Financial Report // 2007

PROSEGUR

Contents of the consolidated annual accounts of PROSEGUR COMPAÑIA DE SEGURIDAD, S.A. and subsidiaries


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PRICEWATERHOUSECOOPERS

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Free translation of the auditor's report on the consolidated annual accounts originally issued in Spanish. In the event of a discrepancy, the Spanish language version prevails.

AUDITOR´S REPORT ON THE CONSOLIDATED 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. (Parent Company) and its subsidiaries (the Group), consisting of the consolidated balance sheet as at 31 December 2007, the consolidated income statement, the consolidated statement of changes in equity, the consolidated cash flow statement, and the related notes to the consolidated annual accounts for the year then ended, 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 the work performed in accordance with auditing standards generally accepted in Spain, which require the examination, on a test basis, of evidence supporting the consolidated annual accounts and an evaluation of their overall presentation, the accounting principles applied and the estimates made.

For comparative purposes and in accordance with Spanish Corporate Law, the Parent Company's Directors have presented for each item in the consolidated balance sheet, the consolidated income statement, the consolidated statement of changes in equity, the consolidated cash flow statement and the related notes to the consolidated annual accounts, the corresponding amounts for the previous year as well as the amounts for 2007. Our opinion refers solely to the 2007 consolidated annual accounts. On 30 April 2007 we issued our audit report on the consolidated annual accounts for 2006, in which we expressed an unqualified opinion.

In our opinion, the accompanying consolidated annual accounts for 2007 present fairly, in all material respects, the consolidated financial position of Prosegur Compañía de Seguridad, S.A. and its subsidiaries as at 31 December 2007 and the consolidated results of their operations, changes in consolidated net equity and consolidated cash flows for the year then ended, and contain all the information necessary for their interpretation and comprehension in accordance with International Financial Reporting Standards as adopted by the European Union, applied on a basis consistent with the preceding year.

The accompanying consolidated Directors' Report for 2007 contains the information that the Parent Company's Directors consider relevant to the Group's position, the evolution of its business and other matters and does not form an integral part of the consolidated annual accounts. We have verified that the accounting information contained in the aforementioned Directors' Report coincides with that of the consolidated annual accounts for 2007. Our work as auditors is limited to checking the consolidated Directors' Report within the scope already mentioned in this paragraph and it does not include a review of information other than that obtained from the accounting records of Prosegur Compañía de Seguridad, S.A. and its subsidiaries.

PricewaterhouseCoopers Auditores, S.L.

Originally signed by Gonzalo Sanjurjo Pose
Partner

10 April 2008

PricewaterhouseCoopers Auditores, S. L. - R. M. Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3
Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79031290

Consolidated balance sheet as at 31 december 2007 and 2006

Assets *In thousands of euros*

	Note	31/12/07	31/12/06
ASSETS			
Non-current assets			
Tangible fixed assets	6	249,370	215,735
Goodwill	7	266,525	248,559
Intangible assets	8	62,649	62,605
Available-for-sale fixed assets	10	53,386	3,797
Assets due to deferred tax	20	47,954	44,866
Derivative financial instruments	23	3,941	-
		683,825	**575,562**
Current assets			
Stock	11	24,474	21,960
Customers and receivables	12	513,192	452,321
Derivative financial instruments	23	289	1,810
Other financial assets	13	37,300	16,691
Cash and cash equivalents	14	98,288	54,652
		673,543	**547,434**
TOTAL ASSETS		**1,357,368**	**1,122,996**

The notes attached on pages 14 to 127 are an integral part of these consolidated annual accounts

Liabilities *In thousands of euros*

	Note	31/12/07	31/12/06
EQUITY			
Capital and reserves attributable to Company shareholders			
Share capital	15	37,027	37,027
Share premium	15	25,472	25,472
Own shares	15	(8,413)	(3,853)
Revaluation reserve and others	16	1,619	1,557
Accumulated difference: conversion	17	(9,440)	(973)
Accumulated profit and other reserves	18	333,702	275,388
Minority interests		**2,451**	**6**
Total equity		**382,418**	**334,624**
LIABILITIES			
Non-current liabilities			
Debt capital	19	231,263	273,655
Derivative financial instruments	23	4,878	-
Liabilities due to deferred tax	20	47,371	39,882
Long-term provisions	21	120,751	95,359
		404,263	**408,896**
Current liabilities			
Suppliers and other payables	22	324,380	281,324
Liabilities due to current tax		33,042	26,274
Debt capital	19	188,018	44,382
Derivative financial instruments	23	945	3,360
Other liabilities and costs	24	24,302	24,136
		570,687	**379,476**
TOTAL LIABILITIES		**974,950**	**788,372**
TOTAL EQUITY AND LIABILITIES		**1,357,368**	**1,122,996**

The notes attached on pages 14 to 127 are an integral part of these consolidated annual accounts

Consolidated income statement for financial years ending 31 december

In thousands of euros

	Note	31/12/07	31/12/06
Recurrent revenues	**25**	**1,841,795**	**1,631,265**
Change in finished product stocks and products in progress		2,514	4,542
Commodities and other consumables used		(75,106)	(73,702)
Employee benefits costs	26	(1,257,676)	(1,147,279)
Costs due to non-recurrent employee benefits		-	(12,021)
Amortization and changes due to impairment loss	6,7,8	(48,347)	(42,935)
Outsourced work, services and supplies		(142,111)	(127,129)
General costs		(146,694)	(118,758)
Tax		(12,455)	(8,931)
Operating profit		**161,920**	**105,052**
Financial income		3,736	5,171
Financial expenses		(17,262)	(18,220)
Net financial costs	**27**	**(13,526)**	**(13,049)**
Share in profit / (loss) of associates	9	-	-
Profit before tax		**148,394**	**92,003**
Profit tax	20	(49,125)	(34,400)
Year consolidated profit		**99,269**	**57,603**
Attributable to:			
Minority interests		(968)	-
To company shareholders		98,301	57,603
Gains per share for the benefit of continued activities attributable to the company shareholders during the year (Euros per share)		-	-
- Basic	28	(1.60)	(0.94)
- Diluted		-	-

The notes attached on pages 14 to 127 are an integral part of these consolidated annual accounts

Consolidated statement of equity changes during financial years ending 31 december

In thousands of euros

Attributable to the company shareholders

	Share capital (Note 15)	Share premium (Note 15)	Own shares (Note 15)	Revaluation reserve and others (Note 16)	Accum. dif. conversion (Note 17)	Accum. profits and other res. (Note 18)	Minority interests	Total equity
Balance at 1 January 2007	**37,027**	**25,472**	**(3,853)**	**1,557**	**(973)**	**275,388**	**6**	**334,624**
Gross revenue / (expense) directly recognised in the equity	-	-	-	125	-	-	-	125
Tax impact	-	-	-	(50)	-	-	-	(50)
Net revenue / (expense) directly recognised in the equity	-	-	-	75	-	-	-	75
Differences currency conversion	-	-	-	-	(8,467)	-	(171)	(8,638)
Changes in consolidation perimeter	-	-	-	-	-	-	1,648	1,648
Year profit	-	-	-	-	-	98,301	968	99,269
Purchase / sale of own shares	-	-	(4,560)	-	-	-	-	(4,560)
Dividend corresponding to 2006	-	-	-	-	-	(40,000)	-	(40,000)
Other transactions	-	-	-	(13)		13	-	-
Balance at 31 December 2007	37,027	25,472	(8,413)	1,619	(9,440)	333,702	2,451	382,418

	Share capital (Note 15)	Share premium (Note 15)	Own shares (Note 15)	Revaluation reserve and others (Note 16)	Accum. dif. conversion (Note 17)	Accum. profits and other res. (Note 18)	Minority interests	Total equity
Balance at 1 January 2006	**37,027**	**25,472**	**(775)**	**343**	**9,087**	**250,785**	**101**	**322,040**
Gross revenue / (expense) directly recognised in the equity	-	-	-	1,755	-	-	-	1,755
Tax impact	-	-	-	(541)	-	-	-	(541)
Net revenue / (expense) directly recognised in the equity	-	-	-	1,214	-	-	-	1,214
Differences currency conversion	-	-	-	-	(10,060)	-		(10,060)
Changes in consolidation perimeter	-	-	-	-	-	-	(95)	(95)
Year profit	-	-	-	-	-	57,603	-	57,603
Total income recognised for 2007	-	-	-	-	-	-	-	-
Purchase / sale of own shares	-	-	(3,078)	-	-	-	-	(3,078)
Dividend corresponding to 2006						33,000		33,000
Balance at 31 December 2006	37,027	25,472	(3,853)	1,557	(973)	275,388	6	334,624

The notes attached on pages 14 to 127 are an integral part of these consolidated annual accounts

Consolidated statement of cash flows during financial years ending 31 december

In thousands of euros

	Note	2007	2006
Cash flow of operating activities			
Cash generated by operations	30	228,855	159,473
Interest paid		(15,510)	(15,825)
Tax paid		(42,358)	(26,838)
Net cash generated by operating activities		170,987	116,810
Cash flow of investment activities			
Acquisition of subsidiaries, net of cash acquired		(26,517)	(5,828)
Acquisition of tangible assets	6	(73,260)	(49,805)
Acquisition of intangible assets	8	(5,327)	(5,187)
Revenues from sales of fixed assets		2,014	5,333
Sale of subsidiaries, net of cash		8,705	-
Acquisition of other financial assets	13	(37,300)	-
Net Disposal/acquisition of available-for-sale assets	10	(31,586)	972
Interests received		734	748
Net cash used in investment activities		(162,537)	(53,767)
Cash flow of funding activities			
Variation of financial indebtedness		83,324	15,440
Variation of other debts		1,737	(16,922)
Variation of long-term provisions		(13,425)	(16,909)
Payments for financial leasing		7,433	(461)
Dividends paid to minority interests		-	(5)
Own shares	15	(4,560)	(3,078)
Dividends paid to company shareholders		(36,500)	(16,500)
Net cash received/(used) in financing activities		38,009	(38,435)
Net (Decrease)/increase of cash and cash equivalents		**46,459**	**24,608**
Cash, cash equivalents and bank overdrafts at year's beginning	14	54,652	32,072
Gains/(losses) for cash exchange differences and bank overdrafts		(2,823)	(2,028)
Cash, cash equivalents and bank overdrafts at year-end	**14**	**98,288**	**54,652**

The notes attached on pages 14 to 127 are an integral part of these consolidated annual accounts

////01

Notes to the 2007 consolidated annual accounts

In thousands of euros

>> 01 // General information

PROSEGUR COMPAÑIA DE SEGURIDAD, S.A. (hereinafter, the Company) is a security services company which at the close of 2007 is comprised of a group (hereinafter, the Group) formed by 69 companies: PROSEGUR COMPAÑIA DE SEGURIDAD, S.A., the parent company, and 68 subsidiaries. Furthermore, the Group participates with other entities in four partnerships and nine joint ventures (hereinafter the Joint Ventures).

The Group companies have interests of less than 20% in the capital of other entities with no significant influence.

During 2006 and 2007 the Group has rendered its services in Spain, Portugal, Italy, France, Romania, Argentina, Chile, Uruguay, Paraguay, Brazil, Peru, Mexico and Colombia.

To the effects of these consolidated annual accounts, a group is understood as such when the parent company has one or more subsidiaries under its direct or indirect control. The standards applied when preparing the Group's consolidated annual accounts are described in Note 2.2 together with details on consolidation.

Appendix I to these notes lists the identification details of the 68 fully consolidated subsidiary companies through the global integration method.

Appendix II to these notes breaks down the identification details of the 6 proportionately consolidated joint ventures.

Appendix III hereto details the companies under a winding-up process under judiciary receivership.

Appendix IV to these notes breaks down the identification details of the 4 proportionately consolidated partnerships.

PROSEGUR COMPAÑIA DE SEGURIDAD, S.A., the parent company of the Group, was incorporated in Madrid on 14 May 1976 as a public limited company. It is registered with

the Companies Registry of Madrid, tome 4,237, sheet 22, section 3, record number 32,805 entry 1.
The company is registered under number 112 into the Special Registry of Private Security Companies, a body which is dependant on the Spanish Ministry of Home Affairs.
The registered address of PROSEGUR COMPAÑIA DE SEGURIDAD, S.A. is Madrid, C/ Pajaritos, 24. Its headquarters are located at C/ Santa Sabina, 8.
The corporate purpose of the Company, as described in Article 2 of its articles of association, is to provide nationwide security services in accordance with the Spanish Private Security Act 23/1992, dated 30 July, without prejudice to the powers and jurisdiction of the Spanish Police and Armed Forces. On this basis, the Company carries out the following services and activities:

1. Surveillance and protection of property, premises, performances, events and conventions.
2. Personal protection of certain individuals, subject to a relevant 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 value or the expectations raised, 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 through various means, in particular, where applicable, using vehicles fitted out and marked in accordance with the requirements set forth by the Spanish Ministry of Foreign Affairs. 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, restricted to mutual investment funds and companies by regulations governing such institutions or the Spanish Securities Market Act.

The parent company currently operates essentially within Spain.

The Group operates in 13 countries, which has been organised into three geographical areas: Spain, the rest of Europe and Latin America (Lat.Am) through 2 lines of business:

- Corporate security services.

This is a combination of services, products and organisational measures which comprise the security solutions provided to companies and corporations in order to minimise or neutralise events construed as a risk for their employees, facilities, visitors and information assets.

- Residential security services.

This is a combination of security services, products and solutions focused on protecting homes, small businesses and their contents against unforeseeen incidences. It also provides personal security and assistance.

The **changes in consolidation** during the year 2007 were as follows:

1. The purchase of 60% of the company Thomas Greg & Sons transportadora de Valores, S.A. (currently Thomas Prosegur, S.A.) in Colombia, a reference company in security services.
2. 100% of the company Valdecantos, S.A. has been acquired. This purchase has not been considered as a joint-venture, as the only asset of the acquired company is a real estate property located at Santa Sabina, Madrid. It has been therefore considered as a purchase of assets.
3. 100% of the company IASA Ingenieros, S.A. was acquired. IASA is a Barcelona based company specializing in design and installation of fire detection and extinction systems and in the implementation of security systems. Subsequently this company was merged with Nordés Prosegur Tecnología, S.L.
4. 100% of the company Xiden S.A.C.I. was acquired. The company is engaged in fire protection and detention. It carries its activities in Argentina.

The following companies have been **established:**

1. In Chile: Prosegur Activa Chile, S.L.
2. In Mexico: Prospotec Seguridad Privada custodia de valores y gestión de efectivo S.A. de CV and Prosegur Seguridad Privada S.A. de C.V.

3. In Brazil: Prosegur Tecnología en Sistemas de Segurança Electrónica e Incendos Ltd.

4. In Peru: Prosegur Cajeros, S.A. y Prosegur Tecnología Peru, S.A.

The company TGC Transportadora General de Caudales, based in Paraguay, has been wound up.

The following companies based in Italy have been **sold:**

Prosegur Servizi, S.R.L., Prosegur Torino, S.R.L., Nuova Prealpol, S.R.L., Prosegur Milano, S.R.L., Prosegur Servizi Integrati, S.R.L. Prosegur Tecnología, S.R.L. and Mabro, S.R.L.

The Group is controlled by Gubel S.L., a company incorporated in Madrid, which owns 50.075% of Company shares. The Company is quoted on the Madrid and Barcelona Stock Exchanges.

These consolidated annual accounts have been prepared by the Board of Directors on March 31, 2008 and are pending approval at the General Shareholder's Meeting. However, the directors understand that said annual accounts will be approved as presented.

>> 02 // Summary of main accounting principles

Below is a description of the main accounting principles used when preparing these consolidated annual accounts. They have been consistently applied to all years presented.

2.1. Presentation basis >

The consolidated annual accounts of the Group at December 31, 2007 were prepared in accordance with the International Financial Reporting Standards (IFRS) used in the European Union and approved by EC regulations and which are valid at December 31, 2007.

The standards described below have been uniformly applied to all the years presented in these consolidated annual accounts.

The consolidated annual accounts have been prepared using the historical cost approach, although modified by the revaluation of the Pajaritos and Acacias buildings in Madrid and the Hospitalet building in Barcelona. In an initial transition to IFRS financial standards, these buildings were valued at market value, in other words their imputed cost and the registration of financial instruments at a fair value, as per IFRS.

When preparing consolidated annual accounts in accordance with IFRS, it is necessary to use certain critical accounting estimates. Said standards also require Company management to use its judgement when applying accounting practices. Note 4 describes the areas involving the highest levels of judgement or complexity, and the areas where hypotheses and estimates are significant for consolidated annual accounts.

These Notes use the following ratios:

EBITA : Profit before tax, interests and amortisation (operating profit)

EBITDA : Profit before tax, interests, amortisation and depreciation

(a) Standards, amendments to standards and compulsory interpretations which will come into force in 2007

■ "IFRS 7, Financial instruments: disclosures" and complementary amendment to IAS 1, "Presentation of financial statements – capital disclosures". IFRS introduces new breakdowns aimed at improving the information on financial instruments, although it bears no impact on classification and valuation of the Group's financial instruments, nor on breakdowns relating taxes and suppliers and other payables.

(b) Standards, amendments to standards and compulsory interpretations which will come into force in 2007, but bearing no impact on the Group's accounts

■ IFRIC 7, "Application of reformulation procedure as per IAS 29 – Financial information in hyper-inflation economies".

■ IFRIC 8, "Scope of IFRS 2", requires the consideration of transactions implying an issue of equity instruments – in those cases where the identifiable compensation is lower that the fair value of equity instruments issued – in order to determine whether said transactions are within the scope of IFRS 2.

■ IFRIC 9, "Reassessment of embedded derivatives", (compulsory for all years as from 1 June 2006). IFRIC 9 requires an entity to assess whether an embedded derivative should be separated from the host contract and be accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited, unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract. In this case reassessment is required.

■ IFRIC 10, "Interim financial reporting and impairment losses", prohibits impairment losses on goodwill recognised in an interim period, investments in equity instruments and investments in financial assets recognised at cost to be reinvested at a later balance sheet date.

(c) Standards, amendments and interpretations issued by IASB coming into force later than January 1, 2007 but not adopted by the Group in advance

■ IFRIC 11 – "IFRS 2 – Group and Treasury Share Transactions" (compulsory for all years as from 1 March 2007). IFRIC 11 develops the application of IFRS 2 on company share-based payments when the latter are purchased from third parties or supplied by their shareholders, or share-based payments from another company belonging to the same Group. The application of this standard has no effect on the Group's accounts.

■ IFRS 8 – "Operating Segments" (compulsory for all years as from 1 January 2009). Pending adoption by the EU, this standard will replace IAS 14 – "Reporting financial information by segments" and responds to the convergence project with the American standard for this area covered by SFAS131 – "Information on company segments and related information,". Prosegur is still carefully assessing the impact of the new regulations on its financial information.

(d) Standards, amendments and interpretations issued by IASB coming into force later than January 1, 2007, pending adoption by the EU, but therefore not adopted by the Group in advance

■ IAS 1 (Amended September 2007) – "Presentation of financial statements" (compulsory for financial years started as of January 1, 2009 onwards).

■ IAS 23 (Revised March 2007), "Interests costs", compulsory for all financial years started as of January 1, 2009. This standard requires the organisations to capitalise interests costs that are directly attributable to the purchase, construction or production of a qualifying asset (define as an asset necessarily requiring a significant lapse of time before being ready for use or sale) as a part of the cost of the asset. The option of recognising these interests costs right away as expenses for the relevant period is thus no longer applicable. The Group shall apply the modified IAS as from January 1, 2009 although for the moment it does not apply as the organization holds no qualifying assets.

■ IAS 27 – (Amended January 10, 2008) "Vesting conditions and cancellations".

■ IFRS 3 – "Business Combinations" (compulsory for all financial years starting as from January 1, 2009). If applied in advance, it must be undertaken along with the application of IAS 27 (revised) also in advance.

■ IAS 32 and IAS 1 (Amended February 2008) – "Financial instruments with an option to redemption in favour of the holder at a fair value and obligations arising at settlement (compulsory for all years starting as from January 1, 2009).

■ IFRIC 12, "Service Agreements", of compulsory compliance for all years starting as from January 1, 2008. IFRIC 12 will apply to agreements in which a private operator takes part in the development, funding, operation and maintenance of an infrastructure aimed at public sector services. IFRIC 12 is not relevant for the Group's activities as none of its integrating entities renders this kind of services.

■ IFRIC 13, "Customer loyalty programmes", of compulsory compliance for all years starting as from July 1, 2008. IFRIC 13 clarifies instances in which goods or services are provided together with a loyalty incentive. IFRIC 13 is not relevant for the Group's activities as none of its integrating entities has loyalty programmes in place.

■ IFRIC 14, IAS 19 – "Limitation of assets attached to a defined plan of contribution, minimum financing needs and relationships between both", coming into force for all financial years starting as from January 1, 2008. IFRIC 14 contains guidelines for assessing the limit set by IAS 19 on surpluses that may be recognised as assets.

2.2. Consolidation principles >

Subsidiaries

Subsidiaries are all those entities over which the Group has the power to direct their financial and operating practices and in which it generally owns an interest of over half the voting rights. When assessing whether or not the Group controls another entity, the existence and effect of any potential exercisable or transferable voting rights must be taken into account. The subsidiaries are consolidated as from the date on which their control is transferred to the Group, and they are excluded from the consolidation on the date on which the same is dissolved.

Any purchases of subsidiaries made by the Group are accounted for using the acquisition method. The cost of acquisition is calculated using the fair value of the assets delivered, of the equity instruments issued and of the liabilities incurred or assumed on the date of the exchange, plus any costs directly attributable to the purchase operation. Identifiable assets, liabilities and contingencies assumed in a business combination are initially valued by their fair value on the purchase date, regardless of minority interests. Any excess in the cost of acquisition over the fair value of the Group's interest in the identifiable net assets bought is recognised as goodwill. If the cost of acquisition is less than the fair value of the net assets belonging to the subsidiary that the Group has bought, the difference is directly recognised in the income statement after reassessing the identification and value of the net assets bought.

Inter-company transactions, balances and profits not realised through transactions between Group entities are deleted. Unrealised losses are also deleted, unless the transaction reveals an impairment loss of the transferred asset. In order to ensure the uniform practices of the Group, the accounting practices of subsidiaries are modified where necessary.

Appendix I to these notes gives details of the 68 fully consolidated subsidiary companies, included in consolidation by the integration method.

Transactions and minority interests

The Group considers transactions with minorities as transactions with the legal holders of the Group's capital instruments. When purchasing minority interests, the difference between the price paid and the corresponding proportion of the book value of the subsidiary net assets is deducted from the equity. Profits and/or losses from the sale of minority interests are also recorded in the equity. The alienation of minority interests, the difference between the consideration received and the corresponding proportion of minority interests are also recorded in the equity.

Partnerships

Participation in partnerships (contractually considered as such) is proportionately consolidated. The Group combines its participation in the assets, liabilities, revenues and expenses and cash flows of the controlled entity with the similar entries in its accounts, dealing with each line separately. Its share in profits or losses resulting from the sale of Group assets to partnerships is recorded in the Group's consolidated annual accounts in the area corresponding to other partnerships. The Group does not record its share of any profits or losses resulting from the purchase of assets from partnerships until said assets are sold to a third party independently. Any loss in the transaction is recorded immediately if the same shows a reduction in the realisable net value of current assets, or an impairment loss.

Appendix IV to these notes lists details of the four proportionately consolidated partnerships.

Associates

Associates are all those entities over which the Group has an important level of influence although they are not under its control. Generally speaking, the Group holds between 20% and 50% of voting rights. Investments in associates are accounted for in accordance to participation and they are initially recorded at cost. The Group's investment in associates includes goodwill (after deducting any accumulated impairment losses) identified at acquisition.

The Group's share in the profits or losses after purchasing an associate is recorded in the income statement and accumulated movements are set against the investment's book value. When the Group's share in the losses of an associate is equal or more than its share in the same (including any unreliable receivables), the Group does not record additional losses unless it has incurred indebtedness or performed payments in the associate's name.

Any profits which do not result from transactions between the Group and its associates are eliminated in accordance with the percentage of the Group's share in the same. Unrealised losses are also deleted, unless the transaction reveals an impairment loss of the transferred asset. In order to ensure the uniform practices of the Group, the accounting practices of subsidiaries are modified where necessary.

Joint Ventures

A joint venture is considered as such when two or more businesses collaborate in the development or execution of a project, service or supply for a limited or unlimited length of time.

The proportional part of items in the balance sheet and income statement of the Joint Venture is included in the balance sheet and income statement of the participating entity in accordance with its percentage of interest.

Appendix III to these notes breaks down identification details of the 6 proportionately consolidated joint ventures included in consolidation by the integration method.

2.3. Financial information by segments >

A business segment is a group of assets and operations used to supply products or services whose risks and earnings differ from those of the remaining business segments. A geographical segment provides products or services in a specific economic environment where the risks and earnings differ from those segments operating in other economic environments.

Each defined segment is allocated the costs it directly incurs and each geographical area has its own functional structure. Activity segments share any common functional costs in accordance with the time or degree of use.

2.4. Foreign currency transactions >

Functional currency and presentation

The entries included in the annual accounts for each entity of the Group are assessed using the currency of the main economic environment in which the entity in question operates (‘functional currency’). The consolidated annual accounts are expressed in thousands of euros (except where stated otherwise), as this is the functional and presentation currency of the parent company.

Transactions and balances

Foreign currency transactions are converted into the functional currency using the exchange rates in force at the time of the transaction. Foreign currency profits and losses which result from the settlement of these transactions and from the conversion at closing rates of exchange of the monetary assets and liabilities in foreign currencies are recorded in the income statement, unless they are deferred to equity such as in the case of cash flow hedges.

Entities of the Group

The results and financial situation of all Group entities (none of which operate in economies with hyperinflation) with a functional currency other than the presentation currency are converted into the presentation currency as follows:

(I) The assets and liabilities of each balance sheet presented are converted at the closing rate of exchange of the balance sheet date;
(II) The revenues and expenses of each income statement are converted at the average monthly exchange rate;
(III) Any resulting exchange differences are recorded as a separate item from the equity.

The adjustments made to goodwill and fair value during the purchase of a foreign entity are treated as the assets and liabilities of the foreign entity and are converted at the closing rate of exchange.

2.5. Tangible assets >

Land and buildings essentially correspond to operative branch offices. Tangible assets are stated at cost of acquisition, minus amortisation and any corresponding accumulated impairment losses, except in the case of land which is presented after deducting impairment losses.
The historical cost includes the costs which are directly attributable to the purchase of items.
Subsequent costs are usually included in the asset's book value. However they can be recorded as a separate asset, but only when future economic profits associated to the element in question are likely and it is possible to determine a reliable cost of the element. The book value of the replaced component is cancelled. Any other maintenance costs or repairs are charged to the income statement during the year in which they occur.
Land is not amortized. Amortisation for other assets is calculated using the straight-line method to allocate the costs or revalued amounts to the scrap value over their estimated useful life span:

	Coefficient (%)
Buildings	2 and 3
Plant and machinery	10 to 25
Other installations and equipment	10 to 30
Furniture	10
Computer equipment	25
Transportation	16
Other tangible assets	10 to 25

The scrap value and useful life span of the assets are reviewed and adjusted where necessary on the date of each balance sheet.

When the asset's book value is higher than its estimated recoverable amount, its value is immediately reduced to said recoverable amount (Note 2.7).

Profits and losses from the sale of tangible assets are calculated by comparing the revenues obtained with the book value and are included in the income statement.

2.6. Intangible assets >

Goodwill

Goodwill represents the excess in the cost of acquisition over the fair value of the Group's share in the identifiable net assets of the subsidiary / associate acquired on the date of purchase. Goodwill related to the purchase of subsidiaries is included in the balance sheet caption Goodwill. Goodwill related to the purchase of associates is included in investments in associated companies. Goodwill is checked on a yearly basis for any impairment loss and is stated at cost minus accumulated impairment losses. Profits and losses from the sale of an entity include the book value of the goodwill related to the sold entity.

Goodwill is allocated to cash generating units (CGU) in order to check for impairment losses, choosing the CGUs which are expected to benefit from the business combination in which said goodwill originated.

Goodwill acquired as from 1 January 2004 are valued at cost of acquisition, whereas previous acquisitions maintain their net accounting value at 31 December 2003, in accordance with Spanish accounting standards in force at said date.

As from 1 January 2004, goodwill is not amortized and at the end of each year (or before in the event of an exception) it is checked to see whether impairment has occurred reducing its recoverable value. The corresponding reorganisation is registered as described in Note 7.

Trademarks and licences

Trademarks and licences are presented at their historical cost. They have a well-defined useful life span are booked at their costs less any accrued amortisations. Amortisation is calculated on a straight-line basis in order to allocate the cost of trademarks and licences along their estimated life span (2 to 4 years).

Computer software

Licenses for computer software are capitalised over the base of the costs incurred for their acquisition and preparation for use. These costs are amortized during their estimated useful life span (5 years).

The expenses related to the development or maintenance of computer programmes are recorded as an expense when incurred.

Intangible assets with indefinite useful lives

When clearly identified as such, intangible assets with indefinite useful lives are recorded by their fair value at the date of purchase in order to allocate the price paid to business combinations. These assets are registered at their fair value on the date of purchase minus any accumulated impairment losses. Checks for impairment loss are carried out at least once a year and whenever there is an indication of a possible loss in value.

2.7. Impairment loss in asset value >

Assets with indefinite useful lives are not subject to amortisation and their value is assessed on a yearly basis to determine whether or not any impairment losses have occurred. The value of assets which are subject to amortisation is assessed to determine whether or not impairment losses have occurred whenever an event or change in circumstances indicates that the book value cannot be recovered. Impairment loss is recorded at the difference between the asset's book value and its recoverable value. The recoverable value is the greater between the fair value of an asset minus sales costs and the value in use. In order to assess impairment loss, the assets are grouped at the lowest level for which there are separately identifiable cash flows (cash generating units).

2.8. Financial assets >

The Group classifies its investments into the following categories: financial assets registered at fair value with changes in results, loans and receivables; investments which the Group intends to maintain until their maturity and available-for-sale financial assets. Classification depends on the purpose of the investments. Management determines the classification of its investments at the moment they are first recorded and it reviews the classification every time financial information is reported.

Financial assets registered at fair value with changes in results

A financial asset is classified in this category if it is mainly bought for the purpose of being sold in the near future or if management decides to classify it as such. Derivatives are also classified as acquired for trading purposes, unless they are designated as hedges (Note 2.9). The assets of this category are classified as current assets if they are maintained for trading purposes or if this is planned within the 12 months following the balance sheet date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or ascertainable payments which are not quoted on an active market. They occur when the Group directly grants money, goods or services to a debtor and has no intention of negotiating with the account receivable. They are included in current assets, except those with maturity falling 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in customers and other receivables in the balance sheet (Note 2.11).

Loans and receivables are accounted for by their amortized cost in accordance with the interest rate in use.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives which are classified in this and no other category. They are included in current assets, unless management intends to dispose of the investment during the 12 months following the balance sheet date.

Investment acquisitions and disposals are recorded at their trade date; in other words, the date on which the Group undertakes to buy or sell the asset. The investments are initially recognised at their fair value plus the transaction costs for all financial assets not carried at fair value with change in results.

The investments are cancelled from the accounting records when they have matured or the rights to receive cash flows from the investments have been transferred along with the risks and advantages of their ownership.

The available-for-sale financial assets and the financial assets at fair value with changes in results are later accounted for at their fair value.

Realised and unrealised profits and losses which arise from changes in the fair value of financial assets at fair value with changes in results are included in the income statement of the year in which they occurred. Unrealised profits and losses which arise from changes in the fair value of non-monetary securities classified as available-for-sale are recorded in the equity. When securities classified as available-for-sale are sold or suffer impairment losses, the accumulated adjustments in the fair value are included in the income statement as profit and losses of securities.

In order to assess non-quoted investments, the Group establishes their fair value using evaluation techniques which include recent free transactions between interested and duly-informed parties, relating to other essentially similar instruments, the analysis of discounted cash flows and improved models for fixing option prices to reflect the specific circumstances of the issuer.

On each balance sheet date, the Group assesses whether or not objective evidence exists indicating that a financial asset or a group of financial assets may have suffered impairment losses. In the case of capital securities classified as available-for-sale, in order to determine whether the securities have suffered impairment losses, the Group checks whether any significant or prolonged decrease in the fair value of the securities has taken place resulting in a value lesser than cost value.

If any evidence of this type exists for available-for-sale financial assets, the accumulated loss determined as the difference between the cost of acquisition and the current fair value, minus any impairment loss of this financial asset previously recorded in losses or profits, is eliminated from the equity and recorded in the income statement. Impairment losses recorded in the income statement as equity instruments are not reversed through the P&L account.

2.9. Accounting of derivatives and hedging transactions >

Derivatives are initially recognised at their fair value on the date of signing the relevant agreement and their fair value is subsequently adjusted. The method for booking the resulting profit or loss depends whether the derivative is recognised as a hedging instrument or not, and if so, the nature of the item so hedged. The Group designates certain derivatives as:

• Hedging of fair value of recognised assets or liabilities (fair value hedging);

• Hedging for highly likely transactions (hedging of cash flows), or;

• Hedging of a net investment in foreign transactions.

The Group documents at the beginning of the transaction the relationship between the hedging instruments and the hedged items, in addition to the aim of its risk management procedure and the strategy used in the various hedging transactions. The Group does also document its assessment, both at the start of the hedging and subsequently on an ongoing basis. It is examined whether the derivatives used in hedging transactions are very efficient when it comes to offsetting changes in fair values or in cash flows of hedged assets.

Fair values of various derivative instruments used for hedging purposes are shown in Note 23. Changes in the hedging reserve within equity are shown in Note 16. The aggregate fair value of hedging derivatives is classified as a non-current asset or a non-current liability if its maturity of the hedged item is longer than 12 months and as a current asset or a current liability if its maturity of the hedged item is shorter than 12 months. Negotiable derivatives are classified as current assets or current liabilities.

Fair value hedging

Changes in fair value of the designated derivatives which meet the conditions for being classified as fair value hedging operations are recorded in P&L along with any changes of the hedged asset's fair value as attributable to the risk covered.

Hedging of cash flows

The effective part of changes in fair value of the designated derivatives and qualifying as hedging of cash flows are recognised in equity. The profit or loss corresponding to the non-effective part is immediately recognised in P&L.

When the hedging instrument reaches maturity or is sold, or whenever a hedging transaction fails to meet the requirements sought in order to be able to apply hedge accounting, accrued profit or loss in equity up to such time shall continue to form an integral part of the equity and shall be finally recognised when the relevant transaction is recorded in P&L. However, should it not be likely anymore that such a transaction will take place, accrued profit or loss in equity shall be immediately brought to the P&L account.

Derivatives not qualifying for hedge accounting

Certain derivatives do not meet the criterion for implementing hedge accounting. Changes in the fair value of a derivative not qualifying for hedge accounting are immediately recognised in the P&L account.

2.10. Stocks >

Stocks are assessed at their cost or realisable net value, whichever is less, distinguishing between:

• Stocks held warehouses and uniforms are stated at weighted average cost.

• Plants in course of installation are recorded at cost, which includes the cost of materials and spare parts, as well as labour charged at standard rates. This does not differ from the actual costs incurred during the year.

• The realisable net value is the estimated sales price during normal business, minus any applicable variable sales costs.

2.11. Trade receivables >

Trade receivables are initially recorded at their fair value and subsequently at their amortized cost in accordance with the APR method less an impairment loss provision. A provision for impairment losses of trade receivables is therefore created when there is objective evidence indicating that the Group will not be able to collect all the amounts owed in accordance with the original terms and conditions of the receivables. The existence of significant financial issues by the debtor, the likelihood of the debtor being declared in bankruptcy or under financial reorganisation and its failure or delay/breach in payment are telling signs that the relevant account is suffering an impairment. The amount of the provision is the difference between the asset's book value and the current value of any estimated future cash flows at the relevant APR. The asset's book value diminishes as the provision account is used and the relevant loss is recognised in the P&L account. When a trade receivable becomes uncollectible, it is adjusted against the provision allocated for trade receivables.

2.12. Cash and cash equivalents >
Cash and cash equivalents include cash on hand, demand deposits in credit entities, other highly liquid short-term investments with an original maturity date of three months or less and bank overdrafts. Bank overdrafts are classified as debt capital in the current liabilities of the balance sheet.

