218.1
Balance at 31 Dec 2003	37,027.5	25,471.6	41,149.3	(6,272.9)	92,973.9	45,218.1	—	235,567.,5
Dividends	—	—	(15,073.3)	—	—	—	—	(15,073.3)
Reserves and other items	—	—	24,636.7	6,272.9	14,690.7	(45,218.1)	—	382.2
Profit for 2004	—	—	—	—	—	22,993.3	—	22,993.3
Balance at 31 Dec 2004	37,027.5	25,471.6	50,712.7	—	107,664.6	22,993.3	—	243,869.7

(thousands of euros)

12.1 At their General Meeting held on 26 April 2004 the shareholders resolved to distribute a dividend of 15,073.3 thousand out of unrestricted reserves. This dividend was paid in two instalments (50% each), the first on 5 May 2004 and the second on 16 September 2004.

12.2 At 31 December 2004 own shares represent 0.150% of share capital (see Note 8.2).

12.3 A detail of reserves in consolidated companies based on the amounts generated in each is as follows:

	31/12/04
Sociedad Matriz	50,172.7
Prosegur Seguridad, S.A.	448.8
Prosegur Transporte de Valores, S.A.	33,989.5
Formación Selecc. y Consultoría, S.A.	(94.6)
Servimax Servicios Generales, S.A.	34,825.2
Prosegur Multiservicios, S.A.	(12.7)
Prosegur Distribuçao e Serviços, Lda.	(4,077.5)
Servimax, S.A.	(15.4)
Reinsurance Bussiness Solutions	313.5
Malcoff Holdings, B.V.	(490.0)
Prosegur Companhia de Segurança, Lda.	29,912.7
SA Prosegur France	10,829.4
Prosegur Sécurité Humaine	(6,680.9)
EURL Prosegur Telesurveillance	120.0
SCI Jean Jaures	(21.8)
Prosegur Traitement de Valeurs	1,669.2
Prosegur Systemes	(4,473.0)
SA Prosegur Sécurité	(3,439.5)
SARL Initiale	(189.5)
SARL Yardair	(201.4)
SAS BFActive	(590.7)
SA Sécurité Europeene de L'Espace Industriel	(1,474.1)
SARL Esta Service	(156.3)
SARL Force Gardiennage	(182.2)
SARL Appi	(13.6)
SARL Ars Formation	(12.4)
SARL Prosegur Services	41.3
Prosegur Servizi SRL	(5,436.7)
Prosegur Torino SRL	(588.1)
Prosegur Milano SRL	(1,158.7)
Prosegur Roma SRL	(463.1)

	31/12/04
Mabro	(543.2)
Prosegur Universal Security, S.A.	61.5
Prosegur Primera Agencia de Seguridad, S.A.	(71.9)
Prosegur Administración, S.A.	(5.9)
Armor Acquisition, S.A.	(901.9)
Juncadella Prosegur Internacional, S.A.	153.6
Transporte de Caudales Juncadella, S.A.	(23,574.8)
Prosegur Alarmas, S.A.	9.2
Compañia de Seguridad Prosegur, S.A.	6,162.5
Posegur Bolivia, S.A.	(689.0)
Proseguridad, S.A.	871.2
Juncadella Prosegur Asistencia Técnica, S.A.	(144.1)
Prosegur, S.A.	(2,602.5)
Prosegur Chile, S.A.	727.4
Serv de Seguridad Prosegur Regiones Ltda.	884.7
Prosegur Uruguay, SA	566.1
TSR Participaçoes Societarias, SA	(2,811.6)
Prosegur Brasil, S.A.	(11,210.7)
Prosegur Brasil Cursos, Ltda.	(84.3)
Prosegur Sitemas de Segurança, Ltda.	216.6
Juncadella Prosegur Group Andina	910.1
Capacitaciones Ocupacionales Soc. Ltda.	152.8
Empresa de Transportes Cia de Seguridad Chile Ltda.	(88.9)
Servicios Prosegur, Ltda.	3,747.8
Socdad de Distribucion Canje y Mensajería, Ltda.	1,849.8
Prosegur Transporte de Caudales, S.A.	888.5
Compañia Ridur, S.A.	(188.9)
Prosegur Paraguay, S.A.	799.3
Seguridad Prosegur, S.A.	2.2
TGC Transportadora General de Caudales, S.A.	26.0
Proseguridad, S.A. (Argentina)	2.9
Total	107,664.6

The cumulative negative impact of conversion differences totals € 32,530.8 thousand after netting off € 15,793.9 thousand in accordance with the policy described in Note 4.l.

12.4 A detail of income generated in 2004 by geographical region is as follows:

	31-12-04
Latin America	10,319.6
Europe	52,084.5
Amortisation of goodwill	(39,410.9)
Total	22,993.3

(thousands of euros)

12.5 Details of and changes in minority interests in Prosegur Group companies are as follows:

	31.12.03	Profit / (loss)	Dividend	Additions	Disposals	31-12-04
Prosegur Seguridad, S.A.	627.7	131.3	(334.5)	0.0	(151.9)	272.6
Other	107.1	(2.7)	0.0	26.4	0.0	130.8
Total	734.8	128.6	(334.5)	26.4	(151.9)	403.4

(thousands of euros)

Profit for 2004 and 2003 attributable to the minority interests detailed in the above chart totalled € 128,600 and € 329,800.

NOTE 13 > Shares held by members of the Board of Directors

Number of shares	31-12-04	31-12-03
Gut Revoredo family	30,924,033	30,924,033
Álvarez Giesso family	3,464,869	3,463,932
D. Isidro Fernández Barreiro (representing Fondarte)	3,229,673	3,229,673
D. José Luis Martínez Candial (representing Ibercaja)	65,500	65,500
D. Enrique Moya Francés	0	43,900
D. Carlos Martínez de Campos y Carulla	0	82,665
D. Angel Vizcaíno Ocariz	12,897	0
Total	37,696,972	37,809,703

13.1 The directors' shareholdings detailed above represent total interests held directly, or indirectly through companies under their control. At 31 December 2004 the directors of Prosegur Compañía de Seguridad, S.A. own a total of 37,696,972 shares in the parent company, representing 61.08% ownership.

13.2 No other shareholdings individually exceed 10% of share capital.

13.3 In accordance with the requirements of section 127 iii of the amended Spanish Companies Act, the directors hereby represent that they do not own any interests in share capital or hold executive office in any non-group companies having the same, similar or comparable activities to those of Prosegur Compañía de Seguridad, S.A.

NOTE 14 > Market risk and risk management

The Group is exposed to fluctuations in exchange and interest rates, as well as changes in the prices of supplies. Derivative instruments such as swaps, forward contracts and options are used to manage these exposures. In general, the parent company's policy is to use derivatives exclusively for hedging purposes, independently of the accounting treatment accorded to operations. These instruments are viewed basically as complex risk management tools, and they are not used for trading or speculative purposes. In any event, the parent company seeks at all times to diversify counterparties and carefully monitors exposure to counterparts risk.

The Group uses value-at-risk analyses to measure its exposure to changes in interest and exchange rates, and the prices of supplies in respect of instruments that are sensitive to market risk (cash, debt and derivatives).

Note 17 contains additional disclosures concerning foreign currency and interest rate derivatives, as well as other financial instruments.

14.1 Foreign currency exposures

Changes in exchange rates for foreign currencies represent a significant volume of exposures due to the Group's international sales, purchases, loans and other transactions.

For example, following the acquisition of JPI and mainly as a consequence of its activity, Prosegur's income on ordinary activities denominated in foreign currencies totalled € 280,936.1 thousand in 2004, 23.3% of the total for the year. The Group actively manages exchange rate risks affecting income and expenses, commitments, and assets and liabilities foreign currency in the normal course of operations in each business unit.

The Group is also exposed to significant risks affecting net assets held in foreign currencies, which are hedged using derivative contracts to the extent possible. These contracts are described in Note 17.

The Group's consolidated financial position includes balances denominated in foreign currencies. Global cash requirements are managed taking into consideration available funds in subsidiaries and the cost-effectiveness of using such funds. The repatriation of cash balances from certain subsidiaries may have adverse tax consequences, although such amounts can usually be applied to finance ordinary activities without legal restrictions. Cash balances and investments are transferred from subsidiaries to the parent company and other international subsidiaries, wherever such operations are cost-effective.

14.2 Interest rate risk

The indebtedness of the company mainly comprises variable interest instruments, in respect of which the Company has contracted the interest rate swaps detailed in Note 17.4 at 31 December 2004.

14.3 Exposure to price volatility

The Group is also exposed to volatility in the prices of equipment and certain other items used in some services. However, these risks are not individually material and are difficult to hedge using standard risk management vehicles (derivatives, futures, etc.). Accordingly, the directors do not consider the use of such tools to be appropriate in the current circumstances.

NOTE 15 > Provisions for liabilities and charges

Details of provisions for liabilities and charges at 31 December 2003 and charges during the year are as follows:

Balance at 31 Dec 2003	**36,766.2**
Charges	13,154.5
Conversion differences	(440.4)
Provisions released	(16,917.4)
Applications	(604.3)
Balance at 31 Dec 2004	**31,958.6**

(thousands of euros)

At 31 December 2004 provisions mainly cover contingent liabilities related with the companies acquired in prior years.

Provisions released mainly comprise amounts set aside to cover future commitments connected with the sale of the Umano Group and Servicios de Mantenimiento Pronatur in 2000.

NOTE 16 > Tax matters

16.1 A reconciliation of accounting profit and taxable income for the years ended 31 December 2003 and 2002 is as follows:

	2004	2003
Accounting profit before income tax	38,081.1	65,778.5
Permanent differences	25,697.0	34,913.3
Timing differences	23,369.1	14,290.3
Consolidation adjustments	(7,101.2)	(22,156.6)
Tax losses offset	(2,572.1)	(8,006.8)
Taxable income	**77,473.9**	**84,818.7**

A detail of consolidation adjustments is as follows:

	2004	2003
Provisions for Group companies and amortisation of goodwill	(9,446.0)	(25,616.,4)
Dividends received from Group companies	4,886.6	3,544.0
Other consolidation adjustments	(2,541.8)	(84.2)
Total	**(7,101.2)**	**(22,156.6)**

(thousands of euros)

Increases and decreases in taxable income arising as a result of permanent differences in 2004 and 2003 total € 25,697,000 and € 34,913,300, respectively. These differences basically relate to non-tax allowable provisions made and released.

16.2 The income tax expense for 2004 and deductions carried forward to be offset in future years are as follows:

	2004	2003
Taxable income	77,473.9	84,818.7
Tax losses incurred during the year	13,467.1	12,729.9
Taxable income	**90,941.0**	**97,548.6**
Timing differences	(23,369.1)	(14,290.3)
Tax at 35%	23,650.2	29,140.4
Deductions		
For investment	(3,654.4)	(2,086.6)
Double taxation relief	(1,724.4)	(4,122.0)
	18,271.4	22,931.8
Differences arising on harmonisation of subsidiaries accounts	(2,096.1)	2,166.9
Corporate income tax	**16,175.3**	**25,098.7**
Deductions pending application	—	—

(thousands of euros)

The income tax expense also includes a negative amount of € 832,000 in respect of the adjustment made to the deferred tax asset recorded for the provision of € 1,219,000 in Umano, a tax expense for withholdings at source treated as deductions for the year and a negative amount of € 1,602,000 in respect of adjustments made to 2003 income tax, the most significant of which was the deduction for reinvestment applied in the prior year's income tax return.

16.3 Changes in deferred tax assets and liabilities during the year have been as follows:

	Deferred tax asset	Deferred tax liability
Balance at 31 Dec 2003	11,304.3	(4,713.7)
Adjustment of 2003 income tax	201.1	—
Adjustments	73.0	54.3
Items generated during the year	11,545.3	(75.4)
Items reversed during the year	(5,436.4)	1,945.1
Conversion differences and tax rate	(45.7)	124.1
Balance at 31 Dec 2004	17,641.6	(2,665.6)

(thousands of euros)

The adjustments made to 2003 income tax refer to amounts included in the tax return for that year.

The main timing differences increasing income for the year and giving rise to deferred tax assets relate to the charge made to the provision for liabilities and charges and other extraordinary expenses. These amounts may be deducted in future years. Reversals of deferred tax assets basically represent provisions made in prior years and deducted for tax purposes in 2004.

The main timing differences increasing income for the year and giving rise to the reversal of deferred tax liabilities relate to the reinvestment of gains generated in 2001, which were deferred for tax purposes.

16.4 Of the deferred tax liabilities recorded at 31 December 2004, a total of € 1,604,000 are related to gains generated on asset sales under the reinvestment regime. These gains, and consequently the deferred tax liabilities, were generated in 2001.

The Group has opted to maintain the former regime for the deferral of gains generated, which involves periodic recognition of gains over time. Accordingly, the deferred tax liability recorded in the prior year, equal to 35% of the gains subject to reinvestment, has been maintained.

In order to defer the gains generated from fixed asset disposals, the parent company has reinvested the proceeds of sales in their entirety within a period of four years commencing in the year prior to the delivery or transfer of the assets sold. In future income tax returns the company will be required to make the relevant positive adjustments to taxable accounting income for the seven subsequent years to the tax period in which the reinvestment period terminates.

16.5 At 31 December 2004 payments on account of corporate income tax total € 12,507,700 (€ 20,225,400 in 2003).

16.6 The Group companies have all tax returns filed in the last four years open to tax audit.

On 4 February 2003 the tax authorities notified Prosegur Compañía de Seguridad, S.A. of the commencement of a tax audit in the company involving examination of the following taxes and years:

Corporate income tax for 1998-2000

VAT, personal income tax and withholding tax on interest income, 1999-2000

The additional tax assessments raised were signed in conformity on 30 October 2003 and the amounts recorded as an expense for the year, with the exception of one item which the company disputed. The company has appealed the fines imposed in the Central Economic and Administrative Court.

16.7 At 31 December 2004 the Group companies have accumulated tax losses, which are carried forward to be offset against future taxable income. No tax credit has been recorded in respect of loss carryforwards because the majority of the losses incurred have already been taken into consideration through provisions for Group companies, which are allowable for parent company tax purposes. A detail of accumulated tax loss carryforwards is as follows:

	Bases imponibles negativas
Spain	447.3
Italy	16,478.5
Latin America	167.9
France	21,913.5
Portugal	2,467.0
Total	41,474.2

(thousands of euros)

NOTE 17 > Bank loans and lease financing

17.1 Details of these liabilities are as follows:

	Credit facilities	Loans	Payable to lease creditors	Total
2004				
Current	17,396.1	26,192.3	3,552.4	47,140.8
Long-term	—	99,695.1	5,112.0	104,807.1
Interest rate	3.6%	5.6%	10.09%	
2003				
Current	28,787.6	9,683.5	3,358.8	41,829.9
Long-term	—	131,906.2	3,149.7	135,055.9
Interest rate	6.1%	4.8%	10.35%	

(thousands of euros)

A subsidiary in Brazil has arranged a loan of € 12,950,000, which has been classified as short term despite maturing in over twelve months. This is because the loan is tied to a short term deposit pledged by way of guarantee and the operation may be terminated at any of the interim maturity dates.

17.2 At 31 December 2004 amounts available for drawing under the credit facilities arranged by the Group total € 93,254,900 (€ 77,922,400 in 2003).

17.3 In July 2001 Prosegur entered into a loan agreement with a financial institution for financing of US$100 million and € 109 million in connection with the acquisitions carried out in that and, in particular, the purchase of Juncadella Prosegur Internacional (JPI). The operation was structured as a bridging loan, repayable at such time as the parent company should be able to draw down the syndicated loan under negotiation at the time. The maximum term of this bridging loan was four months. The syndicated loan (34 banks) was finally arranged in October 2001 for a maximum of € 240 million available in US dollars and euros. This loan was applied to repay the bridging loan, settle payments related with the acquisition of JPI and deferred balances from other acquisitions, and refinance the Group's bank debt.

The Group has made repayments in advance for a total of € 10 million in 2004 (€ 30 million in 2003). Accordingly, the outstanding balances repayable on the syndicated loan at 31 December 2004 total € 62 million (€ 72 million at 31 December 2003) and US$ 59 million (equivalent to € 43.32 million). The amount repayable short term (maturing in 2005) is € 9.4 million.

Exchange gains of € 415,700 generated on the bridging loan and dollar-denominated drawings on the syndicated loan have been recorded under deferred income. This amount has been reduced by € 15,793.9 thousand as a consequence of conversion differences at the year end.

The loan matures in 2007 and is repayable in annual instalments commencing in 2003. Annual interest is calculated at Libor or Euribor plus 45 basis points depending on the currency drawn down. The loan is guaranteed by warranties from Group companies (Prosegur Companhia de Segurança Ltda., Prosegur Transporte de Valores, S.A. and Servimax Servicios Generales, S.A.), and the shares of Armor (holding) and JPI, as well as the other Group companies acquired, which have been pledged as collateral.

In accordance with the loan agreement, the maximum drawn-downs at each repayment date are as follows:

Repayment date	Maximum draw-down
25 April 2005	110,000
25 October 2005	96,000
25 April 2006	72,000
25 October 2006	48,000
25 April 2007	24,000
25 October 2007	—

On the basis of these terms, the amounts falling due in 2005 have been classified as short term.