2.13. Share capital >
Ordinary shares are classified as equity.
When any entity of the Group buys shares from the Company (own shares), the consideration paid, including any directly attributable incremental cost (net of profit tax) is deducted from the equity attributable to Company shareholders until its cancellation or disposal. When these shares are sold, any amount received after deducting any directly attributable incremental cost of the transaction and the corresponding profit tax is included in the equity attributable to the Company shareholders.

2.14. Government subsidies >
Government subsidies are recorded at their fair value when there is a reasonable level certainty that the subsidies will be collected and that the Group will fulfil all the conditions established.
Government subsidies for costs are deferred and recognised in the income statement during the period needed for their correlation to the costs that they intend to compensate.
Government subsidies for the purchase of tangible assets are included in non-current liabilities as deferred government subsidies and are credited to the income statement on a straight-line basis during the expected life of the corresponding assets.

2.15. Debt capital >
Debt capital is initially recorded at its fair value after the deduction of any transaction costs. Subsequently, it is valued at its amortized cost, any difference between the funds obtained (net of any costs incurred in the process) and the reimbursement value is recorded in the income statement during the life span of the debt in accordance with the interest rate used.
Debt capital is classified as current liabilities unless the Group holds an unconditional right to defer settlement during at least 12 months after the balance sheet date.

2.16. Deferred tax >
In accordance with the balance method, deferred tax is calculated on the temporary differences existing between the tax base of the assets and liabilities and their book values in the consolidated annual

accounts. However, it is not recorded if it arises from the original recognition of a liability or asset in a transaction other than a business combination and which at the time of the transaction does not affect the accounting result or the tax gain/loss.

Deferred tax is determined by using taxation rates (and laws) which have been approved or are about to be approved on the balance sheet date and is applied when the corresponding asset per deferred tax is realised or the liability per deferred tax is settled.

The assets due to deferred tax are recorded according to the extent to which it is probable that future tax benefits will compensate the temporary differences.

Deferred tax on the temporary differences which arise in subsidiary and associate investments are recorded, except when the Group is able to control the date on which the temporary differences are reversed and that it is likely that the same will not be reversed in the foreseeable future.

2.17. Employee benefits >

Share-based compensations

The Group maintains and has settled various compensation schemes based on shares, realisable shares or cash. The fair value of the employee services received in exchange for shares is recorded as an expense. The total amount reflected in expenses during the accrual period is determined by the fair value of the shares awarded.

Redundancy payments

Redundancy is paid to employees when the Company decides to terminate a work contract before the normal age of retirement or when an employee voluntarily accepts the termination of the working relationship in exchange for benefits. The Group recognises these benefits when it has demonstrably undertaken to terminate employees' jobs in accordance with a detailed formal plan and without any possibility of retracting the decision or when these payments are the result of an offer made to encourage a voluntary resignation.

Profit sharing and bonus schemes

The Group recognises profit sharing and bonuses as a liability and an expense, based on a formula which takes into account EBITA (profits before tax, interest and amortization).

Directors' remuneration

In addition to share-based compensation and profit-sharing schemes, there are other directors' incentive schemes which are awarded when certain objectives set by the pertinent committees are attained. At the year-end, these schemes were awarded based in the achievement of the best possible estimate by Company Management.

Staff benefits and related liabilities

In accordance with local French law and also for companies based in other countries, the Group must allocate a provision for covering a premium disbursement in the event of retirement of employees. For its quantification to present value, an actuarial study has been performed with the following parameters:

- Yearly inflation rate: 2%
- Yearly deduction rate 5.3%
- Yearly salary growth rate: 2%
- Rotation rate for employees below 50: between 4% and 12.5%
- Retirement age: 65 years old.

The above are considered as defined benefits as the payment received by the employee upon retirement or termination of the working relationship is defined according to one or more factors, such as age, seniority and salary.

The liability recognised in the balance sheet with regards the above is the current value of the benefits defined on the balance sheet date with any pertinent adjustments due to losses and non-recognised actuarial profits and costs for past services. This liability is calculated on a yearly basis by independent actuaries in accordance with the method of credit unit applied. The current value of the liability is determined by discounting estimated future cash outflows, in line with that described above.

The actuarial profits and losses which arise from adjustments due to experience or changes to actuarial hypotheses are debited or credited in the income statement during the expected remaining average working life of the employees. The costs for past services are immediately recognised in the P&L account.

2.18. Provisions >

The provisions for restructuring and legal disputes are reflected when:

(I) The Group has a present legal or implied liability as a result of past events.

(II) It is more likely that an outward financial flow will be needed to settle the liability than otherwise.

(III) The amount estimated is reliable.

When a number of similar liabilities exist, the probability that an outward financial flow will be needed for their settlement is determined by taking into account the type of liabilities as a whole. A provision is recorded even when there is little likelihood of an outward financial flow with respect any item included within the same type of liabilities.

Provisions for restructuring include penalties for the cancellation of leaseholds and payments for employee dismissals. Provisions are not recognised for future operating losses.

2.19. Recognition of revenues >

Current revenues include the fair value of goods and service sales, net of value added tax, returns and deductions and after eliminating intragroup sales. Current revenues are imputed in accordance with accrual criteria and are recognised as follows:

(a) Sales of goods are recognised when an entity of the Group has delivered the products to the customer and the customer has accepted the products. They are assessed at the fair value of the contra item received.

(b) Sales of services are recognised in the accounting year in which said services were provided, not including the taxes levied on these operations and deducting as the lower amount any invoice discounts included in the invoice.

(c) Interest revenues are accounted for in accordance with the term of the pending principal and with the applicable interest rate in force.

(d) Dividend revenues are recognised when the right to receive the payment has been established.

2.20. Leasing >

When an entity of the Group is the leaseholder

When the Group essentially holds the economic risks and benefits associated with ownership, the leasing of tangible assets is classified as financial leasing. Financial leasing is recognised at the start of the leasing period at the lower of the fair value of the leased asset and the current value of the leasing minimum charges. Each lease payment is distributed between the repayment of the debt and financial expenses, in order to attain a constant interest rate for the balance of the debt. Lease payments are recorded as long-term payables after financial charges have been deducted. Interests for financial expenses are charged to the income statement during the term of the lease, in order to obtain a constant interest rate on the debt balance for each accounting period. Fixed assets held under financial leasing contracts are amortized during the useful life of the asset or the lease term, whichever is the shortest, when there is no possibility of transferring ownership. Otherwise, they are amortized in accordance with the estimated useful life of the asset.

Leasing where the lessor essentially holds the economic risks and benefits associated with ownership is classified as operating leasing. Payments made during the term of an operating lease (after deducting any incentives received from the lessor) are charged to the P&L account according to the straight-line method during the whole term of the lease.

When an entity of the Group is the lessor

Assets leased to third parties under operating lease contracts are recorded as tangible assets in the balance sheet. These assets are amortized during their expected useful life based on criteria applied to similar assets of the Group. Lease revenues are recorded using the straight-line method during their expected useful life.

2.21. Construction contracts / Service commitment >

The costs of building contracts are reflected when they are incurred.

When it is not possible to give a reliable estimate of the result of a construction contract, the contract revenues are only recognised up to the limit that the contract expenses incurred are likely to be recovered.

When it is possible to give a reliable estimate of the result of a construction contract/services rendering, and it is likely to be profitable, contract revenues are recognised during the term of the contract. When it is likely that contract expenses are going to exceed the total revenues of the same, this loss is immediately recognised as an expense.

The Group uses the percentage of completion method to determine the appropriate amount which must be recognised during a certain period. The degree of completion is determined by referring to the contract costs incurred at balance sheet date as a percentage of the estimated total costs for each contract. The costs incurred during the year in relation to the future activity of a contract are excluded from the contract costs to determine the percentage of completion. They are presented as stocks, forward payments and other assets, depending on their nature.

The Group presents the gross amount owed by the customers for the work of all ongoing contracts as an asset, when the costs incurred plus recognised profits (deducting recognised losses) exceed the partial billing. The partial billing which still has not been paid by the customers and withholdings are included in customers and other receivables.

The Group presents the gross amount owed by the customers for the work of all contracts in process as a liability when partial billing exceeds the costs incurred plus recognised profits (deducting recognised losses).

2.22. Distribution of dividends >

The dividends distributed to Company shareholders are recognised as a liability in the consolidated annual accounts of the Group in the year in which said dividends are approved by Company shareholders.

2.23. Environmental issues >

The cost of armoured vehicles that comply with the Euro III standard for particle emissions has been recorded increasing the value of the fixed asset and thereby generating corporate income tax benefits.

>> 03 // Financial risk management

3.1. Financial risk factors >

The Group's activities are exposed to various financial risks: market risk (including exchange rate risk, interest rate risk of fair value and price risk), credit risk and liquidity risk. The management programme of the Group's global risk is focused on the uncertainty of financial markets and endeavours to minimise any potential adverse effects on the financial profitability of the Group. The Group employs derivatives to hedge certain risks.

Financial risk management is the responsibility of the Central Treasury Department of the Group and works in accordance with practices approved by the Board of Directors. This department identifies, assesses and hedges financial risks in strict collaboration with the operating units of the Group.

Exchange Rate Risk

The Group operates on an international level and therefore is exposed to exchange rate risks with regards operations performed in currencies, in particular the Argentinean peso, the Brazilian real and, to a lesser extent, the Chilean peso, the Peruvian sol and the Colombian peso. Exchange rate risk arises from future transactions, recognised assets and liabilities and net investments in operations abroad.

In order to control the exchange rate risk resulting from financial transactions, recognised assets and liabilities, and when necessary, in accordance with Group policies and market prospects, the entities of the group use forward contracts, approved by the Group Treasury Department, who subsequently contracts them in the corresponding market. The exchange rate risk arises when future transactions, recognised assets and liabilities are in a currency which is not the functional currency of the Group. The Group Treasury Department is responsible for managing the net position in each foreign currency using external forward contracts in local or foreign currency, in accordance with the competitiveness and suitability of the same.

At group level external exchange rate contracts are designated as risk hedging for the exchange rate risk on certain assets, liabilities or future transactions, as detailed in Note 23.

As the Group has defined a strategy as a long-term or almost permanent player in the overseas markets in which it operates, it has not adopted / established exchange risk management policies strictly inked to the equity invested in each corresponding country. In order to ease the impact on the operating cash flow, financing operations are contracted in the functional currency in order to offset loans against cash flow in a “nearly-natural” way.

The value of assets, liabilities and equity attributable to the parent company as at December 31, 2007 per currency type is broken down in the following table:

Currency	Assets (thousands of euros)	Liabilities (thousands of euros)	Equity of parent company (thousands of euros)
Euro	943,771	775,732	168,039
Brazilian real	136,300	107,506	28,794
Argentinean peso	132,266	59,051	73,215
Chilean peso	63,582	11,571	52,011
Peruvian sol	48,973	6,791	42,182
Other currencies	32,476	14,300	15,726
Total position	**1,357,368**	**974,951**	**379,967**

Based on the above table, had the Euro decreased in value by 10% with respect the other currencies in which the group operates the impact on the parent company's net equity would have been of 21,193 thousands of euros.

Additionally, the breakdown of net income attributable to the parent company per currency is as follows:

Currency	Net Income
Euro	50,823
Brazilian real	14,687
Argentinean peso	18,639
Chilean peso	4,692
Peruvian sol	6,272
Other currencies	3,188
Total position	**98,301**

Based on the above table, if the Euro had depreciated 10% with respect to the rest of currencies in which the Group operates with the remaining variables constant, the year result after tax would have registered at 3,416 thousands more mainly due to the profits / losses arising from exchange rate fluctuations when converting into Euros from bank debt net of cash and equivalents denominated in local currencies.

Credit risk

The Group does not have any significant credit risk concentrations. In this sector, non-payments are practically non-existent or represent an insignificant percentage. If a customer has been rated independently, said ratings are used. Otherwise, credit control assesses the credit rating of customers, bearing in mind their financial situation, past history and other factors. The individual credit limits are established in accordance with internal and external ratings depending on the limits fixed by financial management. The use of credit limits is monitored on a regular basis.

In Spain, the collection department handles an approximate volume of 4,000 customers with an average billing amount per customer of €17,000 a month. The most used method of payment by customers is transfer (70%) with 30% using other instruments (cheques, promissory notes, etc.)

The following table shows the percentage over the total billing amount of our 8 main customers during the year:

Counterparty	% Billing
Customer 1	3.03
Customer 2	2.66
Customer 3	2.64
Customer 4	2.61
Customer 5	2.34
Customer 6	1.40
Customer 7	1.33
Customer 8	1.29

Liquidity risk

Efficient liquidity risk management involves the maintenance of sufficient cash and marketable securities, the availability of funding through a sufficient amount of credit facilities guaranteed and the capacity to liquidate market positions. Given the dynamic character of the underlying businesses, an objective of the Group Treasury Department is to maintain the flexibility of funding through the availability of guaranteed lines of credit.

Management monitors the forecasts for the liquidity reserve of the Group, which comprises availability of credits (Note 19) and availability of cash and cash equivalents (Note 14) in accordance with expected cash flows.

The liquidity situation of the Group for year 2008 is based on the following:

• As at December 31, 2007 the overall cash assets and cash equivalents available amount to 98,288 thousands of euros.

• As at closing of financial year 2007, undrawn credit lines amount to 250,067 thousands of euros,

• Cash flows generated by recurrent activities in 2007 reached 170,987 thousands of euros (116,810 thousands of euros in 2006). This shows the Group's strong generation capabilities of a significant, recurrent flow of operations.

The table below analyses the Group's financial liabilities which will be settled at net grouped by maturity in accordance with the instalments pending on the balance sheet date and until the maturity date stipulated on the contract. The amounts displayed in the table correspond to the cash flows stipulated in the contract without discount. The amounts payable within 12 months are the same as the book values of the same, given that deductions are not significant.

	Less than one year	Between 1 and 2 years	Between 2 and 5 years
At December 31, 2007			
Bank loans	69,805	80,525	123,808
Credit agreements	92,142	-	-
Leasing	5,475	8,948	-
At December 31, 2006			
Bank loans	20,531	85,141	168,600
Credit agreements	6,580	-	-
Leasing	3,631	3,307	-

Last, worth mentioning is that forecasts are made on a systematic way on generation and needs of cash in order to enable us determine and monitor the Group's liquidity situation on an ongoing basis.

Interest rate, cash flow and fair value risk

As the Group does not possess important paying assets, the revenues and cash flows of the operating activities of the Group are reasonably independent with respect fluctuations in market interest rates.

The largest risk factor of this type for the Group arises from its long-term capital debts. The capital debts contracted at variable rates expose the cash flows to interest rate risks. The loans contracted at fixed interest rates expose the Group to interest rate risks of fair value.

The Group manages the interest rate risk to cash flows through interest rate swaps from variable to fixed. These interest rate swaps convert the variable interest rates of capital debts into fixed interest rates. Generally, the Group obtains long-term capital debts at a variable interest rate and interest rate swaps depending on the trend and competitiveness of future interest rate curves. Under these interest rate swaps, the Group undertakes with other parties to exchange, generally on a quarterly basis, the difference between the fixed and variable interests calculated in accordance with that stipulated in the contract.

The Group uses various hedging structures to face these risks which are described in Note 23.

During 2007 and 2006, the Group's capital debts at variable interest rates were in Euros with a small amount in US dollars and Brazilian reals.

The following table contains a detail of financial debt as at December 31, 2007 with an indication of the percentage of debt considered as hedged, either under a fixed rate or derivatives.

Segment	Debt total (thousands of euros)	Hedged debt (thousands of euros)	Exposed debt (thousands of euros)	Impact 50 basis points (thousands of euros)
Spain	346,204	249,605	96,599	483
Rest of Europe	807	765	42	-
Latam	33,692	12,860	20,832	104
Total position	380,703	263,230	117,473	587

In the table below there is a detail of financial investments with maturities longer than three months at a floating rate as at December 31, 2007:

Segment	Total investment (thousands of euros)	Impact 50 basis points (thousands of euros)
Spain	55,325	277
Rest of Europe	-	-
Latam	-	-
Total position	55,325	277

Exposure to price volatility

As the Group is a service company with an extensive human capital, there are no significant risks with regards exposure to price volatility. However, a collar structure has been hired in order to limit the impact of diesel consumption of the armoured vehicle fleet on costs (see Note 23).

3.2. Capital risk management

The Group's goals regarding capital management are to safeguard its capacity to continue existing as an ongoing company in order to obtain a yield for its shareholders as well as a profit for other holders of net equity instruments and maintain an optimum share capital structure and reduce its cost.

In order to maintain or fine tune the capital structure, the Group could adjust the amount of dividends payable to shareholders, return share capital to them, issue new shares or sell assets to reduce debt.

The Group monitors the capital in accordance with its leverage level, in line with the usual practice in the industry. This level (or index) is calculated as the net financial debt divided by the total share capital. Net financial debt is calculated as the aggregate of current and non-current debt capital (excluding other non-bank debt) plus/minus the net derivative financial instruments, minus cash and cash equivalents, minus other current financial assets and minus non-current financial assets linked to bank debt as shown in the consolidated balance sheet. The capital is calculated as net equity as shown in the consolidated accounts, plus net financial debt.

Below find a calculation of the leverage index as at December 31, 2007 and 2006:

	2007	2006
Debt capital (Note 19)	419,281	318,037
Plus/Minus: derivative financial instruments (Note 23)	1,593	1,550
Minus: Other non-bank debt (Note 19)	(38,578)	(30,247)
Minus: Cash and cash equivalents (Note 14)	(98,288)	(54,652)
Minus: Other current financial assets (Note 13)	(37,300)	(16,691)
Minus: Non-current financial assets linked to bank debt (Note 10)	(18,025)	-
Net financial debt	228,683	217,997
Net equity	382,418	334,624
Total Capital	611,101	552,621
Leverage Index	**37.42%**	**39.45%**

3.3. Fair value estimation

The fair value of financial instruments traded on active markets (such as derivatives with official quotation and the investments acquired for trading purposes) is based on market prices at the year-end. The market price used by the Group for financial assets is the current buying price, whereas the appropriate price for financial liabilities is the current selling price.

The fair value of financial instruments which are not quoted on an active market is determined by using assessment techniques. The Group uses a variety of methods and makes hypotheses which are based on the market conditions existing on each balance sheet date. The market prices for similar instruments are used for long-term debts. Other techniques are used in order to determine the fair value of the remaining financial instruments, such as estimated discounted cash flows. The fair value of interest rate swaps are calculated as the current value of the estimated future cash flows. The fair value of the forward exchange rate contracts is determined by using the forward exchange rates in the market on the balance sheet date.

It is assumed that nominal values minus estimated credit adjustments of receivables and payables are approximate to their fair values. The fair value of financial liabilities for financial reporting is estimated by discounting future contract cash flows at the current interest rate of the market which is available to the Group for similar financial instruments.

>> 04 // Accounting estimates and judgements

Estimates and judgements are continually assessed based on experience and other factors and taking into account any predicted future events deemed reasonable under the circumstances.

The Group makes estimates and judgements for the future. However, the resulting accounting estimates, by definition, rarely coincide with the corresponding actual results. Below is an explanation of the estimates and judgements with a significant risk of causing tangible adjustments in the book values of assets and passives during the following financial year.

Estimated impairment loss in goodwill

The Group checks on a yearly basis whether goodwill has suffered any impairment loss, in accordance with the accounting practice described in Note 2.6. The recoverable amounts of the cash generating units have been determined by calculating the value in use. These calculations require the use of estimates (Note 7).

The recoverable amount is the greater between the market value minus sales cost and the value in use, the latter of which is understood as the current value of estimated future cash flows. In order to estimate the value in use, the Group forecasts future cash flows before tax using the most recently approved budgets by the company directors. These budgets incorporate the best estimates available for the revenues and costs of the cash generating units by using a combination of past experience and future prospects.

These prospects cover a period of three years and estimate the flows for future years by applying fair growth rates which under no circumstances are increasing or exceed the growth rate of previous years.

The Group uses a time span of four years, considering that it best adapts to the activity of the sector in which it operates.

These flows are discounted to calculate their current value at a rate which covers the capital cost of the business and of the geographical area in which it operates. For its calculation, the Group takes into account the current calculation of the money and the risk premiums generally used by analysts for the geographical area.

In the event that the recoverable amount is less than the net book value of the asset, the corresponding provision is registered for the impairment for the difference and charged to the heading "Amortization and charges for impairment losses" of the consolidated P&L account.

Any reorganisation carried out in goodwill is not reversible.

In Note 7 together with the analysis of goodwill a sensitivity analysis has been carried out.

Profit tax

The Group is subject to profit tax in many jurisdictions. An extremely high level of judgement is needed to determine a global provision for profit tax. Final tax determination for many transactions and calculations is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax uncertainties by estimating whether or not it will be necessary to apply additional taxes. When the final tax result of the above is different to the amounts initially recognised, said differences will affect profit tax and provisions for deferred tax during the year in which said determination was made.

Fair value of derivatives and other financial instruments

Fair value of financial instruments not traded in an active market is determined by using valuation techniques. The Group uses its own judgement when selecting from a choice of methods and making hypotheses based mainly on existing market conditions at the date of each balance sheet.

Claims

Management estimates the corresponding provisions for future claims using the historical information available and taking into account recent trends which suggest that the past information on cost could differ from future claims. In addition, management is supported by external labour, legal and tax advisors in order to make the best estimates possible.

Staff benefits

This is applied when the accounting practice of the Group is to recognise immediately any actuarial profit or loss through the P&L account.

The present value of liabilities due to staff benefits depends on a number of factors which are determined on an actuarial base and using a series of hypotheses. The hypotheses used to determine the net cost (revenue) includes the discount rate. Any change in these hypotheses will affect the book value of the liabilities related to pensions.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate which should be used to determine the current value of future cash outflows which are expected to be necessary in order to settle said liabilities. In order to determine the correct discount rate, the Group considers the interest rates of state bonds in the currency in which the benefits are to be paid and mature at a similar time to the corresponding liability.

Other key hypotheses for the assessment of these pension liabilities are partly based on current market conditions.

The amount corresponding to said obligations amounts to €820 thousands (€4,420 thousands in 2006). Should the discount rate used differ by 10% from management's estimates, the variation in the book value of said liabilities would be irrelevant.

>> 05 // Reporting financial information by segments

(a) Main format for reporting information by segments: geographical areas

At 31 December 2007, the global organisation of the Group is in accordance with the following three main segments:

- Spain.
- Rest of Europe.
- Latin America.

There are no other segments which need to be reported separately.

The results per segment for the year ending December, 31 are as follows:

	Spain	Rest of Europe	Latam	Group
Sales	912,398	292,014	637,383	1,841,795
Operating profit	66,359	6,871	88,690	161,920
Net financial costs (Note 27)	7,850	(1,570)	7,246	13,526
Profit before tax	58,509	8,441	81,444	148,394
Profit tax	17,841	(664)	31,948	49,125
Year profit contin. activities	40,668	9,105	49,496	99,269
Minority interests	-	-	968	968
Year profit attributable to share-holders	40,668	9,105	48,528	98,301

The results per segment for the year ending December 31, 2006 are as follows:

	Spain	Rest of Europe	Latam	Group
Sales	842,684	272,240	513,494	1,628,418
Operating profit	45,088	6,217	53,747	105,052
Net financial costs (Note 27)	5,402	(162)	7,809	13,049
Profit before tax	39,686	6,379	45,938	92,003
Profit tax	15,440	1,487	17,473	34,400
Year profit contin. activities	24,246	4,892	28,465	57,603
Minority interests	-	-	-	-
Year profit attributable to shareholders	24,246	4,892	28,465	57,603

The sales turnover figure does not include other revenues, as explained in Note 25.

Other segment items included in the income statement for the year ending December 31, 2007 are as follows:

	Spain	Rest of Europe	Latam	Group
Amortization of tangible assets (Note 6)	15,508	4,911	15,732	36,151
Amortization of intangible assets (Note 8)	8,129	150	3,693	11,972
Depreciation insolvencies and stocks	1,176	1,251	1,183	3,610

Other segment items included in the income statement for the year ending December, 2006 are as follows:

	Spain	Rest of Europe	Latam	Group
Amortization of tangible assets (Note 6)	15,794	5,577	13,969	35,340
Amortization of intangible assets (Note 8)	6,903	71	621	7,595
Depreciation insolvencies and stocks	3,165	1,747	1,233	6,145

The assets and liabilities of the segments at December 31, 2007 and the investments in fixed assets during the year ending on this same date are as follows:

	Spain	Rest of Europe	Latam	Group
Total assets and liabilities	105,314	32,175	171,725	309,214
Investments in fixed assets (Notes 6 and 8)	26,970	5,684	45,933	78,587

The assets and liabilities of the segments at December 31, 2006 and the investments in fixed assets during the year ending on this same date are as follows:

	Spain	Rest of Europe	Latam	Group
Total assets and liabilities	130,915	34,230	135,120	300,265
Investments in fixed assets (Notes 6 and 8)	25,634	5,161	24,197	54,992

The total assets and liabilities of the segments include tangible fixed assets, intangible assets (excluding goodwill) and other non-current assets (excluding financial assets and derivative financial instruments. They also include all current assets (excluding cash and cash equivalents), derivative financial instruments and other financial assets.

Liabilities in the segments comprise both current and non-current assets, except for bank debts and other derivative financial instruments in the liabilities side.

Investments in fixed assets include new tangible assets (Note 6) and intangible assets (Note 8).

(b) Secondary format for reporting information by segments: activity segments

The three geographical segments of the Group operate in two activities.

Spain is the Company's home country, which in turn is the main operator. Its main area of activity is corporate security.

Group sales are classified as follows:

Sales	2007	2006
Corporate security	1,743,234	1,540,327
Residential security	98,561	88,091
Total	**1,841,795**	**1,628,418**

The sales turnover does not include other revenues, as explained in Note 25.

The sales are allocated in accordance with customer segment.

Total assets and liabilities	2007	2006
Corporate security	309,196	296,428
Residential security	18	3,837
Total	**309,214**	**300,265**

The total of assets and liabilites is allocated according to its use.

Investment in fixed assets	2007	2006
Corporate security	62,190	41,239
Residential security	16,397	13,753
Total	**78,587**	**54,992**

Investment in fixed assets is allocated according to the use of the assets.

>> 06 // Tangible assets

The breakdown and movements of the various types of tangible assets are reflected in the following table:

	Land & buildings	Plant & machinery	Other installations and furniture	Other tangible fixed assets	Advances & fixed assets in progress	Total
Year ending 31 December 2007						
Initial net book value	75,271	10,520	62,000	59,686	8,258	215,735
Conversion differences	(1,002)	515	(908)	(524)	(348)	(2,267)
Additions	4,923	4,351	26,492	23,244	14,250	73,260
Disposals	(146)	(132)	(7,394)	(4,874)	(412)	(12,958)
Accumulated amort. disposals.	23	123	5,244	4,096	-	9,486
Amortization charge	(2,340)	(2,432)	(15,392)	(15,987)	-	(36,151)
Allocation of losses for impairments recognised in P&L	-	-	-	(224)	-	(224)
Exit from the consolidated group	(4)	(70)	(383)	(342)	-	(799)
Amort. exit from consolidated group	1	63	332	244	-	640
Incorporation into consolidated group	2,176	1,798	3,467	4,283	-	11,724
Amortization incorporation into consolidated group	(780)	(1,150)	(2,693)	(4,453)	-	(9,076)
Other movements	(482)	(591)	4,422	(5,115)	-	(1,766)
Other amortization movements	356	(97)	1,144	363	-	1,766
Final net book value	77,996	12,898	76,331	60,397	21,748	249,370
At 31 December 2007						
Cost or assessment	105,434	39,020	154,968	169,022	21,748	490,192
Accumulated amortization and impairment loss	(27,438)	(26,122)	(78,637)	(108,625)	-	(240,822)
Net book value at 31 December 2007	77,996	12,898	76,331	60,397	21,748	249,370

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	Land & buildings	Plant & machinery	Other installations and furniture	Other tangible fixed assets	Advances & fixed assets in progress	Total
Year ending 31 December 2006						
Initial net book value	80,104	6,610	56,939	55,599	12,349	211,601
Conversion differences	(1,266)	(422)	(894)	(2,023)	(336)	(4,941)
Additions	1,753	3,531	24,502	15,869	4,150	49,805
Disposals	(303)	(1,551)	(12,961)	(11,426)	(5)	(26,246)
Accumulated amort. disposals.	165	1,535	10,426	7,342	-	19,468
Amortization charge	(2,284)	(3,164)	(23,951)	(5,941)	-	(35,340)
Incorporation into consolidated group	98	3	16	2,223	-	2,340
Amortization incorporation into consolidated group	(91)	(1)	(10)	(850)	-	(952)
Other movements	(1,590)	2,197	719	15,624	(7,901)	9,049
Other amortization movements	(1,315)	1,782	7,214	(16,731)	1	(9,049)
End net book value	75,271	10,520	62,000	59,686	8,258	215,735
At 31 December 2006						
Cost or assessment	99,968	33,149	129,272	152,350	8,258	422,997
Accumulated amortization and impairment loss	(24,697)	(22,629)	(67,272)	(92,664)	-	(207,262)
Net book value at 31 December 2006	75,271	10,520	62,000	59,686	8,258	215,735

During the financial year 2007 the business company C. Valdecantos S.A. was purchased. Its only asset is a property located at Santa Sabina street. Said property has been booked under the year's additions for an amount of 2,800 thousands of euros and bears an accumulated amortization of 38 thousands of euros.

The category of other installations, equipment and furniture includes those installations which the Group leases to third parties under operating leasing agreements with the following book values:

	2007	**2006**
Rented facilities	67,877	61,281
Accumulated amortization	(37,611)	(33,661)
	30,266	27,620

The P&L account includes the income for leasing of facilities of 86,047 thousands of euros (2006: 80,044 thousands of euros). These amounts refer to the entire rental business, whose associated costs are included in the income statement.

During the 2007 financial year, the company invested in armoured vehicles that comply with the Euro III standard for particle emissions. This investment was registered increasing the value of the fixed asset and totalled 917 thousands of euro (2006: 1,661 thousands of euros) and generated corporate income tax credits of 32 thousands of euros (2006: 70 thousands of euros). Likewise, at the 2007 year end, the Company had no environmental contingencies; it is not involved in any court actions in this regard and has not generated any income or incurred expenses in this area.

The following are the tangible assets subject to financial leasing with the Group as the leaseholder:

	2007	2006
Cost of capitalised financial leasing	4,621	22,912
Accumulated depreciation	(72)	(9,618)
Net book amount	4,549	13,294

Interests have not been capitalised to tangible assets during the year.

>> 07 // Goodwill

Movements in goodwill during financial year 2007 have been as follows:

	Goodwill
Year ended December 31, 2007	
Initial net book value	248,559
Additions to consolidation perimeter	23,464
Exits from consolidation perimeter	(5,498)
Net book value at 31 December 2007	266,525

Additions to the consolidation perimeter
During the 2007 financial year, goodwill was incorporated for the purchase of Thomas Prosegur, S.A. in Colombia for 14,546 thousands of euros, IASA Ingenieros, S.A. for 8,033 thousands of euros and Xiden, S.A.C.I. in Argentina for 1,077 thousands of euros. Additionally, adjustments amounting to 192 thousands of euros have been made, thus decreasing the valuation of goodwill received

from the purchases of Fireless and Escol, added during 2006. Note 33 gives details on the calculation of goodwill by acquisitions.

Exits from the consolidation perimeter

During December 2007, the sale of the Group's Italian subsidiaries took place. As a result of this, goodwill has been written off for an amount of 5,498 thousands of euros. Thus, dated December 18, 2007 the Group formalised the sale to IVRI Direzione, S.P.A. (IVRI Group) of the following subsidiary based in Italy: Prosegur Servizi,S.R.L., Prosegur Torino,S.R.L., Prosegur Milano,S.R.L., Prosegur Servizi Integrati,S.R.L., Prosegur Tecnología, S.R.L. and Mabro,S.R.L.. The sale of these companies is part of a transaction by which Prosegur Group shall in turn acquire a minority interest in the IVRI Group through an investment vehicle, Capitolotre, S.P.A. (see Note 10). The selling price was set at 500 thousands of euros, assuming the buyer the simultaneous cancellation of a loan granted by the parent company of Prosegur Group to one of the entities sold (Mabro, S.R.L.) for an amount of 11,500 thousands of euros. The actual exit of companies sold from the consolidation perimeter took place on December 31, 2007. The businesses sold provided the group with revenues amounting to 34,653 thousands of euros and a net loss of 1,291 thousands of euros. This CGU was included in Europe's main segment and in corporate security.

Assets and liabilities sold in this transaction are as follows:

	Book value (in thousands of euros)
Fixed assets	200
Working capital	2,324
Other liablities	(219)
Cash and cash equivalents	3,295
Aggregate net value	5,600

The detail of movements in goodwill during 2006 is as follows:

	Goodwill
Year ended December 31, 2007	
Initial net book value	241,521
Additions to perimeter	7,038
Exits from perimeter	-
Net book value at 31 December 2007	248,559

During the 2006 financial year, goodwill was incorporated for the purchase of Escol at 1,943 thousands of euros and of Fire Less, at 3,004 thousands of euros. The companies in Romania have generated goodwill valued at 2,091 thousands of euros. Note 33 gives details on the calculation of goodwill by acquisitions.

Tests for impairment loss in goodwill

The goodwill and intangible assets with indefinite useful lives have been allocated to the cash generating units (CGUs) of the Group as per country of operation and business segment.

Below is a summary of goodwill allocation to CGUs grouped by region:

At December 31, 2007

	Spain	Rest of Europe	Latam	Total
Corporative security	92,100	27,187	131,057	250,344
Residencial security	4,816	-	11,365	16,181
Total	96,916	27,187	142,422	266,525

At December 31, 2006

	Spain	Rest of Europe	Latam	Total
Corporative security	84,067	32,828	115,483	232,378
Residencial security	4,816	-	11,365	16,181
Total	88,883	32,828	126,848	248,559

The recoverable amount of a CGU is determined using value in use calculations. These calculations use cash flow forecasts based on financial budgets approved by management which cover a three-year period. The cash flows after this three-year period are extrapolated using the estimated growth rates described below. The growth rate does not exceed the average long-term growth rate of the security business in which the CGU operates.

a) Key hypotheses used when calculating value in use

The following hypotheses have been used to calculate the value in use for the CGUs within a business segment:

	Spain	Rest of Esurope	Latam
Growth rate[1]	3	3	3
Discount rate[2]	6.96	8.03	11.14

1 The weighted average growth rate used to extrapolate cash flows which are not included in the budgeted period.
2 The average discount rate before tax applied to the cash flow forecasts.

Management determined the EBITA (profit before tax, interest and amortization) for the budget by considering past performance and market development prospects. The weighted average growth rates are consistent with the forecasts included in industry reports. The discount rates used are before tax and reflect the specific risks related to relevant segments.

During 2007 and 2006, no impairment loss was recognised as the cash flow forecasts attributable to the CGUs allow for the net value recovery of all goodwill registered at 31 December of both years.

b) Estimated impairment loss in goodwill

The Group checks on a yearly basis whether goodwill has suffered any impairment loss, in accordance with the accounting practice described in Note 2.7. The recoverable amounts of the cash generating units have been determined by calculating the value in use. These calculations require the use of estimates (Note 4).

If the EBITA reviewed at December, 31 2007 had been 10% less than the management's estimates of 31 December 2006, the Group would not need to reduce any goodwill book value as at December 31, 2007 for goodwill assigned to CGUs.

If the reviewed estimate of the discount rate before tax which is applied to discounted cash flows had been 10% higher than the management's estimates, the Group would not need to reduce the goodwill book value as at December 31, 2007 for goodwill assigned to CGUs.