The loan agreement establishes certain obligations with which Prosegur must comply. These covenants substantially limit the parent company's freedom to dispose of assets and enter into commitments without the knowledge of the lender, as well as possible merger operations, or sales of subsidiaries or significant assets. The loan agreement also requires that guarantees provided by Group companies be extended to cover at least 90% of consolidated EBITDA and include all undertakings that individually contribute over 5% thereof. Finally, the Gut family is required to maintain a direct or indirect interest in Prosegur equal to at least 25% of share capital, while the parent company must comply with certain financial ratios at each closing date of the consolidated annual accounts throughout the term of the loan:

Year ended	Debt/equity	Debt/EBITDA	EBITDA/gross financial expenses
31.12.2001	1.85	3.00	4.00
31.12.2002	1.75	2.75	4.00
31.12.2003	1.40	2.25	4.50
31.12.2004	1.00	1.75	5.25
31/12/2005 and thereafter	0.75	1.50	6.00

On the basis of the figures disclosed in the consolidated annual accounts of Prosegur Compáñía de Seguridad, S.A. at 31 December 2004, the Group is in compliance with all financial ratios as required in accordance with the contractual definition of each and the relevant financial statement captions.

17.4 The Group has contracted the following interest rate swaps:

Amount:	Nature	Maturity	Floor Rate	Cap Rate	Knock Out
€ 80,000,000	Variable to fixed interest	25/04/06	3.33%	4.40%	6.00%
USD 50,000,000	Variable to fixed interest	25/04/05	2.00%	3.90%	6.00%

The Group has contracted hedging structures involving derivative instruments limiting interest rate exposures. In this regard, the Group has contracted euro interest rate cover for a total of € 80 million over three years, which limits interest rate rises to a ceiling of 4.40%. The Group has also contracted US dollar interest rate cover for a total of $50 million over three years, which puts a ceiling of 3.90% on dollar interest rates.

NOTA 18 > Income and expenses

The distribution of activities, including net sales, other operating income and changes in stocks, by geographical region and line of business is as follows:

	2004	2003
Spain	610,112.6	574,064.7
Europe	295,553.0	280,560.0
Latin America	278,613.7	262,953.2
Total	1,184,279.3	1,117,577.9

	2004	2003
Surveillance	755,969.0	698,318.2
Transport	354,130.9	351,352.5
Alarms	74,179.4	67,907.2
Total	1,184,279.3	1,117,577.9

(thousands of euros)

18.1 Extraordinary results for 2004 basically comprise restructuring expenses and other employment commitments totalling € 10,588,000, the reversal of provisions totalling € 5,087,000 made for possible risks connected with the sale of the Umano group and Servicios de Mantenimiento Pronatur in 2000, which matured in July 2004, the provision of € 13,000,000 set aside to cover a social plan in France, and income generated on the escrow account set up as a result of the acquisition of the Juncadella Group for a total of € 4,980,000.

18.2 Significant extraordinary expenses for 2003 basically comprised provisions for severance payments and other employment commitments totalling € 2,676,100 and a charge of € 1,783,500 made to the provision for liabilities and charges for Latin America.

NOTE 19 > Personnel expenses

The average headcount of the Group during 2001 was 58,339 employees. The year-end headcount and the split of personnel expenses between operational and other employees are as follows:

2004	Number	Wages and salaries	Other social charges	Total personnel expenses
Operational employees	55,041	575,784.1	160,134.4	735,918.5
Other activities	3,298	101,200.8	19,919.9	121,120.7
Total	58,339	676,984.9	180,054.3	857,039.2

Social charges reflect Social Security contributions made by the Group in their entirety and do not include any allowances for pensions or similar items. Social charges for 2004 include incentives totalling € 3,246,400 (€ 3,353,400 in 2003) for converting temporary into permanent jobs and formalising the relevant contracts, as well as the 1,496,200 cost of a special competitiveness plan in Argentina.

NOTE 20 > Directors' Compensation

20.1 The total remuneration earned by members of the Board of Directors was as follows:

	2004	2003
Salaries, allowances and other emoluments	5,720.4	3,063.2
Total remuneration	5,720.4	3,063.2

20.2 The Prosegur Group has not advanced any sums or made any loans to members of the Board of Directors. No obligations or guarantees have been taken on in respect of directors' pensions, life insurance or similar items outside the terms of the Plan 2002, Plan 2003 and Plan 2004 executive compensation schemes referred to in Note 8.2.

20.3 The members of the Board of Directors own 61.08% of the share capital of the parent company as explained in note 13.1, which contains disclosure of the individual holdings.

NOTE 21 > Other disclosures

21.1 On 8 January 1996 a writ was served upon the parent company in connection with a claim for the sum of € 13,023,900 brought by the official receivers of Esabe Express, S.A. This writ named the Danish company Alarmselskabet Dansikring A/S, a subsidiary of the Swedish Securitas Group, as co-defendant in the action.

Subject to the final decision of the Courts, the directors of the Group believe that Prosegur has strong arguments to defend its position, though proceedings are expected to be protracted. On this basis, it is considered unlikely that significant liabilities having a material effect on the financial position of the Group will arise, particularly since Prosegur was not involved in any way in the purchase of 16 subsidiaries of Esabe Express, S.A., but simply accepted a payment that Securitas had undertaken to make on behalf of Esabe Express, S.A. Together with its Group company Alarmselskabet Dansikring A/S, Securitas in fact made this commitment in order to facilitate the purchase of Esabe businesses, which the Swedish Group was interested in acquiring. To this end, Alarmselskabet Dansikring A/S and its parent company, Securitas A.B. assumed Esabe's obligation to pay Prosegur the sum claimed by the receivers.

The case was heard at the Madrid Court of First Instance nº 61, which set aside the claim in a ruling issued on 30 June 1998 on technical grounds, since the retroactive date of bankruptcy constituted a prior issue to the joinder of action. As a consequence, Prosegur was exonerated from payment of the sum claimed. The official receivers appealed against this ruling in the Madrid Provincial Court. The appeal was dismissed in a ruling issued on 29 March 2000, whereafter the receivers moved to vacate the judgement. Prosegur is party to this action, in which a ruling has not yet been issued.

On 14 December 1998, after the Madrid Court of First Instance nº 61 had issued its ruling, Prosegur was notified of a further ruling issued by Court nº34 on 2 December in the matter of the retroactive date of bankruptcy of Esabe Express. In accordance with this ruling, the date of bankruptcy was established as 1 May 1991. Prosegur has appealed against this ruling, which may either be changed or upheld by the Provincial Court. In light of these two rulings, neither of which is final, the official receivers of Esabe Express, S.A. would need to bring a new action in the event that both were confirmed, allowing Prosegur to raise and defend technical and substantive issues that have not yet been addressed in any judgement.

21.2 The fees charged by all firms using the PriceWaterhouseCoopers name, the Company's auditor for 2004, totalled € 758,200 in respect of audit services and € 101,300 for other services.

NOTE 22 > Environmental Issues

During 2004 the Group has invested in armoured vehicles that comply with the Euro III standard for particle emissions. This investment totalled € 7,331,000 and generated corporate income tax benefits of € 256,000 for the companies involved. At 31 December 2004 the Group has no environmental contingencies, is not involved in any court actions in this regard, and has not generated any income or incurred expenses in this area.

NOTE 23 > Disclosures concerning Group companies

Key figures of Prosegur Group companies as at and for the years ending 31 December 2004 are as follows:

Spanish subsidiaries	Registered address	Object	% ownership	Owner of the shares	NBV 31/12/04	Total Shareholders' Equity
Prosegur Seguridad, S.A.	Pajaritos, 24 (Madrid)	Surveillance	76.7%	Prosegur Compañía de Seguridad	1,305.2	1,169.6
Servimax Servicios Generales, S.A.	Pajaritos, 24 (Madrid)	Surveillance and similar services	100.0%	Prosegur Compañía de Seguridad	406.1	46,739.0
Formación Selección y Consultoría S.A.	Conde de Cartagena, 4 (Madrid)	Recruitment and training	100.0%	Prosegur Compañía de Seguridad	120.2	1,092.2
Prosegur Transportes de Valores, S.A.	Bº Elorrieta, 3 (Bilbao)	Cash transport, custody and handling	100.0%	Prosegur Compañía de Seguridad	1,030.4	30,846.8
Prosegur Multiservicios, S.A.	Pajaritos, 24 (Madrid)	Installation and maintenance of security systems	100.0%	Prosegur Compañía de Seguridad	150.2	149.2

Subsidiaries registered abroad						
Prosegur International Handels GMBH	Poststrabe, 33 (Hamburg)	Investments and financial operations	100.0%	Malcoff Holding BV	36,055.4	35,698.2
Malcoff Holdings BV	Schouwburgplein, 30-34 (Rotterdam)	Investments and financial operations	100.0%	Prosegur Compañía de Seguridad	142,608.5	143,418.7
Reinsurance Bussiness Solutions	80 Harcourt Street (Dublin)	Reinsurance	100.0%	Prosegur Compañía de Seguridad	635.0	2,760.8
Prosegur Distribuçao e Serviços, Lda.	Av. Infante Dom Henrique, 326 (Lisbon)	Surveillance and similar services	100.0%	Prosegur Compañía de Seguridad	111.0	373.2
Servimax S.A.	Rua Ingeniero Ezequiel de Campos 416 (Porto)	Temporary employment	100.0%	Prosegur Distribuçao e Serviços, Lda.	(238.5)	(238.5)
Prosegur Companhia de Seguranca, Lda.	Av. Infante Dom Henrique, 326 (Lisbon)	Surveillance and cash transport	100.0%	Prosegur Compañía de Seguridad	9,563.0	33,596.0
Prosegur Varese	Via Firenze 6 – 20152 Busto Arsizio Varese	Surveillance	70.0%	Prosegur Servizi S.R.L.	17.5	4.3
Prosegur Servizi, S.R.L.	Via Archimede 12/14 – 20090 Segrate (Milan)	Reception/Child care	100.0%	Mabro	3,990.4	4,045.6
Prosegur Roma, S.R.L.	Via Mar della Cina 199 – 00144 Rome	Surveillance / alarms	100.0%	Prosegur Servizi, S.R.L.	138.4	(292.2)
Prosegur Torino, S.R.L.	Via Nenni 15/B – 10036 Settimo Torinese (Turin)	Surveillance	100.0%	Prosegur Servizi, S.R.L.	50.2	(464.1)
Prosegur Milano, S.R.L.	Via Archimede 12/14 – 20090 Segrate (Milan)	Surveillance / alarms	100.0%	Prosegur Servizi, S.R.L.	4,275.8	(154.3)
Mabro	Via Archimede 12/14 – 20090 Segrate (Milan)	Investments and financial operations	100.0%	Prosegur Compañía de Seguridad	2,689.6	3,047.2
SA Prosegur France	84 Rue des Aceries (Saint Etienne)	Surveillance	100.0%	Prosegur Compañía de Seguridad	24,313.8	12,837.6
Prosegur Sécurité Humaine	113-115 Avenue Sidoine Appolinaire (Lyon)	Surveillance	100.0%	Prosegur France	1,531.9	2,175.5
Prosegur Traitement de Valeurs	Rue Rene Cassin ZI de Molina (La Talaudiere)	Cash transport	100.0%	Prosegur France	592.6	3,039.6
EURL Prosegur Teleserveillance	3 Alle de L'ectronique (Saint Etienne)	Security systems	100.0%	Prosegur France	808.1	1,574.7
Prosegur Systemes	84 Rue des Aceries (Saint Etienne)	Security systems	100.0%	Prosegur France	1,524.4	3,498.1
SCI Jean Jaures	Rue Rene Cassin ZI de Molina (La Talaudiere)	Investments and financial operations	100.0%	Prosegur France	61.4	12.4
SA Prosegur Sécurité	18 Av. Morane Saulnier (Velizy Villacoublay)	Surveillance	100.0%	Prosegur Compañía de Seguridad	—	(7,578.9)
SAS BFActive	8 Avenue Descartes (Les Plessis Robinson)	Security systems	33.5%	Prosegur Compañía de Seguridad	—	(539.8)
			66.5%	Prosegur Sécurité	—	
Sarl Initiale	8 Avenue Descartes (Les Plessis Robinson)	Recruitment and training	100.0%	Prosegur Sécurité	7.7	14.3
Sarl Yardair	8 Avenue Descartes (Les Plessis Robinson)	Airport training	100.0%	Prosegur Sécurité	19.8	42.5
SA Securite Europeene de L'Espace Industriel	15 Rue de Louvres (Chennevieres Les Louvres)	Surveillance	60.0%	Prosegur Compañía de Seguridad	—	(5,773.6)
			40.0%	Esta Service, S.R.L.	—	
SARL Esta Service	29B Cours Mirabeau (Marignane)	Holding	100.0%	Prosegur Compañía de Seguridad	—	(189.5)
SARL Force Gardiennage	92 Boulevard Emile Delmas (La Rochelle)	Surveillance	4.8%	Prosegur Compañía de Seguridad	—	(1,273.3)
			95.2%	Esta Service, S.R.L.	—	
SARL Appi	37 Rue de la Chapelle (Paris)	Surveillance	99.9%	Esta Service, S.R.L.	—	78.9
			0.1%	Prosegur Compañía de Seguridad	—	

Subsidiaries registered abroad	Registered address	Object	% ownership	Owner of the shares	NBV 31/12/04	Total Shareholders' Equity
SARL ARS Formation	37 Rue de la Chapelle (PARIS)	Recruitment and training	52.0%	Prosegur Compañía de Seguridad	2.8	15.9
			48.0%	Esta Service, S.R.L.	4.5	
SARL Prosegur Services	Z.I. Des Tourrades (MANDELIEU)	Surveillance	100.0%	Esta Service, S.R.L.	44.7	(2.0)
Armor Acquisition, S.A.	Tres Arroyos 2835 (Buenos Aires)	Investment and financial operations	100.0%	Prosegur International Handels, GMBH	22,148.5	24,297.1
Juncadella Prosegur Internacional, S.A.	Tres Arroyos 2835 (Buenos Aires)	Investment and financial operations	74.0%	Armor Acquisition, S.A.	14,971.2	24,896.7
			26.0%	Prosegur International Handels, GMBH	7,800.7	
Transporte de Caudales Juncadella, S.A.	Tres Arroyos 2835 (Buenos Aires)	Transport of cash, securities, coins and property	100.0%	Juncadella Prosegur Internacional, S.A.	(328.7)	22,884.0
			0.0%	Armor Acquisition, S.A.	1.8	
Prosegur Alarmas, S.A.	Tres Arroyos 2835 (Buenos Aires)	Electronic security	95.0%	Juncadella Prosegur Internacional, S.A.	3.0	2.1
			5.0%	Armor Acquisition, S.A.	0.1	
Juncadella Prosegur Asistencia Técnica, S.A.	Tres Arroyos 2835 (Buenos Aires)	Technical support and advisory services	95.0%	Juncadella Prosegur Internacional S.A.	114.5	19.9
			5.0%	Armor Acquisition, S.A.	2.0	
Prosegur, S.A.	Tres Arroyos 2835 (Buenos Aires)	Engineering and integrated security services	50.0%	Prosegur Internationale Handels, GMBH	3,873.8	9,272.1
			50.0%	Juncadella Prosegur Internacional, S.A.	5,303.7	
Proseguridad, S.A.	Tres Arroyos 2835 (Buenos Aires)	Security and surveillance services	95.0%	Juncadella Prosegur Internacional, S.A.	2.8	2.6
			5.0%	Armor Acquisition, S.A.	0.1	
Prosegur Uruguay, S.A.	Bvrd. Artigas 2629 (Montevideo)	Physical surveillance	90.0%	Prosegur, S.A.	836.2	1,480.8
			10.0%	Armor Acquisition, S.A.	63.0	
Compañía Ridur, S.A.	25 der Mayo 455. Apto 4- Montevideo	Financial investment company	100.0%	Juncadella Prosegur Internacional, S.A.	1,250.4	1,090.0
Prosegur Transporte de Caudales, S.A.	Guarani 1531(Montevideo)	Cash transport	99.9%	Juncadella Prosegur Internacional, S.A.	1,380.1	894.9
			0.1%	Armor Acquisition, S.A.	1.2	
Transportadora de Valores Silviland (*)	Guarani 1531(Montevideo)	Cash transport	100.0%	Prosegur Transportadora de Caudales, S.A.	—	—
Prosegur Alarmas, S.A.	Bvrd. Artigas 2629 (Montevideo)	Electronic security	100.0%	Prosegur Uruguay, S.A.	—	—
TSR Participaçoes Societarias, S.A.	Tomas Edson, 1250 – Barra Funda – São Paulo – SP	Holding	100.0%	Juncadella Prosegur Internacional, S.A.	16,068.0	4,640.9
			0.0%	Armor Acquisition, S.A.	0.7	
Prosegur Brasil, S.A.	Guaratã, 633 – Prado – Belo Horizonte – MG	Cash transport and surveillance	99.8%	TSR Participaçoes Societarias, S.A.	22,654.0	15,518.7
Prosegur Sistemas de Securança, Ltda.	Guaratã, 633 – Prado – Belo Horizonte – MG	Surveillance and similar services	99.0%	Prosegur Brasil, S.A.	(754.6)	1,195.1
			1.0%	TSR Participaçoes Societarias, S.A.	(265.2)	
CTP Centro de Treinamento Prosegur, Ltda.	Sta.Catarina, na Estrada Geral s/n. Passa Vinte	Recruitment and training	99.0%	TSR Participaçoes Societarias, S.A.	—	3.1
			1.0%	Prosegur Sistemas de Securança, Ltda .	—	
Prosegur Brasil Cursos, Ltda.	Guaratã, 697 – Prado – Belo Horizonte – MG	Recruitment and training	99.8%	Prosegur Brasil, S.A.	36.6	37.2
			0.2%	Prosegur Sistemas de Securança, Ltda.	0.0	
Juncadella Prosegur Group Andina	Los Gobelinos 2567 Of. 203, Renca, Santiago	Investment and administration	100.0%	Juncadella Prosegur Internacional, S.A.	3,946.7	4,397.5
			0.0%	Armor Acquisition, S.A.	0.4	
Capacitaciones Ocupacionales			83.0%	Prosegur Compañía de Seguridad	383.3	509.1
Sociedad Ltda.	Los Gobelinos 2567 Of. 100, Renca, Santiago	Delivery of occupational training courses	7.0%	Prosegur International Handels, GMBH	—	
			10.0%	Juncadella Prosegur Group Andina	42.1	
Empresa de Transportes Compañía			60.0%	Juncadella Prosegur Group Andina	3,300.7	3,696.7
de Seguridad Chile, Ltda.	Los Gobelinos 2567, Renca, Santiago	Cash transport	40.0%	Prosegur International Handels, GMBH	—	