>> 08 // Intangible assets

The breakdown and movements of the main types of intangible assets, distinguishing between those generated internally and other intangible assets, are as follows:

Year ending 31 December 2007	Computer applications	Customer Porfolios	Trademarks	Total
Initial net book value	16,218	46,387	-	62,605
Conversion differences	5	1,993	-	1,998
Additions	5,055	272	-	5,327
Write-offs	(742)	(70)	-	(812)
Amortization write-offs	611	27	-	638
Incorporation into consolidated group	341	4,186	677	5,204
Amortization for incorporation	(296)	(2)	-	(298)
Exit from consolidated group: cost	(92)	(160)	-	(252)
Exit from consolidated group: amortization	88	123	-	211
Amortization charge	(4,884)	(6,959)	(129)	(11,972)
Net book value at 31 December 2007	16,304	45,797	548	62,649
Cost or assessment	30,555	62,929	677	94,161
Accumulated amortization and impairment loss	(14,251)	(17,132)	(129)	(31,512)
Net book value at 31 December 2007	16,304	45,797	548	62,649

Year ending 31 December 2006	Computer applications	Customer Porfolios	Trademarks	Total
Initial net book value	15,659	49,967	-	65,626
Conversion differences	39	(584)	-	(545)
Additions	3,946	1,241	-	5,187
Incorporation into consolidated group	41	427	-	468
Amortization for incorporation	(20)	-	-	(20)
Exit from consolidated group: cost and amortization	(480)	(529)	-	(1,009)
Amortization write-offs	493	-	-	493
Amortization charge	(4,169)	(3,426)		(7,595)
Other movements	707	(707)	-	-
Net book value at 31 December 2006	16,216	46,389	-	62,605
Cost or assessment	25,963	56,430	-	82,393
Accumulated amortization and impairment loss	(9,747)	(10,041)	-	(19,788)
Net book value at 31 December 2006	16,216	46,389	-	62,605

Worth special mention with regards other intangible assets is the addition of customer portfolios during 2007 originating from the PPA assessment of company acquisitions as Thomas Prosegur in Colombia and IASA Ingenieros, S.A. (see Note 33).

Likewise, during 2006 customer portfolios were incorporated, originating from the PPA assessment of the Romanian Companies (see Note 33).

The corporate security customer portfolios of Preserve and Transpev in Brazil are considered intangible assets of indefinite useful life until the closure of financial year 2006. During 2007 an independent expert made a detailed assessment of said portfolio, resulting in an average life estimation of 18 years. The amortization charge for this portfolio during 2007 has been 2,854 thousands of euros and its net value as at December 31, 2007 28,995 thousands of euros (29,611 thousands of euros in 2006).

The remaining assets informed are amortized in percentages ranging from 7.7% to 16.7%, depending on their estimated life.

None of the intangible assets are subject to restrictions of ownership, nor do they have to guarantee specific operations.

No impairment losses or reversals have taken place during 2007.

>> 09 // Investments in associated companies

	2007	2006
Initial balance	-	**2,649**
Investment	-	-
Divestment	-	-
Share in result	-	-
Conversion differences	-	-
Dividends collected	-	-
Transfers and others	-	(2,649)
End balance	-	-

During 2006 the Group's share in associated companies based in Romania was increased to 50%, which meant the inclusion of these companies in the consolidation by proportional integration (See Note 35).

There are currently no companies in which less than 20% can be established as having a significant influence.

>> 10 // Available-for-sale financial assets

a) Available-for-sale financial assets

Detail of available-for-sale financial assets is as follows:

	Thousands of Euros
As at January 1, 2006	4,810
Additions	537
Disposals	(1,508)
Conversion differences	(42)
Balance as at December 31, 2006	3,797
Additions	32,516
Disposals	(930)
Conversion differences	(22)
Balance as at December 31, 2007	35,361

Financial assets include the following net investments:

Name	Net Investment Value	Share %
Capitalotre, S.P.A.	31,568	19.0%
Euroforum Escorial, S.A.	1,007	8.1%
Keytech Sistemas Integrales	211	37.0%
Other investments	349	
	33,135	

Dated December 18, 2007 Prosegur purchased 19% of the investment vehicle Capitolotre S.P.A. through a subscription of a capital increase for an amount of 31,548 thousands of euros. Capitolotre, S.P.A., in which the investment groups 21 Partners and Banca Leonardo have an interest, has a share of 77% in IVRI Direzione, S.P.A., a leader in the Italian security industry with activities in the fields of surveillance, securities transport, alarms monitoring, assistance systems an electronic sys-tems. Therefore, the share of Prosegur in Capitolotre, S.P.A. provides the former with a controlling interest of 14.6% in IVRI Group. As part of the transaction, Prosegur sold to IVRI Direzione, S.P.A. its subsidiaries with operations in the areas of Milan and Turin for an amount of 12,000 thousands of euros (See Note 7).

As at December 31, 2007 the investment in Capitolotre, S.P.A. has been valued at cost price, which includes expenses directly associated to the transaction for an amount of 20 thousands of euros.

The rest of investments are valued at the lower of the cost and its theoretical accounting value, given that it is not possible to make reliable assessments of the same. The company Keytech Sistemas Integrales is currently in liquidation.

This caption of the balance sheet includes 1,847 thousands of euros (2006: 952 thousands of euros) corresponding to long-term guarantee deposits and other long-term assets for the amount of 379 thousands of euros (2006: 377 thousands of euros).

Available-for-sale financial assets are denominated in the following currencies:

	2007	2006
Euro	33,970	3,082
Brazilian Real	982	179
Argentinean Peso	263	385
Other Currencies	146	151
	35,361	3,797

The maximum exposure to credit risk as at the date of presentation of the information is the fair value of the debt securities classified as available-for-sale.

None of the financial assets has matured or has suffered a value impairment.

b) Other financial assets

The detail of available-for-sale financial assets is as follows:

	Thousands of Euros
Balance as at December 31, 2006	-
Transfers	16,691
Disposals	-
Conversion differences	1,334
Balance as at December 31, 2007	18,025

Transfers for the financial year 2007 correspond to a deposit for an amount of 47 million Brazilian Reals with counter value is 18,025 thousands of euros (16,691 thousands of euros in 2006) as an underlying guarantee to a loan given to a Brazilian subsidiary (see Note 23).

>> 11 // Stocks

Stocks at 31 December 2007 and 2006 are as follows:

	2007	2006
Products under construction	10,589	11,112
Commercial inventories, fuel and others	8,798	6,130
Operating material	2,682	2,132
Uniforms	2,405	2,586
Total	**24,474**	**21,960**

No stocks have been pledged as debt guarantees.

>> 12 // Customers and receivables

	2007	2006
Customers	443,756	399,105
Less: provision for impairment loss of receivables	(22,588)	(20,025)
Customers - Net	421,168	379,080
Other receivables	78,744	63,936
Advance payments	13,280	9,305
Total	513,192	452,321

Trade receivables have no credit risk concentration as the Group has a large amount of customers spread out all over the world (see Note 3).

Debts with public administrations for various tax concepts are recorded in other receivables at the value of 37,077 thousands of euros (2006: 40,152 thousands of euros) of which 22,626 thousands of euros (2006: 28,383 thousands of euros) correspond to payments on account and corporate income tax debts. Likewise, legal deposits are registered at a total of 14,826 thousands of euros (2006: 10,169 thousands of euros) and staff advances at 5,047 thousands of euros (2006: 2,997 thousands of euros). The fair values of the aforementioned concepts do not differ significantly from their nominal value.

The book value of Group receivables is expressed in the following currencies:

	2007	2006
Euro	323,719	314,301
Other currencies	120,037	84,804
	443,756	399,105

The detail of customer balances net of provisions per maturities is as follows:

	0-3 months	3-6 months	6-9 months
Net customers balance	395,509	23,062	2,597
	395,509	23,062	2,597

The movements of the provision for impairment loss of receivables is as follows:

	2007	2006
Initial balance	20,025	21,330
Provision for impairment loss of receivables	4,521	960
Applications and others	(562)	(366)
Reversal of unused amounts	(1,396)	(1,899)
End balance	22,588	20,025

In addition, during 2007 the impairment loss in receivables totalled 1,185 thousands of euros (2006: 5,711 thousands of euros). The loss has been included in the general expenses of the income statement and is unlikely to be recovered.

Receivables suffering impairment loss mainly correspond to wholesalers with unforeseen financial difficulties.

Normally, the amounts charged to the provision account are written-off when prospects of recovery are nil.

The remaining accounts included in receivables do not contain assets which have suffered impairment loss.

The maximum exposure to credit risk at the date of presenting this information is the fair value of each category of receivables indicated above. The Group does not hold any guarantee as insurance.

>> 13 // Other financial assets

The detail of balances and movements during years 2007 and 2006 is as follows:

	Thousands of Euros
As at January 1, 2006	17,021
Additions	-
Disposals	-
Conversion differences	(330)
Balance as at December 31, 2006	16,691
Additions	37,300
Disposals	(16,691)
Conversion differences	-
Balance as at December 31, 2007	37,300

This caption comprises a held-to-maturity deposit. Its value in Brazilian reals is 47 million and its exchangeable value is 18,025 thousands of euros (2006: 16,691 thousands of euros). This deposit guarantees a loan granted to a subsidiary company in Brazil (see Note 19).

Additions carried out during 2007 are as per the following detail:

Description	Issuer	Issue Date	Maturity date	Coupon	Principal (€ thousands)
Credit Link Note	Merrill Lynch International	12/12/2007	20/12/2008	Euribor 3 m + 1.70%	15,000
Credit Link Note	Merrill Lynch International	20/12/2007	20/12/2008	Euribor 3 m + 1.20%	22,300
					37,300

The CLNs (Credit Link Notes) are bonds issued by a reference entity, Xenon Capital PLC (Merrill Lynch International) including a CDS (Credit Default Swap). These CLNs are issued in euros and therefore not subject to exchange rate risk. Prosegur receives from the issuer the reference financing index plus a spred in return for assuming the principal's risk against a credit event in the counterparty chosen for the Note.

The financial assets are denominated in the following currencies:

	2007	**2006**
Euro	37,300	-
Brazilian Real	-	16,691
	37,300	16,691

The maximum exposure to credit risk at the date of presenting this information is the fair value in books of said financial assets.

>> 14 // Cash and cash equivalents

	2007	2006
Cash and banks	52,340	34,756
Short-term deposits in lending institutions	45,948	19,896
	98,288	54,652

The effective interest rate of the short-term deposits in credit institutions was 3.85% (2006: 3.20%) and the average maturity of said deposits is 5 days.

>> 15 // Capital

Share capital

	No. shares (thousands)	Ordinary shares	Share premium	Own shares	Total
At 1 January 2006	61,712	37,027	25,472	(775)	61,724
Purchase of own shares				(3,099)	(3,099)
Sale of own shares				21	21
Balance at 31 December 2006	61,712	37,027	25,472	(3,853)	58,646
Purchase of own shares				(4,560)	(4,560)
Sale of own shares					
Balance at 31 December 2007	61,712	37,027	25,472	(8,413)	54,086

At 31 December 2007, the share capital of Prosegur Compañía de Seguridad S.A. totalled 37,027,478 of euros represented by 61,712,464 fully subscribed and paid up shares with the nominal value of 0.6 euros. They are quoted in their entirety on the Madrid and Barcelona stock markets.

Shareholders are as follows:

	Nº of shares	
Shareholders	**31-dec-07**	**31-dec-06**
Ms. Helena Revoredo Delvecchio[1]	30,924,033	30,924,033
Ms. Mirta Giesso Cazenave[2]	3,471,613	3,463,932
C.F. Alba (represented by Mr. Isidro Fernández Barreiro)	6,175,000	3,229,673
Ibercaja (represented by Mr. José Luis Martínez Candial)[3]	65,500	65,500
Mr. Pedro Guerrero Guerrero	100	100
Mr. Ángel Vizcaíno Ocáriz[4]	12,897	13,067
Others	21,063,321	24,016,159
TOTAL	61,712,464	61,712,464

1 Ms. Helena Revoredo Delvecchio controls the shareholdings of Gubel, S.L. and Prorevosa, S.A.
2 Ms. Mirta Giesso Cazenave controls the shareholding of AS Inversiones, S.A.
3 Mr. José Luis Martínez Candial held the post of Director of the Company until June 29, 2007
4 Mr. Ángel Vizcaíno Ocáriz resigned as Director of the Company with effects as from January 1, 2007

Director interests correspond to the total shares in their power which are owned directly or indirectly through companies controlled by the same. At 31 December 2007, the Board of Directors of Prosegur Compañía de Seguridad, S.A. owned 40,570,746 shares (37,696,305 shares in 2006) which corresponds to 65.74% of the share capital (61.08% in 2006).

Share premium

A share premium of the value of 25,472 thousands of euros is available and was not modified during the 2006 and 2007 financial years.

Own shares

On 9 May 2000 the Shareholders' General Meeting authorised the Board of Directors to acquire own shares up to a maximum of 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 Shareholder's 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

Details of the shares assigned to the various executive compensation schemes at 31 December 2007 and 2006 are as follows:

	2007	2006
Plan 2004	-	21,973
Total	-	21,973

The commitment acquired by the company in connection with the various executive remuneration schemes has been ended during the course of the financial year 2007. As at 31 December 2006, it was allocated under the caption “Staff accruals”, detailed in Note 21 for a total of 543 thousands of euros.

At 1 January 2006 a total of 72,425 securities in the form of own shares were accounted for at the gross amount of 775 thousands of euros. During financial year 2006 a total of 165,725 shares were purchased. During 2006 a total of 2,003 shares were sold at a gross amount of 21 thousands of euros. At 31 December 2006 a total 236,147 securities in the form of own shares were accounted for at the gross amount of 3,853 thousands of euros.

During financial year 2007 a total of 195,410 shares were purchased for a gross amount of 4,560 thousands of euros. At 31 December 2007 a total 431,557 securities in the form of own shares were accounted for at the gross amount of 8,413 thousands of euros.

>> 16 // Revaluation reserve and others

	Reserve for hedging operations	Reserve for own shares	Reserve for revaluation
At 1 January 2006	343	-	343
Fair value profits of the year	1,742	13	1,755
Tax on fair value profits	(541)	-	(541)
Balance at 31 December 2006	1,544	13	1,557
Fair value profits of year	125	-	125
Tax on fair value profits	(50)	-	(50)
Other movements	-	(13)	(13)
Balance at 31 December 2007	1,619	-	1,619

The variation in the reserves for hedging operations is due to the assessment of Cross Currency Swaps and Interest Rate Swaps described in Note 23.
The reserves for own shares corresponds to the result of selling own shares during financial year 2006 (see Note 15). This reserve has been reclassified in 2007 into the “Accumulated profits and other reserves”.

>> 17 // Accumulated conversion difference

	Conversion
1 January 2006	9,087
Conversion differences	(10,060)
31 December 2006	(973)
Conversion differences	(8,467)
31 December 2007	(9,440)

The breakdown of the accumulated conversion difference by segments at close of years 2007 and 2006 is as follows:

	2007	2006
Spain	-	-
Rest of Europe	(75)	-
Latin America	(9,365)	(973)
Total	**(9,440)**	**(973)**

>> 18 // Accumulated profits and other reserves

At 31 December 2007, unavailable accumulated reserves and profits existed for an amount of 8,390 thousands of euros (2006: 8,043 thousands of euros). The movement of unavailable reserves is due to the variation of the reserve for own shares.

The legal reserve of 7,405 thousands of euros has been allocared in accordance with Article 214 of the Spanish Companies Act, which stipulates that in all cases an amount equal to 10% of the year's profit must be devoted to such end up to at least 20% of the share capital. 100% of said amount is provided for.

The legal reserve cannot be distributed and if it is used to compensate losses when no other reserves are available for said end, it must be replaced with future profits.

Likewise, the reserve for own shares at the amount of 820 thousands of euros (2006: 472 thousands of euros), the reserve for revaluation at the amount of 1,619 thousands of euros and the reserve for converting capital to euros at the amount of 61 thousands of euros are of limited availability.

Contribution by segments to the consolidated results and their minority interests are as follows:

	2007		2006	
	Result attributed to company shareholders	Result attributed to minority interests	Result attributed to company shareholders	Result attributed to minority interests
Spain	40,668	-	24,246	-
Rest of Europe	9,105	-	4,892	-
Latam	48,528	968	28,465	-
Not allocate	**98,301**	**968**	**57,603**	-

The proposal for the distribution of the 2007 results and other parent company reserves is as follows, determined in accordance with commercial law and the criteria for reporting individual annual accounts to the General Meeting of Shareholders, and compared with the approved distribution of the 2006 result:

	2007	2006
Basis of distribution		
Year profit	33,765	28,499
Voluntary reserves	10,235	11,501
	44,000	40,000
Distribution		
Dividends	44,000	40,000
	44,000	40,000

>> 19 // Debt capital

This caption of the balance sheet is as follows:

Recursos ajenos	2007	2006
Non-current		
Loans with credit institutions	18,025	5,266
Syndicated loan	186,308	248,475
Leasing debts	8,948	3,307
Other debts	17,982	16,607
Total non-current	231,263	273,655
Current		
Credit Accounts	92,142	6,580
Loans with credit institutions	7,305	20,531
Syndicated loan	62,500	-
Leasing debts	5,475	3,631
Other debts	20,596	13,640
Total current	188,018	44,382
Total debt capital	**419,281**	**318,037**

Interest rates	2007	2006
Credit accounts	4.47%	3.91%
Loans	10.96%	8.23%
Syndicated	4.44%	3.89%
Leasing debts	15.49%	16.50%

The book value of the capital debt is similar to that of its fair value. In the debt capital calculation, interest rate hedging is not included.

The Group's capital debt exposure (excluding the other debts caption) on their contract price review date is as follows:

	6 months or under	6 to 12 months	1 to 5 years	Total
At 31 December 2007				
Total capital debt (excluding other debts)	80,059	87,364	213,280	380,703
Total interests	2,477	5,509	16,899	24,885

The book value of the group's capital debts excluding other debts is translated into the following currencies:

	2007	2006
Euro	347,011	266,151
Other currencies	33,692	21,639
	380,703	287,790

Details of the maturity dates of loans taken out with credit institutions are as follows:

	12 months or under	1 to 5 years	Total
At 31 December 2007			
Total debt with credit institutions	7,305	18,025	25,330
At 31 December 2006			
Total debt with credit institutions	20,531	5,266	25,797

At 31 December 2007, the Group has undrawn credits granted totalling 250,067 thousands of euros (328,914 thousands of euros in December 2006).

The Group has the following undrawn lines of credit:

Variable rate:	2007	2006
- with maturity falling within a year	50,067	128,914
- with maturity falling after a year	200,000	200,000
Total	250,067	328,914

The lines of credit with maturity falling within a year will be subject to various reviews during 2008.

Funding in Brazil

There is a loan amounting to 47,000 thousands reals, (2006: 47,000 thousands reals) with an exchangeable value of 18,025 thousands (2006:16,691 thousands) granted to a subsidiary company in Brazil with maturity on May 2009.

Syndicated Loan

In 2006, Prosegur Cia Seguridad SA contracted a syndicated financing operation for the value of 450,000 thousands of euros at a five-year term. The financing operation was structured into two tranches:

The first tranche (A) was established as a loan for the value of €250,000 thousands of euros with full availability at the beginning of the contract. The second tranche (B) has been taken out as a credit for the amount of €200,000 thousands.

The tranche (B) is destined to cover corporate needs and any possible company acquisitions undertaken by the Group. At year's end it was totally available.

The financial conditions for the payment of interests is stipulated in Euribor plus a spread spread scaled on a base of 0.30% and a ceiling of 0.50%, based on certain debts components and contract-defined results.

The interest for financial year 2007 was Euribor + 0.35% (Euribor + 0.35% in 2006).

The loan matures on 25 July 2011.

The loan is guaranteed by the following subsidiary companies of the Prosegur Group: Compañía de Segurança Ltda, Prosegur Transporte de Valores, S.A., Servimax Servicios Generales, S.A., Prosegur Brasil, S.A., Transportadora de

Caudales Juncadella, S.A., Prosegur S.A.: and Prosegur Securité Humaine, EURL.
In accordance with the loan contract, the maximum amount drawn for tranche A with regards the loan of €250,000 thousands at each amortization date will be as follows:

Amortization Date	Amount (thous. euros)	Outstanding balance (thous. euros)
25 January 2008	31,250	218,750
25 July 2008	31,250	187,500
25 January 2009	31,250	156,250
25 July 2009	31,250	125,000
25 January 2010	31,250	93,750
25 July 2010	31,250	62,500
25 January 2011	31,250	31,250
25 July 2011	31,250	-

The contract also has certain compulsory covenants which refer to the movement of certain balance sheet variables' ratios and results' ratios, which were met in financial year 2007.
Furthermore, the loan agreement establishes certain obligations with which Prosegur must comply with. These covenants substantially limit the parent company's freedom to dispose of assets of over €10,000 thousands of euros. However, sales exceeding this amount are permitted when the obtained amount (always at market price) is entirely reinvested in similar assets, at a maximum term of six months or at the early amortization of the loan or commitment undertaken without the knowledge of the lender. The loan agreement also requires that guarantees provided by Group companies be extended to cover at least 85% of assets, EBITDA and the Group's revenues and includes all undertakings that individually contribute over 5% thereof. Finally, major shareholders are required to maintain a direct or indirect interest in Prosegur equal to at least 40% of share capital provided that they can maintain control over the board of directors.

Leasing debts

Details of the minimum payments for financial leasing contracts are as follows:

Leasing debts	2007	2006
Less than 1 year	6,836	4,152
Between 1 and 5 years	10,815	4,431
More than 5 years	140	329
Future financial charges for financial leasing	(3,368)	(1,974)
Current value of financial leasing liabilities	14,423	6,938

The main assets subject to financial leasing contracts are armoured vehicles and counting machines.

Other debts

The caption called other debts mainly covers those debts pending payment which are associated to the purchase of shares (see Note 33) performed during present and past years. The breakdown is as follows:

Other debts	2007	2006
Non-current		
Debts from deferred payments due to purchases	11,638	14,652
Investment agreements	2,721	-
Others	3,623	1,956
	17,982	16,608
Current		
Debts from deferred payments due to purchases	18,852	12,908
Others	1,744	731
Total debt capital	20,596	13,639

Among the items comprising the balance of debts from deferred payments due to purchases, the following can be found:

Regarding the acquisition made during the financial year 2005, namely the companies ESC and CESS, as at December 31, 2006, the deferred, unpudated amount at current value is 4,571 thousands of euros, which will be settled in March 2008.

Regarding the acquisition made during 2005, namely Grupo Nordés, the seller has guaranteed an additional amount of 9,000 thousands of euros in cash or up to 3,000 thousands of euros in its exchange value into shares of Nordés Prosegur Tecnología, S.L. and the remaining amount in cash, in the event that a CAGR of 10% for turnover is achieved in the period 2006-2008, and an additional cash amount of 3,600 thousands of euros if the relevant CAGR were equal or greater than 15%. In the strategic plan approved by the Group, the first requirement was met. Therefore, in 2005, this deferred payment was considered as an additional goodwill amount assessed at fair value for an amount of 6,899 thousands of euros.

Dated April 25, 2005 Prosegur carried out the acquisition of the assets (customer contracts, armoured vehicles, treasury devices and weapons) from the operations of the company TRANSPEV, located in the cities of Rio de Janeiro, Sao Paulo, Campinas, Belo Horizonte y Sao José do Rio Preto, for an amount of 70 million Brazilian Reals (€23,616 thousands of euros). Up to December 2007 payments have been made amounting to 48 million Brazilian Reals; the remaining 22 million Brazilian Reals (€10,738 thousands of euros) will be payable during 2008.

Debts from investment agreements for an amount of €2,721 thousands of euros correpond to liabilities with the Colombian investor Transporsec arising from the funding of a 9% shareholding in the company Thomas Greg & Sons Transportadora de Valores, S.A., of which the Company purchased 60% of its share capital during the financial year 2007 (see Note 33).

Maturity details are as follows:

	2007	2006
Less than one year	20,596	13,640
Between 1 and 5 years	17,982	16,607
Over 5 years	-	-

>> 20 // Tax matters

Prosegur Compañía de Seguridad, S.A. is the leading company of a Group which pays corporate income tax under the consolidated taxation regime in Spain. The Consolidated Tax Group is comprised of Prosegur Compañía de Seguridad, S.A. as the parent company with the subsidiary companies being those Spanish corporations which fulfil the requirements for such end stipulated by the governing legislation on the consolidated profit of company groups. Therefore, the companies comprising the consolidated tax group at 31 December 2007 are: Prosegur Compañía de Seguridad, S.A., Prosegur Transporte de Valores, S.A., Servimax Servicios Generales, S.A., Formación Selección y Consultoría, S.A., Prosegur Multiservicios, S.A., ESC Servicios Generales, S.L., Nordés Prosegur Tecnología, S.L., Prosegur Activa Holding, S.L. and Prosegur Activa España, S.L.

The remaining subsidiary companies of the Group present their tax returns in accordance with the tax regulations applicable in the country in question. In particular, certain companies of the Group in France, all of which are either directly or indirectly subsidiary companies, have formed a Tax Consolidation Group (Intégration Fiscale). The companies comprising this group, are: S.A. Prosegur France, parent company, S.A.R.L. Prosegur Traitement de Valeurs, S.A.R.L. Prosegur Securite Humaine, S.A.R.L. Prosegur Telesurveillance, and S.A.R.L. Prosegur Technologie S.C.I. Jean Jaures and S.A.S. Prosegur Securité Nucleaire. Group companies in Italy have also formed a Tax Consolidation Group (Consolidato Fiscale), all of which are either directly or indirectly subsidiary companies: Mabro, S.R.L, Prosegur Servizi, S.R.L., Prosegur Roma, S.R.L., Prosegur Torino, S.R.L., Prosegur Milano, S.R.L., Prosegur Servizi Integrati, S.R.L. and Prosegur Tecnologia, S.R.L. All these Italian companies, with the exception of Prosegur Roma, S.A. were sold during 2007 (see Note 7).

The expenses deriving from profit tax, based on profit before tax, are calculated as follows:

	2007	2006
Profit before tax	148,394	92,002
Tax rate	32.5%	35%
Result adjusted to tax rate	48,228	32,201
Permanent differences	2,102	3,048
Impact of different tax rates	(74)	(2,807)
Change of tax rates by deferred tax	389	(1,043)
Adjustment of taxes from previous years	(1,589)	574
Losses without deferred tax	3,138	(967)
Deductions	(2,468)	(1,946)
Latin America goodwill	-	5,120
Others	(601)	220
Tax expense	49,125	34,400

The weighted average rate is 33.1% (2006: 37.4%). The most significant variations take place in the deferred tax due to goodwills from Latin America due to change of focus during financial year 2006, adjustment of taxes from previous years and lossess which do not generate deferred tax.

The change in the tax rate in Spain for the next financial years (32.5% for 2007 and 30% for 2008) has resulted in changes in deferred tax, of which the following are the most significant: decrease in the deferred taxes of assets, with regards provisions 272 thousands of euros (2006: 796 thousands of euros), the impact of the Supreme Court's ruling regarding calculation of paid overtime, 504 thousands of euros (2006: 1,500 thousands of euros), and the accrual of residential security sales 15 thousands of euros (2006; 502 thousands of euros), decrease in the deferred taxes of liabilities with regards the revaluation of buildings -11 thousands of euros (2006: 1,900 thousands of euros) and goodwill and portfolio amortization 384 thousands of euros (2006: 2,549 thousands of euros).

Liabilities have not been recognised for deferred taxes with regards withholdings and other taxes to be paid on profits which have not been remitted by subsidiary companies abroad, with the exception of those in Latin America, which has resulted in a change of focus as these amounts are permanently reinvested and have the capacity of controlling the dividend distribution practice of the same.

The difference between the tax charge imputed to years 2007 and 2006 and what is to be paid for said years, recorded in the captions "deferred taxes, assets" and "deferred taxes, liabilities" of assets or liabilities as appropriate, of the consolidated balance sheet dated 31 December 2007 and 2006 is the result of the temporary differences generated by the difference between the accounting value of certain assets and liabilities and the tax base. Gross movements in the deferred tax assets and liabilities account and their breakdown at the end of the financial years 2006 and 2007 are as follows:

Deferred tax assets

	31 dec 05	Debit or credit to results	Business combinations	Debit or credit to equity	Convers. difference
Amort. tangible and intangible assets	**1,222**	(782)	-	-	(4)
Accrual alarm costs	**8,478**	(2,790)	-	-	106
Different provisions	**2,737**	7,253	-	-	(127)
Risks in France	**12,255**	(8,356)	-	-	-
Negative tax base	**12,346**	(5,402)	-	-	(170)
Ruling difference hourly rate	**-**	9,000	-	-	-
Tax goodwill and port-folios	**4,366**	(1,403)	-	-	-
Others	**4,108**	2,253	-	-	(224)
Total	**45,512**	(227)	-	-	(419)

Deferred tax liabilities

	31 dec 05	Debit or credit to results	Business combinations	Debit or credit to equity	Convers. difference
Amort. tangible and intangible assets	**(1,899)**	(956)	-	-	209
Tax goodwill	**(12,407)**	(5,853)	-	-	-
Investments	**(1,808)**	(234)	-	-	206
Accrual alarm revenues	**(691)**	(253)	-	-	79
Def. capital gains sales fixed assets	**(1,543)**	285	-	-	-
Exchange dif. loans in foreign cur.	**(1,965)**	1,965	-	-	-
EIG results	**(314)**	-	(292)	-	-
Asset revaluation	**(13,455)**	2,053	-	-	-
Others	**(1,949)**	(148)	(128)	(541)	(243)
Total	**(36,031)**	(3,141)	(420)	(541)	251

31 dec 06	Debit or credit to results	Business combinations	Debit or credit to equity	Convers. difference	31 dec 07
436	72	-	-	(4)	**504**
5,794	(1,036)	-	-	(148)	**4,610**
9,863	3,397	-	-	208	**13,468**
3,899	(3,526)	-	-	-	**373**
6,774	(3,228)	-	-	522	**4,068**
9,000	6,046	-	-	-	**15,046**
2,963	(36)	-	-	-	**2,927**
6,137	820	-	-	1	**6,958**
44,866	2,509	-	-	579	**47,954**

31 dec 06	Debit or credit to results	Business combinations	Debit or credit to equity	Convers. difference	31 dec 07
(2,646)	(594)	-	-	238	**(3,002)**
(18,260)	(4,541)	(1,695)	-	-	**(24,496)**
(1,836)	(1,003)	-	-	239	**(2,600)**
(865)	(371)	-	-	113	**(1,123)**
(1,258)	391	-	-	-	**(867)**
-	-	-	-	-	**-**
(606)	-	(204)	-	-	**(810)**
(11,402)	132	-	-	-	**(11,270)**
(3,009)	(31)	-	(50)	(113)	**(3,203)**
(39,882)	(6,017)	(1,899)	(50)	477	**(47,371)**

The deferred tax assets generated during 2007 for a value of 6,046 thousands of euros (2006: 9,000 thousands of euros) correspond to the deferred tax impact of the Supreme Court ruling on extra hours, as described in Note 26.

The deferred tax assets as negative tax bases pending offset are recognised depending on the likelihood of the corresponding tax benefit via future tax benefits. The details of negative tax bases, and their offset deadline are as follows:

Year	Total	Not capitalised	Capitalised
2008	967	967	-
2009	96	96	-
2010	401	401	
Subsequent years, or with no time limit	48,883	36,875	12,008
Total	50,347	38,339	12,008

The capitalised tax bases correspond to those tax bases which have been allocated a deferred tax asset and which have mainly originated in Brazil. The Financial Budget authorised by Management foresees future tax benefits in Brazil.

During 2006, two absorption mergers were performed, which are covered by the tax regime described in Chapter VIII of Title VII of the Amended Spanish Corporate Income Tax Act. These mergers are as follows:

In June 2006 the merger of Prosegur Seguridad, S.A. by Prosegur Compañía de Seguridad, S.A. was approved at the General Shareholders Meetings of both companies. As from 1 January 2006 the operations of Prosegur Seguridad, S.A., the company taken over, are considered as performed by the company to which its equity was passed for accounting purposes.

Likewise in June 2006 the takeover merger of Nordés Vigilancia, S.A.U. by Prosegur Compañía de Seguridad, S.A. was approved at the General Shareholders Meetings of both companies. As from 1 January 2006 the operations of Nordés Vigilancia,

S. A.U., the company taken over, are considered as performed by the company to which its equity was passed for accounting purposes.

In the month of November 2007 occurred the taking over of IASA Ingenieros, S.A. by Nordés Prosegur Tecnología, S.A. As from 1 July 2007 the operations of IASA Ingenieros, S.A., the company taken over, are considered as performed by the company to which its equity was passed for accounting purposes (see Note 33).

The additional assets and liabilities resulting from these mergers were recorded at the book value of the merged company without generating any capital gains.

The Board of Directors of Prosegur Compañía de Seguridad, S.A. agreed to restructure the company in 2006. As a result, in October 2006 the Portuguese company Prosegur Companhia de Seguranca, Lda. was segregated and the book value of residential security assets and liabilities were carried over to a new company Prosegur Activa Portugal Unipesoal, Lda. without generating any capital gains and in accordance with Portuguese tax neutrality. As part of this process, during 2007, similar operations will be carried out in Spain and Argentina with residential alarms assets and liabilities carried over to Prosegur Activa España and Prosegur Activa Portugal respectively, and without generating any accounting or tax gains.

Likewise, Nordés Instalaciones, S.A., a company belonging to the Nordés Group and merged in 2005 into Prosegur Compañía de Seguridad, S.A., holds 50% of the share capital of the two Economic Interest Groups called Naviera Muxía, A.I.E. and Naviera Spica, A.I.E.

Both groups were incorporated in July 2004 by Banco Santander Central Hispano, S.A. and in September of the same year Nordés Instalaciones, S.A. acquired 50%.

The purpose of these groups is to buy ships which will be subsequently leased with or without a purchasing option.

On 17 November 2004, both groups signed a credit contract with Santander Investment Services, S.A. to finance 100% of the payments needed to buy the ships.

On said date, the groups entered into contracts of sale with the aim of each group acquiring a ship under a financial lease.

Again on the same date, the leasing contracts were signed with the end ship-owning companies.

On 7 April 2006 after the ships were delivered, Prosegur Compañía de Seguridad, S.A. made a contribution of 3,092,999 euros. In view of the tax regime of these two groups, in 2007 Prosegur Compañía de Seguridad S.A. decreased its tax base by 3,461,132 euros (3,852,273 euros in 2006), deferring the recognition of the profit until the groups change to the tonnage-based tax regime, to be in effect during 2008. At 31 December no tax reports of any significant amount have been initiated. The oldest financial year open to inspection by tax authorities in Spain is 2003. The remaining countries are subject to local legislation, with the 2003 financial year being the oldest open to inspection in most cases.

>> 21 // Long-term provisions

On 31 December 2007, the amount under this caption totalled 120,751 thousands of euros (2006: 95,359 thousands of euros). Said amount and movements during 2007 are comprised of:

	Allocation for Overtime	Risks ans expenses prov.	Staff accruals	Revenue accruals	Total
Initial balance	**30,000**	**45,451**	**2,250**	**17,658**	**95,359**
Allocations	20,152	14,548	4,005	3,774	42,479
Reversals	-	(3,773)	(21)	(632)	(4,426)
Addition to consolidation	-	144	-	-	144
Disposals from consolidation	-	(219)	-	-	(219)
Applications	-	(7,191)	(6,234)	-	(13,425)
Conversion differences	-	839	-	-	839
End balance	**50,152**	**49,799**	**-**	**20,800**	**120,751**

a) *Price Variation due to extra hours*

In May 2005, the current State Collective Agreement for Security Companies was signed for 2005 to 2008, endorsed by the employers' associations APROSER, FES, AMPES and ACAES and by the UGT and USO unions.

On 6 February 2006, the corporate division of the National Court dismissed the claim presented by other minor unions against the articles of the aforementioned agreement which set the value of extra hours for security guards.

These unions presented a motion to vacate the judgement before the corporate division of the Supreme Court, which on 21 February 2007 issued a ruling which set aside the judgement and allowed for the claim brought by the appealing party. Said ruling declared the nullity of "section 1. a) of article 42 of the State Collective Agreement for security companies for 2005 to 2008 which sets the value of extra hours for security guards" of article 42, section b) only with regards the extra working hours for the remaining professional categories and of point 2 of article 42, which sets the value of ordinary working hours to guarantee the minimum value of extra hours under that stipulated by law.

On January 23, 2008, the corporate division of the Supreme Court passed a decree on this matter (110/2007) declaring that the value of the working hour for purposes of calculation of the value of each extra hour is comprised by the base salary, personal complements with a maturity greater than one month, residence complement in Ceuta and Melilla, if applicable, and the relevant job possition complement. On the same day, the corporate division of the National Audience passed a decree on matter 171/2007 in which the exception of inadequate procedure is allowed, declaring that the adequate procedure is the challenging of the Collective Agreement. Both decrees have been appealed on January 29 and February 11, 2008, respectively.

As a consequence of this ruling, the companies of the group are under the obligation to compensate employees with a differential respect the amount earned for the extra hours incurred, resulting from the new value calculation base of the same. The management of the Group companies, after analysing the Supreme Court ruling, and based on the best possible estimation practice, calculated the provision needed to cover this accrued and claimable liability, including a provision of 30,000 thousands of euros (18,000 thousands of euros for 2006 and 12,000 thousands of euros for 2005) for past years as from the beginning of the Agreement to the year end at 31 December 2006. This was included in staff costs with a credit entry to a long-term provision.

During financial year 2007, and based on the best estimations possible arising from the best interpretation of decree 110/2007 by the Group in regard to the components for calculation of the value of an ordinary working hour in order to establish the value of an extra hour, 20,152 thousands of euros have been booked as a greater staff expense credited against a long-term provision.

The accrued amount of such a provision as at December 31, 2007 is 50,152 thousands of euros (30,000 thousands of euros in 2006) and it is calculated as per the parameters that the Group understands as of mandatory inclusion in the calculation of the new price of extra hours. It has been maintained as a long-term provision in view that the date in which the Group could disburse payments to its employees depends on the dates in which decrees are passed in regard to the new appeals submitted.

b) Provisions for liabilities and charges

The movement of this provision during the years 2006 and 2007 is as follows:

	2007	2006
Initial balance	**45,451**	**39,052**
Allocations	14,548	25,184
Reversals	(3,773)	(5,204)
Inclusion in consolidation	144	4,095
Exit from comsolidation	(219)	-
Applications	(7,191)	(16,909)
Conversion differences	839	(767)
End balance	**49,799**	**45,451**

The breakdown by concept for the provision for liabilities during the 2007 financial year is as follows:

• Legal 17,973 thousands of euros. Legal provisions are analysed individually.

• Labour 31,826 thousands of euros. The provisions for labour liabilities are based on the Group's past experience. Within the provision for labour risks there are liabilities for pension schemes for an amount of 820 thousands of euros (2006: 4,420 thousands of euros) calculated as described in Note 2.17.

With regards lawsuits, the following is the most important:

On 8 January 1996, ordinary declaratory action for a major claim was initiated by the official receivers of Esabe Express, S.A. for a sum of 13,024 thousands of euros plus the relevant legal interest. This writ named the Danish company called Alarmselskabet Dansikring A/S, a subsidiary of the Swedish Securitas Group, as co-defendant in this action.

Through ruling number 515/2007 dated May 3, 2007 endorsing the decision of the

Provincial Court of Madrid dated March 29, 2000, the Supreme Court acquitted, based on formal issues, Prosegur from the legal claim raised by the receivers of Esabe Express, S.A. on grounds of the existence of litispendence at the time the legal claim was made, on the date of retroaction of Esabe Express S.A. bankruptcy.

Indeed, the date of retroaction of Esabe Express S.A. bankruptcy, after being initially chanllenged has not been finally set as May 1, 1991 until May 17, 2005, when the Supreme Court passed its decision not to admit the appeal made against the ruling of the Provincial Court of Madrid on June 28, 2001 which endorsed the decree dated December 2, 1998 made by the First Instance Court no. 34 of Madrid, which set May 1, 1991 as date of retroaction of bankruptcy.

Once the date of retroaction of bankruptcy has been finally established to a prior date in regard to the events giving rise to the claim against Prosegur, the formal obstacle which prevented the court going in depth to the heart of the claim has been removed.

The Group has quantified and recorded a provision for 9,824 thousands of euros, which corresponds to the estimated amount of the risks that could arise from the above-described past events.

c) Staff accruals

Furthermore, the Company has accounted for a liability totalling 2,250 thousands of euros for accumulated accruals at 31 December 2006 with regards the directors' incentives included in the scheme to give compensation when certain objectives are met over a three-year period. This scheme finalised on 2007. Additionally, the Company accounted payments on December 31, 2007 within the heading "Suppliers and other payables" current liabilities for 6,250 thousands of euros, including debts in this regard plus the settlement with an executive director who left the company in 2008. These incentives will be paid to the beneficiaries on the first quarter of 2008.

d) Revenue accruals

This refers to revenues for alarms, at an amount of 20,800 thousands of euros (2006: 17,658 thousands of euros).

>> 22 // Suppliers and other payables

The breakdown of suppliers and other payables is as follows:

	2007	2006
Suppliers	77,502	65,634
Other payables	40,694	31,950
Staff accruals	123,076	108,556
Social security and other taxes	83,108	75,184
	324,380	281,324

Staff accruals

The payment policy for the indirect staff of the Prosegur Group includes the variable element of the incentive programmes developed for such end. The objective of said programmes is to recognise and award those persons who meet or exceed objectives and provide excellent service, thereby contributing to the success of the Company.

The Incentive Programme is based on a variable payment for meeting objectives established for a specific length of time by Company Management or the direct manager of the individual in question.

The variable payment received depends on the objectives set for each professional in their particular office and on performance assessment.

The main objectives of these Incentive Programmes are:

• To align staff interests and objectives with Company and Department strategy and to compensate staff performance so that they are directly linked to company results.

• To motivate programme participants to continually improve their professional development, productivity and quality of service.

• To provide a structure and process to establish objectives, assess performance and make decisions concerning the training, development, payment and promotion of the various individuals of our Organisation.

• To offer variable compensation based on value-creating objectives and performance assessment. The amount recognised in the operating account for this concept is classified under the caption “Employee benefits” costs and totals 21,184 thousands of euros (2006: 21,908 thousands of euros). The caption Staff accruals includes all the liabilities corresponding to directors’ compensation schemes as explained in Note 21 and pension scheme liabilities for an amount of 6,250 thousands of euros.

Additionally, other liabilities corresponding to compensations pending payment and extra pays accruals are included.

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>> 23 // Derivative financial instruments

The market value of asset financial instruments as at December 2007 and 2006 is as follows:

Characteristics	Amount	Fair value at 31/12/2007	Fair value at 31/12/2006	Notional maturities (thousands of euros)			
				2008	2009	2010	2011
Interest rate hedge[2]	250,000 thousands of euros	3,941	1,809	62,500	62,500	62,500	62,500
Exchange insurance EurArs[1]	1,500 thousands of euros	75	1	-	-	-	-
Diesel Collar[1]	-	214	-	-	-	-	-
	Totals	4,230	1,810	62,500	62,500	62,500	62,500

The market value of asset financial instruments as at December 2007 and 2006 is as follows:

Characteristics	Amount	Fair value at 31/12/2007	Fair value at 31/12/2006	Notional maturities (thousands of euros)	
				2008	2009
Interest rate hedge[2]	Brl 47,000,000	4,878	3,278	-	12,950
Exchange insurance EurBrl[1]	Brl 89,856,975	945	-	-	-
Exchange insurance BrlEur[1]	36,010 thousands of euros	-	82	-	-
	Totals	5,823	3,360	-	12,950

1 Derivative financial instruments, which variation in market value is included in the income statement as they are not perfect hedge tools
2 Derivative financial instruments, which variation in market value was registered directly in equity until March 31, 2007 as they were considered a perfect hedging, and brought subsequently to results as they consideration had changed.

The details on variations in equity arising from adjustments in market value of hedging derivatives is as follows:

	Interest rate hedging (250,000 thousands of euros)	**Interest rate hedging (BRL 47,000,000)**	**Total Amount**
Balance at January 1, 2006	-	343	343
Change in equity 2006	1,221	(20)	1,201
Balance at December 31, 2006	1,221	323	1,544
Change in equity up to March 31, 2007	982	(210)	772
Reversal reserve for hedging operations	(661)	(36)	(697)
Balance at December 31, 2007	1,542	77	1,619

The net total variation in equity of the financial instruments during 2007 for an amount of 125 thousands of euros has a tax effect associated for an amount of 50 thousands of euros (see Note 16). As a result of the change of consideration applied to certain hedging items as of March 31, 2007, the reserve for hedging operations accrued up to that date has been subject to reversal. The detail of the reversal scheme is as follows:

	2007	**2008**	**2009**	**2010**	**2011**	**Total**
Interest rate hedging (250,000 thousands of euros)	661	716	496	275	55	2.203
Interest rate hedging (47,000 thousands of BRL)	36	54	23	-	-	113
	697	770	519	275	55	2,316

The following table includes a summary of the effects caused by the derivatives both in equity and in results:

Asset derivative financial instruments

	Fair value at 31/12/2007	Fair value at 31/03/2007	Fair value at 31/12/2006	Equity variation at 31/12/2007	Reversal reserve to results in 2007	Variation in results at 31/12/2007
Interest rate hedging[2]	3,941	3,264	1,809	1,455	979	677
Exchange rate insurance EurArs[1]	75	n/a	1	-	-	74
Diesel Collar[1]	214	n/a	-	-	-	214
	4,230	3,264	1,810	1,455	979	965

Liability derivative financial instruments

	Fair value at 31/12/2007	Fair value at 31/03/2007	Fair value at 31/12/2006	Equity variation at 31/12/2007	Reversal reserve to results in 2007	Variation in results at 31/12/2007
Interest rate hedging[2]	4,878	4,101	3,278	621	51	(777)
Exchange rate insurance BrlEur[1]	945	n/a	-	-	-	(945)
Exchange rate insurance EurBrl[1]	-	n/a	82	-	-	82
	5,823	4,101	3,360	621	51	(1,640)

a) Interest rate swaps (IRS)

The Company initially contracted IRS hedging of a syndicated loan totalling 250,000 thousands of euros. The result of this operation is that the variable interest rate of the syndicated loan is now fixed. The objective of the hedge is to eliminate the risk of cash flow variations in liabilities due to fluctuations in the 6-month Euribor rates during the term of the hedging tool. The result is the payment of an interest rate equal to the fixed interest rate of the hedging tool. This transaction protects Prosegur from potential interest rate increases for a principal amount of 250,000 thousands of euros. Prosegur shall always pay fixed rates of 3.679% and 3.68% and shall receive the 6-month Euribor.

Hedging tools

	Santander	**Barclays**
Type of tool	Interest rate swap	Interest rate swap
Starting date	08/08/2006	08/08/2006
Maturity date	26/07/2011	26/07/2011
Payments	Six-monthly	Six-monthly
Prosegur receives	6-month Euribor	6-month Euribor
Prosegur pays	3.679%	3.68%
Nominal	125,000,000 euros amortized every six months	125,000,000 euros amortized every six months

Hedged Element	
A liability with the following characteristics:	
Starting date	25/7/2006
Maturity date	25/07/2011
Payments	Six-monthly
Prosegur pays	6-month Euribor
Nominal	250,000,000 euros amortized every six months

b) Cross Currency Swap

Prosegur has entered into a Cross Currency SWAP on 47,000,000 BRL for the purchase of a financial asset from a Brazilian entity.

The objective of the hedge is to eliminate the risk of fluctuating interest rates due to the purchase of a credit note in Brazilian reals.

Hedging tool	
Type of tool	Interest rate and cross currency swap
Theoretical value in euros	12,950,000 euros
Theoretical value in Brazilian reals	47,000,000 BRL
Settlement interests	Six-monthly
Prosegur receives	6-month Euribor
Prosegur pays	85% CDI over theoretical value in Brazilian reals
Starting day	11 May 2004
Maturity date	11 May 2009

Hedged element	
The hedged element is the financial asset referred to in Note 10, with the following characteristics:	
Credit note for	47,000,000 BRL
Term	5 years
Settlement of interests	Six-monthly
Interest	100% CDI. (15% withholding tax is deducted at source)
Starting date	11 May 2004
Maturity date	11 May 2009

c) Exchange insurance for Brazilian reals

In August 2007, the exchange insurances were renewed until February 2008 for an amount of 89,857 thousands Brazilian reals against euros through NDFs (Non-Deliverable Forwards) covering for the Company's risk exposure to inter company debt in Brazilian reals with its Brazilian subsidiary. This transaction had been previously denominated in euros and was covered through the subsidiary Prosegur Brazil.

This hedging has been considered as not perfect and its fair value variations are recorded in the P&L account.

d) Exchange insurance for Argentinean Peso

In October 2006, Juncadella Prosegur Internacional contracted an NDF (non-deliverable forward) of euros against Argentinean pesos. Through said contract, it undertakes to buy the theoretical value of euros at 4.5328 Argentinean pesos on the maturity date. The operation covers the risk to which Juncadella Prosegur Internacional is exposed through the intercompany debt it contracted in euros with the parent company Prosegur Cia de Seguridad SA.

Non-deliverable forward (NDF EurArs)	Maturity. 3/10/2008
Theoretical 1,500 thousands of euros	Established exchange rate : 4.5328 Argentinean pesos per euro

This hedging has been considered as not perfect and its fair value variations are recorded in the P&L account.

e) Diesel collar

At closing of financial year 2007 the Company had contracted a collar structure hedging aimed at limiting the impact in costs of diesel consumption by its fleet of armoured vehicles. The hedging shall be in force during all 2008 as per the following details:

Nominal 317Tn/Month (375,000 litres/month)	Maturity. 31/12/08
Settlements	Monthly
Floor Rate	470.83 euros/ton
Capped Rate	532.35 euros/ton
Knock Out	Zero cost collar structure

>> 24 // Other liabilities and expenses

	2007	2006
Advance income	19,464	15,175
Provision discontinued activities	3,113	7,573
Other expenses	1,725	1,388
	24,302	24,136

The balance of the advance income account corresponds to accruals of income from alarms with maturity on the short-term. Long-term maturities are recorded in the long-term provisions accounts (see Note 21).

>> 25 // Recurrent and other revenues

Details of current revenues at 31 December 2007 and 2006 are as follows:

	2007	2006
Sale of goods	55,462	52,066
Rendering of services	1,701,906	1,496,308
Operating leasing revenue	84,427	80,044
Total recurrent revenue	1,841,795	1,628,418

Furthermore, the caption Other revenues in financial year 2006 includes 2,847 thousands of euros corresponding to technical cooperation contracts (pela preferança price) signed between financial institutions and subsidiary companies in Brazil.

>> 26 // Expenses due to employee benefits

Details of the expenses due to employee benefits at 31 December 2007 and 2006 are as follows:

	2007	2006
Salaries and wages	926,898	861,174
Compensations	19,668	13,277
Social Security expenses	267,403	247,726
Other social expenses	43,707	37,123
Total	**1,257,676**	**1,159,300**

In accordance with that stipulated in Note 21, the amount related to the Supreme Court ruling was accounted for as Salaries and Wages and Social Security Expenses at the value of 15,000 thousands of euros and 5,152 thousands of euros respectively.

>> 27 // Net financial costs

The composition of net financial costs are as follows:

	2007	2006
Expenses from interests:		
- loans with credit institutions	(14,238)	(16,882)
- loans with other entities	(997)	(3)
	(15,235)	(16,885)
Revenue from interests:		
- Cash equivalents	1,313	478
- Loans and other investments	687	995
	2,000	1,473
Net (Loss) / Profit from foreign currency transactions	(1,156)	1,787
Financial expenses from leasing operations	(871)	(1,335)
(Loss) / Profit in fair value	141	-
Other net financial expenses / revenues	1,595	139
Interest rate swaps	-	1,772
	(291)	2,363
	(13,526)	(13,049)

>> 28 // Earnings per share

Basic

The basic earnings per share are calculated by dividing the profit from continued activities attributable to Company shareholders by the weighed average number of ordinary shares in circulation during the year, excluding those own shares acquired by the Company (Note 15).

	2007	2006
Profit from continued activities attributable to the Company's shareholders (euros)	98,301,084	57,603,020
No. of ordinary shares in circulation	61,712,464	61,712,464
Average no. of own shares	333,852	154,286
Basic earnings per share (€ per share)	1.60	0.94

Diluted

The diluted earnings per share are calculated by adjusting the average number of shares in circulation excluding own shares, taking into account the directors' plans described in Note 15. Likewise, in 2007 the Group did not issue any securities convertible into shares. The diluted earnings per share determined in this way do not differ from the basic earnings per share from continued and discontinued activities.

>> 29 // Dividends per share

The dividends approved by the Shareholders' Meeting in June 2007 and June 2006 were 40,000 thousands of euros (0.65 euros per share) and 33,000 thousands of euros (0.53 euros per share) respectively. A dividend per share of 0.71 euros will be proposed at the next General Shareholders' Meeting, which will result in a total dividend of 44,000 thousands of euros. This dividend is not reflected in these consolidated annual accounts.

>> 30 // Cash generated by operating activities

	2007	2006
Net profit before tax	**148,394**	**92,003**
Adjustments made on the result:	106,012	110,627
- Amortization	48,347	42,935
- Losses from disposal of fixed assets	1,632	1,961
- Loss / (profit) from exchange differences	1,156	(1,787)
- (Profit) / Loss from sale of dependents	212	-
- Net variation in provisions	38,053	48,109
- Net variation in deferred tax	3,508	3,662
- Loss / (profit) from derivative financial instruments	(141)	(1,772)
- Other financial revenues	(2,861)	(701)
- Other financial expenses	16,106	18,220
Profit before changes in working capital	254,406	202,630
(Increase) / decrease in account receivables	(59,205)	(51,999)
(Increase) / decrease in inventories	(2,514)	(4,542)
(Increase) / decrease in account payables and other liabilities	39,722	15,226
Profit / (loss) for exchange differences in working capital	(3,554)	(1,842)
Cash generated from operations	228,855	159,473

In the cash flow statements, revenues resulting from the sale of tangible and intangible assets include the following (expressed in thousands of euros):

	2007	2006
Book value	3,646	7,294
Loss for sale of fixed assets	(1,632)	(1,961)
Amount received for sale of fixed assets	2,014	5,333

>> 31 // Contingencies

The Group has contingent liabilities due to bank and other guarantees related to normal business operations which are not expected to result in any significant liabilities. With regards the acquisition of the Nordés Group (see Note 33) and in the event that the acquired operations fulfil certain sales objectives, it may be necessary to pay an additional consideration in cash for the value of 3,600 thousands of euros with respect the liabilities registered by the company as a result of its acquisition.

The following are the guarantees granted by the Group to external third parties:

	2007	2006
Trade guarantees	47,818	41,158
Financial guarantees	39,141	48,529
Other guarantees	-	16,287
TOTAL	86,959	105,974

Financial guarantees mainly include guarantees for ongoing litigations, as well as guarantess for future payments for acquisition of companies made during the year or during previous years, which balance as at closing of financial year 2007 amount to 10,918 thousands of euros (2006: 10,500 thousands of euros).

For further information, please read the comments on Long-term provisions and Other liabilities and expenses in Notes 21 and 24.

>> 32 // Commitments

Commitment to purchase fixed assets

The investments which were still not undertaken at the balance sheet date are as follows:

	2007	2006
Tangible assets	21,496	5,866
Intangible assets	1,962	560
TOTAL	23,458	6,426

The tangible assets include the purchase commitments of land, armoured vehicles, installations and furniture.
The intangible assets include various computer applications which are currently under development.

Operating leasing commitment

The Group lets out various premises, offices, warehouses, storage units and vehicles under operating leasing contracts which cannot be cancelled.

The Group also lets out installations under operating leasing contracts which can be cancelled. The Group is required to notify the end of these agreements with at least six months prior notice.

The total future minimum payments arising from operating leasing contracts which cannot be cancelled are as follows:

2008	10,293
2009 onwards	16,341
TOTAL	**26,634**

The commitments will be funded by the cash generated by the operations.

Other commitments

The Group has undertaken commitments with the Company T-SYSTEM to outsource services from the operating area of the information technology department.

The total future minimum payments arising from this commitment are as follows:

2008	3,295
2009 onwards	8,203
TOTAL	**11,498**

The commitments are funded by the cash generated by the operations.

>> 33 // Business combinations

Incorporation of goodwill is described in Note 7. On the 4th of December 2006, the Group acquired 100% of the share capital of Escol Serviços de Segurança, S.A., a leading company in fire detection and prevention, which develops its activity in Portugal with its headquarters in Lisbon and Porto. The total purchase price was 5,699 thousands of euros. Income and net profit for the period contributed to the consolidated P&L account for financial year 2007 amounted to 3,341 thousands of euros and 262 thousands of euros respectively. The CGU is included in the main section of Europe and in the Corporate Security section.

Details of the net assets acquired and goodwill are as follows:

Purchase price	
Cash paid	4,526
Deferred at fair value	1,173
Total purchase price	5,699
Fair value of the net assets acquired	3,756
Goodwill as at December 31, 2006 (Note 7)	1,943
Adjustment of goodwill valuation	(144)
Goodwill as at December 31, 2007	1,799

The goodwill is attributable to the high profitability of the business acquired and to the important synergies which are expected to arise after the acquisition by the Group.

The deferred amount not updated to current value is 1,410 thousands of euros, which will be paid in three instalments in month of April in financial years 2008, 2009 and 2010. Goodwill is recorded after deducting the financial cost associated to the registration of the deferred debt at current value.

The assets and liabilities resulting from the acquisition are as follows:

	Fair value	**Book value**	**Fair value revised**	**Adjusted differences**
Other assets and liabilities	594	594	594	-
Cash and cash equivalents	3,162	3,162	3,162	-
Intangible assets	-	-	240	240
Deferred tax	-		(66)	(66)
Total compensation paid for the acquisition	5,699		5,729	(30)
Goodwill	1,943		1,799	(144)

During 2007 concluded the checking of fair values assigned to this business combination, which has resulted in an adjustment of 144 thousands of euros in goodwill. The Company has not restated the 2006 balances in order to reflect these changes due to their scarce materiality.

Dated December 11, 2006 the Group purchased 100% of the share capital of Fire Less, S.A., an Argentinean company based in Buenos Aires specializing in the design and installation of fire detection and extinction systems. The total purchase price amounted to 13,950 thousands Argentinean Pesos (3,453 thousands of euros). The business so purchased started consolidation as from January 1, 2007. Revenues and profit for the year contributed to the consolidated P&L account for 2007 amounted to 5,737 thousands of euros and 143 thousands of euros respectively. The CGU is included in the main segment of Latin America and in corporate security.

Details of the net assets acquired and goodwill are as follows:

Purchase price	
Cash paid	1,899
Deferred at fair value	1,554
Total purchase price	3,453
Fair value of the net assets acquired	449
Goodwill as at December 31, 2006 (Note 7)	3,004
Goodwill valuation adjustment	(47)
Goodwill as at December 31, 2007	2,957

The goodwill is attributable to the high profitability of the business acquired and to the important synergies which are expected to arise after the acquisition by the Group.

The deferred amount not updated to current value is 6,278 thousands Argentinean Pesos (1,554 thousands of euros), which will be paid in equal six-monthly instalments from July 20, 2007 to January 20, 2010. Goodwill is recorded after deducting the financial cost associated to the registration of the deferred debt at current value.

The assets and liabilities resulting from the acquisition are as follows:

	Fair value	Book value	Fair value revised	Adjusted differences
Other assets and liabilities	519	519	438	(81)
Cash and cash equivalents	45	45	9	(36)
Financial debt in dependent acquired	(115)	(115)	(68)	47
Intangible assets	-	-	279	279
Deferred tax	-	-	(162)	(162)
Total compensation paid for the acquisition	3,453	-	3,453	-
Goodwill	3,004	-	2,957	(47)

During financial year 2007 concluded the checking of fair values assigned to this business combination, which has resulted in an adjustment of 47 thousands of euros in goodwill. The Company has not restated the 2006 balances in order to reflect these changes due to their little significance.

Since financial year 2005, the Group has a share of 50% in Rosegur Holding Corporation, S.L. Additionally, since 5 May 2006, Rosegur Holding Corporation, S.R.L. owns a 99.97% of share in the companies operating in Romania, namely Rosegur, S.A. and Security Dragon, S.R.L. Therefore, as from the financial year 2006, Rosegur Holding Corporation, S.L. and its investments in Romania will be proportionately consolidated. The business acquired contributed revenues to the Group for the value of 7,674 thousands of euros (2006: 6,600 thousands of euros) and a net loss of 1,121 thousands of euros (2006: 800 thousands of euros). The CGU is included in the main section on Europe and in the Corporate Security section.

Details of the net assets acquired and goodwill are as follows:

Purchase price	
Cash paid	2,816
Deferred at fair value	-
Total purchase price	2,816
Fair value of the net assets acquired	725
Goodwill (Note 7)	2,091

The goodwill is attributable to significant synergies which are expected to show after acquisition by the Group. The intangible assets correspond to customer relationships and are amortized in 15 years. There are no deferred amounts from acquisitions.

The assets and liabilities resulting from the acquisition are as follows:

	Fair value	Book value
Vehicles	302	302
Intangible assets	427	-
Deferred tax	(128)	-
Other assets and liabilities	1,118	1,118
Cash and cash equivalents	206	206
Financial debt of subsidiary acquired	(1,200)	(1,200)
Acquisition total amount	2,816	-
Goodwill	2,091	-

Dated February 19, 2007, Prosegur Compañía de seguridad, S.A. reached an agreement for the purchase of 60% of the share capital of the company Thomas Greg & Sons Transportes de Valores, S.A. (TG&S), one of the leading Colombian companies specializing in the fields of securities logistics and cash management. The total purchase price was 60.738 million Colombian Pesos (21,240 thousands of euros). The effective date in which the Group assumed control of TG&S on April 30, 2007, so the acquired business shall begin consolidation as from May 1, 2007. The business acquired contributed revenues and profit to the Group for the value of 21,223 thousands of euros and 2,910 thousands of euros respectively. If the combined business had been consolidated from January 1, 2007, the revenues and net loss would have been 29,733 thousands of euros and 494 thousands of euros respectively. The CGU is included in the main section on Europe and in the Corporate Security section.

Details of the net assets acquired and goodwill are as follows:

Purchase price	
Cash paid	19,918
Attributable expenses	69
Deferred at fair value	-
Total purchase price	19,987
Fair value of the net assets acquired	5,441
Goodwill (Note 7)	14,546

The assets and liabilities resulting from the acquisition are as follows:

	Fair value	Book value
Properties, plant and equipment	1,080	1,080
Other fixed assets	1,260	1,260
Intangible fixed assets	3,960	-
Deferred tax	(1,339)	-
Working capital	900	900
Cash and cash equivalents	840	840
Financial debt in the dependent acquired	(1,260)	(1,260)
Total Compensation for the acquisition	19,987	-
Goodwill	14,546	-

The goodwill is attributable to the high profitability of the business acquired and to the important synergies expected to arise after acquisition by the Group. The intangible assets corresponds mainly to customer relationships and will be amortized in 11 years. There are no deferred amounts due to the acquisition. During next financial year, the checking of fair values assigned to this business combination will be completed.

Dated June 19, 2007, the company Grupo Nordés Prosegur Tecnología, S.L. acquired 100% of the share capital of IASA Ingenieros, S.A., a Spanish company based in Barcelona engaged in the installation of fire prevention systems and maintenance of the same. Takeover date by the Group is July 1, 2007. The total purchase price was 11,750 thousands of euros. On November 12, 2007 took place the takover merger of IASA Ingenieros, S.A. by Nordés Prosegur Tecnología, S.L. The date from which the operations of the company taken over, IASA Ingenieros, S.A. must be regarded for accounting purposes as carried out by the company taking over, Nordés Prosegur Tecnología, S.L. is July 1, 2007. The business acquired contributed revenues and profit to the Group for the value of 3,097 thousands of euros and 222 thousands of euros in the period respectively. Had the business been consolidated as of January 1, 2007, contributed revenues and profit to the Group would have been 10,401 thousands of euros and 931 thousands of euros respectively. The CGU is included in the main section of Europe and in the Corporate Security section.

Details of the net assets acquired and goodwill are as follows:

Purchase price	
Cash paid	6,425
Attributable expenses	-
Deferred at fair value	4,728
Total purchase price	11,153
Fair value of the net assets acquired	3,120
Goodwill (Note 7)	8,033

The deferred amount not updated to current value is 5,325 thousands of euros, which will be paid in equal instalments in June 2008 and June 2009. Goodwill is recorded net after deducting the financial cost associated to the registration of the deferred debt at current value.

The assets and liabilities resulting from the acquisition are as follows:

	Fair value	Book value
Fixed assets	58	58
Other assets	159	159
Intangible fixed assets	427	-
Deferred tax	(128)	-
Working capital	1,845	1,845
Cash and cash equivalents	759	759
Total Compensation for the acquisition	11,153	
Goodwill	8,033	

The goodwill is attributable the high profitability of the business acquired and to the important synergies expected to arise after acquisition by the Group. The intangible assets corresponds mainly to customer relationships and trademarks and will be amortized in 6 months and 2 years respectively. During next financial year, the checking of fair values assigned to this business combination will be completed.

Dated December 21, 2007, the Group acquired 100% of the share capital of Xiden, S.A.C.I., an Argentinean company specializing in the installation of access control systems, anti-intrusion systems and professional and industrial video systems. The total purchase price was 4,950 thousands Argentinean Pesos (1,813 thousands of euros). The date in which the takover took place and from which the operations of the company taken over started consolidation is January 1, 2008, and therefore neither revenues nor profits have been contributed to the Group. Had the business been consolidated as of January 1, 2007, contributed revenues and profit to the Group would have increased by 4,196 thousands of euros and 230 thousands of euros respectively. The CGU is included in the main section of Latin America and in the Corporate Security section.

Details of the net assets acquired and goodwill are as follows:

Purchase price	
Cash paid	1,813
Attributable expenses	-
Deferred at fair value	-
Total purchase price	1,813
Fair value of the net assets acquired	736
Goodwill (Note 7)	1,077

The assets and liabilities resulting from the acquisition are as follows:

	Fair value	**Book value**
Fixed assets	250	250
Other assets and liabilities	791	791
Cash and cash equivalents	109	109
Financial debt in dependent acquired	(414)	(414)
Total Compensation for the acquisition	1,813	-
Goodwill	1,077	

The goodwill is attributable the high profitability of the business acquired and to the important synergies expected to arise after acquisition by the Group. During next financial year, the checking of fair values assigned to this business combination will be completed.

>> 34 // Transactions with related parties

The Group is controlled by Gubel S.L. (incorporated in Madrid), which owns 50.075% of company shares. The remaining 49.925% of shares is owned by various shareholders, among which worth special mention is AS Inversiones S.L. with 5.318% and Corporación Financiera Alba S.A. with 10.006%.

The transactions below are performed with related parties:

Financing provided by related parties

Banca March, S.A., a corporation controlling Corporación Financiera Alba, S.A. is one of the banks participating in the syndicated loan entered into by the Company (see Note 19). The share of Banca March, S.A. in said loan as at December 31, 2007 amounted to 3,958 thousands of euros.

Purchase of goods and services

In October 2005, a leasing contract was signed with Proactinmo S.L. for the building located in Santa Sabina street, adjacent to the building at Pajaritos 24, which belongs to Prosegur.

The contract is for five years which can be extended for a further five years and the lease at 31 December 2007 was 69,634 euros a month plus 14,973 euros a month for leasing the parking space.

This contract cannot be terminated during the initial period or extension until the validity dates have expired. In the event that the leasee wishes to leave the building before the initial period of the contract has been completed, the equivalent in rent corresponding to the remaining part up to the expiry date of said period must be paid. In the event that the leasee wishes to leave the building during the extension period of the contract, it must pay the equivalent in rent corresponding to the remaining part until the expiry date of said period, with a maximum of 24 monthly payments.

During 2007, the rent for all concepts was 1,015 thousands of euros.

Directors' and key managerial staff's compensation

The remuneration earned by the members of the Board of Directors for all concepts was as follows:

	2007	2006
Fixed earnings	1,253	1,252
Variable earnings (Note 21)	5,283	562
Allowances	682	624
Life insurance premiums	19	4
Total	7,237	2,442

The total compensation includes the settlement amounting to 4,900 thousands of euros paid to an Executive Board Member who has left the company in 2008.

A long-term variable compensation scheme was put in place in 2007 for certain members of the board who hold positions in the management of the company. This scheme is based on medium-term objectives, as detailed in Note 21.

The total compensation accrued by top management during 2007 amounted to 3,322 thousands of euros (2,549 thousands of euros in 2006).

Loans to related parties

At 31 December 2007 there were no loans to related companies. As of financial year 2006, the related companies were developed into partners with proportional integration.

In accordance with the requirements of article 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 the Company.

The members of the Board of Directors which hold executive office in the rest of the Group are:

Director's name or company name	Corporate name of group entity	Position
Mr. Christian Gut Revoredo	Nordés Prosegur Tecnología, S.L.	Joint administrator
Mr. Christian Gut Revoredo	ESC Servicios Generales, S.L.	Joint administrator
Mr. Christian Gut Revoredo	Prosegur Transporte de Valores, S.A.	Joint administrator
Mr. Christian Gut Revoredo	Formación Selección y Consultoría, S.A.	Joint administrator
Mr. Christian Gut Revoredo	Prosegur Activa España, S.L.	Joint administrator
Mr. Christian Gut Revoredo	Prosegur Activa Holding, S.L.	Joint administrator
Mr. Christian Gut Revoredo	Prosegur Multiservicios, S.A.	Joint administrator
Mr. Christian Gut Revoredo	Servimax Servicios Generales, S.A.	Joint administrator
Mr. Christian Gut Revoredo	C.A. Valdecantos, S.A.	Joint administrator

>> 35 // Partnerships

The Group has an interest of 50% in a partnership with the GED venture capital fund, the purpose of which is to invest in security companies in Southeast Europe.

The amounts below represented the 50% interest of the Group in assets and liabilities, and the partnership sales and results. These amounts are included in the balance sheet and income statement:

	2007
Assets	
Long-term assets	2,997
Current assets	1,869
	4,866
Liabilities	
Long-term liabilities	3,572
Current liabilities	1,294
	4,866
Net assets	
Revenues	(7,907)
Expenses	9,028
Loss after tax	1,121

There are no contingent liabilities corresponding to the Group's interest in the partnership, nor contingent liabilities from the partnership itself.

>> 36 // Joint ventures

The Group's interest in various joint ventures is detailed in APPENDIX II. – Consolidated Joint Ventures. The amounts below represented the Group's percentage of interest in assets and liabilities, and joint venture sales and results included in consolidation. These amounts are included in the balance sheet and income statement:

	2007	2006
Assets		
Long-term assets	-	-
Current assets	94	252
	94	252
Liabilities		
Long-term liabilities	-	-
Current liabilities	94	252
	94	252)
Revenues	(185)	(116)
Expenses	189	142
Loss after tax	4	26

There are no contingent liabilities corresponding to the Group's interest in joint ventures.

>> 37 // Subsequent events

Dated January 23, 2008 the Company acquired land in Vicálvaro Industrial Park (Madrid) for an amount of 11,500 thousands of euros on which the company had a purchase commitment as at closing of the year.

On February 2008, two bank guarantees for an aggregate amount of 8,703 thousands of euros have been executed. Said amount corresponds to funds deposited by a customer and blocked in Brazil. The Company is carrying out the necessary administrative procedures with the relevant authorities aimed at releasing such amount. No loss is expected in this instance.

>> 38 // Other information

The Group's average staff was as follows:

	2007	2006
Operators	78,223	73,112
Rest	3,760	3,653
TOTAL	81,983	76,765

The average number of operators employed during 2007 by the companies forming part of the consolidated group using the proportional integration method was 3,524 individuals.

Breakdown by gender of the members of the Group's staff as at close of financial year 2007 is as follows:

	Males	Females
Operators	67,197	10,832
Indirect staff	3,700	1,635
TOTAL	70,897	12,467

Breakdown by gender of the members of the Board of Directors and top management staff as at close of financial year 2007 is as follows;

	Males	Females
Members of the Board of Directors	5	3
Top management	11	-
TOTAL	16	3

Auditors' fees paid by the Group for 2007 amounted to a total of 1,254 thousands of euros, in accordance with the following table:

	2007
PriceWaterhouseCoopers for audits	1,232
PriceWaterhouseCoopers for other services	78
Other auditors for audits	22
TOTAL	1,322

Winding-up process of French subsidiaries

The companies Bac Sécurité, Force Gardiennage, Sécurité Europeenne de L'Espace Industriel (SEEI) and its associate companies SARL Initiale and SARL Yardair (both dissolved in 2006), acting in the Île de France (IDF) geographical area and were acquired between mid 2002 and early 2003 by Prosegur Compañía de Seguridad S.A.

The progressive deterioration of the P&L account combined with a cost increase of workforce in year 2005 of 8.5% made it unfeasible to keep the situation unchanged, so on April 7, 2005 the accounts for both companies were filed with the Commercial Court or Versailles.