Subsidiaries registered abroad	Registered address	Object	% ownership	Owner of the shares	NBV 31/12/04	Total Shareholders' Equity
Servicios Prosegur, Ltda.	Los Gobelinos 2567, Renca, Santiago	Mailings, payments and other services	100.0%	Prosegur Compañía de Seguridad	1,532.9	3,357.1
			0.0%	Prosegur Internationale Handels, GMBH	1,018.1	
			0.0%	Juncadella Prosegur Group Andina	0.3	
Soc. de Distribución Canje y Mensajeria Ltda.	Los Gobelinos 2548, Renca, Santiago	Courier services	49.0%	Prosegur Compañía de Seguridad	1,311.2	5,901.9
			21.0%	Prosegur Internationale Handels GMBH	265.4	
			30.0%	Juncadella Prosegur Group Andina	1,082.5	
Prosegur Chile, S.A.	C.A.López de Alcázar 488, Independencia, Santiago	Surveillance	70.0%	Prosegur, S.A.	1,440.0	2,871.0
			30.0%	Prosegur Internationale Handels GMBH	563.5	
Servicios de Seguridad Prosegur			99.0%	Prosegur Chile, S.A.	1,034.0	1,620.5
Regiones Limitada	C.A.López de Alcázar 488, Independencia, Santiago	Surveillance	1.0%	Juncadella Prosegur Group Andina	—	
Prosegur Paraguay, S.A.	C/ Concepción Leyes de Chávez – Asunción	Transport of cash, securities, coins and	99.0%	Juncadella Prosegur Internacional, S.A.	1,049.5	1,823.2
		property	1.0%	Transportadora de Caudales de Juncadella, S.A.	10.6	
Seguridad Prosegur, S.A.	C/ Concepción Leyes de Chávez – Asunción	Private security and surveillance	99.0%	Juncadella Prosegur Internacional, S.A.	12.0	11.7
		services	1.0%	Transportadora de Caudales de Juncadella, S.A.	0.1	
TGC Transportadora General	C/ Concepción Leyes de Chávez – Asunción	Private security and surveillance	100.0%	Prosegur Paraguay, S.A.	125.2	148.6
de Caudales, S.A.		services				
Compañía de Seguridad Prosegur, S.A.	Av. Morro Solar 1086 – Surco – Lima – Perú	Cash transport	52.0%	Juncadella Prosegur Internacional, S.A.	(921.0)	3,806.6
			48.0%	Transportadora de Caudales de Juncadella, S.A.	(839.4)	
Proseguridad, S.A.	Av. Los Próceres 250 – Surco – Lima – Perú	Surveillance	52.0%	Juncadella Prosegur Internacional, S.A.	11.6	981.0
			48.0%	Transportadora de Caudales de Juncadella, S.A.	0.0	
Prosegur Bolivia S.A.	Calle Macario Pinilla 418 (La Paz)	Transport	60.6%	Juncadella Prosegur Internacional, S.A.	823.0	(489.7)
			0.7%	Transportadora de Caudales de Juncadella, S.A.	1.7	
			38.7%	Compañía de Seguridad Prosegur, S.A.	—	
Prosegur Primera Agencia						
de Seguridad, S.A.	Vía Argentina, Edificio 56	Surveillance and transport	90.0%	Prosegur Compañía de Seguridad	909.3	604.4
Prosegur Administración, S.A.	Vía Argentina, Edificio 56	Administration	100.0%	Prosegur Primera Agencia de Seguridad, S.A.	0.7	19.8
Prosegur Universal Security, S.A.	Vía Argentina, Edificio 56	Surveillance	90.0%	Prosegur Compañía de Seguridad	538.5	405.1

(*) Not consolidated due to immateriality.

All of the Group companies are fully consolidated.

NOTE 24 > Subsequent events

To date, the Group has carried out the following operations subsequent to 31 December 2004:

- On 28 December 2004 the Company entered into an agreement to purchase 100% of the shares of CEES Compañía Europea de Servicios de Seguridad, S.A. and ESC Servicios Generales, S.L.
- The 90% interest held by the Group in its Panamanian subsidiary was sold on 24 January 2005.
- On 21 February 2005 a agreement was made for the purchase and sale of the shares of Nordés Sistemas,S.A; Nordés Mantenimiento, S.A., Nordés Vigilancia, S.A., Nordés Control, S.L; Nordés C.R.A., S.A ; Nordés Instalaciones, S.A., and Atacyr S.L. These companies basically operate in Spain but also have a presence in France and Latin America.
- On 7 March 2005 an agreement was made to purchase the assets of the Sao Paulo based company, Preserve Segurança e Transporte de Valores Ltda. en Sao Paulo.

NOTE 25 > Consolidated source and application of funds

	2004	2003
Sources		
Funds generated from operations	90,687.8	103,811.6
Change in reserves	382.2	901.8
Fixed asset sales and conversion differences	24,022.4	10,525.9
Deferred expenses	45.5	144.5
Start-up and loan arrangement expenses	58.6	—
Realisation of financial assets	4,499.2	3,981.0
Net incorporations into the consolidated Group	—	2,632.7
Total sources	119,695.7	121,997.5
Applications		
Goodwill	2,324.2	12,683.9
Net increase in intangible assets	6,907.9	4,892.4
Increase in tangible assets	45,473.1	52,120.6
Increase in investments	681.3	460.1
Increase in own shares	—	192.6
Dividends	15,073.3	13,703.1
Provision for liabilities and charges and conversion differences	1,044.7	8,148.8
Minority interests	331.4	(5.2)
Decrease in long-term debt and conversion differences	7,572.1	34,968.2
Transfer to short term of long term debt	22,380.0	—
Deferred income	1,025.8	5,550.4
Total applications	102,813.8	132,714.9
Increase (decrease) in working capital	16,881.9	(10,717.4)

Change in working capital		
Stocks	1,109.5	(860.4)
Debtors	11,978.1	16,226.8
Creditors	(18,140.5)	(27,839.1)
Short-term investments	28,582.4	6,295.7
Cash in hand and at banks	212.3	(10,953.3)
Accruals	(6,859.9)	6,412.9

Funds generated from operations were as follows:

Consolidated profit for the year:	22,993.3	45,218.1
Depreciation and amortisation	75,180.7	52,851.8
Provision for liabilities and charges	(3,762.9)	5,491.8
Provisions for investments and own shares	(3,337.7)	(470.3)
Profit on sale of own shares	(676.7)	—
Profit on sale of fixed assets	291.1	720.2
Results of operations	**90,687.8**	**103,811.6**

(thousands of euros)

_directors' report

MANAGEMENT HIGHLIGHTS >

The company has achieved positive results in spite of the devaluation of the US dollar. Organic growth in sales was 6.8%. This increase was largely due to the strong performance of surveillance and alarms services.

Helena Revoreda was appointed president of the company during the year, and Eduardo Paraja chief executive officer. The aim of these appointments is to strengthen the management of the Group, which has experienced strong growth and considerable geographical expansion in recent years.

In the area of finance, the Group maintained a centralized cash pooling system, unifying products and the placement of cash surpluses and deficits.

The Group's financial structure has grown even stronger with a debt to equity ratio of 0.4 at 31 December 2003.

Budgeting techniques were improved in each line of business during the year, and the methods applied to calculate the main divisional management indicators were also reviewed.

This enabled the Group to achieve the following during the year:

a) Establish targets for continuous improvement
b) Address alternative strategies and options.
c) Implement the strategies adopted in the strategic planning process effectively and on schedule, while gaining early warning of deviations through real time alerts in the information system permitting corrective action.
d) Develop competitive advantages over rivals in the market.

The Prosegur Group's strategic management remained alert to changing customer and market data, as well as regulatory, economic and technological changes, ensuring fine tuning of the business throughout the year.

The following discussion refers to the situation and evolution of the Group's key management variables: activities, personnel, investments, operations and finance.

ACTIVITIES >

Total revenues for the year ended 31 December 2004 (i.e. net sales, changes in stocks and other operating revenues) was € 1,184,279 thousand (€ 1,117,5783 thousand in 2003).

	2004	2003
Spain	610,113	574,008
Europe	295,553	280,561
Latin America	278,613	263,009
Total	1,184,279	1,117,578

(thousands of euros)

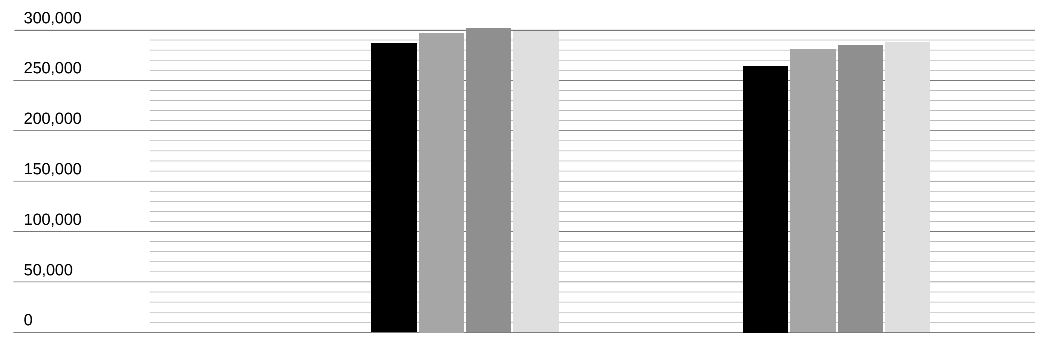
Revenues by line of business were as follows:

	2004	2003
Surveillance	755,969	698,318
Transport	354,131	351,352
Alarms	74,179	67,908
Total	1,184,279	1,117,578

(thousands of euros)

The evolution of revenues over the year was as follows:

_evolution of revenues



	2004 thousands of euros	2003 thousands of euros
First quarter	287,268.5	264,125.1
Second quarter	295,122.2	280,160.4
Third quarter	302,873.9	285,187.3
Fourth quarter	299,014.7	288,105.1

Net sales increased by 5.97% compared to 2004. Organic sales growth 6.8%.

Other matters affecting the volume of sales were as follows:

- Inclusion of the sales of SEEI in France in 2003
- Depreciation of the Latin American currencies against the euro.

Revenue growth (i.e. net sales, change in stocks and other operating income) over the past ten years has been as follows:

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Revenues	335,803	401,975	481,657	584,346	684,234	685,562	903,848	1,106,843	1,117,578	1,184,279

(thousands of euros)

Services are commercialised through branch offices by the Group's own dedicated sales personnel, who at all times apply strict selection criteria to minimise the risk of default and eventual bad debts. To this end, customers for whom sufficient historical information is not available are checked through public data base consultations in order to prepare individual reports based on objectively measurable risk assessments. After closing the contract, the customer receives direct attention for the period in which the service is provided. This enables the Group to fine tune to the customer's operational needs and financial reality, which reduces the risk of default.

PERSONNEL >

At 31 December 2004 the Prosegur Group had a total of 60,795 employees, compared to 56,802 in 2003.

Historically, recruitment procedures have been a key tool enabling the Prosegur Group to position itself as one of the leading European service groups. Special trust and responsibility infuse the customer relationships of employees providing on-site services in an area as sensitive as security. In view of this, the Prosegur Group needs to guarantee not only the skills of its professionals, but also their personal honesty, conscientiousness, emotional balance and psychological maturity.

For these reasons, continuous improvement of recruitment processes, permitting accurate assessment of a candidate's suitability for a job within the Prosegur Group, has therefore always been a priority of Human Resources management.

The evolution of job candidates in Spain during 2004 was as follows:

Recruitment statistics Total, Spain	Total	Jan.	Feb.	Mar.	Apr.	May.	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
Total candidates	43,836	3,620	3,453	3,280	2,866	4,486	4,960	2,971	1,848	3,439	4,520	5,325	3,068
Shortlisted candidates	10,740	702	765	777	793	1,142	1,524	1,162	535	1,025	919	801	595
Shortlisted / Total candidates (%)	24.50	19.39	22.15	23.69	27.67	25.46	30.73	39.11	28.95	29.81	20.33	15.04	19.39

Training statistics Total, Spain													
Total induction courses	145	10	11	8	8	18	13	19	9	11	16	13	9
Total attending induction courses	3,362	233	263	198	192	405	294	418	225	247	360	314	213
Internal training courses	802	62	77	91	108	67	87	8	2	39	75	155	31
Total attending internal training courses	11,403	882	1,099	1,290	1,531	953	1,232	122	11	556	1,073	2,215	439
Total courses	947	72	88	99	116	85	100	27	11	50	91	168	40
Total attendance	14,765	1,115	1,362	1,488	1,723	1,358	1,526	540	236	803	1,433	2,529	652

Monthly changes in the Group's staffing levels during 2002 were as follows:

2004	Surveillance	Transport	Active Protection	Other activities	Total, Spain
January	38,361	15,228	1,296	1,749	56,634
February	38,227	15,166	1,306	1,754	56,454
March	38,322	15,122	1,322	1,754	56,521
April	38,738	15,089	1,319	1,744	56,890
May	39,054	15,095	1,310	1,737	57,196
June	39,688	15,168	1,300	1,755	57,912
July	40,830	15,249	1,307	1,760	59,146
August	40,999	15,329	1,316	1,758	59,403
September	41,035	15,326	1,331	1,755	59,448
October	41,252	15,362	1,347	1,763	59,725
November	41,378	15,471	1,365	1,739	59,954
December	42,082	15,606	1,355	1,752	60,795
Average	39,997	15,268	1,323	1,752	58,339

The evolution of the headcount over the past five years have been as follows:

Headcount	2004	2003	2002	2001	2000
Direct employees	55,041	52,376	52,892	38,913	28,504
Indirect employees	3,298	3,150	2,834	2,620	2,226
Total	58,339	55,526	55,726	41,533	30,730

The evolution of employee productivity measured in terms of revenues generated over the past five years has been as follows:

Employees per €1 million of revenue:	2004	2003	2002	2001	2000
Direct employees	46.5	46.9	47.8	43.1	41.5
Indirect employees	2.8	2.8	2.6	2.9	3.2

The decline in employee productivity during 2004 was due to the more than proportional rise in the sales of the surveillance business compared to the Group's other lines of business.

The above series reveal a relative decline in the number of indirect employees until 2002, mainly due to the implementation of new technologies and the learning effect. In 2003 there was a relative increase in indirect employees because Alarms sales personnel were treated as indirect for the first time. Historically, these professionals had been considered direct employees. In 2004 the indirect headcount has remained at the same level as in the prior year.

Some 947 continuous training courses were given in Spain during the year, attended by a total of 14,765 employees, as follows:

	Induction courses		Continuous training courses		Total	
	Courses	Attendance	Courses	Attendance	Courses	Attendance
First quarter	29	694	230	3,271	259	3,965
Second quarter	39	891	262	3,716	301	4,607
Third quarter	39	890	49	689	88	1,579
Fourth quarter	38	887	261	3,727	299	4,614
TOTAL	145	3,362	802	11,403	947	14,765

INVESTMENTS >

The Investment Analysis department analyses all of the Group's investments on the basis of the expected return period as a prior requirement for approval. Plans are subsequently passed on to the Investments Committee, which gives the final go-ahead for the investment or outlay.

The total depreciation and amortisation charges made during the year amounted to € 35,769.8 thousand (€ 33,211.2 thousand in 2003), of which € 33,429.1 (€ 31,836.5 thousand in 2003) were provided in respect of tangible assets and € 2,340.7 thousand (€ 1,374.7 thousand in 2003) in respect of intangible assets.

The total investments considered by the Steering Committee during 2004 and 2003 were as follows:

	2004	2003
First quarter	22,582	20,705
Second quarter	13,984	14,886
Third quarter	21,867	7,150
Fourth quarter	12,094	29,483

(thousands of euros)

Investments in tangible assets made during 2001 totalled € 45.4 million.

OPERATIONS >

Operating profit for the year totalled € 98,871,300 compared to € 102,284,800 in 2003. The year-on-year decrease was mainly due to the impact of the depreciation of the US dollar against the euro and the integration of the French operations into the Group.

The evolution of operating profits over the last five years has been as following:

	2004	2003	2002	2001	2000
Operating profit	98,871.3	102,284.8	107,382.9	77,979.4	51,193.6

(thousands of euros)

The CGR reveals constant, cumulative growth in operating profits of 17.9%, a clear indicator of stable earnings on activities.

FINANCIAL MANAGEMENT >

Policy in the area of financial management has been prudent in 2004, concentrating on the integration of companies acquired in prior years.

As a result of the cash flow generated, particularly in Spain, the Group has been able to finance investments in tangible assets and maintenance costs out using own funds, as well as financial investments made to acquire minority interests in non-Group undertakings and to capitalise the Group companies.