This Court, by a decision issued on April 8, 2005 declared the companies Bac Sécurité, Force Gardiennage, Sécurité Europeenne de L'Espace Industriel (SEEI) under judicial surveillance for a period of three months and appointed Maître Philippe Jeannerot as administrator.

In a hearing dated September 29, 2006 the Commercial Court of Versailles prepared the final balance sheet with the liabilities of the companies under receivership. The total credit balances approved amount to 28,365 thousands of euros, of which 14,123 thousands of euros correspond to Prosegur Group.

In the financial year 2004 a provision was allocated for 13,000 thousands of euros in order to cover the best estimation of losses associated to the cessation of activity, even though as at that date the filing of accounts of the concerned companies had not yet been decided. Once the judicial administration was decided the amounts applied against this provison corresponding to expenses in connection to the process amount to 4,460 thousands of euros in the year 2007 (1,547 thousands of euros in 2006). The balance of the above-mentioned provision as at 31 December 2007 is 3,113 thousands of euros (see Note 24). The remaining provision is kept unchanged in order to cover for cash deficits and/or other associated items, according to the best legal counsel received.

>> Appendix I // Consolidated subsidiary companies

Corporate Name	Address	Cost in thous. Euros
Servimax Servicios Generales, S.A.	Pajaritos, 24 (MADRID)	406
Formación Selección y Consultoría, S.A.	Conde de Cartagena, 4 (MADRID)	120
Prosegur Transportes de Valores, S.A.	Pº de las Acacias, 51 (MADRID)	1,030
Prosegur Multiservicios S.A.	Pajaritos, 24 (MADRID)	150
ESC Servicios Generales, S.L.	Avda. Primera, B-1 (A CORUÑA)	6
Nordés Prosegur Tecnología, S.L.	Avda. Primera, B-1 (A CORUÑA)	16,117
Prosegur Activa España S.A.	Pajaritos, 24 (MADRID)	4,615
Prosegur Activa Holding S.A.	Pajaritos, 24 (MADRID)	5,122
C. Valdecantos S.A.	Pajaritos, 24 (MADRID)	3,313
Prosegur International Handels GMBH	Poststrasse, 33 (HAMBURG)	36,078
Malcoff Holding BV	Schouwburgplein, 30-34 (ROTTERDAM)	172,089
Reinsurance Bussiness Solutions	80 Harcourt Street (DUBLIN)	635
Prosegur Distribuçao e Serviços, Lda.	Av.Infante Dom Henrique, 326 (LISBOA)	3,277
Prosegur Activa Portugal Lda.	Av.Infante Dom Henrique, 326 (LISBOA)	504
Prosegur Companhia de Segurança, Lda	Av.Infante Dom Henrique, 326 (LISBOA)	7,026

Interest				
% over nominal	Holder of share	Consolidation assumption	Activity	Auditor
100,0	Prosegur Compañía de Seguridad, S.A.	a	1	A
100,0	Prosegur Compañía de Seguridad, S.A.	a	6	B
100,0	Prosegur Compañía de Seguridad, S.A.	a	1	A
100,0	Prosegur Activa España, S.A.	a	2	B
100,0	Prosegur Compañía de Seguridad, S.A.	a	1	A
100,0	Prosegur Compañía de Seguridad, S.A.	a	1	A
100,0	Prosegur Activa Holding, S.A.	a	2	A
100,0	Prosegur Compañía de Seguridad, S.A.	a	4	B
100,0	Prosegur Compañía de Seguridad, S.A.	a	7	B
100,0	Malcoff Holding BV	a	4	B
100,0	Prosegur Compañía de Seguridad, S.A.	a	4	B
100,0	Prosegur Compañía de Seguridad, S.A.	a	5	B
100,0	Prosegur Compañía de Seguridad, S.A.	a	6	B
100,0	Prosegur Activa Holding, S.A.	a	2	A
100,0	Prosegur Compañía de Seguridad, S.A.	a	1	A

Corporate Name	Address	Cost in thous. Euros
Escol Serviços Segurança, S.A.	Zona Ind. Maia, 1 (OPORTO)	3,794
Prosegur Roma, S.R.L.	Via Mar della Cina 199 - 00144 (ROMA)	0
Prosegur France, S.A.	84 Rue des Aceries (SAINT ETIENNE)	35,224
Prosegur Securité Humaine EURL	113-115 Avenue Sidoine Appolinaire (LYON)	3,532
Prosegur Traitement de Valeurs EURL	Rue Rene Cassin ZI de Molina (LA TALAUDIERE)	593
Prosegur Teleserveillance EURL	3 Alle de L´ectronique (SAINT ETIENNE)	808
Prosegur Securité Nucleaire	84 Rue des Aceries (SAINT ETIENNE)	150
Prosegur Technologie	84 Rue des Aceries (SAINT ETIENNE)	1,524
Jean Jaures SCI	Rue Rene Cassin ZI de Molina (LA TALAUDIERE)	61
SARL BFA	8 Avenue Descartes (LES PLESSIS ROBINSON)	0
Esta Service, S.R.L.	29B Cours Mirabeau (MARIGNANE)	706
Prosegur Services S.R.L.	Z.I. Des Tourrades (MANDELIEU)	0
Armor Acquisition, S.A.	Tres Arroyos 2835 (CIUDAD DE BUENOS AIRES)	5,523 22,148
Juncadella Prosegur Internacional, S.A.	Tres Arroyos 2835 (CIUDAD DE BUENOS AIRES)	15,357 7,801
Transportadora de Caudales de Juncadella S.A.	Tres Arroyos 2835 (CIUDAD DE BUENOS AIRES)	892 (14,488)

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Interest				
% over nominal	Holder of share	Consolidation assumption	Activity	Auditor
100.0	Prosegur Compañía de Seguridad, S.A.	a	1	A
100.0	Prosegur Compañía de Seguridad, S.A.	a	7	A
100.0	Prosegur Compañía de Seguridad, S.A.	a	1	A
100.0	Prosegur France, S.A.	a	1	A
100.0	Prosegur France, S.A.	a	1	A
100.0	Prosegur France, S.A.	a	1	B
100.0	Prosegur France, S.A.	a	1	B
100.0	Prosegur France, S.A.	a	1	A
100.0	Prosegur France, S.A.	a	1	B
33.5	Prosegur Compañía de Seguridad, S.A.	a	1	B
100.0	Prosegur Compañía de Seguridad, S.A.	a	7	B
100.0	Prosegur Compañía de Seguridad, S.A.	a	7	B
5.0 95.0	Prosegur Compañía de Seguridad, S.A. Prosegur Internacional Handels GMBH	a	4	B
68.8 31.2	Armor Acquisition, S.A. Prosegur Internacional Handels GMBH	a	4	B
5.0 95.0	Armor Acquisition, S.A. Juncadella Prosegur Internacional, S.A.	a	1	A

Corporate Name	Address	Cost in thous. Euros
Prosegur Alarmas, S.A.	Tres Arroyos 2835 (CIUDAD DE BUENOS AIRES)	7 0
Prosegur Tecnología, S.A.	Tres Arroyos 2835 (CIUDAD DE BUENOS AIRES)	101 2
Prosegur, S.A.	Tres Arroyos 2835 (CIUDAD DE BUENOS AIRES)	689 331
Servicios Auxiliares Petroleros, S.A.	Tres Arroyos 2835 (CIUDAD DE BUENOS AIRES)	2 0
Prosegur Activa, S.A.	Tres Arroyos 2835 (CIUDAD DE BUENOS AIRES)	3,267 363
Prosegur Inversiones, S.A.	Tres Arroyos 2835 (CIUDAD DE BUENOS AIRES)	392 44
Prosegur Holding, S.A.	Tres Arroyos 2835 (CIUDAD DE BUENOS AIRES)	3,488 388
Fire Less, S.A.	Charlone 1351/57 (CIUDAD DE BUENOS AIRES)	334 302
Xiden S.A.C.I.	Olleros 3923 (CIUDAD DE BUENOS AIRES)	1,634 179

	Interest				
	% over nominal	Holder of share	Consolidation assumption	Activity	Auditor
	95.0 5.0	Juncadella Prosegur Internacional, S.A. Armor Acquisition, S.A.	a	2	B
	95.0 5.0	Juncadella Prosegur Internacional, S.A. Armor Acquisition, S.A.	a	1	B
	95.0 5.0	Juncadella Prosegur Internacional, S.A. Armor Acquisition, S.A.	a	1	A
	95.0 5.0	Juncadella Prosegur Internacional, S.A. Armor Acquisition, S.A.	a	1	A
	90.0 10.0	Prosegur Holding, S.A. Prosegur Inversiones, S.A.	a	2	A
	90.0 10.0	Prosegur Activa Holding, S.A. Prosegur Activa, España S.A.	a	4	B
	90.0 10.0	Prosegur Activa Holding, S.A. Prosegur Activa España, S.A.	a	4	B
	90.0 10.0	Prosegur Compañía de Seguridad, S.A. Juncadella Prosegur Internacional, S.A.	a	1	A
	90.0 10.0	Prosegur Compañía de Seguridad, S.A. Juncadella Prosegur Internacional, S.A.	a	1	B

Corporate Name	Address	Cost in thous. Euros
Prosegur Uruguay, S.A.	Bulevard Artigas 2629 (MONTEVIDEO)	791 55
Compañía Ridur, S.A.	25 der Mayo 455. Apto 4 (MONTEVIDEO)	1,094
Prosegur Transportadora de Caudales, S.A.	Guaraní 1531 (MONTEVIDEO)	1,208 1
Transportadora de Caudales Silviland	Guaraní 1531 (MONTEVIDEO)	0
Prosegur Activa Uruguay, S.A	Bulevard Artigas 2629 (MONTEVIDEO)	1,254 66
TSR Participaciones Societarias, S.A.	Tomas Edison, 1250 - Barra Funda - São Paulo - (SP)	42,864
Prosegur Brasil, S.A.	Guaratá 633 - Prado - Belo Horizonte - (MG)	81,464
Prosegur Sistemas de Securança Ltda.w	Guaratá 633 - Prado - Belo Horizonte - (MG)	(34) (4,373)
CTP Centro de Treinamento Prosegur Ltda.	Santa Catarina na Estrada Geral s/n “Passa Vinte”	(6)
Prosegur Brasil Cursos Ltda.	Guaratá 633 - Prado - Belo Horizonte - (MG)	47 0
Prosegur Tecnología en Sistemas de Securança Electrónica e Incendios Ltda.	Tomas Edison, 1250 - Barra Funda - São Paulo - (SP)	397

Interest				
% over nominal	Holder of share	Consolidation assumption	Activity	Auditor
90.0 10.0	Prosegur, S.A. Armor Acquisition, S.A.	a	3	A
100,0	Juncadella Prosegur Internacional, S.A.	a	1	B
99.9 0.1	Juncadella Prosegur Internacional, S.A. Armor Acquisition, S.A.	a	1	A
100.0	Prosegur Transportadora de Caudales, S.A.	a	1	B
95.0 5.0	Prosegur Activa Holding, S.A. Prosegur Activa España, S.A.	a	2	A
100.0	Juncadella Prosegur Internacional, S.A.	a	4	A
100.0	Participaciones societarias, S.A.	a	1	A
1.0 99.0	Prosegur Brasil, S.A. TSR Participaciones Societarias, S.A.	a	1	A
99.6	Prosegur Brasil, S.A.	a	6	B
99.8 0.2	Prosegur Brasil, S.A. Prosegur Sistemas de Securança Ltda.	a	6	B
99.6 0.4	Prosegur Compañía de Seguridad, S.A. TSR Participaciones Societarias, S.A.	a	1	B

Corporate Name	Address	Cost in thous. Euros
Prosegur Activa Chile, S.L.	Los Gobelinos 2567 Of. 203 Renca (SANTIAGO)	14 0
Juncadella Prosegur Group Andina	Los Gobelinos 2567 Of. 203 Renca (SANTIAGO)	(62)
Capacitaciones Ocupacionales Sociedad Ltda	Los Gobelinos 2567 Of. 100 Renca (SANTIAGO)	383 0 44
Empresa de Transportes Compañía de Seguridad Chile Ltda	Los Gobelinos 2567 Renca (SANTIAGO)	3,426 0
Servicios Prosegur Ltda	Los Gobelinos 2548 Renca (SANTIAGO)	1,533 1,018
Sociedad de Distribución Canje y Mensajeria Ltda.	Los Gobelinos 2548 Renca (SANTIAGO)	1,311 (485) 265
Prosegur Chile, S.A.	C.A.López de Alcázar 488 Independencia (SANTIAGO)	1,260 563
Servicios de Seguridad Prosegur Regiones Limitada	C.A.López de Alcázar 488 Independencia (SANTIAGO)	1,073 0

	Interest			
% over nominal	Holder of share	Consolidation assumption	Activity	Auditor
99.0 1.0	Prosegur Activa Holding, S.A. Prosegur Activa España, S.A.	a	2	B
100.0	Juncadella Prosegur Internacional, S.A.	a	4	B
83.0 7.0 10.0	Prosegur Compañía de Seguridad, S.A. Prosegur Internatio-nal Handels GMBH Juncadella Prosegur Group Andina	a	6	B
60.0 40.0	Juncadella Prosegur Group Andina Prosegur Internatio-nal Handels GMBH	a	1	A
99.9 0.1	Prosegur Compañía de Seguridad, S.A. Prosegur Internatio-nal Handels GMBH	a	1	A
49.0 30.0 21.0	Prosegur Compañía de Seguridad, S.A. Juncadella Prosegur Group Andina Prosegur Internatio-nal Handels GMBH	a	1	A
70.0 30.0	Prosegur, S.A. Prosegur Internatio-nal Handels GMBH	a	1	A
99.0 1,0	Prosegur Chile, S.A. Juncadella Prosegur Group Andina	a	1	A

Corporate Name	Address	Cost in thous. Euros
Prosegur Paraguay, S.A	C/ Concepción Leyes de Chávez (ASUNCIÓN)	(2,838) (29)
Prosegur Tecnología Paraguay, S.A. (Ex Seguridad Prosegur, S.A.)	C/ Concepción Leyes de Chávez (ASUNCIÓN)	10 0
Compañía de Seguridad Prosegur, S.A.	Av. Morro Solar 1086 - Surco - (LIMA)	(2,646) (2,637)
Proseguridad, S.A.	Av. Los Próceres 250 - Surco - (LIMA)	(199) 0
Prosegur Cajeros, S.A.	Av. Los Próceres 250 - Surco - (LIMA)	26 11
Prosegur Tecnología Perú, S.A.	Av. Los Próceres 250 - Surco - (LIMA)	1 1
Thomas Prosegur, S.A. (Ex Thomas Greg & Sons Transportadora de Valores, S.A.)	Avda. de las Américas, 42-25 (BOGOTÁ)	19,987
PRO-S Compañía de Seguridad Privada, S.A.	Colonia Industrial Antoto C/ Atlacomulco 500 (MÉXICO D.F.)	0
PS México Compañía de Seguridad Privada, S.A. de CV	Colonia Industrial Antoto C/ Atlacomulco 500 (MÉXICO D.F.)	1,803
Prosegur Seguridad Privada, S.A. de CV	Colonia Industrial Antoto C/ Atlacomulco 500 (MÉXICO D.F.)	0
PRO-S Protec Seguridad Privada Custodia de Valores y Gestión de Efectivos, S.A. de CV	Colonia Industrial Antoto C/ Atlacomulco 500 (MÉXICO D.F.)	0

///01

	Interest				
	% over nominal	Holder of share	Consolidation assumption	Activity	Auditor
	99.0 1.0	Juncadella Prosegur Internacional, S.A. Transportadora de Caudales de Juncadella, S.A.	a	1	A
	99.0 1.0	Juncadella Prosegur Internacional, S.A. Transportadora de Caudales de Juncadella, S.A.	a	1	B
	52.0 48.0	Juncadella Prosegur Internacional, S.A. Transportadora de Caudales de Juncadella, S.A.	a	1	A
	52.0 48.0	Juncadella Prosegur Internacional, S.A. Transportadora de Caudales de Juncadella, S.A.	a	1	A
	70.0 30.0	Compañía de Seguridad Prosegur, S.A. Proseguridad, S.A.	a	1	B
	52.0 48.0	Compañía de Seguridad Prosegur, S.A. Proseguridad, S.A.	a	1	B
	60.0	Prosegur Compañía de Seguridad, S.A.	a	1	C
	100.0	PS México Compañía de Seguridad Privada S.A. de CV	a	1	B
	90.0	Prosegur Compañía de Seguridad, S.A.	a	1	B
	100.0	PS México Compañía de Seguridad Privada, S.A. de CV	a	1	B
	100.0	PS México Compañía de Seguridad Privada, S.A. de CV	a	1	B

Notes:

Latin American companies follow the criterion of deducting the amount of dividends received from the net accounting value of their shareholdings in associated companies. This results in some instances where the cost value of the shareholding reflects a negative amount.

Consolidation assumptions:

The consolidation conditions set by Section 42 of the Spanish Commercial Code are as follows:

a. That the parent company owns the majority of voting rights.
b. That the parent company has the right to appoint or dismiss the majority of the members of the board of directors.
c. That the parent company may dispose of the majority of voting rights, pursuant to agreements held with other members.
d. That through its voting rights, the parent company has exclusively appointed the majority of the members of the board of directors, who are in office at the time of and two years previous to the preparation of the consolidated accounts.
e. When, through any other means, one or various companies are under the same management.

Except when indicated to the contrary, the closing date of these annual accounts is 31 December 2007.

Activity:

(1) Operations of the Group in Corporate Security

(2) Operations of the Group in Residential Security

(3) Operations of the Group in Both

(4) Holding company

(5) Financial services

(6) Auxiliary services

(7) Inactive

Auditor:

A Audited by PricewaterhouseCoopers

B Not subject to audit

C Audited by other auditors

>> Appendix II // Consolidated Joint Ventures

Name	Address
CESS-ESC UTE	Av. Mas Fuster 131 (BARCELONA)
UTE Málaga Prosegur Compañía de Seguridad, S.A. – Nordés Prosegur Tecnología, S.A.	C/ Pajaritos, 24 (MADRID)
UTE ESC –CLECE Edificios Municipales	C/ La Paz, 14 (VALENCIA)
UTE ESC –CLECE Colegios Públicos	C/ La Paz, 14 (VALENCIA)
UTE SERAT Aeropuerto De Bilbao Servimax Servicios Auxiliares, S.A. – EUROLIMP, S.A.	C/ Príncipe de Vergara, 135 (MADRID)
UTE Nordés Prosegur Tecnología, S.A. – Prosegur Activa España	C/ Carril del Conde, 56 (MADRID)

Notes:

The interest in the joint ventures CESS-ESC is a product of the merger of CESS by Prosegur Compañía de Seguridad.

(a) The objective of this joint venture is to provide security and surveillance services, to operate the security systems and access control systems of the buildings comprising the University of Pompeu Fabra in Barcelona.

(b) The objective of this joint venture is to provide security, surveillance and maintenance in the health centres of Malaga.

(c) The objective of this joint venture is to provide caretakers and information services in the Municipal Buildings of Parterna City Council (Valencia).

(d) The objective of this joint venture is to provide caretakers in the state schools of Paterna Town Council (Valencia).

(e) The objective of this joint venture is to provide customer and information services as well as services in the VIP lounge of Bilbao Airport.

(f) The objective of this joint venture is to supply and install security systems in the post and telegraph buildings.

////01

	Interest			
Cost in thous. Euros.	% over nominal	Partner	Notes	Activity
0	100.0		(a)	(1)
0	100.0		(b)	(1)
0	90.0	CLECE, S.A.	(c)	(1)
0	90.0	CLECE, S.A.	(d)	(1)
5.0	40.0	EUROLIMP, S.A.	(e)	(1)
0	100.0		(f)	(1)

Consolidation assumption:

The integration of joint ventures has been performed in the Group's Balance Sheet and Profit and Loss Account in accordance with their share of interest.

Activities:

(1) Operations of the Group in Corporate Security

Auditor:

These joint ventures are not subject to audit.

>> Appendix III // Companies under receivership

Corporate Name	Address
SA Securité Europeene de L´Espacer Industriel.	15 Rue de Louvres (CHENNEVIERES LES LOUVRES)
SARL Force Gardiennage	92 Boulevard Emile Delmas (LA ROCHELLE)
SA Bac Securité	18 Av. Morane Saulnier (VELIZY VILLACOUBLAY)

Corporate Name	Address
SARL Initiale	8 Avenue Descartes (LES PLESSIS ROBINSON)
SARL Yardair	8 Avenue Descartes (LES PLESSIS ROBINSON)

Notas:

The companies Force Gardiennage, Sécurité Europeenne de L'Espace Industriel (SEEI), Bac Sécurité and their subsidiary companies SARL Initiale and SARL Yardair operate in the geographical area of Île de France (IDF) and were acquired between the middle of 2002 and the beginning of 2003 by Prosegur Compañía de Seguridad S.A.

The progressive decline of the income statement, together with the 8.5% increase in labour expenses during 2005 rendered this situation unsustainable, and therefore on 7 April 2005 the accounts of said companies

	Interest		
Cost in thous. Euros at 31/03/05	% over nominal	Holder of share	Activity
0	59.98	Prosegur Compañía de Seguridad, S.A.	1
457.3	40.02	Sarl Esta Service	
0	4.8	Prosegur Compañía de Seguridad, S.A.	1
217.7	95.20	Sarl Esta Service	
10,533.6	100.0	Prosegur Compañía de Seguridad, S.A.	1

	Interest		
Cost in thous. Euros at 31/03/05	% over nominal	Holder of share	Activity
7.7	100.0	S.A. Bac Securité	1
19.8	100.0	S.A. Bac Securité	1

were deposited before the Commercial Court of Versailles.

Activity:

(1) Operations of the Group in Corporate Security

(2) Operations of the Group in Residential Security

(3) Operations of the Group in Both

>> Appendix IV // Consolidated partnerships

Corporate Name	Adress	Cost in thous. Euros.
Rosegur Holding Corporación, S.L.	Pajaritos, 24 (MADRID)	5,350
Rosegur, S.A.	Calea Plevnei nr 137ª Sector 6 (BUCURESTI)	6,960
Security Dragon Star, SRL	B-dul Traian nr. 1 B Baia Mare. (MARAMURES)	0
Rosegur Services, S.L.	B-dul Ghica Tei, 64-70 (BUCURESTI)	8

Consolidation assumption:

The consolidation conditions set by Section. 42 of the Spanish Commercial Code are as follows::

a. That the parent company owns the majority of voting rights.

b. That the parent company has the right to appoint or dismiss the majority of the members of the board of directors.

c. That the parent company may dispose of the majority of voting rights, pursuant to agreements held with other members.

d. That through its voting rights, the parent company has exclusively appointed the majority of the members of the board of directors, who are in office at the time of and two years previous to the preparation of the consolidated accounts..

e. When, through any other means, one or various companies are under the same management.

Except when indicated to the contrary, the closing date of these annual accounts is 31 December 2007.

Activity:

(1) Operations of the Group in Corporate Security

(2) Operations of the Group in Residential Security

Interest				
% over nominal	Holder of share	Consolidation	Activity	Auditor
50.0	Prosegur Compañía de Seguridad, S.A.	a	4	B
100.0	Rosegur Holding Corporación, S.L.	a	1	A
100.0	Rosegur, S.A.	a	1	A
100.0	Rosegur Holding Corporación, S.L.	a	1	B

(3) Operations of the Group in Both
(4) Holding company
(5) Financial services
(6) Auxiliary services
(7) Inactive.

Auditor:
A Audited by PricewaterhouseCoopers
B Not subject to audit


PROSEGUR

Directors' Report

//02

>> 01 // Management principles

The 2007 financial year was satisfactory: a year with many important strategic and management challenges. The consolidation of our leading position in the majority of the markets in which we operate has been strengthened by our latest acquisitions, thereby confirming our global vocation and future prospects.

The data corresponding to the 2007 financial year include the following important events:

• In February 2007 Prosegur Group reached an agreement for the purchase of 60% of the company Thomas Greg & Sons Transportadora de Valores (TG&S), specialised in the areas of securities' logistics and cash management in Colombia. TG&S is one of the two leading companies in the securities' logistics and cash management markets in Colombia. It has a considerable domestic presence through 17 delegations and more than 1,400 staff. The current owners of TG&S will keep a shareholding of 40% in the company's share capital in order to take part jointly with Prosegur in the development of the Colombian security sector, a market with a turnover exceeding 800 million of euros. The agreement entails an investment effort by Prosegur of 20 million of euros. This transaction fits in Prosegur's strategy of consolidating its leadership in Latin America and, in particular in those countries where its main customer already have a significant presence.

• In June 2007 Prosegur Group reached an agreement for the purchase of IASA Ingenieros, S.A., a company specialising in fire protection systems and a leader in the Catalonian market. Prosegur acquired the whole share capital through an initial disbursement and further payments during the next two years based on the company's operating results (EBIT). IASA Ingenieros, S.A. closed financial year 2006 with a turnover exceeding 10 million of euros, has more than 30 employees and carries out its business in Catalonia, based in Barcelona. This purchase implies an investment by Group Prosegur of 11 million of euros.

• In December 2007, Prosegur acquired 19% of the investment vehicle Capitolotre, S.P.A. through subscription of a capital increase for an amount of 31.5 million of euros. Capitolotre, S.P.A., participated by the investment groups 21 Partners and Banca Leonardo, owns a 77% interest in IVRI Direzione, S.P.A., a leader in the Italian security sector with activities in the areas of surveillance, transport of securities, alarm monitoring, assistance service and electronic systems. As a result, Prosegur's interest in Capitolotre S.P.A. gives the former control over 14.6% of IVRI Group. As part of the transaction, Prosegur sold its subsidiary companies with activity in the areas of Milan and Turin to IVRI Direzione S.P.A. for an amount of 12 million of euros.

• In December 2007, the Group acquired 100% of the share capital of Xiden, S.A.C.I., an Argentinean company specialising in the design and installation of access control, intrusion and professional and industrial video systems. The total purchase price was 1.8 million of euros. Xiden has more than 54 employees and an annual turnover of 4 million of euros.

The year has seen a marked improvement in the budgeting techniques used for each line of business as well as in the techniques employed for determining the main management indicators of each business.

All this has contributed to the maintenance of the following policies during the year:

a) To establish targets for continuous improvement.

b) To address alternative strategies and options.

c) To implement the strategies adopted in the strategic planning process effectively and on schedule, while having available an early warning of deviations through real time alerts in the information system, thus enabling corrective actions.

d) To develop competitive advantages over rivals in the market.

The management of Prosegur Group had access to timely and sufficient information on clients, the market and the legal, economic and technological environment which allowed it to fine-tune its management procedure throughout the year.

Below is a list of the key management variables and their development throughout the year: activities, commercial management, staff, investments, operations and finance:

>> 02 // Activities

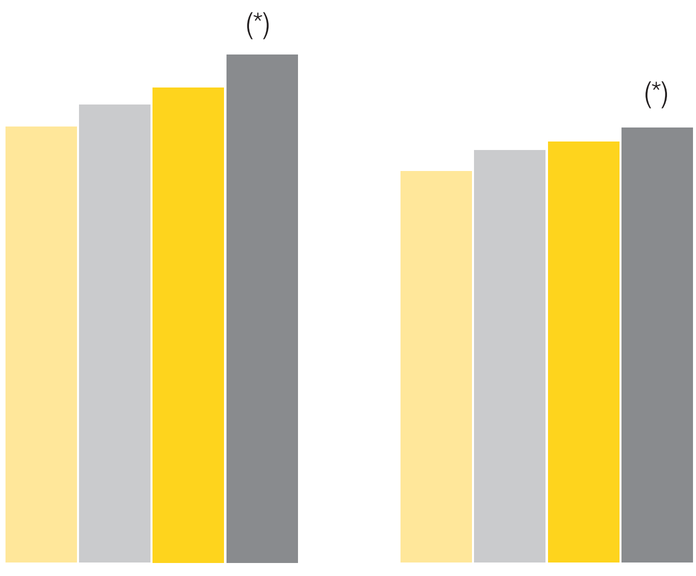
The financial year ending 31 December 2007 was closed with total revenues of 1,841,795 thousands of euros (as opposed to 1,628,418 thousands of euros in 2006).

	2007	2006
Spain	912,398	842,684
Rest of Europe	292,014	272,240
Lat. Am.	637,383	513,494
Not assigned	-	-
TOTAL	**1,841,795**	**1,628,418**

By lines of business as follows:

	2007	2006
Corporate security	1,743,234	1,540,327
Residential security	98,561	88,091
TOTAL	**1,841,795**	**1,628,418**

Development during the 2007 and 2006 financial years has been as follows:



	2007	2006
1st quarter	427,635	383,905
2nd quarter	449,294	404,587
3rd quarter	466,198	413,154
4th quarter	498,668	426,772

*non-audited series

• Revenues reached 1,841.8 million of euros during 2007 as opposed to the 1,628.4 million of euros of 2006: an increase of 13.1%.

• The business area with the highest level of growth during 2007 was that of corporate security services, which obtained accumulated revenues of 1,743.3 million of euros (1,540.3 million of euros during 2006), an increase of 13.2%. The yearly revenues of the residential insurance area (alarms) were 98.6 million of euros in 2007 (88.1 million of euros in 2006), 11.9% higher than that of the previous year.

• Within the corporate security business and per geographical area Europe has reached 1,120.9 million of euros and has increased its sales by 7.8% as compared to the previous year. On the other hand, Latin America saw a total sales growth of 24.4%, up to a total of 622.4 million of euros.

• The area of residential security services has continued throughout 2007 with the strategy of achieving a sustained growth and an adequate profitability, reaching 226,878 connections.

The following table illustrates sales growth over the last ten years. IFRS criteria were used for the years 2004 onwards and Spanish GAAP standards for previous years.

(in thousands of euros)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Revenues	584,346	684,234	685,562	903,848	1,106,843	1,117,578	1,112,276	1,387,770	1,628,418	1,841,795

>> 03 // Commercial information

Services are commercialised through the various branch offices by the Group's own dedicated sales staff, who at all times apply strict selective criteria to minimise the risk of default and eventual bad debt. To this end, customers for whom 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 signing 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 thereby reducing the risk of default. The main customers of corporate security services are financial institutions, industrial and commercial companies and public institutions.

>> 04 // Personnel

At the 2007 financial year end, the Prosegur Group workforce was comprised of 83,364 employees, as opposed to 79,838 in 2006. 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 always been a priority of Human Resources Management.

The table below describes the development of candidates in Spain for the corporate area during 2007:

Recruitment Statistics, Spain	**Total**	**Jan 07**	**Feb 07**	**Mar 07**	**Apr 07**	**May 07**	**Jun 07**	**Jul 07**	**Aug 07**	**Sep 07**	**Oct 07**	**Nov 07**	**Dec 07**
Total Candidates	53,560	3,017	3,344	3,389	2,663	3,628	3,895	3,574	4,121	7,161	8,937	4,988	4,843
Short listed Candidates	14,825	998	948	1,137	914	1,240	1,420	1,464	1,467	1,426	1,440	1,103	1,268
Short listed/Total Candidates	27.68	33.08	28.35	33.55	34.32	34.18	36.46	40.96	35.60	19.91	16.11	22.11	26.18
Training Statistics Total, Spain	**Total**	**Jan 07**	**Feb 07**	**Mar 07**	**Apr 07**	**May 07**	**Jun 07**	**Jul 07**	**Aug 07**	**Sep 07**	**Oct 07**	**Nov 07**	**Dec 07**
Total Induction Courses	191	22	16	20	14	16	22	19	15	17	15	10	5
Total Attendees of Induction Courses	4,018	410	330	381	316	328	469	357	312	488	388	188	51
No. Internal Training Courses	1,848	203	161	215	148	188	200	94	102	120	159	182	76
Attendees Internal Training Courses	17,466	1,804	1,947	2,173	1,484	1,873	1,638	556	464	1,142	1,844	1,830	711
Total Courses	2,039	225	177	235	162	204	222	113	117	137	174	192	81
Total Attendees	21,484	2,214	2,277	2,554	1,800	2,201	2,107	913	776	1,630	2,232	2,018	762

The monthly development of the Group workforce is described below:

	Corporate Security	Home Security	TOTAL
January	77,423	2,312	79,735
February	78,230	2,324	80,554
March	77,968	2,016	79,984
April	78,157	2,313	80,470
May	79,758	1,626	81,384
June	79,584	2,373	81,957
July	80,884	2,045	82,929
August	81,506	2,111	83,617
September	81,027	2,038	83,065
October	81,204	2,036	83,240
November	81,451	2,044	83,495
December	81,318	2,046	83,364
Average	**79,876**	**2,107**	**81,983**

The development of the workforce over the last five years is as follows:

Workforce	2007	2006	2005	2004	2003
Direct	78,223	73,112	63,859	55,041	52,376
Indirect	3,760	3,653	3,450	3,298	3,150
TOTAL	**81,983**	**76,765**	**67,309**	**58,339**	**55,526**

The development of the workforce over the last five years with respect turnover is as follows (IFRS criteria were used for the years 2004 onwards and Spanish GAAP standards for previous years):

No. of individuals for each € million of revenue	2007	2006	2005	2004	2003
Direct	42.5	44.9	46.0	49.5	46.9
Indirect	2.0	2.2	2.5	3.0	2.8

With respect training during the period, 2,039 training courses on corporate security were held in Spain, which were attended to by a total of 21,484 persons, distributed as follows:

	Initiation Training Course		Continual Training Course		Total	
	Total Courses	Attendees	No of Courses	Attendees	No of Courses	Attendees
First Quarter	58	1,121	579	5,924	637	7,045
Second Quarter	52	1,113	536	4,995	558	6,108
Third Quarter	51	1,157	316	2,162	367	3,319
Fourth Quarter	30	627	417	4,385	447	5,012
TOTAL	**191**	**4,018**	**1,848**	**17,466**	**2,039**	**21,484**

>> 05 // Investments

The Investment Analysis and Control Management Departments analyse all of the Group's investments on the basis of the strategic importance, expected return period and expected profitability as a prior requirement for approval. Plans are subsequently passed on to the Investment Committee, which gives the final go-ahead for the investment or outlay. Investments of more than 600 thousands of euros are submitted to the Executive Commission for approval. During the year, 48,123 thousands of euros (42,935 thousands of euros in 2006) were provided for redemption, of which 36,150 thousands of euros (35,340 thousands of euros in 2006) corresponded to tangible assets and 11,973 thousands of euros (7,595 thousands of euros in 2005) to intangible assets.

Below describes the total investments analysed by the Investment Committee during 2007 and their comparison with 2006:

	2007	2006
First Quarter	27,848	6,369
Second Quarter	15,378	11,272
Third Quarter	12,404	7,353
Fourth Quarter	13,205	16,234
TOTAL	**68,835**	**41,228**

Data in thousand of euros

During the year, investments made in tangible assets totalled 73,260 thousands of euros.

>> 06 // Operations

The margins improved with regards the 2006 financial year, mainly due to the positive development of the majority of countries and in particular to the positive development of business in Latin America.

The following table details the operating profit over the last five years (new standards from 2004 onwards and Spanish GAAP standards for previous years):

2007	2006	2005	2004	2003
161,920	105,052	113,915	105,527	102,285

Data in thousand of euros

The constant growth rate reveals an accumulated operating profit variation of 12.2%. This decrease is conditional to the allocation of a provision of 20.2 million of euros registered in the 2007 financial year (30 million of euros in 2006) as a result of a decree by the Supreme Court regarding the existing difference between the calculation of value of extra hours in the methodology set forth in the Collective Agreement and the calculation established by said decree. Without taking said concept into account, the continuous and accumulated growth would be 15.5%.

The EBITA margin on consolidated sales has increased from 6.5% in the financial year 2006 to an 8.8% in this financial year 2007. Discounting the amount of the above-mentioned provision, EBITA margin for the financial year 2007 would have been 9.9% and for the financial year 2006 8.3%.

>> 07 // Forecast and trends

Although now in more moderation, the trend continues towards growth in domestic and company/commercial demand thanks to economic development, improvement in the general standard of living of citizens and increased awareness with regards protection against crime. Furthermore, Public Administrations will continue to outsource certain security services.

In this context, strategies will continue to develop in order to elaborate comprehensive offers of services and products and to provide tailored solutions to our customers.

This includes improving the complementarity between surveillance services and the installation of electronic security systems and home automation, alarms and fire detection equipment within a diversification process which aims to offer a comprehensive service package to the end user.

Estimates and judgements are continually assessed based on experience and other factors and taking into account any predicted future events deemed reasonable under the circumstances.

The Group makes estimates and judgements on the future. However, the resulting accounting evaluations, by definition, rarely coincide with the relevant actual results. The main uncertainties with regards to assessments are those related to goodwill, tax expenses and provisions.

>> 08 // Financial management

From the financial management point of view, 2007 was an extremely active year with certain actions taken in order to diversify alternative funding sources to traditional banking financing, and on the other hand such others carried out around financial risk management which has undoubtedly helped to improve certainty on some business aspects.

Therefore, worth noting is the implementation in December 2007 of a securitisation scheme by part of the customer portfolio entailing the sale of non-recourse invoices up to a maximum amount of 180 million of euros.

The scheme is intended to last five years and has been put in place during January 2008. In an initial stage the scheme comprises the sale of receivables from Group companies based in Spain and Portugal, with the possibility of making it extensible to other countries, mainly France. The transaction entails no change whatsoever in the collection's management procedures as carried out by the company up to the present time and it is expected to markedly contribute to streamline management of working capital. Last January saw the completion of the first sale operation for invoices amounting to 110 million of euros.

With the implementation of this scheme the Group has increased its capacity for generating financial resources liable to be used in interesting strategic operations and projects for the development of the business without increasing indebtedness.

The ratio of the net financial debt over own resources was only 0.65% at the 2006 year end, 0.60% at the 2007 year end.

All the above actions resulted in an improvement of the average cost of financial debt in the overall financial year.

Financial structure

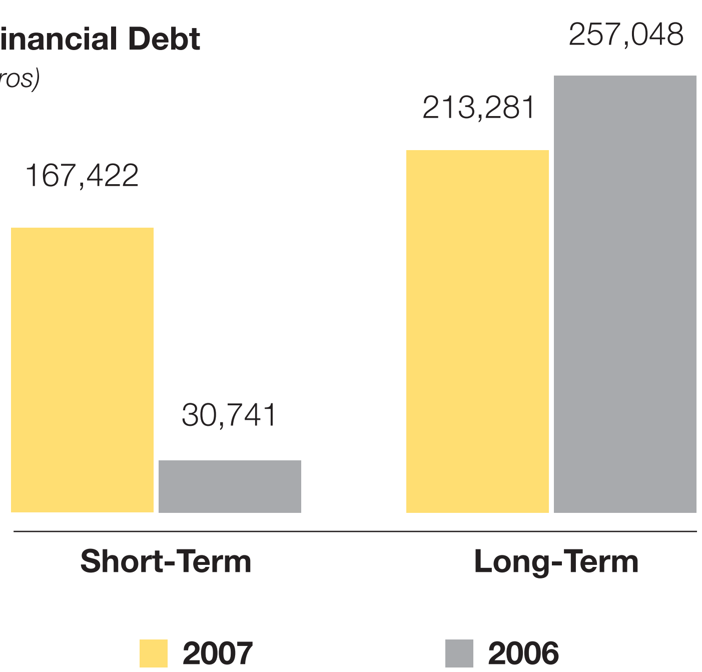
At the end of financial year 2007, the structure of long-term financial debt was determined by the syndicated loan that Prosegur España, had entered into in July 2006 for an amount of 450 million of euros.

The operation was structured into two tranches. The first tranche was established as a loan for the value of 250 million of euros. The second tranche was taken

out as credit for the value of 200 million of euros with maturity in 2011. At year end the second tranche was fully available.
Therefore, at the end of the year the long-term (maturity falling after one year) consolidated financial debt totalled 213.2 million of euros, basically comprising the loan arranged with the syndicate of banks in Spain and the financial and leasing operations in Brazil, as opposed to the 257.0 million of euros of the previous financial year.
On the other hand, the short-term financial debt totalled 167.4 million of euros, as opposed to 30.7 million of euros of the previous year. The increase in short-term debt responds to isolated and temporary needs of cash management.

At the 2007 year end, the development of the gross financial debt structure by maturity over the last two years was as follows:

Group Gross Financial Debt
(in thousands of euros)

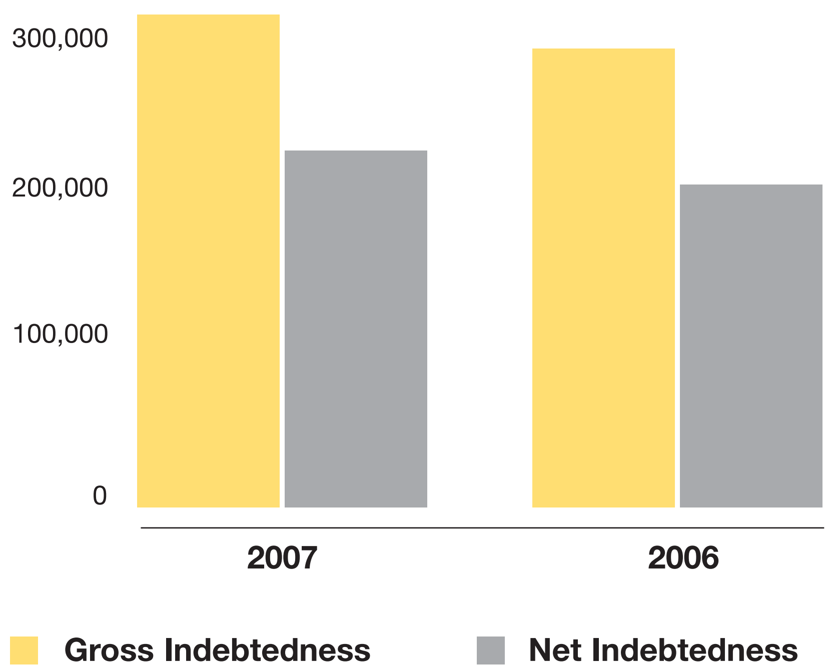


The average cost of the financial debt during 2007 was 4.84%, as opposed to the 5.29% of the previous year. The reduction of the debt in Brazil, together with the positive impact of interest rate hedging transactions set up for the debt in euros, have served to considerably neutralise the rise in interest rates in the Euro zone and has allowed for the Group's total average cost of the same to decrease.

Focusing on Net Financial Debt, calculated as the total of current and non-current financial resources from third parties (excluding other non-bank debt) plus/minus net derivative financial instruments, minus cash equivalents and other current financial assets and minus non-current financial assets associated to bank debt, the amount at the 2007 year end reached 228 million of euros (216 million of euros in 2006).

Comparative graph of the Total Gross and Net Indebtedness for years 2007 and 2006:

Group Indebtedness Development
(In thousand of euros)

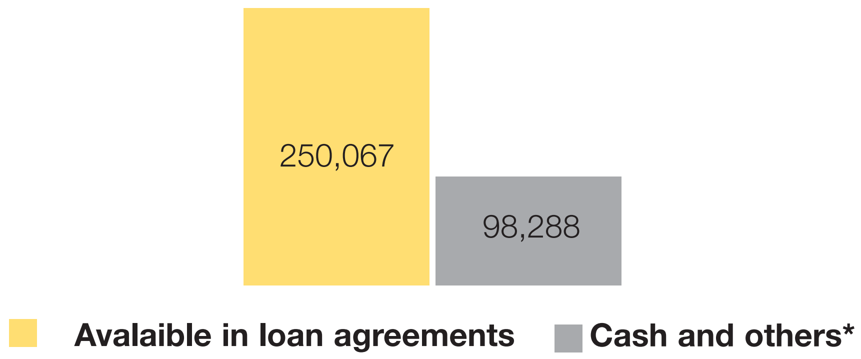


Gross indebtedness includes short and long-term debt capital and the market evaluations of financial instruments.
In order to calculate the net value of indebtedness, cash and cash equivalents and other current financial assets are added to the gross value of indebtedness.

Liquidity
The Group's policy is to maintain significant cash reserves to ensure that it is able to respond fast and with maximum flexibility to short-term operations. This policy allows the Group to make any purchases arising in the security market quickly and efficiently, without needing to resort to specific financial transactions.

At 31 December 2007, the Group had immediately available cash of €348 million. This figure is due to the syndicated credit of 200 million of euros, plus other lines of credit valued at 50 million of euros contracted on a short-term basis (maturing at or before one year) spread over a diversified pool of banks including the leading institutions in all of the countries where the Group operates, to current account balances, short-term cash investments, cash and cash equivalents, and other financial assets. This figure represents 18.9% of annual consolidated sales, which in addition to sufficiently ensuring the short-term financing necessities of the Group also consolidates the Group's policy on strategic acquisitions.

Cash and cash equivalents, other financial assets and avail.
Amount in loan agreements



* Cash and others include cash and cash equivalents and other current financial assets.

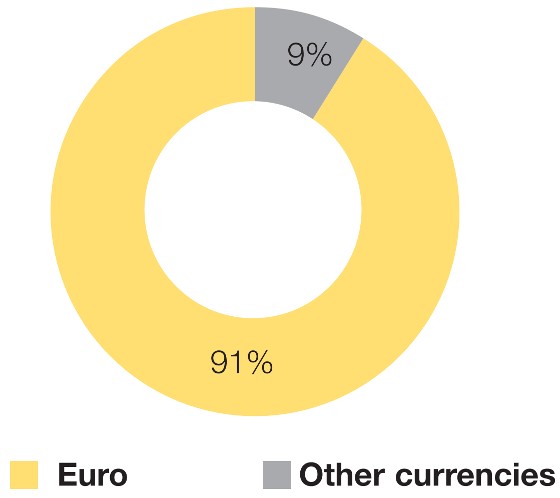
Exchange rate risk

Prosegur's financing policy is to fund business operations in local currencies in order to minimise its exposure to exchange rate risks in the relevant countries. In general, capital investment needs in the sector are low, which, although they do vary depending on the area of business (securities' logistics involves higher funding requirements) are as a general rule consistent the operating cash flows generated. This makes it possible to regulate the cadence of investments in each country depending on operating needs.

As a result and although Prosegur is present in a large number of countries, the financial debt is basically denominated in two currencies: the Euro and the Brazilian Real. The debt in euros represents 91% of the total. Last year the exposure of the dollar to debt risk was practically extinguished and there is only 9% of debt denominated in other currencies, basically in Brazilian Reals.

The structure of the financial debt by currencies presented by Prosegur at 2007 year end is distributed as follows:

Group Indebtedness



Hedging operations

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

Therefore, Prosegur has contracted an IRS (interest rate swap) coverage for the value of 250 million of euros which has fixed the variable reference rate of the syndicated loan to 3.68% for the next five years. The operation was contracted with reductions in the theoretical value and therefore perfectly adjusts to the amortizations of the syndicated loan.

Other structures limiting the exposure to the exchange rate risk are also in place. In this regard exchange rate insurances were contracted until February 2008 in Brazil through an NDF (non-deliverable forward) in euros against Brazilian Reals. The transaction covers the risk exposure of Prosegur for the intercompany debt in Brazilian Reals with its Brazilian subsidiary. It has also entered into a Cross Currency swap on 47,000,000 of Brasilian Reals for the purchase of a financial asset (term note) from a Brazilian institution denominated in such currency. This note is also a counterpart and object of a provision for a loan with the same amount granted to Prosegur Brasil S.A. by said Brazilian institution.

Also aimed at protecting from exchange rate fluctuations 2007 collar-type structures were put in place which allowed to protect the expected and generated EBITA in those countries with currencies other than the Euro. In particular, hedging for Brazilian Reals, Argentinean Pesos and Chilean Pesos were carried out.

On the other hand, fuel consumption hedging was also in place, which allowed the company to mitigate the impact of oil price raises that took place all throughout 2007.

>> 09 // Own shares

At 31 December 2007, the company held 431,557 shares in treasury stock, representing 0.699% of the share capital and value at 8,413 thousands of euros. These shares are to be handed over to certain company directors. The commitment assumed by the company in connection with the various compensation schemes ended during the financial year 2007.

During the 2007 financial year, 195,410 own shares have been acquired.

>> 10 // Environmental issues

During the 2007 financial year, the company invested in armour-plated vehicles which comply with the Euro III standard for particle emissions. This investment was registered as increasing the value of the fixed asset and totalled 917 thousands of euros (2006: 1,661 thousand of euros) and generated corporate income tax benefits of 32 thousands of euros (2006: 70 thousands of euros). Likewise, at the 2007 year end, the company had no environmental contingencies, it is not involved in any court actions in this regard and has no generated any income or incurred expenses in this area.

>> 11 // Research and development

Of special importance are the two projects carried out during 2006 which were financed by PROFIT (Programme for the Promotion of Technical Research) within the National Plan of Scientific Research, Development and Technological Innovation (2004-2007):

- **Comprehensive Logistics (Exp. FIT-350100-2006-354).** The general objective of the same is to develop a new logistical process for the transportation of funds and to improve the technology of cash collection and delivery processes, permitting optimum route planning (operations) and adapting to continual contingences through a new and real-time control system.
- **New management model for the cash supply chain (Exp. FIT-350100-2006-298).** The general objective of the same is to design and develop a new management process for the cash value of financial institutions which allows for the comprehensive management of both ATMs and cash desks at bank branches.

>> 12 // Subsequent events

On February 2008, two bank guarantees for an aggregate amount of 8,703 thousands of euros have been executed. Said amount corresponds to funds deposited by a customer and blocked in Brazil. The Company is carrying out the necessary administrative procedures with the relevant authorities aimed at releasing such amount. No loss is expected in this instance.

Dated January 23, 2008 the Company acquired land in Vicálvaro Industrial Park (Madrid) for an amount of 11,500 thousands of euros on which the company had a purchase commitment as at closing of the year.

>> 13 // Additional content of the Management Report as per the provisions of article 116 bis of the Securities Market Act

a) Capital structure, including securities not traded in a community regulated market, with indication, if applicable, of the various kinds of shares and, for each kind of shares the rights and obligations conferred by them, as well as the percentage of share capital of each shareholding

The share capital of PROSEGUR COMPAÑÍA DE SEGURIDAD, S.A. amounts to 37,027,478 euros and is represented by 61,712,464 shares of a nominal value of 0.6 euros each; all shares are of a single kind and series. All shares are fully paid up and subscribed. Each share confers one vote.

b) Any restrictions on transfers of shares.

In the Company there are no restrictions of any kind imposed on the purchase or transfer of shares in the share capital in addition to those set forth by private security regulations.

c) Significant shareholdings in the share capital, either direct or indirect.

Below there is information, in keeping with the data communicated by the shareholders to the National Securities Market Commission, on the list of holders of significant shareholdings in the Company's share capital.

Name or Company Name	No. of indirect voting rights	No. of direct voting rights	% over total voting rights
Mrs. Helena Revoredo Delvecchio	0	30,924,033[1]	50.110%
Mrs. Mirta Giesso Cazanave	189,832	3,281,781[2]	5.626%
Coporación Financiera Alba, S.A.	0	6,175,000[3]	10.006%

[1] Through Gubel, S.L. and Prorevosa, S.A.
[2] Through AS Inversiones, S.A.
[3] Through Alba Participaciones, S.A.

d)) Any restrictions on voting rights.
There are no legal or statutory restrictions on the exercise of the right to vote.

e) Intercompany covenants.
No covenants of this kind between the shareholders have been notified to the Company.

f) Rules applicable to appointment and removal of members of the administration body and to the change of the Company's articles of incorporation.
The amendment of the Company's Articles of Incorporation must comply with the provisions of articles 103 and 144 of the Spanish Corporations Act.

The appointment and substitution of members of the Board of Directors is governed by the Articles of Incorporation and the Board of Director's Regulation, in accordance with the Corporations Act.

- Quantitative composition:
  In accordance to the Articles of Incorporation, the Board shall be formed by at least three (3) and at most fifteen (15) members elected by the General Meeting or by the Board of

Management itself under legally established terms.

• Qualitative composition:
The Articles of Incorporation and the Regulations determine that the Board of Directors shall endeavour that the Executive Member do not outnumber external Directors. The Board shall also endeavour to integrate within the group of external Directors those holders or representatives of holders bearing stable significant shareholdings in the Company's share capital (Shareholding Directors) and professionals of a recognised reputation not linked to the executive team or to significant shareholders (Independent Directors).
In order to achieve a reasonable balance between shareholding Directors and independent Directors, the Board shall be guided by the company's ownership structure, in a way that the ratio between both types of Directors shall try to reflect the relationship between stable capital and floating capital.

• Selection of Directors:
As per the provisions of the Regulation, Directors shall be appointed by the General Meeting of the Board of Directors at any rate in accordance with the provisions contained in the Corporations Act.
Appointment proposals of Directors submitted to consideration of the General Meeting by the Board of Directors and appointment decisions adopted by such body by virtue of the co-opting powers shall be backed by a prior proposal by the Compensation and Appointment Commission.
In the event of appointments of external Directors, the Regulation establishes that the election of candidates must befall on persons of recognised solvency, skill and experience. Rigour must be kept at all times regarding persons proposed for covering the post of independent Director.
Last, the Board of Directors may not propose or appoint for filling a vacant position of independent Director any persons having any relation to the Company's management or linked by family ties, professional or commercial reasons to the executive Directors or to the Company's top managers.

• Term of Office:
The Directors shall hold office for 3 years. They may be re-elected one or more

times for terms of an equal duration.
Notwithstanding the above, the independent Directors may not remain in office for a term exceeding consecutive 12 years except when they switch to other class of Director.

• Dismissal of Directors:
The Directors shall vacate their office upon expiry of the term for which they were elected or whenever so decided by the General Meeting or the Board of Directors in the exercise of their legal or statutory powers.
The Regulation of the Board establishes that Directors must put their positions at disposal of the Board of Directors and deliver, if this body deems it advisable, the relevant resignation in the following instances:
- Whenever they cease in the executive positions which their appointment as Directors may be linked
- Whenever they may involved in any of the incompatibility or prohibition events legally provided for
- Whenever they may be subject to trial for alleged crimes or subject to a disciplinary file due of a serious or very serious fault as instructed by the regulatory authorities.
- Whenever they may be seriously reprimanded by the Audit Commission for breach their obligations as a Director
- Whenever their remaining in office may put the company's interests at a risk or whenever the reasons that gave rise to their appointment no longer exist (for example, whenever a shareholding Director transfers its shareholding in the Company).

g) Powers of the members of the Board of Directors and, in particular, those relating to the possibility of issuing or repurchasing shares.
The power of representation of the Company is vested in the Board of Directors on a jointly basis and by majority vote. The Board has powers as broad as legally allowed to enter into contracts and in general carry out all kinds of actions and businesses, acquire obligations or make dispositions, carry out regular or extraordinary administration tasks of strict dominion over all kinds of property, either movable, real estate, cash, securities and commercial paper with no exception other than those matters being express jurisdiction of the General Meeting or not included in the Company purpose.
Notwithstanding the above, the Chief

Executive Officer has all powers of the Board of Directors except those not subject to delegation by application of the law or the Company's Articles of Incorporation (which includes those powers specifically vested in the Executive Commission).

Likewise, the President of the Board of Directors has broad administration and disposal powers given to her on a permanent basis through a power of attorney.

The General Meeting of Shareholders of the Company held on June 29, 2007 authorised the Board of Directors to carry out the derivative acquisition of own shares, either directly or through controlled companies subject to the limits and requirements imposed by the agreements adopted by such General Meeting. The duration of the authorisation is 18 months to start from the date in which said meeting was held and is expressly subject to the restriction that at no time the nominal value of own shares so acquired through this authorisation in combination with the shareholding already in possession of Prosegur Compañía de Seguridad, S.A. and in possession of any of the latter's subsidiaries may exceed 5% of the share capital of Prosegur Compañía de Seguridad, S.A. in the time of the acquisition.

h) Significant agreements entered into by the Company and coming into force, being amended or terminated in the event of change of control of the company by reason of a public acquisition offer, and in its effects, except when its disclosure may be seriously damaging for the Company, This exception shall not apply whenever the Company may be legally required to disclose such information.

As most relevant matter, there is a syndicated financing agreement establishing as a probable early termination event, by decision to be taken by the creditors, an impairment of the Company's solvency caused by a change of control of the same. The agreement is dated July 25, 2006 and corresponds to a financing transaction for an amount of 450,000 thousands of euros and a term of five years. The operation is structured in two tranches: Tranche (A), as a loan for 250 million of euros and fully drawn since the start of the agreement and Tranche (B), subscribed as a credit line for an amount of 200 million of euros.

The Company had credit policies in place with various banks up to a total limit of 84,000 thousands of euros. As per usual standard practice, most of these polices include a clause linked to a change of control of the share capital, which could lead to their early termination on the option of the relevant credit institutions.

Dated December 28, 2007a securitisation agreement was entered into entailing the sale of non-recourse invoices up to a total limit of 180,000 thousands of euros. Said agreement, which became operational in January 2008 includes as a possible early termination clause, by decision to be taken by the creditors, an impairment of the Company's solvency caused by a change of control of the same.

i) Agreements between the Company and its managers, administrators or employees providing for compensation upon resignation or wrongful dismissal, or if the labour relationship comes to an end caused by a public acquisition offer.

At present no executive Director in the company has contractually recognised the right to receive a compensation by resignation, wrongful dismissal or change of control.

The agreements between the Company and the Top Managers expressly provide for the right to receive the compensations set forth by article 56 of the Workers Statute in the event of a wrongful dismissal. As for compensations for dismissal payable to Top Managers in other countries where the Group is present, whatever provided for by the country's relevant labour legislation applies.

FINANCIAL ANNUAL REPORT RESPONSIBILITY STATEMENT

The members of the Board of Directors of Prosegur Compañía de Seguridad, S.A., declare that as far as they know, the individual and consolidated annual accounts for the financial year 2007, stated in the meeting held on 31 March 2008 and prepared according to applicable accounting standards offer a true and fair image of the assets, financial situation and results of Prosegur Compañía de Seguridad, S.A. and its consolidated group as a whole, and the individual and consolidated management reports include a true and fair analysis of the evolution, situation and business results of Prosegur Compañía de Seguridad, S.A. and its consolidated group together with a description of the main risks and uncertainties facing the company.

Madrid, March 31 2008.

Signed: Ms. Helena Irene Revoredo Delvecchio (President)

Signed: Mr. Isidro Fernández Barreiro (Vice-president)

Signed: Mr. Christian Gut Revoredo (Chief Executive Officer)

Signed: Ms. Mirta María Giesso Cazenave

Signed: Ms. Chantal Gut Revoredo

Signed: Mr. Eduardo Paraja Quirós

Signed: Mr. Pedro Guerrero Guerrero

Signed: Mr. Eugenio Ruiz-Galvez Priego

Annual Report on Corporate Governance //03

>> Issuer's Identification Details

Date of year end: 31/12/2007
TIN: A28430882
Company Name: Prosegur Compañía de Seguridad, S.A.

Sample for Annual Report on Corporate Governance for listed Public Limited Liability Companies

>> A // Ownership Structure

A.1 Company's share capital:

Last alteration date	Share capital (euros)	Number of shares	Number of voting rights
19-11-2001	37,027,478.40	61,712,464	61,712,464

Are there any other kind of shares with rights attached?

☐ YES ☒ NO

A.2 Direct or indirect owners of significant interests of its entity as of year's closure date, excluding Directors:

Name of shareholder or company	Number of direct voting rights	Number of indirect voting rights (*)	% on the total of voting rights
Gubel, S.L.	30,902,693	21,340	50.110
As Inversiones, S.A.	3,281,781	0	5.318
Corporación Financiera Alba, S.A.	0	6,175,000	10.006

(*) Through:

Person or company that is a direct holder of the interest	Number of direct voting rights	% on the total of voting rights
Prorevosa, S.A.	21,340	0.035
Alba Participaciones, S.A.	6,175,000	10.006

Most relevant movements occurred in the company's shareholding structure in the year:

Name of shareholder or company	Transaction date	Description of transaction
Corporación Financiera Alba, S.A.	25/9/2007	10% of share capital exceeded

A.3 Members of the Company's Board of Directors having voting rights of the company's shares:

Name or company acting as a Director	Number of direct voting rights	Number of indirect voting rights (*)	% on the total voting rights
Ms. Helena Irene Revoredo Delvecchio		30,924,033	50.110
Ms. Mirta María Giesso Cazenave	189.832	3,281,781	5.625
Mr. Pedro Guerrero Guerrero	100	32,000	0.052

(*) Through:

Person or company being a direct holder of the interest	Number of direct voting rights	% on the total voting rights
Gubel, S.L.	30,902,693	50.075
Prorevosa, S.A.	21,340	0.035
As Inversiones, S.A.	3,281,781	5.318
Valores del Darrio, SICAV, S.A.	32,000	0.052

% of total voting rights held by the board of Directors	**55.787**

The members of the Board of Directors of the Company who have rights on the company's shares:

Person / company acting as a director	Number of direct option rights	Number of indirect option rights	Number of equivalent shares	% on the total voting rights
N/A	N/A	N/A	N/A	N/A

A.4 Information on relations of a family, commercial, contractual or company-related nature existing among the owners of significant interests, in the extent that such relations are well known by the company, unless hardly relevant or arising from ordinary business activities:

Related person or company	Relation type	Brief description
N/A	N/A	N/A

A.5 Information on relations of a commercial, contractual or company-related nature, existing among the owners of significant interests and the company and its group, unless hardly relevant or arising from ordinary business activities:

Related person or company	Relation Type	Brief Description
Gubel, S.L.	Commercial	Leasing by Proactinmo, S.L. (a subsidiary of Gubel, S.L.) to Prosegur of an office building for an initial term of five (5) years up to 2010. Yearly rent for FY 2007 was of 1,015 thousands of euros.
Corporación Financiera Alba, S.A.	Commercial	Banca March, S.A. is one of the lending financial institutions acting under the syndicated loan granted to the Company. Banca March. S.A.'s interest in said loan is 3,958 thousands of euros.

A.6 Has the company been informed about the external covenants affecting it as set forth by art. 112, LMV?

☐ YES ☒ NO

Parties to the external covenant	% of share capital involved	Brief description of covenant
NA	NA	NA

Is the company aware of the existence of arrangements between its shareholders?

☐ YES ☒ NO

Parties to the arrangements	% of share capital involved	Brief description of the arrangement
NA	NA	NA

A.7 Is there any natural person or a legal entity that may exercise or actually exercising a control over the company as set forth by article 4 of the Securities Markets Act?

☒ YES ☐ NO

Person or company name
Ms Helena Irene Revoredo Delvecchio

Remarks
Through the company Gubel, S.L

A.8 Company's Treasury Stock:

At year's close date:

Number of direct shares	Number of indirect shares (*)	% of total on share capital
431,557	0	0.699

(*) Through:

Person or company name of direct holder of interest	Number of direct shares
N/A	N/A
N/A	N/A

Significant changes in accordance with the provisions set forth by Royal Decree 1362/2007, occurred during the year:

Date of notification	Total of direct shares purchased	Total of indirect shares purchased	% of total on share capital
N/A	N/A	N/A	N/A

Gain (Loss) from treasury stock transferred during the period	N/A

A.9. Conditions and term of current positions held by the Executive Committee of the Board of Directors in order to carry out acquisitions or transfers of treasury stock.

The General Meeting of Shareholders of Prosegur Compañía de Seguridad, S.A., in its meeting dated 28 June 2007, agreed to renew the authorization granted by the General Meeting itself –on June 29, 2006-, for the derivative acquisition of treasury stock, either directly or through Group companies, under the terms that are literally quoted here below:

1.- Authorize, in accordance with the provisions of article 75 and succeeding and additional provision one, paragraph 2 of the current Corporations Act (Ley de Sociedades Anónimas), the derivative acquisition at any time and regardless of the number of time such option is exercised by Prosegur Compañía de Seguridad, S.A. -either directly or through any subsidiaries of which the former shall be the parent company-of treasury stock, fully paid up, through a sale-purchase or any other onerous legal transaction.

Minimum price or consideration for the purchase shall be the equivalent to the nominal value of treasury stock so acquired, and the maximum price or consideration for the purchase shall be the equivalent to the listed price of the treasury stock purchased in an official secondary market at the time of the purchase plus a 10% increase.

Said authorization is granted for a term of 18 months to start from the date of holding this very meeting and it is expressly subject to the restriction that at no time the nominal value of treasury stock acquired by virtue of this authorization plus the stock already in possession of Prosegur Compañía de Seguridad, S.A. and any of its subsidiaries shall exceed 5% of the latter's share capital at purchase time. Express mention is made of the fact that this authorization may be used partly or in full for the acquisition of treasury stock to be delivered or transferred to company or Group managers or employees, either directly or as a consequence of the exercise by any of them of any option rights, all the above within the framework of compensation schemes linked to the listed value of stock of Prosegur Compañía de Seguridad, S.A.

2.- Empower the Board of Directors under terms as broad as legally possible, to exercise the authorization hereby granted and for carrying out all other provisions herein contained. Said powers may be delegated by the Board of Directors in favour of the Executive Committee, the Chairman of the Board of Directors, The Chief Executive Officer or in favour of any other person who may be empowered by the Board of Directors to that purpose.

3.- Declare null and void, for the relevant unused part, the authorization granted under Item VI of the Agenda of the meeting held by the Ordinary General Shareholders Meeting on June 29, 2006.

A.10 Legal and statutory restrictions to the exercise of voting rights as well as legal restrictions imposed on acquisition or transfer of interests in the share capital.

¿Are there any legal restrictions to the exercise of voting rights?

☐ **YES** ☒ **NO**

Maximum percentage of voting rights a shareholder may exercise under legal restrictions	---

¿Are there any statutory restrictions to the exercise of voting rights?

☐ **YES** ☒ **NO**

Maximum percentage of voting rights a shareholder may exercise under statutory restrictions	--

Are there any legal restrictions to the acquisition or transfer of interests in the share capital?

☐ YES ☒ NO

A.11 Has the General Meeting agreed to adopt neutralization measures against a public purchase offer by virtue of the provisions of Act 6/2007?

☐ YES ☒ NO

>> B // Managerial structure of the Company

B.1 Board of Directors

B.1.1 Maximum and minimum number of directors under the bylaws:

Maximum number of directors	15
Minimum number of directors	5

B.1.2 Chart of Board Members:

Name of person or company as Director	Representative	Board Position	Date of first appointment	Date of Last appointment	Election procedure
Ms. Helena Irene Revoredo Delvecchio		President	30-06-1997	28-06-2007	Shareholder's General Meeting
Mr. Isidro Fernández Barreiro		Vice-president	19-06-2002	28-06-2007	Shareholder's General Meeting
Mr. Eduardo Paraja Quirós		Chief Exec. Office	26-04-2004	26-04-2004	Shareholder's General Meeting
Ms. Mirta María Giesso Cazenave		Director	09-05-2000	28-06-2007	Shareholder's General Meeting
Mr. Pedro Guerrero Guerrero	-	Director	29-03-2005	27-06-2005	Shareholder's General Meeting
Mr. Christian Gut Revoredo	-	Director	30-06-1997	28-06-2007	Shareholder's General Meeting
Ms. Chantal Gut Revoredo		Director	30-06-1997	28-06-2007	Shareholder's General Meeting
Mr. Eugenio Ruiz-Gálvez Priego	-	Director	27-06-2005	27-06-2005	Shareholder's General Meeting

Total number of directors	8

Resignations occurred in the Board of Directors during the period:

Person or name of company	Situation of director at the time of resignation	Resignation date
IBERCAJA	Independent director	28-06-2007
Mr. Ángel Vizcaíno Ocáriz	Independent director	01-01-2007

B.1.3 Charts on board members and their varying conditions:

Executive directors

Name of person or company	Commission proposing the appointment	Position in the company
Ms. Helena Irene Revoredo Delvecchio	Appointments and Compensations Commission	Executive President
Mr. Eduardo Paraja Quirós	Appointments and Compensations Commission	CEO
Mr. Christian Gut Revoredo	Appointments and Compensations Commission	Director

Total number of executive directors	3
% of the Board	37.5

External Dominical Directors

Name of person or company	Commission proposing the appointment	Name of person or company on which behalf acts or who has proposed the appointment
Ms. Mirta María Giesso Cazenave	Appointments and Compensations Commission	As Inversiones, S.A.
Ms. Chantal Gut Revoredo	Appointments and Compensations Commission	Gubel, S.L.
Mr. Isidro Fernández Barreiro	Appointments and Compensations Commission	Corporación Financiera Alba, S.A.

Total number of dominical directors	3
% of Board Total	37.5

Independent external directors

Name of person or company	Background
Mr. Pedro Guerrero Guerrero	• Bachelor in Law by Universidad Complutense de Madrid • State Attorney, Stock Exchange Operator and Notary of Madrid (on Leave) • Former President of the Madrid Stock Exchange Trust and of the Association of Stock Exchanges • Was a founding partner and Vice-president of AB Asesores Bursátiles and President of AB Gestión and AB Asesores Gestión • Current President of Bankinter, and director of the bank since 2000. Additionally is a member of both the Executive Committee and the Appointments and Compensations Commission. Also President of the Auditing Commission.
Mr. Eugenio Ruiz-Gálvez Priego	• Civil works engineer by ETS Madrid. • Master in Business Administration (MBA). Standford University. • Former Chief Executive Officer and Vice-president of Grupo Uralita. • Current Chief Executive Officer of Azucarera Ebro. • Current Director of Ebro Puleva and Puleva Biotech.

Total number of independent directors	2
% of Board Total	25

Other external directors

Name of person or company	Commission proposing the appointment
N/A	N/A

Total number of other external directors	**0**
% Board Total	**0**

B.1.4 Reasons why dominical directors have been appointed upon request of shareholders whose holdings in the company are lower than 5% of capital:

Name of person or company that is a shareholder	Reason
N/A	N/A

Have formal requests been considered for Board presence from shareholders whose holdings are equal or greater to others whose requests have been accepted?

☐ **YES** ☒ **NO**

B.1.5 Has any director resigned from his/her post before its due expiration? Has he/she explained his/her reasons? Through what means?

Name of Director	Reason of resignation
IBERCAJA, represented by Mr. José Luis Martínez Candial	Resignation took place due to the expiry of his office
Mr. Ángel Vizcaíno Ocáriz	Resignation was submitted for personal reasons to the President of the Board

B.1.6 Powers vested in the Chief Executive Officer(s):

• ***Ms. Helena Irene Revoredo Delvecchio – Executive President:***
The Chairwoman of the Company, in her capacity of Executive President has broad powers for management and disposition on a permanent basis.

• ***Mr. Eduardo Paraja Quirós – Chief Executive Officer:***
The Company's CEO has all powers that are vested in the Board of Directors, except for those powers that are indelegable by operation of the law or the Company's Bylaws, or by the internal regulations of the Board of Directors.

• ***Mr. Christian Gut Revoredo:***
Broad powers for management and disposal vested on a permanent basis through a power of attorney.

B.1.7 Members of the Board that hold office as administrators or directors in other companies included in the listed company's group:

Name of person or company as director	Name of group company	Office
Mr. Christian Gut Revoredo	Nordés-Prosegur Tecnología, S.L.	Joint administrator
	ESC Servicios Generales, S.L.	Joint administrator
	Prosegur Transporte de Valores, S.A.	Joint administrator
	Formación, Selección y Consultoría, S.A.	Joint administrator
	Prosegur Activa España, S.L.	Joint administrator
	Prosegur Activa Holding, S.L.	Joint administrator
	Prosegur Multiservicios, S.A.	Joint administrator
	Servimax Servicios Generales, S.A.	Joint administrator
	C.A. Valdecantos, S.A.	Joint administrator

B.1.8 Company directors who are members of the Board of Directors of other businesses listed in official stock markets in Spain other that the Group's as notified to the company:

Name of person or company	Name of listed company	Office
Mr. Isidro Fernández Barreiro	• Corporación Financiera Alba, S.A. • ACS Actividades de Construcción y Servicios, S.A.	Second Vice-President Director
Mr. Pedro Guerrero Guerrero	Bankinter, S.A.	President
Mr. Eugenio Ruiz-Gálvez Priego	• Ebro Puleva, S.A. • Puleva Biotech, S.A.	Director Director
Mr. Eduardo Paraja Quirós	Service Point Solutions, S.A.	Director

B.1.9 Has the company rules in place about the number of boards in which the directors can take part?