The cash flow generated has also made it possible to continue with the policy of debt reduction that commenced in the prior year. In 2004 a total of € 10 million have been repaid in advance on the syndicated loan, further reducing the ratio of net financial debt to shareholders' equity to 0.40 compared to 1.53 in 2001. This is the lowest ratio in the last three years.

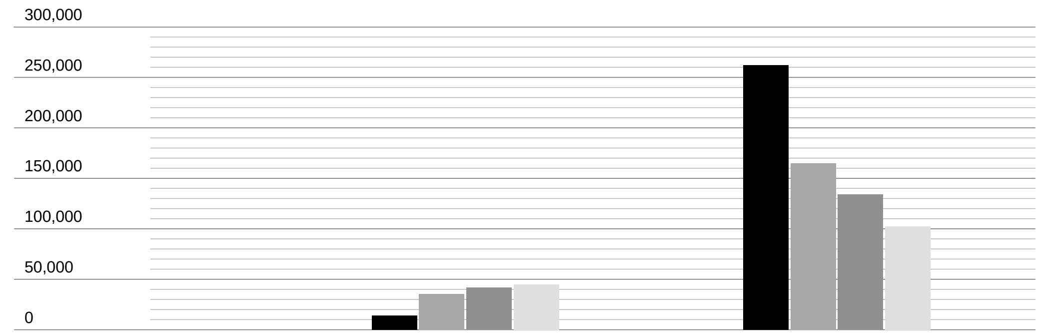
FINANCIAL STRUCTURE >

The structure of long-term financial debt is determined by the syndicated loan arranged by Prosegur Spain. At 31 December 2004, the total available totalled € 110 million, of which the Group has drawn down € 62.1 million and US$ 59 million. Because this is a multi-currency operation, Prosegur has benefited considerably from the evolution of the euro / dollar exchange rate by drawing down funds in US dollars, thereby generating potentially significant extraordinary income.

Meanwhile, Prosegur's sound financial position and the competitiveness of the corporate debt markets have allowed the group to renegotiate the terms and conditions of the syndicated loan. Thus, the novation of the loan agreement made in November 2004 reduced the margin from 80 to 45 basis points.

Long-term consolidated financial debt at 31 December 2004 totalled € 104.8 million, basically comprising the loan arranged with the syndicate of banks in Spain and lease financing operations in other countries. Short-term debt is € 47.1 million and is mainly instrumented through credit facilities. At 31 December 2004 the structure of financial debt by maturity is as follows:

_financial debt of the group *(thousands of euros)*

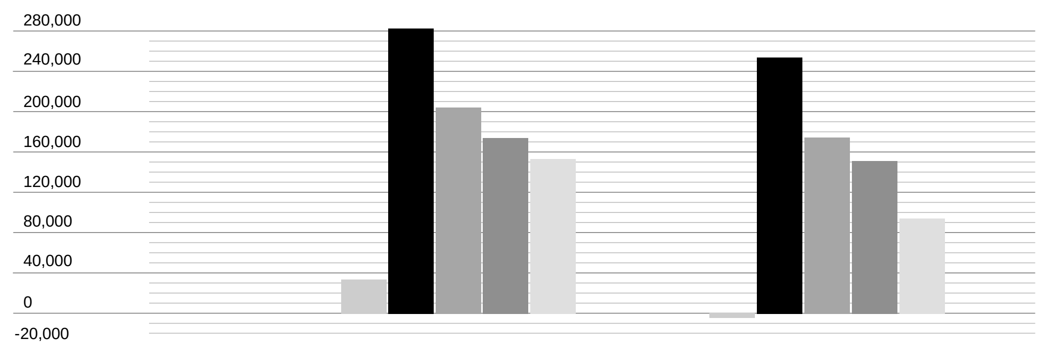


	short term	long term
2001	17,469	263,203
2002	36,620	166,507
2003	41,830	135,056
2004	47,141	104,807

The total financial debt arranged with financial institutions at 31 December 2004 has thus been reduced to € 151.9 million compared to € 176.9 million in the prior year.

Focusing on net debt, which is to say deducting liquid assets (i.e. cash and cash equivalents), the total was € 97.5 million, a significant reduction compared to the € 150.9 million outstanding at 31 December 2003.

_total gross and net indebtedness, 2000 – 2004 *(thousands of euros)*



	gross debt	net debt
2000	37,635	(13,686)
2001	284,591	257,219
2002	207,683	175,259
2003	178,679	150,913
2004	154,096	97,535

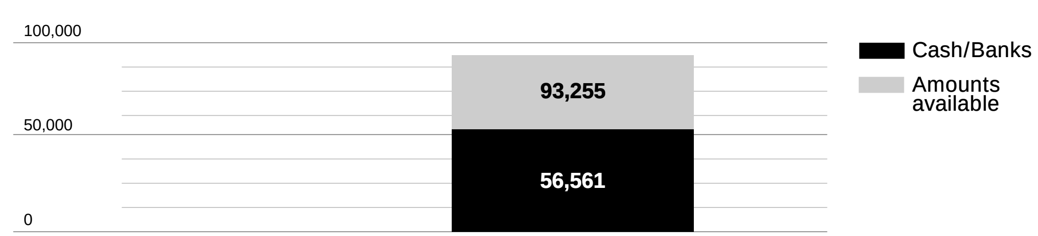
LIQUIDITY >

The Group's policy is to maintain significant cash reserves in order to ensure that it is able to respond fast and with maximum flexibility to short-term operations.

At 31/12/2004 the Group had immediately available cash of € 151.9 million in current accounts, short-term cash investments, deposits and credit facilities. This figure is equal to 12.8% of annual consolidated sales, ensuring that the Group will be able to meet all of its cash needs in the short term.

Prosegur has contracted various short-term credit facilities (maturing within one year) for a total of € 111 million. These arrangements are spread over a diversified pool of banks including the leading institutions in all of the countries where the Group operates. This figure represents 9.4% of annual consolidated sales.

_liquidity of the Group in 2004 (cash in hand and at banks, and available credit facilities) *(thousands of euros)*



EXCHANGE RATE RISK >

Prosegur's policy is to fund business operations in local currencies in order to minimise its exposure to exchange rate risks. In general, capital investment needs in the sector are low, although of course they vary depending on the area of business (cash transport involves higher funding requirements). This makes it possible to regulate the cadence of investments in each country depending on the cash flows generated.

As a result, financial debt is basically denominated in euros, US dollars and Brazilian dollars, only three currencies, although Prosegur maintains a presence in numerous different countries.

The currency structure of the debt carried by Prosegur at 31 December 2004 is as follows:

_currency structure of financial debt

HEDGING OPERATIONS >

The diversity of risks to which the Group is exposed has led to increasing activity in the derivatives markets. The Company has contracted hedging structure using a variety of derivative instruments in order to limit its exposure to interest rate fluctuations.

Thus, it has contracted euro interest rate cover for a total of €80 million maturing in 2006 and limiting interest rate rises to 4.4%. It has also contracted dollar interest rate cover for US$ dollars maturing in 2005. This contact limits dollar interest rate rises to 3.9%.

RESPONSIBILITY FOR THE ANNUAL ACCOUNTS >

The consolidated annual accounts of Prosegur Compañía de Seguridad, S.A. and subsidiaries (Prosegur Group) are the responsibility of the directors of the parent company and have been prepared in accordance with generally accepted accounting principles in Spain.

The directors are responsible for the integrity and objectivity of the consolidated annual accounts, including the estimates and judgemental matters reflected therein. The directors discharge this responsibility basically by establishing and maintaining appropriate accounting systems and other internal regulations, appropriately supported by internal accounting controls. These controls have been designed to provide reasonable assurance that procedures are in place to safeguard the Group's assets and that transactions are performed subject to due authorisation and in accordance with the rules established by management. They also ensure that the accounting ledgers used as the basis for the preparation of the consolidated annual accounts are reliable. Automatic correction and control mechanisms are a significant part of the Group's control environment, to the extent that corrective action is required where weaknesses are observed. Regardless of the perfection of its design, however, any internal control system is subject to certain inherent limitations, including the possibility that controls may be overridden or cancelled. Accordingly, even an effective system can only provide reasonable assurance for the purposes of preparing the accounts and safeguarding assets. In any event, the effectiveness of internal control systems may vary over time due to changing conditions.

The parent company has assessed its internal control system up to 31 December 2004. On the basis of this evaluation, the directors consider that the internal accounting controls used provide reasonable assurance that procedures are in place to safeguard assets , transactions are executed with due authorisation by management, and the accounting ledgers are reliable for the purposes of preparing the consolidated annual accounts.

The external auditor is appointed annually by the Shareholders at their Annual General Meeting to examine the annual accounts in accordance with generally accepted auditing standards. The auditor's report, which expresses an unqualified opinion, is included in this annual report as a separate document. The work of the external auditor and the procedures undertaken by the Group's own internal audit office includes reviewing internal accounting controls and selective tests of transactions. Senior officers of the parent company meet with the external and internal auditors on a regular basis to review matters related with the preparation of financial information, internal accounting controls and other significant audit-related issues.