☐ **YES** ☒ **NO**

B.1.10 Regarding recommendation number 8 of the Unified Code, please advise company's general policies and strategies reserved for approval by the Board's plenary:

	YES	NO
Financing and investments policies	X	
The definition of the structure of the company's group	X	
Corporate governance policy	X	
Corporate social responsibility policy	X	
Strategic or business plan, as well as managerial and budgeting goals for the financial year	X	
Compensation policy and assessment of performance by top managers	X	
Control and risk management policy as well as the regular monitoring of the internal information and control systems	X	
Dividend policy as well as treasury stock, especially its limits	X	

B.1.11 Aggregate compensation received by the director during the year:

a) In the company covered by this report:

Compensation Item	Data in thousands of euros
Fixed compensation	1,253
Variable compensation	5,283
Allowances	682
Statutory compensation	0
Stock options and/or other financial instruments	0
Other	0
TOTAL	**7,218**

Other benefits	Data in thousands of euros
Advance payments	0
Loans granted	0
Pension funds and schemes: Contributions	0
Pension funds and schemes: Obligations	0
Life insurance premiums	19
Guarantees established by the company In favour of the directors	0

b) Due to company directors taking part in other Boards of Directors and/or to the top management of other group companies:

Compensation Item	Data in thousands of euros
Fixed compensation	0
Variable compensation	0
Allowances	0
Statutory compensation	0
Stock options and/or other financial instruments	0
Other	0
TOTAL	**0**

Other benefits	Data in thousands of euros
Advance payments	0
Loans granted	0
Pension funds and schemes: Contributions	0
Pension funds and schemes: Obligations	0
Life insurance premiums	0
Guarantees established by the company In favour of the directors	0

c) Total compensation per type of director:

Director types	Per company	Per group
Executive	6,725	0
External dominical	243	0
External independent	190	0
Other external	-	0
TOTAL	**7,218**	**0**

d) Regarding profit attributable to parent company:

Total compensation for directors (in thousands of euros)	7,218
Total compensation for directors/ profit attributable to parent company (expressed in %)	7.4

B.1.12 Members of top management that are not simultaneously executive directors. Total remuneration accrued in their favour during the year:

Name of person or company	Ofiice
Mr. Rodrigo Zulueta Galilea	President of Prosegur Latin America
Mr. José Manuel García Hermoso	Head of Prosegur Italy
Mr. José Julio Arrieta Gisbert	Head of Prosegur Alarmas
Mr. José Antonio Lasanta Luri	Head of Nordés Prosegur Technology
Mr. Daniel Lozano Lozano	Chief Financial Officer
Mr. Jaime Plá Velarde	Head of Global Customers
Mr. Juan José Calvo Sáez	Head of Risk Management
Mr. Ángel Javier Mirallas Sarabia	Head of Institutional Relations
Mr. José Ignacio Echegaray del Campo	Head of Corporate Human Resources
Mr. Santiago García Arenal López Doria	Head of Prosegur Latin America
Mr. Jorge Leitao	Head of Prosegur Portugal

Total remuneration for top managers (in thousands of euros)	**3.321**

B.1.13 Guarantee or safeguard clauses for events of dismissal or changes in control in favour of top management members, including executive directors, of the company or its group. Information on all these contracts must be notified and/or approved by the company's or the group's governance bodies:

Number of beneficiaries		**0**
	Board of Directors	**General Meeting**
Body authorizing such clauses	x	

	YES	**NO**
Is the General Meeting informed about the clauses?		x

B.1.14 Procedure for establishing the remuneration of the members of the Board of Directors and relevant statutory clauses in that regard:

According to the provisions of article 22 of the Company's Bylaws, the position of Chief Executive Officer is subject to remuneration. The compensation paid to Directors shall comprise an annual fixed remuneration and allowances for attending to each meeting of the company's management body and relevant committees. The compensation paid by the company to its directors may not exceed the limit established for that purpose by the General Meeting of shareholders, which shall remain in effect until said body agrees to modify it. The determination of the exact amount to be paid within that limit and its distribution among the various directors is vested in the Board of Directors upon proposal made by the Compensation and Appointments Commission. On the other hand article 28 of the Board of Directors Regulations of the

Company provides that the Director shall be entitled to obtain the compensation established by the Board of Directors in accordance with the statutory rules and with the guidelines set by the Compensations and Appointments commission. At any rate, in accordance with paragraph 2 of said article, the Board must ensure that the Director's compensation be commensurate with market demands and, if deemed advisable, to link part of such remuneration to the Company's performance.
On the other hand, in accordance with the provisions set forth in article 5.3 of the Company's Board Regulations, it is a direct power to be mandatorily exercised by the Board, the approval of a remuneration scheme for Directors and its annual ceiling in aggregate, and at any rate within the limits set forth in the Company's Bylaws. To this purpose the amount to be received by the Directors shall be set for such, notwithstanding salaries and other income in kind received by Executive Directors, which must be submitted to consideration by the Board on a one-by-one basis.
Last, by virtue of paragraph 2.d) of article 17 of the Board Regulations, it is the Compensations and Appointments Commission the body to propose the Board of Directors the scheme and yearly amount of compensations to be paid to Directors. This body is also in charge (paragraph 2.e) of said article 17) to regularly review the compensation schemes, their suitability and performance.

Has the Board plenary reserved the implementation of the following decisions?

	YES	NO
Upon proposal by the first company executive, the appointment and possible resignation of top managers, as well as their indemnification clauses.	x	
Director's compensations, as well as, for Executive Directors any additional remuneration in return for their executive duties and all other conditions that their contracts must adhere to.	x	

B.1.15 Does the Board of Directors approve a detailed remuneration policy? Issues on which it gives an opinion.

X **YES** ☐ **NO**

	YES	NO
Amount of fixed compensations, with breakdown, if applicable, of allowances given for attendance to Board meetings and Commissions and an estimate of the fixed annual remuneration they give rise to.	x	
Variable items	x	
Main features of the prevision systems with an estimate of their amount or equivalent annual cost	x	
Conditions to be observed by contracts of whoever carries out top management duties, such as the Executive Directors.	x	

B.1.16 Does the Board submit for vote by the General Meeting of Shareholders, as a separate matter in the agenda of a consultative nature, a report on remuneration policy for directors? Information on aspects of the report in connection with the remuneration policy approved by the Board for future years, most significant changes of such policies in relation to the policy applied during the year. Global summary of application of remuneration policy for the year. Details on the role played by the Compensations and Appointments Commission:

☐ **YES** X **NO**

Role played by the Compensations Commision
- Inform the Board of Directors on remuneration policies, proposing to the Board of Directors the system and amount of annual compensations for the Directors. - Review of compensation schemes, proposing changes and their performance. - See to the transparency of the Directors' compensations.

The Compensations Commission	YES	NO
Has resorted to external counsel?		x
Identity of external advisors	-	-

B.1.17 Identity of Board members that are simultaneously members of the Board of Directors, top managers or employees in companies having significant holdings in the listed company and/or group companies:

Name of person or company	Company name of significant shareholder	Position
Ms. Helena Irene Revoredo Delvecchio	Gubel, S.L.	President and CEO
Mr. Christian Gut Revoredo	Gubel, S.L.	Director
Ms. Chantal Gut Revoredo	Gubel, S.L.	Secretary and Director
Mr. Isidro Fernández Barreiro	Corporación Financiera Alba, S.A.	Second Vice-President
Ms. Mirta María Giesso Cazanave	As Inversiones, S.A.	President and CEO

Relevant relations other than those contemplated in the previous heading, of the members of the Board of Directors that link them to significant shareholders and/or with other companies of the group:

Name of Person or Company of the linked directors	Company name of the linked significant shareholder	Relation description
Ms. Helena Irene Revoredo Delvecchio	Gubel, S.L.	Partner having control individually
Mr. Christian Gut Revoredo	Gubel, S.L.	Partner with a non-controlling minority interest
Ms. Chantal Gut Revoredo	Gubel, S.L.	Partner with a non-controlling minority interest
Ms. Mirta María Giesso Cazanave	As Inversiones, S.A.	Partner having control individually

B.1.18 Have there been any changes to the Board Regulations during the current financial year?

X **YES** ☐ **NO**

Description of changes:

The company's Board of Directors, after publication of the new Unified Code for Good Governance by the National Stock Exchange Commission, agreed in its meeting held on 7 May 2007 to amend certain articles of its Regulations with effect as of 28 June 2007, the date set for the General Meeting of Shareholders of the Company. The new wording for said Regulations was duly notified to the National Stock Exchange Commission.

The main reasons justifying said modifications of the Board of Directors Regulations were:

(I) Include those recommendations set forth in the Unified Code for Good Governance that were deemed appropriate.

(II) Technically improve their drafting, systematization, thus completing and clarifying regulations on certain issues.

(III) Adapt the Regulations to some of the modifications proposed in the Company's Bylaws and in the General Meeting of Shareholders Regulations that were approved by the Ordinary General Meeting of Shareholders on 28 June 2007.

Below there are details on the contents of the main modifications approved for the Board of Directors Regulations of the Company as well as the grounds and justification for each one of them.

• Modifications relating powers vested in the Board of Directors.

The Board of Directors reserves certain powers that are on an indelegable nature with an individual itemization regarding:

I) Policies: strategic planning; Corporate Governance and Social Responsibility; Dividends and Treasury Stock; Risks; and Remuneration to Directors and Top Managers.

II) Decisions: Evaluation by the Board, its Commissions and its President; Appointment of Top Managers and basic conditions of their contracts. Remuneration of Directors and Top Managers; Strategic Investments and Public Financial Information.

• Modifications regarding the qualitative composition of the Board of Directors.

It is expressly included the obligation of ensuring that external directors be a majority over executive directors, thus reducing the number of the latter to a minimum necessary based on the complexity of the Company. It also includes the definition of the various categories of Directors based, to a greater extent on the provisions of the Unified Code for Good Governance.

• Modifications regarding remuneration for Directors and Top Managers.

It is provided the approval of an annual report on remuneration policy for Directors, exposition of criteria and grounds of such policy, as well as the Board shall establish remunerations of Directors and Top Executives.

• Modifications regarding the appointment of Directors.

It is agreed that the Directors shall be appointed upon proposal by the Appointments and Compensations Commission, with a prior report by such body. The Company shall carry out the necessary actions in support new Directors in order to enable them gain a quick, sufficient knowledge of the Company as well as its corporate governance rules.

Furthermore, it is established that the Board of Directors shall not propose the resignation of any Director who may be an independent agent unless in the event of he/she does not fulfil his/her duties and the Appointments and Compensations Commission issue a report in that regard.

• Modifications regarding term of office.

It is established that independent directors may not hold office for a term exceeding twelve (12) consecutive years, unless they were to become executive dominical directors or other type of external directors.

• Modifications regarding the Executive Commission.

The maximum number of Directors forming the Executive Commission is raised to seven (7).

• Modifications regarding the Audit Commission.

It is expressly included a higher level of breakdown for the roles assigned to this Commission in regard to auditors, internal control systems, and financial reporting. Similarly, it is expressly included in the Regulations a denouncement channel.

It shall be encouraged that all members of the Commission be External Directors. The President shall be in any case an Independent Director.

• Modifications regarding the Appointments and Compensations Commission.

Endeavour shall be placed in all Directors being External Directors. The President shall be in any case an Independent Director. In addition there is an improvement in the drafting and systematization of roles played by this Commission, being its regulation more accurate and clear in some aspects. Likewise this Commission is responsible of informing the Board of Directors about issues regarding gender diversity if deemed necessary in view of the composition of the Board of Directors.

B.1.19 Procedures for appointment, re-election, assessment and removal of directors, competent bodies, procedures to follow and criteria to be used in each procedure.

Appointment

The Company's Bylaws provide that the Board of Directors shall comprise a minimum of five and a maximum of fifteen directors, in compliance with Recommendation 9 of the Unified Code for Good Governance, to be appointed by the General Meeting. On a provisional basis the Board of Director, in accordance with the provisions of the Corporations Act (Ley de Sociedades Anónimas) and the Company's Bylaws may fill any existing vacancies by the co-opting method.

In this regard it is neccessary to point out that the appointment of Directors in the Company is submitted, as a general rule, to the decision of the General Meeting of Shareholders. Only in certain instances in which it will be indispensable due to vacancies existing since the holding of the last General meeting of shareholders, it is resorted as provided by the Corporations Act to a co-opting appointment, being such a decision ratified by the next General Meeting to be held.

In all other matters, on the other hand, and especially as for proposals of appointment of Directors, they must comply with the provisions set forth in the Board of Directors Regulations of the Company and be subject to a prior report issued by the Appointments and Compensations Commission.

In this regard, and in accordance with the powers attributed to the Appointments and Compensations Commission, this body must inform, with objectivity criteria and suitability to company interests about the proposals for appointment, re-election and removal of company Directors, assessing the duties, skills and experience of candidates opting to the post of Director.

On the other hand, and in accordance with the provisions set forth in the Regulations, the Board of Directors, in exercising its powers of proposal to the General Meeting and co-opting for filling vacancies shall endeavour in the body's composition to have a majority of external directors as compared to executive directors and to reduce the number of the latter to the minimum necessary based on the Company's complexity. In any event proposals for re-election of Directors that the Board of Directors may decide to submit to consideration of the General Meeting must be subject to a formal elaboration process which will necessarily comprise a report to be issued by the Appointments and Compensations Commission in which the quality of work and dedication of the proposed directors of the previous mandate shall be evaluated.

Last, the Board of Directors and the Appointments and Compensations Commission, within their respective powers shall endeavour to direct the election of candidates among persons of recognised reputation, skill and experience. Rigour shall be extreme regarding persons called to fill vacancies as an independent director as provided for in article 8 of the Board Regulations.

Re-election

Directors are appointed for a three-year term and can be re-elected for one or more periods of an equal duration.

Notwithstanding the above, independent directors may not remain in office for a period exceeding twelve consecutive years, except if they become dominical, executive or other type of external director.

In a similar fashion to appointment proposals, proposals for re-election of Directors that the Board of Directors may wish to submit to consideration by the General Meeting, must be .subject to a formal elaboration process which will necessarily comprise a report to be issued by the Appointments and Compensations Commission in which the quality of work and dedication of the proposed directors of the previous mandate shall be evaluated.

Assessment

In conformance with the provisions of the Board of Managers Regulations, the President shall organize and coordinate with the Presidents of the Appointments and Compensations Commission and of the Auditing Commission the regular assessment of the Board, as well as, if applicable, such of the first executive.

Resignation or removal

Directors shall cease in the posts upon expiry of the term they were appointed for or whenever so decided by the General Meeting or the Board of Directors in use of their legal or statutory powers.

Notwithstanding the above, the Board of Directors shall not propose the resignation of any independent director, unless in the event that he/she may not have fulfilled his/her duties and the Appointments and Compensations Commission issues a report in that regard.

B.1.20 Mandatory resignation events for Directors.

In accordance with article 24.2 of the Board of Directors Regulations, Directors must surrender their position at the Board's disposal in the following events:

a) When they cease in an executive position to which their appointment as a Director may be linked.

b) When they become subject to any of the incompatibility or prohibition events provided by the law.

c) When they are tried for an allegedly criminal act or are subject to a disciplinary action arising from serious or very serious faults as instructed by the supervisory authorities.

d) When they are severely reprimanded by the Auditing Commission for violation of their obligations as Directors.

e) When they remaining in office may put at a risk the Company's interests or whenever the reasons that gave rise to their appointment no longer exist (for example, when a dominical director gets rid of his shareholding in the Company).

B.1.21 The role of first executive of the company is vested in the position of President of the Board?

☐ YES ☒ NO

Have rules put in place empowering one of the independent directors to request the convening of a Board Meeting or the inclusion of new items in the agenda, in order to coordinate and collect the concerns of external directors and in order to chair the assessment of external directors by the Board of Directors?

☒ YES ☐ NO

Explicación de las reglas
In conformity with the provisions of article 10.3 of the Board Regulations, the Board of Directors may empower an independent director to carryout the following actions: (i) request from the President of the Board the convening of a Board Meeting; (ii) request from the President of the Board the inclusion of new items in the agenda; (iii) coordinate and convey to the President of the Board the concerns of external directors; and (iv) chair the assessment by the Board on the performance of its President. Notwithstanding the above, the Board of Directors has not expressly empowered an independent director to exercise said duties.

B.1.22 Are qualified majorities other than those legally required necessary for certain types of decision?:

☐ **YES** ☒ **NO**

Procedure for adoption of agreements by the Board of Directors.

	Adoption of agreements			
Description of agreement	**Quorum**	**% Quorum**	**Majority type**	**% Majority**
All agreements.	Personal attendance or proxy holding by a half plus one of all Directors	51	In any event, agreements shall be adopted by absolute majority of Directors attending the meeting, either in person or through proxy, except in those cases where the law may require a favourable vote by a greater number of directors for the validity of certain agreements adopted by the Board	51

B.1.23 Are there any specific requirements other than those for Directors in order to be elected president?

☐ **YES** ☒ **NO**

B.1.24 Does the president have a casting vote?

X YES ☐ NO

Subjects in which there is a casting vote
In accordance with the provisions of article 23 of the Company's Bylaws, the President of the Board of Directors shall decide in the event of a tie in the adoption of agreements by said body.

B.1.25 Do the Company's Bylaws or the Board Regulations set a limit for the Director's age?

☐ YES X NO

B.1.26 Do the Company's Bylaws or the Board Regulations set a limited term for independent directors?

X YES ☐ NO

Maximum number of years in office	12

B.1.27 In the event of small or no number of female directors, the reasons and initiatives adopted in order to correct such a situation are:

Explanation of grounds for the initiatives
Not applicable.

Has the Appointments and Compensations Commission set procedures in order to deprive personnel selection processes of implicit biases that may hamper the appointment of female directors, in which female candidates meeting the required profile are really sought?

☐ YES ☒ NO

B.1.28 Description of formal processes for delegation of votes in the Board of Directors.

Article 23 of the Company's bylaws provides that the Directors may be represented by others in the Board Meetings by delegation in writing. Said delegation, if possible shall contain voting instructions.

On the other hand, in accordance with the provisions of article 18 of the Board Regulations, the Directors shall do their best to attend to the Board Meetings. In the event they are not able to attend in person they will try to give representation powers to another director who, if possible, shall belong to the same group. Adequate voting instructions shall be provided if possible.

B.1.29 Number of meetings held by the Board of Directors during the financial year. Times the Board has met without the attendance of its President:

Number of Board Meetings	5
Number of Board Meetings without attendance of its President	0

Number of meetings held during the financial year by the various commissions within the Board:

Number of meetings by the Executive Commission	11
Number of meetings by the Auditing Committee	7
Number of meetings by the Appointments and Compensations Commission	4
Number of meetings by the Appointments Commission	0
Number of meetings by the Compensations Commission	0

B.1.30 Number of meetings held by the Board of Directors during the financial year without the attendance of all its members. In this calculation proxy giving without specific instructions shall be considered as non-attendance:

Number of non-attendances by directors during the financial year	4
% of non-attendances over the total votes for the year	9.5

B.1.31 Have the individual and consolidated annual accounts submitted for approval by the Board previously certified?

☒ **YES** ☐ **NO**

Person(s) certifying the individual and consolidated annual accounts of the company, in order to be approved by the Board:

Name	Office
Mr. Daniel Lozano Lozano	Chief Economic & Financial Officer

B.1.32 Mechanisms established by the Board of Directors in order to prevent the individual and consolidated annual accounts from being submitted to the General Meeting of Shareholders with reservations in the audit report.

There is a strict control in place by the company's Financial Management in order to have the individual and consolidated annual accounts in compliance with the Spanish generally accepted accounting principles and with the IFRS, being all Group companies audited by a single firm PricewaterhouseCoopers. In a similar fashion, the Auditing Commission is among other roles, in charge of the relationships with external auditors. As an integral part of such duty, it must oversee that the opinion issued in the audit report on the annual accounts will not contain reservations, keeping the necessary conversations with said external auditors in the very moment of stating the accounts.

Last, article 44 of the Board Regulations provides that the Board shall endeavour to finally state the accounts in such a way that no reservations will exist by the Auditor. However, should the Board find it advisable to hold on to its criteria, it shall publicly explain the content and scope of the relevant discrepancy.

B.1.33 Is the Company Secretary a member of the Board?

☐ YES ☒ NO

B.1.34 Appointment and removal processes for the Secretary of the Board, with an indication whether his/her appointment or removal have been notified by the Appointments and approved by the Board plenary.

Procedure for appointment and removal
In accordance with the provisions of article 21 of the Company's Bylaws, the Board of Directors shall appoint a Secretary who may or may not be a Director. Additionally, article 12.4 of the Board Regulations provides that the appointment and removal of the Secretary must be notified by the Appointments and Compensations Commission and approved by the plenary of the Board of Directors.

	Yes	No
Does the Appointments Commission inform about the appointment?	X	
Does the Appointments Commission inform about the removal?	X	
Does the Board plenary approve the appointment?	X	
Does the Board plenary approve the removal?	X	

Is the Secretary of the Board entrusted with the mission of enforcing, in a special way the good governance recommendations?

☒ **YES** ☐ **NO**

Remarks
In accordance with the provisions of article 12.3 of the Board Regulations, the Secretary shall enforce at all times the formal and material legality of the actions undertaken by the Board as well as to keep its governing rules and procedures respected and regularly reviewed. Additionally, the Secretary shall endeavour to have the Board's actions be compliant with the Company's Bylaws, the rules set forth by the General Meeting and the Board and with good corporate governance recommendations.

B.1.35 Mechanisms set in place by the Company in order to keep the independence of auditors, financial analysts, investment banks and rating agencies.

The Auditing Commission oversees the maintenance of the independence shown by external auditors, by requesting, whenever deemed necessary their presence during the meetings.

In this regard, article 44 of the Board Regulations provides that the Board of Directors shall refrain from engaging those auditing firms which fees exceed five percent of its total income for the most recent financial year and global fees so paid to the auditing firm for services other than audits shall be publicly disclosed.

Regarding financial analysts and investment banks, there is currently no procedure in place in order to guarantee their independence, although the company has always proceeded in a transparent manner with them, being the company's criteria based on the principles of professionalism, solvency and independence of action.

Regarding rating agencies, no procedures apply to them as there are no relations with this kind of firms.

B.1.36 Has the company changed external auditors during the year?

☐ YES ☒ NO

B.1.37 Does the auditing firm carry out other jobs for the company and/or its group apart from auditing? Information on the amount of fees received in return for said jobs and percentage of said amount on fees invoiced to the company and/or its group globally:

☒ YES ☐ NO

	Company	Group	Total
Amount of jobs other than auditing (thousands of euros).	-	78	78
Amount of jobs other than auditing / Total amount invoiced by the auditing firm (in %).	-	5.95%	5.95%

B.1.38 Does the audit report on last year's Annual Accounts contain reservations or discrepancies?

☐ YES ☒ NO

B.1.39 Number of years that the current auditing firm has been uninterruptedly carrying out the audit of the company's and/or its group's annual accounts. The percentage below represents the number of years audited over the total number of years in which the annual accounts have been audited:

	Company	Group
Number of uninterrupted years	19	19

	Company	Group
Number of years audited by current auditing firm / Total number of year in which the company has been audited (in %)	100	100

B.1.40 Holdings of the members of the Board of Directors of the Company in the share capital of companies with the same, analogous or complementary purpose as the company's purpose or the group's purpose, which have been reported to the company. Information on positions or roles they occupy in these companies:

Name of person or company as a director	Name of relevant company involved	% shareholding	Role or position
N/A	N/A	N/A	N/A

B.1.41 Is there a procedure in place in order to enable the directors rely on external advice?

X YES ☐ NO

Details of procedure
The procedure is detailed in article 27 of the Board Regulations. External directors may request the engagement of advisors on the company's account. These may be legal counsel, accountants, financial people and others. The engagement must be necessarily related to specific problems of some import and complexity that may arise in the relevant position. The decision to hire experts must be notified to the President and may be vetoed by the Board provided that: a) It is not necessary for the fair and reliable performance of the tasks assigned to the external director; b) The cost involved is not reasonable in view of the importance of the problem and the related company's assets or income; or c) The technical assistance being requested may be adequately provided by experts and technicians within the company

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B.1.42 Is there a procedure in place in order to enable the directors get the necessary information for preparing meetings of the company's management bodies with enough time?

☒ YES ☐ NO

Details of procedure
In accordance with article 18.2 of the Board Regulations, the call for meetings of the Board, unless special circumstances justifying so in the President's opinion are found, must be carried out with a minimum notice of three days and shall always include the agenda of issues to deal with along with all relevant information duly summarized and prepared. Additionally, article 12 of the Board Regulations expressly provides that the Secretary must give the Directors the necessary advice and information for the good working order of the Board of Directors. Finally, as per the provisions of article 26 of the Board Regulations, the Directors are given powers as legally broad as possible to get information about any aspect of the company, examine its books, records and any other background on the company operations and for inspecting its facilities, being this right to information extended to any subsidiaries, either Spanish or foreign.

B.1.43 Does the company have rules in place that force the Directors to inform, and if applicable, resign in those events that may entail a prejudice to the company's credit or reputation?

☒ YES ☐ NO

Explanation of Rules
In accordance with the provisions of article 24.2 of the Board Regulations, the Directors must submit their office to the disposal of the Board of Directors and formalize, if this body finds it advisable, their resignation when their remaining in the Board may harm the company's interests.

B.1.44 Has any member of the Board reported to the company that he/she is subject to trial or has been brought against him/her proceedings for a court hearing due to any of the crimes provided for by article 124 of the Corporations Act (Ley de Sociedades Anónimas)?

☐ **YES** ☒ **NO**

B.2. Commissions in the Board of Directors

B.2.1 Detail of all commissions of the Board of directors and all of their members:

Executive Commission

Name	Position	Type
Ms. Helena Revoredo Delvecchio	President	Executive Director
Mr. Isidro Fernández Barreiro	Director	Dominical Director
Mr. Pedro Guerrero Guerrero	Director	Independent Director
Ms. Chantal Gut Revoredo	Director	Consejero Dominical
Mr. Christian Gut Revoredo	Director	Executive Director
Mr. Eduardo Paraja Quirós	Director	Executive Director
Mr. Eugenio Ruiz-Gálvez Priego	Director	Independent Director

Auditing Commission

Name	Position	Type
Mr. Eugenio Ruiz-Gálvez Priego	President	Independent Director
Ms. Chantal Gut Revoredo	Director	Dominical Director
Mr. Isidro Fernández Barreiro	Director	Dominical Director

Comisión de Nombramientos y Retribuciones

Name	Position	Type
Mr. Pedro Guerrero Guerrero	President	Independent Director
Mr. Isidro Fernández Barreiro	Director	Dominical Director
Ms. Chantal Gut Revoredo	Director	Dominical Director
Ms. Helena Revoredo Delvecchio	Director	Executive Director

B.2.2 Al Comité de Auditoría le corresponden las siguientes funciones:

	YES	NO
Supervise the both the process of preparation and the integrity of the financial information regarding the company and, if applicable, regarding the group, reviewing compliance with legal requirements, the proper limits of the consolidation perimeter and the correct application of the relevant accounting criteria.	X	
Periodically review the internal control systems and risk management systems in order to identify and quickly become aware of the main risks involved.	X	
See to both the independence and efficacy of the internal audit function; propose the selection, appointment, re-election and removal of the person that may be responsible for the internal auditing service; propose the budget for the above service; and verify that the top management has considered the conclusions and recommendations made in their reports.	X	
Set up and monitor a mechanism that may enable employees notify, on a confidential basis, and if deemed appropriate, in an anonymous manner, any irregularities bearing an impact on the company, especially accounting and financial issues, seen in the company.	X	
Refer to the Board any proposals for selection, appointment, re-election, or substitution of the external auditor, as well as the terms of his/her engagement.	X	
Periodically receive from the external auditor any information on the auditing plan and the results derived from its execution, and verify that top management considers its recommendations.	X	
Ensure the independence of the external auditor.	X	
In the event of groups, encourage the group's auditor to assume full responsibility for the audits of the companies comprising the group.	X	

B.2.3 Provide a description of the organizational and operating rules, as well as the responsibilities entrusted to each commission of the Board.

The Executive Commission

a) Regulation

Articles 25 of the Company's Bylaws and 15 of the Board Regulations.

b) Composition

The Executive Commission shall be formed by a minimum of three (3) and a maximum of seven (7) members of the Board of Directors.

The Executive Commission, shall be chaired by the President of the Board of Directors.

In any event, the adoption of agreements for appointment of members of the Executive Commission shall require the favourable vote of at least two thirds of the members of the Board of Directors.

The Secretary of the Board of Directors shall act as Secretary of the Executive Commission.

c) Operation

The Executive Commission shall meet upon a prior call made by its President, being applied, in absence of specific rules, the operating rules set forth for the Board of Directors, provided however they are consistent with both the nature and functions of the Commission.

In any event, the Executive Commission shall meet at least seven times per year in ordinary session.

In those cases where, in opinion of the President or any three members of the Executive commission, the import of matters to be dealt with made it advisable, agreements adopted shall be submitted to the Board plenary. The same applies in connection with business that the Board may have submitted to consideration of the Executive Commission, with reservation of a final decision on such business. In any other event, agreements adopted by the Executive Commissions shall be valid and binding with no need of further ratification by the Board plenary.

d) Responsibilities

The Executive Commission has the broadest representation, administration, management and disposition powers and, in general those powers vested in the Board of Directors, except those that may be indelegable either legally or statutorily, or those that may not be subject to delegation as provided in the Board Regulations.

e) Relationship with the Board of Directors

The Delegate Commission shall promptly inform the Board of the matters discussed and the decisions adopted in its sessions, being a copy of the minutes of the sessions available to Board members.

The Auditing Commission

a) Regulation

Articles 27 of the Company's Bylaws and 16 of the Board Regulations.

b) Composition

The Auditing Commission shall be formed by a minimum of three (3) and a maximum of five (5) members of the Board of Directors and in any case shall be formed by a majority of non-executive Directors designated by the Board of Directors upon proposal made by the Appointments and Compensations Commission. An attempt shall be made that of all them be external directors.

The Board of Directors shall designate among its non-executive members the person who shall chair the Auditing Commission and will carry out his/her duties under the office of President of the Auditing Commission. This person shall be substituted every four years and may be re-elected upon lapsing of one year since last leaving office.

The Auditing Commission shall appoint a Secretary who will write the minutes of the agreements made by said body. The position of Secretary shall be for the person designated by the Commission. It will not be necessary that this person be a Director or a member of the Commission.

c) Operation

The Auditing Commission may regulate its own functioning, being applied the operation rules established for the Board of Directors in absence of its own, provided however they may be consistent with both the nature and functions of the Commission.

The Auditing Commission must hold at least four (4) meetings per year. On an extraordinary note, the Auditing Commission shall meet each time the Board of Directors or the President of the latter requests the issue of a report or the adoption of proposals and, in any event, whenever adequate or advisable for carrying out its functions. Any member of the management team or of the Company's staff, if required to do so, must attend to the Commission's sessions and give his/her collaboration as well as to provide access to any information he/she may have. The Commission may also require attendance to its session from any auditor of the company's accounts.

d) Responsibilities

The Auditing Commission has the following basic duties:

• Propose the designation of the auditor, the conditions of his/her engagement, the scope of his/her professional duties, and if applicable, his/her renewal or removal.

• Review the company's accounts, enforce compliance with legal requirements and the correct application of the generally accepted accounting principles, as well as inform about proposals for modification of accounting principles and criteria as suggested by management.

• Work as a communications channel between the Board of Directors and the auditors, assess the results of each audit and the responses of the management team to its recommendations; negotiate in the events of discrepancies between them and the Commission itself in regard with principles and criteria to be applied in the preparation of financial statements.

• Verify the suitability and integrity of internal control systems and review the designation and substitution of relevant persons in charge.

• Supervise the fulfilment of the audit agreement, attempting that the opinion on annual accounts and main contents of the audit report be written in a clear, accurate way.

• Review issue prospectus, periodical financial information and any other relevant information that must be provided to the markets and supervisory bodies by Board.

• Supervise the internal auditing services, if any, to which purpose the person in charge of auditing must submit to this commission on a yearly basis, a working plan, its incidences and a report on his/her activities;

• Know the financial reporting process and also the process of internal control systems, and to this purpose identify types and levels of risk involved, measures in order to mitigate the impact of such risks so identified and control, reporting, and risk management systems.

• Review compliance with internal conduct codes, the current Regulations and, in general the corporate governance rules of the Company and make the necessary proposals for improvement.

• Specifically, the Auditing Commission has the duty of receiving information about (i) actions taken and decisions adopted by the Rules Compliance Directorate in the exercise of its powers in accordance with the provisions of the Company's Internal Code of Conduct; and (ii) any disciplinary measures to be applied, if any, to the members of the company's top management.

• Establish, if deemed advisable, and if applicable, supervise a system that will enable employees notify, on a confidential basis, and if necessary, anonymously, any irregularities that may have an impact on the company, specially financial and accounting irregularities that may be detected in the company

• Inform the Board about the creation or acquisition of interests in other entities of a special purpose or with registered offices in tax havens or about complex transactions when so required by the Board of Directors.

The Appointments and Compensations Commission

a) Regulation

Articles 26 of the Company's Bylaws and 17 of the Board Regulations.

b) Composition

The Appointments and Compensations Commission shall be formed by a minimum of three (3) and a maximum of five (5) members of the Board of Directors. The Appointments and Compensations Commission shall be chaired by the President of the Board of Directors and shall designate a Secretary who will write the minutes of the agreements adopted by said Commission. The position of Secretary shall be for a person designated by the Commission itself. It shall not be necessary that said person be a Director or a member of the Commission.

c) Operation

The Appointments and Compensations Commission may regulate its own functioning, and in absence of specific rules, the operation rules set in place for the Board of Directors shall be used, provided, however that they will be consistent with both the nature and functions of the Commission.

The Appointments and Compensations

Commission shall meet each time the Board of Directors or the President of the Board may require the issue of a report or the adoption of proposals, and in any event, whenever advisable or convenient for the proper development of its duties.

At any rate, it shall meet at least once a year in order to prepare information on compensations for Directors which the Board must approve and include within its annual public documentation.

d) Duties

The Appointments and Compensations Commission has the following basic responsibilities:

- State and review criteria that must be followed for the composition of the Board of Directors and selection of candidates, informing about appointment proposals for Directors and he company's and subsidiaries' top managers, evaluating skills, abilities and experience required from the candidates that are to fill the relevant vacancies. To this purpose, any Director may submit to consideration of the Commission the proposal of potential candidates for filling such vacancies.
- Submit to the Board proposals for appointment of Directors in order to enable the Board proceed with a direct designation of the same (co-opting) or to endorse them when submitted to consideration by the General Meeting.
- Propose to the Board the members that shall be part of each Commission.
- Propose to the Board of Directors the system and amount of annual compensations of the Directors.
- Periodically review the compensation schemes, adjusting their suitability and performance as required.
- Ensure transparency of compensations paid to Directors and top managers, and regarding the latter group propose the basic conditions of their contracts to the Board.
- Inform in regard of transactions that entail or may imply conflicts of interests and, in general, on matters contemplated in chapter IX of these Regulations.
- Examine and organize, if deemed appropriate or if required by the Board of Directors the President's succession, making the relevant proposals and issuing the necessary reports.
- Inform the Board about issues relating gender diversity, if deemed necessary in view of the composition of the Board of Directors.

B.2.4 Advisory, consultation powers and, if applicable delegations vested in each commission:

Name of Commission	Brief Description
Executive Commission	Company body with general-purpose decision powers and express delegation of all powers vested in the Board of Directors, except those legally or statutorily indelegable.
Auditing Commission	Consultative and controlling commission
Appointments and Compensations Commission	Consultative and controlling commission

B.2.5 Are there regulations for the Board's Commissions? Information on the place where they are available for consultations and any modifications made during the year. Indication if there has been any annual report prepared voluntarily on the activities of each commission.

The organization and functioning of each commission of the Board are specifically regulated in the Board Regulations, a document that can be found and available for consultation at the Company's website and in the website of the National Stock Exchange Commission.

B.2.6 Does the composition of the executive commission reflect the participation of the various directors in the Board based on their different conditions?

X **YES** ☐ **NO**

>> C // Linked transactions

C.1 Has the board plenary reserved the approval —upon prior favourable report issued by the Auditing Commission or any other so required— of the transactions that the company may enter into with directors, significant shareholders or shareholders with representation at the Board, or with persons linked to them?