José Antonio Lasanta
Director of Strategy and Management Control

_stock market report

The Shareholder's control chart provides key data for investors in our Company.

_shareholders' control chart

Ratios	
Price / book value	3.7
Price / earnings	38.9
Price / sales	0.76
EV / EBITDA	7.36

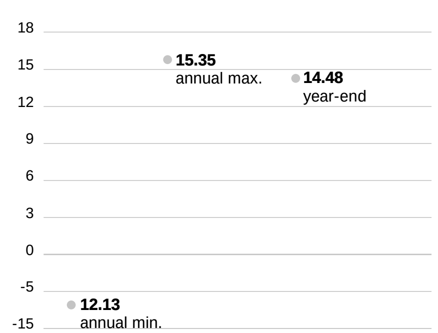
Covenants	
Debt/equity	0.40
Debt/EBITDA	0.72
EBITDA / financial expenses	7.3

Dividends	
On account, 2003 (euros)	0.25
Yield	1.7%
Pay-out	67.6%

Data per share (euros)	
Book value	3.95
Earnings	0.37
Sales	19.2

Shares	
Capitalisation (thousands of euros)	893.6
Shares (millions)	61.7
Free float	39%
Total volume of shares (thousands)	53,121
Beta	0.95

_share price in 2004 *(in euros)*



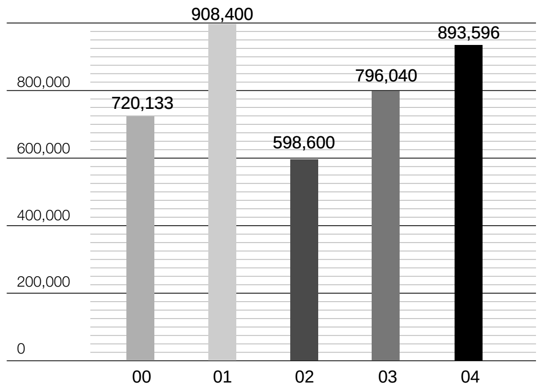
_analysts' recommendations

Institution	Analyst	Target price	Current recommendation
Kepler	Íñigo Mijangos	20.2	Buy
SCH	Julián de Unamuno	20.0	Buy
BPI	Eduardo Cohelo	19.7	Buy
Chevreaux	Paco de Juan	18.8	2/ Selected list
UBS	Ignacio Carbajal	16.5	Neutral 2
Fidentis	Juan Canovas	16.5	Buy
BBVA	Antonio Morales	16.0	Buy
Dexia	Javier Hombria	15.7	Hold
Deutsche Bank	Juan Ramón Correas	15.5	Buy
Ibersecurities	Mario Lodos	15.3	Sell
Caja Madrid	María Cebolledo	14.9	Hold
		16.9	

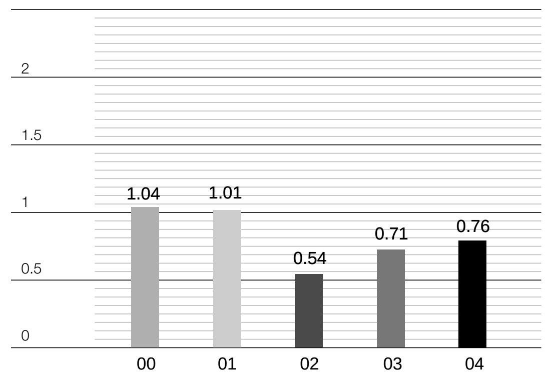
_stock market performance over the last three years

_daily share prices in 2004

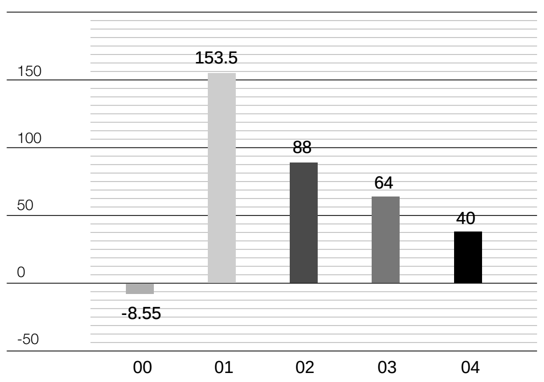
_evolution of market capitalisation *(thousands of euros)*



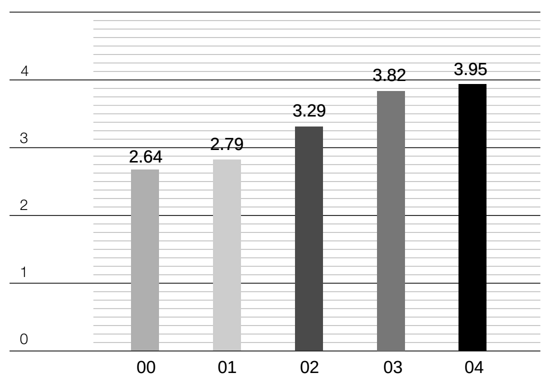
_stock market capitalisation/sales



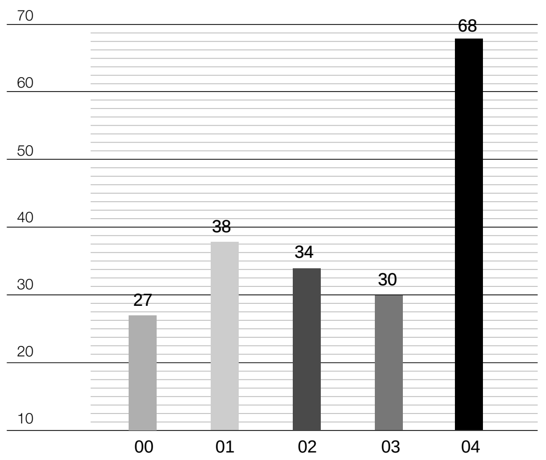
_debt / equity



_book value (per share) *(euros)*



_pay-out (%)



_share capital increases

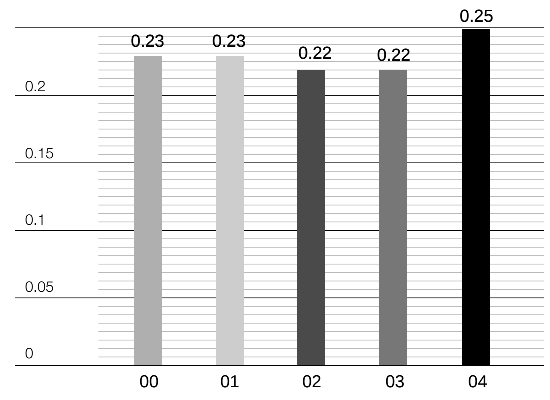
Final shares	Final Capital	Capital issued	Proportion (euros)	Subscription price per share	Date (euros)	Amount	Shares issued
1,300,000	3.91	0.97	1x4	3.47	feb-87	1,127.8	325,000
1,625,000	4.88	1.63	1x3	0.0	nov-87	0.0	541,000
2,166,667	6.51	3.26	1x2	24.04	jul-88	26,043.3	1,083,333
3,250,000	9.77	5.85	3x5	6.01	nov-88	11,719.5	1,950,000
5,200,000	15.62	15.63	1x1	0.0	dec-88	0.0	5,200,000
10,400,000	31.25	4.81	2x13	7.51	may-93	12,016.0	1,600,000
12,000,000 (*)	36.06	*split*	5x1	0.0	oct-96	0.0	48,000,000
60,000,000	36.00	1.03		0.6	jan-02	1,027.4	1,712,464
61,712,464	37.03						

(*) On 10 October 1996 the parent company carried out a 5 to 1 share split, as a result of which the par value of the shares was reduced from 3.01 (Ptas. 500) to 0.60 (Ptas.100) each, while total share capital remained unchanged at 36.06 million (Ptas. 6,000 million). As a consequence of this operation, outstanding shares increased from 12 to 60 million, all with the same rights and represented by book entries. Because this operation involved only a share split, shareholders were not required to make any contributions.

SHAREHOLDER RETURNS >

The Prosegur Group's objective is to maximum shareholder value each year. The Group has achieved this goal on the one hand by creating added value, which is reflected in the share price, and on the other by distributing dividends.

_dividends *(euros)*



The following matrix shows value inputs and outputs in each year, taking into consideration the annual dividends paid.

	Output				
Input	2000	2001	2002	2003	2004
1999	34%	69%	9%	44%	61%
2000		26%	-19%	7%	20%
2001			-35%	-15%	-4%
2002				32%	48%
2003					12%

_share capital increases

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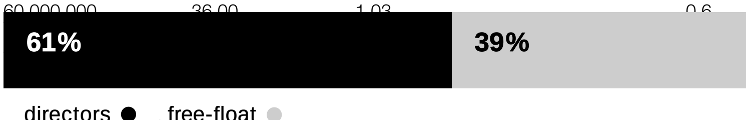

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OWNERSHIP STRUCTURE >