[X] YES **[ ] NO**

C.2 Detail of relevant transactions that may entail a transfer of resources or obligations among the company or its group companies, and the significant shareholders of the company:

Name of significant shareholder	Name of company or entity within the group	Nature of the relationship	Transaction type	Amount (thousands of euros
Gubel, S.L.	Proactinmo, S.L.	Comercial	Leasing with effects from 2006 of an office building in favour of the Company	1,015
Corporación Financiera Alba, S.A.	Banca March, S.A.	Comercial	Participation the syndicated loan granted to the company	3,958

Detail of relevant operations entailing a transfer of resources or obligations between the company or its group companies and the company's administrators or managers:

Name or company that are administrator or top managers	Name of company or entity within the group	Nature of the relationship	Transaction type	Amount (thousands of euros
N/A	N/A	N/A	N/A	N/A

C.4 Detail of relevant transactions carried out by the company with other companies within the same group provided that in the process they are not written off when preparing the consolidated financial statements are eliminated and also provided they are not part of the usual business operations carried out by the company regarding purpose and conditions:

Name of the group company	Brief description of transaction	Amount (thousands of euros)
N/A	N/A	N/A

C.5 Have the members of the Board found themselves throughout the financial year in any situation of conflict of interests in accordance with the provisions of article 127 of the Corporations Act?

☐ **YES** ☒ **NO**

C.6 Mechanisms in place for detecting, determining and resolving potential conflicts of interests between the company and/or its group and their directors, top managers or significant shareholders.

In order to detect, determine and resolve possible conflicts of interests with directors, the Regulations of the Board of Directors of Prosegur set forth certain mechanisms:

- **Reporting obligations:** in accordance with article 38 of said regulations directors must inform the Company about all positions they hold and activities they carry out in other companies and, in general, about any facts or situations that may be relevant for their performance as administrator of the company.
- **Abstention obligations:** in accordance with article 33 of the Board Regulations, directors must refrain from attending to and intervening in discussions that may affect business in which they have a personal interest. To these purposes, they will be regarded as having a personal interest also when the matter affects a member of their families or to a company in which they have a top management position or a significant shareholding.

In addition, said article provides that the directors may not carry out, either directly or indirectly professional or business transactions with the Company unless they previously inform of a situation of conflict of interests, and the Board, with prior report issued by the Appointments and Compensations Commission and the Directorate of Rules Compliance approves said transactions.

As for significant shareholders, article 39 of Board Regulations provides that is the Board the body that must know about any transaction between the Company and a significant shareholder and/or with any other linked party in accordance with the applicable regulations. No transaction may be authorized if a prior report has not been issued by the Appointments and Compensations Commission in assessment of the operation from a standpoint of equal treatment for shareholders and market conditions.

C.7 Is more than one group company officially listed in Spain?

☐ **YES** ☒ **NO**

>> D // Risk control systems

D.1 General description of the risk policy of the company and/or its group, with due detail and evaluation of the risks covered by the system, along with reasons for the suitability of such system to the profile of each type of risk.

The main risks covered by the system are of an operational, financial and reputation nature.

Operational risks

For the coverage of operational risks, in addition to the relevant insurance policies with coverage exceeding the thresholds required for the development of the activity by the applicable law, regular, detailed controls are put in place and carried out by the body of inspectors of Prosegur Group.

In addition to this, an internal department in the company called “Risk Management Area” carries out reviews of items identified as a priority in the risk map of the Prosegur Group. Plans are then carried out for review, either by proprietary means or by outsourcing. The latter are present on an ongoing basis in the operations, IT and insurable risks, which enables the relevant company area focus a good part of its efforts in the development of business operations.

The activity of the Risk Management Area is projected over all activity areas in the Prosegur Group, that is, over its Surveillance, Active Protection and Securities Logistics/Cash Management divisions. Also are subject to internal control the department areas of the Group. In this regard, the Risk Management Area carries out controls on the various support and service units. Said department also carries out quality controls based on the ISO 9001 standard in all national transport and surveillance branches of Prosegur Group.

Internal control duties carried out by the Risk Management Area are also performed in national branches of Alarms, with a significant impact on its technical area.

Being a multinational with presence in eleven countries, internal control duties carried out by the Risk Management Area shall be also developed in the foreign subsidiaries and span its business divisions and department areas.

Financial risk factors

The Group's activities are exposed to various financial risks: market risk (including exchange rate risk, fair value interest rate risk, and price risk), credit risk and liquidity risk. The global risk management program of the Group is focused on the uncertainty of financial markets and tries to minimize any potential adverse effects on the financial profitability of the Group. The Group makes use of derivative products and accounting hedges in order to cover certain risks.

The management of financial risks is a responsibility of the Central Treasury Department of the Group in accordance with policies approved by the Board of Directors. This department identifies, evaluates and covers financial risks in close cooperation with the Group's operating units.

Exchange rate risk

The Group operates in the international arena and therefore has an exposure to an exchange rate risk arising from currency transactions, specifically the Argentinean peso, the Brazilian real and, to a lesser extent, the Chilean peso, the Peruvian sol and the Colombian peso. The exchange

rate risk derives from future business transactions, recognized assets and liabilities and net investments in foreign operations.
In order to control the exchange rate risk arising from business transactions, recognized assets and liabilities and net investments in foreign operations or whenever necessary in view of the Group's policies and market expectations, the Group companies resort to forward contracts as agreed with the Group's Treasury Department, who will then engage them in the relevant market. The exchange rate risk exists when future business transactions, and recognized assets and liabilities are denominated in a currency other than the Group's functional currency. The Group's Treasury Department is in charge of handling the net position in each foreign currency by means of external forward contracts, either in local or in foreign currency, based on the competitiveness or suitability of said forward contracts.
At group level there a foreign exchange contracts as hedging for exchange rate hedging over certain assets, liabilities or future transactions, as detailed in Note 23 of the consolidated Annual Report.
In view that the Group has defined a long-term player strategy or nearly permanent in foreign markets in which it has a presence, no exchange rate risk policies strictly linked to Net Assets invested in the relevant country shall be adopted. In order to mitigate the impact on the cash operations flow, funding operations in the functional currency of the relevant country shall be entered into in order to establish a nearly natural matching for the cash flows.

Credit Risk

The Group has no significant concentrations of credit risk. This is an industry were non-payment is nearly zero or represents an insignificant percentage. If customers are rated in an independent manner, then said ratings are used. In the contrary event, if no independent credit rating has been established the credit control shall assess the closure's quality rating, having in consideration the customer's risk quality, and taking into account its financial position, the past experience and other factors. Individual credit limits are set based on internal and external ratings in accordance with limits set forth by the financial management. There is a regular follow-up on the use of credit limits.
In Spain, the Receivables Department handles an approximate volume of 4,000

customers which average is 17,000 euros per month. The payment instrument with broadest use is the transfer (70%) compared to only 30% of other payment instruments (cheques, promissory notes…).

Liquidity Risk

A prudent management of the liquidity risk implies maintaining sufficient cash and cash equivalent instruments, the availability of funding through an adequate amount of credit facilities committed and having the ability for settling positions in the market. In view of the dynamic nature of the underlying business, the Group's Treasury Department has set the goal of keeping the necessary financing flexibility through the availability of committed credit facilities.

The Company management carries out a follow-up on the forecasts on liquidity reserves, which comprises credit availability (Note 19) and cash and cash equivalents (Note 14) based on expected cash flows.

The Group's liquidity position for financial year 2008 is based on the following items:

- Globally, as at 31 December 2007 there is cash and cash equivalents available for an amount of 98,288 thousands of euros.
- At close of financial year 2007 there are unused credit facilities amounting to 250,067 thousands of euros.
- Cash flows generated by operations in 2007 reached 170,987 thousands of euros (116,810 thousands of euros in 2006). This shows the strong capacity the Group has for generating a significant flow of operations of a recurring nature.

Last, worth mentioning is that forecast are made in a systematic manner on generation and needs of cash expected that enable determine and follow up on an ongoing basis the Group's liquidity position.

Interest rate, cash flows and fair value risks

As the Group does not have significant cash generating assets, both income and cash flows derived from operating activities are quite independent from changes in market interest rates.

The greatest driver in the Group's interest rate risk arises from long-term third party resources. Third party resources hired at floating rates expose the Group to a cash flow interest rate risk. Loans at a fixed interest rate expose the Group to fair value interest rate risk.

The Group manages the cash flow interest rate risk by swaps from floating interest rates into fixed interest rates. These interest rate swaps bear the economic effect of turning third party resources under floating interest rates into fixed interest rates. Generally speaking, the Group obtains long-term external resources under a floating interest rate and swaps them into fixed rates based on the convenience and competitiveness of forward interest rate curves. Under interest rate swaps, the Group undertakes with other third parties to exchange on a regular basis (generally on a quarterly basis) the difference between fixed interest and floating interest rates calculated based on the notional principals engaged.

The Group has various hedging mechanisms aimed at covering these risks, as detailed in Note 23 of the Consolidated Annual Report.

During 2007 and 2006, external resources of the Group at a floating interest rate were denominated in euros and to a lesser extent in US dollars and Brazilian reals.

Price volatility risk

As the Group is a service company extensive in human resources, there are no significant price volatility risks. However, a collar structure has been put in place in order to limit the cost impact of diesel fuel consumption by the armoured vehicle fleet.

Capital risk management

The Group's goals in regard to the capital management are to safeguard the capacity of the Group to continue as an ongoing concern in order to achieve a yield for its shareholders as well as profits for other holders of equity instruments and keep an optimal capital structure, thus reducing costs. In order to be able to maintain or adjust the capital structure, the Group could adjust the amount of dividendsto be paid to shareholders, refund share capital to them, issue new shares or sell assets in order to reduce debt.

The Group monitors the capital in accordance with a leverage index in line with the industry practice. This index is calculated as net financial debt divided by total capital. Net financial debt is calculated as the total current and non-current third party resources (excluding other nonbanking debts) plus/minus net derivative financial instruments less cash and cash equivalents, less other current financial instruments, less non-current financial instruments associated to banking debt, as shown in the consolidated balance sheet. The capital is calculated as net equity, as shown in the consolidated accounts, plus net financial debt.

Fair value estimation

The fair value of financial instruments traded in asset markets (such as officially listed derivatives and investment acquired for trading) is based on market prices at the closing of the financial year. The market price used by the Group for the financial assets is the current buying price; market price appropriate for financial liabilities is the current selling price.

The reasonable value of financial instrument that are not listed in asset markets is determined by using valuation techniques. The Group uses a variety of methods and set hypothesis based on existing market conditions at each balance sheet date. Market prices for similar instruments are used for the long-term debt. In order to determine the fair value of the remaining financial instruments other techniques are used such as estimated, discounted cash flows. The fair value of interest rate swaps is calculated as the current value of estimated future cash flows. The fair value of exchange rate forward contracts is determined by using market forward exchange rates as at balance sheet date.

The nominal value less credit adjustments estimated in receivables and payables is assumed to be close to their fair values.

The fair value of financial liabilities for purposes of disclosure of financial information is estimated by discounting future contract cash flows at current market interest rates that are available to the Group for similar financial instruments.

Contingent liabilities and Out-of-Balance risks

Hedging for liabilities on contingent events and potential associated risks is made with full respect to recommendations given by the International Accounting Standards, under which principles the consolidated annual accounts of the Prosegur Group are disclosed. This implies that once the contingency has been identified, if it has a high degree of becoming real based on reports, analysis and conclusions reached by experts in the relevant field, the associated provision must be allocated in a proportion and amount recommended by them, at any rate always after due verification and authorization issued by the Auditing Commission and subsequent ratification of its suitability by external auditors.

Reputation risks

Finally, reputation risks are managed through the rigorous, diligent practice of the Company's Corporate Culture principles and the eight values defining it: proactiveness, value creation, transparency, customer focus, excellence, leadership teamwork and brand.

Final Statement

Prosegur Group does not set beforehand any acceptable or unacceptable risk levels. Policies for covering risks of any nature whatsoever set forth by the Board of Directors through its Auditing Commission, a body empowered to that purpose, are conservative and are aimed at identifying said risks through the preparation of an adequate Risk Map arising from the detailed study and analysis of the processes of any nature inherent to the operating, economic and financial cycle.

Once risks have been identified their near or total mitigation is attempted, depending on to what extent that is materially feasible and on the availability of adequate tools, as described throughout this note to this report.

The Board of Managers, through the Auditing Commission supervises the accounting policies as well as the systems and procedures for internal control that allow a reasonable assurance on the reliability and consistency of economic-financial data and the disclosure of annual accounts.

Worth mentioning is the external auditing of the Company's and its Group's annual accounts, task entrusted to a world class international firm, which certifies the scrupulous respect on the application of Accounting Principles derived from the International Accounting Standards, thus guaranteeing the true and fair picture of the Company's accounts as well as the reliability and proper preparation of the Annual Financial Statements for shareholders, investors, employees and readers/users of said information on a general basis.

D.2 Have during the financial year materialized any of the various types of risks (operating, technological, financial, legal, reputation, tax…) affecting the company and/or its group?

☐ **YES** ☒ **NO**

D.3 Is it any commission or other body in place in charge of establishing and supervising these control devices?

☒ **YES** ☐ **NO**

Functions.

Name of Commission or Body	Description of functions
Auditing Commision	The functions this commission has been delegated to such purposes are the following: • Awareness of the financial reporting process as well as the company's internal control systems, identifying types and levels of risk, measures aimed at mitigating the impact of the risks so identified and control information and risk management systems. • Relations with auditors external to the company in order to receive information on those issues that may put at a risk their independence as well as any other issues relating the accounts auditing process, and any other communications provided by the applicable accounts auditing laws and technical auditing standards. • Supervision of internal audit services, if any, to which purpose the person in charge of internal auditing must submit to the Board his/her annual working plan, its incidences and a report the relevant activities. • Verify both the integrity and suitability of control systems and review the designation and removal of the relevant persons in charge.

D.4 Identification and description of compliance processes regarding the various regulations affecting the Company and/or the Group.

The Company and its Group develop their activities in the field of private security, an activity subject to specific regulation in the various countries in which Prosegur Group operates, notwithstanding the remaining rules of application in each case.

In this regard, the Company pays special attention to compliance with the various regulations affecting Prosegur Group, to which purpose it has an organization that exerts specific controls among which worth mentioning are the availability of a Financial Management, and an external legal counsel service which, each one within its relevant area, ensure that the applicable regulations (both internal and external) are complied with.

>> E // General Meeting

E.1 Are there any differences with the minimum regime provided for in the Corporations Act (Ley de Sociedades Anónimas —LSA—) regarding quorum for formation of the General Meeting?

☐ YES ☒ NO

E.2 Are there any differences with the regime provided for in the Corporations Act for adoption of company agreements?

☐ YES ☒ NO

E.3 Rights of shareholders in relation to General Meetings different to those provided for by the LSA.

No shareholder rights have been established regarding general meetings other than those set forth by the Corporations Act.

E.4 Measures adopted in order to encourage participation of shareholders in General Meetings.

The General Meeting Regulations provide a series of measures aimed at promoting shareholder participation in the Meeting, mainly based on providing shareholders access to all information available well in advance regarding the matters included in the agenda, not only by physical delivery of documents supporting said matters but also through the company's website.
Information on means and procedures for giving representation powers in the meeting shall also be given as from the day following publication of the call to meet. Additionally, upon prior request, a nominative attendance and delegation card shall be provided to those shareholders having the right to attend.
Furthermore, although not expressly provided for in the Company's Bylaws or in the General Meeting Regulations, the Company does allow the fractioning of the vote in the event of financial intermediaries legitimated as shareholders, but acting on account of different customers.

E.5 Is the position of President of the General Meeting the same as the position of President of the Board of Directors? What measures are in place in order to ensure the independence and good functioning of the General Meeting?

☒ **YES** ☐ **NO**

Detail of measures

In accordance with the provisions of the General Meeting Regulations:
1. The president of the General Meeting is entitled to:
a) Chair the Meeting in such a way that deliberations are carried out in accordance with the agenda.
b) Establish the order of deliberations and interventions.
c) Decide the manner of voting the agreements in accordance with the provisions of this Regulation.
d) Clarify doubts, clarifications and/or claims arising from or in connection with the agenda, the list of attendants, ownership of shares, delegation and representation, requirements for a valid formation of quorum and adoption of agreements by the General Meeting, or on the statutory limitations on voting rights.
e) Give the right to speech to those shareholders requesting it, withdrawing or denying such right when reasons deem it advisable, or close discussions when he deems the matter as sufficiently dealt with, all the above in accordance with the provisions of this Regulation.
f) Indicate when the voting on the matters being discussed is to take place and read aloud the results of the votes.
g) In general carry out all powers necessary for a better proceeding of the meeting, including the interpretation of the provisions herein included.

E.6 Modifications introduced during the financial year of the General Meeting Regulations.

The General Meeting of Shareholders held on 28 June 2007 agreed to modify certain articles of its Regulation.
A great deal of such modifications made in the General Meeting Regulations was aimed at adapting them to the Unified Code for Good Governance. Most of the remaining modifications proposed are aimed at, on the one hand, including a regulation on the holding of General Meetings through telematic means and complete the existing regulations on the possibility of adopting agreements through remote voting means —either by post or through electronic means— and, on the other hand, convey to the General Meetingregulations

the modifications of the Corporations Act enacted through Act 19/2005 dated 14 November on European corporations with a domicile in Spain that modified provisions of the Corporations Act regarding calls to meetings or appointment of administrators, among other issues. The rest of modifications were made in order to technically improve the drafting and systematization of the General Meeting Regulations, thus completing and clarifying the Regulation in certain aspects.

This reform of the General Meeting Regulations was also a complement to the modification of the Company's Bylaws that was also approved by the General Meeting on 28 June 2007. Specifically, the following amendments to the Company's General Meeting Regulations were made:

- Modification of the introductory part in order to update its references to the Unified Code of Good Governance.
- Modification of article 2, regarding the powers of the General Meeting which corresponds to that regarding the modification of article 14 of the Company's Bylaws in order to include powers of the General Meeting regarding transactions of a special relevance provided for in recommendation 3 of the Unified Code.
- Modification of paragraph 2.b) of article 6 in order to specify the possibility that the period for making the call to the General Meeting, when so requested by shareholders representing more than 5% of the company's share capital be shorter than 30 days whenever the law so provides.
- Modification of paragraph 1 and the inclusion of a paragraph 4 in article 7 in order to adjust the publication of announcements provided by article 100.2 of the Corporations Act to the deadlines set from time to time in this regulation and in order to reflect the new tools for exercising, by the shareholders the right to information through the inclusion of two new matters in the agenda such as the new article 97.3 of the Corporations Act.
- Inclusion of a new article 17 regarding remote attendance by electronic or telematic means.
- Modification of paragraph 3 of article 21 regarding voting on certain agreements of the agenda in order to accommodate the current regulation on the manner of voting of the matters of General Meeting's agenda to the provisions of recommendation 5 of the

Unified Code regarding a separate vote on certain agreements.

- Inclusion of a new paragraph 3 of article 21, regarding remote voting prior to the General Meeting.

E.7 Data of attendance to General Meetings held during the financial year of this report:

	Attendance Data				
			% remote vote		
General Meeting date	**% physical presence**	**% in representation**	**Electronic vote**	**Other**	**% Total**
28/06/07	60.78	19.53	0.000		80.31

E.8 Agreements adopted in the General Meetings held during the financial year this report refers to, and percentage of votes for the approval of each relevant agreement. General Meeting of Shareholders dated 28 June, 2007.

Items on the Agenda	Summary of proposals	% favourable votes	Result of vote
I	Approval of individual and consolidated annual accounts for Financial Year 2006	99.88	Approved
II	Payment of dividends in cash	99.88	Approved
III.a)	Modification of art. 12 of the Company's Bylaws	99.88	Approved
III.b)	Modification of art. 13 of the Company's Bylaws	99.88	Approved
III.c)	Modification of articles of the Company's Bylaws that regulate the General Meeting	99.88	Approved
III.d)	Modification of articles of the Company's Bylaws that regulate delegation and remote voting	99.88	Approved
III.e)	Modification of articles of the Company's Bylaws that regulate the Board	99.88	Approved
IV	Modification of the General Meeting of Shareholders Regulations	99.88	Approved
VI.a)	Re-election of Ms. Helena Revoredo Delvecchio	82.41	Approved
VI.b)	Re-election of Mr. Isidro Fernández-Barreiro	99.84	Approved
VI.c)	Re-election of Ms. Mirta Giesso Cazanave	99.84	Approved
VI.d)	Re-election of Ms. Chantal Gut Revoredo	99.74	Approved
VI.e)	Re-election of Mr. Christian Gut Revoredo	99.74	Approved
VII	Authorization for purchasing treasury stock	91.83	Approved

Items on the Agenda	Summary of proposals	% favourable votes	Result of vote
VIII	Re-election of the accounts auditor of the Company and its consolidated group of the Company and its consolidated group	99.88	Approved
IX	Determination of the maximum annual remuneration of Directors	99.31	Approved
X	Delegation of powers to formalize, interpret, correct and execute agreements	99.88	Approved

E.9 Are there any statutory restrictions establishing a minimum number of shares necessary for attending to the General Meeting?

☒ **YES** ☐ **NO**

Number of shares required to be eligible to attend to the General Meeting	**61,712**

E.10 Policies observed by the company regarding voting delegations in the General Meeting.

The Company has no policies whatsoever in place regarding delegation of votes in the General Meeting.

E.11 Is the Company aware of the policy of institutional investors of participating or not in the company's decisions?

☐ **YES** ☒ **NO**

E.12 Address and way of accessing the corporate governance contents in the website.

Address: www.prosegur.es
Way of accessing the corporate governance content: Home page / Shareholders and Investors / Corporate governance

>> F // Degree of adherence to recommendations on Corporate Governance

1. That the Bylaws of the listed companies do not limit the maximum number of votes that the same shareholder may cast. That the Bylaws do not contain other restrictions that make it difficult the takeover of the company through acquisition of its shares in the market.

See headings: A.9, B.1.22, B.1.23 y E.1, E.2.

[X] **Fulfilled** [ ] **Explain**

2. That whenever the parent company and a subsidiary are both listed they publicly define in an accurate way:

a) Their respective areas of activity and possible business relations between them, as well as the relations of the subsidiary with the other group companies;

b) The mechanisms in place for solving possible conflicts of interests that may arise.

See headings: C.4 and C.7

☐ **Fulfilled** ☐ **Partly fulfilled** ☐ **Explain** ☒ **Not applicable**

3. That, even though not required by the business laws, transactions entailing a structural change in the company be submitted to consideration by the General Meeting of Shareholders, and specifically, the following:

a) The transformation of listed companies in holding companies, through "subsidiarization" or inclusion in subsidiaries with essential activities hitherto carried out by the company itself, even though the latter may retain full command of them;

b) The acquisition or transfer of essential operating assets when entailing an effective modification of the company purpose;

c) Transactions which effect is equivalent to the winding-up of the company.

☒ **Fulfilled** ☐ **Partly fulfilled** ☐ **Explain**

4. That detailed proposals of agreements to be adopted in the General Meeting, including the information referred to in recommendation 28 are made public in the moment of publishing the announcement of the call to the meeting.

☒ **Fulfilled** ☐ **Explain**

5. That in the General Meeting those matters being substantially independent are voted separately in order to enable the shareholders exercise their voting preferences separately. That this rule be applied specifically:

a) To the appointment or ratification of directors, which shall be voted on an individual basis;

b)) In the event of modifications to the Company's bylaws, to each article or group of articles that may be substantially independent.

See heading: E.8

☒ **Fulfilled** ☐ **Partly fulfilled** ☐ **Explain**

6. That the companies allow to fraction out the vote in order to enable financial intermediaries that are entitled as shareholders but act on account of different customers to issue their votes in accordance with the instructions of said customers.

See heading: E.4

☒ **Fulfilled** ☐ **Explain**

7. That the Board carries out its duties with an unified purpose and independent criteria, provides equal treatment to all shareholders and be guided by the company's interests endeavouring to maximize the company's value in a sustainable way.

Also ensuring that in its relations with stakeholders the company respects laws and regulations; fulfils its obligations and contracts in good faith; respects the uses and good practices of the industries and territories where it carries out its activity; and observes those additional corporate responsibility principles it may have voluntarily accepted.

[X] **Fulfilled** [ ] **Partly fulfilled** [ ] **Explain**

8. That the Board undertakes, as a core mission, to approve the company's strategy and precise organization for putting them into practice, as well as supervising and controlling the Management fulfils the goals set forth and respects the company purpose and its interests. That, eventually, the Board plenary reserves powers to approve:

a) General company policies and strategies, and specifically:

- **I)** The Strategic or business plan, as well as annual management and budgetary goals;
- **II)** The investment and financing policy;
- **III)** The definition of the structure of the group of companies;
- **IV)** The corporate governance policy;
- **V)** The corporate social responsibility policy;
- **VI)** The compensations policy and the evaluation of performance by top managers;
- **VII)** The control and risk management policy as well as the regular monitoring of the internal information and control systems.
- **VIII)** The dividends policy, as well as treasury stock policy, especially its limits.

See headings: B.1.10, B.1.13, B.1.14 and D.3

b) The following decisions: :

I) Upon proposal by the first executive of the company, the appointment and possible removal of top managers as well as their indemnification clauses.

See headings: B.1.14.

II) Compensations to Directors, as well as, regarding executive directors, the additional remuneration for their executive duties and all other conditions to be respected under their contracts.

See headings: B.1.14.

III) Financial information to be periodically disclosed by the company as it is listed on a stock exchange.

IV) Investments and transactions of all kind that in view of their high amount or special features are of a strategic nature; unless their approval corresponds to the General Meeting;

V) The creation or acquisition of interests in companies with a special purpose or with registered offices in countries or territories that are regarded as tax havens, as well as any other transactions or operations of an analogous nature that, in view of their complexity, may affect the group's transparency.

c) The transactions carried out by the company with its directors, significant shareholders or parties represented in the Board, or with persons linked to them ("linked transactions").

Such Board authorization shall not be understood, however, to be necessary in linked transactions that simultaneously meet the three following conditions:

1ª. That are carried out by virtue of contracts which terms and conditions are standardized and are massively applied to many customers;

2ª. That are carried out at prices of fees set generally by whoever acts as supplier of the relevant good or service;

3ª. That their amount does not exceed by more than 1% the company's annual turnover. Recommendation is made that the Board approve the linked transactions upon prior favourable report by the Auditing Commission, or if applicable, by any other commission that may have been entrusted such duty; and that the directors affected by such transactions, in addition of not delegating or casting their votes, be absent from the meeting room while the Board is discussing and votes on them.

Recommendation is made that powers herein vested in the Board must be of an indelegable nature, except for the above-mentioned letters b) and c), which may be adopted on urgency reasons by the Delegate Commission, with subsequent ratification made by the Board plenary.

See headings: C.1 and C.6

☒ **Fulfilled** ☐ **Partly fulfilled** ☐ **Explain**

9. That the Board has the required dimension in order to achieve an efficient, participatory operation, which makes it advisable to have a size not lower than five nor greater than fifteen members.

See headings: B.1.1

☒ **Fulfilled** ☐ **Explain**

10. That the external dominical and independent directors form an ample majority in the Board and that the number of executive directors is the indispensable minimum, having in mind the complexity of the group of companies and the percentage of participation of executive directors in the company's share capital.

See headings: A.2, A.3, B.1.3 and B.1.14.

☐ **Fulfilled** ☒ **Partly fulfilled** ☐ **Explain**

As at 31 December 2007, the Board of Directors of Prosegur Compañía de Seguridad S.A. was formed by 8 members, 3 of them executive directors. However, one of those executives (more specifically, the President) controls 50.11% of the share capital and another (the former Chief Executive Officer) has been relieved of his executive duties as of 1 January 2008.

11. That should there be any external director who may not be considered either dominical or independent, the company explains such circumstance and his linkages, either with the company or its managers or with the shareholders.

See headings: B.1.3

☒ **Fulfilled** ☐ **Explain** ☐ **Not applicable**

12. That among the external directors, the relationship between the number of dominical directors and independent directors reflects the existing proportion between the company's share capital represented by dominical directors and the rest of share capital.

This criterion of strict proportionality may be softened in such a way that the weight of dominical directors shall be greater than the proportion of share capital they represent:

1º In high-capitalization companies in which there are few or no shareholdings that can be legally considered as significant but in which there are shareholders with interests of a high absolute value.

2º When involving companies in which there exists a plurality of shareholders represented in the Board not having links among them.

See headings: B.1.3, A.2 and A.3

☒ **Fulfilled** ☐ **Explain**

13. That the number of independent directors represents at least one third of the total directors.

See heading: B.1.3

☐ **Fulfilled** ☒ **Explain**

Independent directors represent twenty five per cent (25%) of the total number of company directors, being this so far considered as a sufficient number in view of the existing capital structure and the group's complexity.

14. That the character of each director is explained both by the Board and the General Meeting of Shareholders that may have to carry out or ratify the appointments and that it is confirmed, or if applicable, revise on an annual basis in the Corporate Governance Report, upon prior verification by the Appointments Commission. That in said report are also explained the reasons on which dominical directors may have been appointed upon request from shareholders whose interests are lower than 5% of the share capital; and the grounds on which, if applicable, formal requests have been denied for presence in the Board made by shareholders whose interests are equal or greater than interests of others upon whose request other dominical directors may have been appointed.

See headings: B.1.3 and B.1.4

☒ **Fulfilled** ☐ **Partly fulfilled** ☐ **Explain**

15. That whenever the number of female directors may be low or zero the Board explains the reasons and initiatives adopted for correcting such circumstance, and that, in particular, the Appointments Commission ensures when filling new vacancies:

a) That selection processes have not implicit biases that hamper the selection of female directors;

b) That the company deliberately seeks and include among potential candidates women meeting the required professional profile.

See headings: B.1.2, B.1.27 and B.2.3.

☐ **Fulfilled** ☐ **Partly fulfilled** ☐ **Explain** ☒ **Not applicable**

16. That the President, as person in charge of the efficient operation of the Board, ensures that the directors receive in advance sufficient information; encourages the debate and active participation by the directors during the Board meetings, safeguarding their freedom of opinion and stance; organizes and coordinates with the presidents of the relevant Commissions the periodical evaluation of the Board, as well as, if applicable, that of the Chief Executive Officer or first executive.

See headings: B.1 42

☒ **Fulfilled** ☐ **Partly fulfilled** ☐ **Explain**

17. That, whenever the President of the Board is also the first executive of the company, one of the independent directors is empower to request the convening of a Board meeting or the inclusion of new matters in the agenda; to coordinate and express the concerns of external directors; and to chair the evaluation of the President by the Board.

See heading: B.1.21

☐ **Fulfilled** ☐ **Partly fulfilled** ☐ **Explain** ☒ **Not applicable**

18. That the Secretary of the Board ensures, in a special manner, that the actions by the Board:

a) Conform both the letter and genius of the Laws and relevant regulations, including those approved by regulatory bodies;
b) Be compliant with the Company's Bylaws and with the General Meeting Regulations and other rules approved by the company;
c) Bear in mind the recommendations about good governance contained in this Unified Code as accepted by the company. That, in order to safeguard the independence, impartiality and professionalism of the Secretary, its appointment and removal be informed by the Appointments Commission and approved by the Board plenary; that said procedure of appointment and removal is specified in the Board Regulations.

See heading: B.1.34

☒ **Fulfilled** ☐ **Partly fulfilled** ☐ **Explain**

19. That the Board meets with the necessary frequency in order to carry out its functions efficiently, following the schedule of matters set forth at the beginning of the financial year, being each director able of proposing other items for the agenda that were not initially foreseen.

See heading: B.1.29

X **Fulfilled** ☐ **Partly fulfilled** ☐ **Explain**

20. That the non-attendances by the directors are kept to unavoidable events and be quantified in the Annual Report on Corporate Governance. That should the appointment of representatives be unavoidable, it is given with relevant instructions.

See headings: B.1.28 and B.1.30

X **Fulfilled** ☐ **Partly fulfilled** ☐ **Explain**

21. That whenever the directors or the Secretary express concerns about any proposal or, regarding the directors, on the situation of the company and such concerns are not settled in a Board meeting, express mention of that circumstance is made upon request of the person concerned.

X **Fulfilled** ☐ **Partly fulfilled** ☐ **Explain** ☐ **Not applicable**

22. That the Board plenary evaluates once a year:

a) The quality and efficiency of operation of the Board.
b) Based on the report submitted to the Appointments Commission, the performance of its duties by the President of the Board or the first executive.
c) The functioning of its commissions based on the reports they submit.

See heading: B.1.19

☐ **Fulfilled** ☒ **Partly fulfilled** ☐ **Explain**

In accordance with the provisions set forth by the Board of Directors Regulations, the President shall organize and coordinate with the presidents of the commissions of Appointments and Compensations and of Auditing, the periodical evaluation of the Board, as well as, if applicable, of its first executive.

23. That all directors may exercise their right to collect additional information as they deem appropriate on matters which jurisdiction is vested in the Board. And that, unless the Company's Bylaws of the Board Regulations provide to the contrary, they address their requirement to the President or the Secretary of the Board.

See heading: B.1.42

☒ **Fulfilled** ☐ **Explain**

24. That all directors have the right to obtain from the company the necessary counsel in order to enable them fulfil their duties. That the company sets up the necessary channels for exercising this right, which under special circumstances may include external counsel on account of the company.

See heading: B.1.41

☒ **Fulfilled** ☐ **Explain**

25. That the companies put in place a counselling program that provides new directors a quick and sufficient knowledge about the company, as well as of its corporate governance rules. And also offer to directors skills updating programs whenever the circumstances make it advisable.

☒ **Fulfilled** ☐ **Partly fulfilled** ☐ **Explain**

26. That the companies require from the directors to devote to their role the time and efforts necessary to carry out their duties efficiently, and therefore:

a) That the directors inform the Appointments Commission about their remaining professional commitments, in case they could interfere with the required dedication;

b) That the companies establish rules limiting the number of Boards of which the directors may be a part.

See headings: B.1.8, B.1.9 and B.1.17

☐ **Fulfilled** ☒ **Partly fulfilled** ☐ **Explain**

The director must inform the company about all position held by him and activities carried out in other companies or entities and, in general, about any events or situations that may be relevant for his/her performance as administrator of the Company, although no rules are in place limiting the number of Boards in which the directors may be a part.

27. That the proposal for appointment or re-election of directors submitted by the Board to the General Meeting of Shareholders, as well as the provisional appointment through co-opting, are both approved by the Board:

a) Upon proposal by the Appointments Commission regarding independent directors.

b)) With a previous report by the Appointments Commission regarding all other members.

See heading: B.1.2

X **Fulfilled** ☐ **Partly fulfilled** ☐ **Explain**

28. That the companies disclose and keep updated in their websites the following information about their directors:

a) Professional background and biography;

b) Other Boards of Directors they belong to, either of listed or unlisted companies;

c) Indication of the category of the director, as applicable, with mention, regarding dominical directors, of the shareholder they represent or with whom they may be linked.

d) Date of their first appointment as company directors as well as of any subsequent appointments, and;

e) Shares in the company, stock options owned by each of them.

☐ **Fulfilled** X **Partly fulfilled** ☐ **Explain**

Until 31 December 2007, the information on the profiles of the directors disclosed through company's website was the same that was contained in the Annual Report on Corporate Governance. As from 2008 a specific section has been included in the website where such information is reflected and kept updated.

29. That independent directors do not remain as such for a consecutive period exceeding 12 years.

See heading: B.1.2

X **Fulfilled** ☐ **Explain**

30. That dominical directors submit their resignation when the shareholder they represent sells its shareholding in full. That they submit their resignation, in the appropriate numbers, when such shareholder reduces its interest to a level requiring a reduction in his/her number of dominical directors.

See headings: A.2, A.3 and B.1.2

X **Fulfilled** ☐ **Partly fulfilled** ☐ **Explain**

31. That the Board of Directors does not propose the removal of any independent director before the expiry of the statutory term of his/her office, unless with a justified cause as regarded by the Board upon a prior report issued by the Appointments Commission. Specifically, it shall be understood there is a justified cause when the director may have breached the duties inherent to his/her position or incurred in any of the circumstances described in heading 5 of section III of this Code.

The removal of independent directors may be also proposed resulting from takeover bids, mergers or other similar company operations that entail a change in the company's capital structure whenever such changes in the Board's structure are based on the proportionality criterion mentioned in Recommendation 12.

See headings: B.1.2, B.1.5 and B.1.26

X **Fulfilled** ☐ **Explain**

32. That the companies set up rules that force shareholders to inform and, if applicable, resign in those cases where the credit or reputation of the company may be damaged, and specifically that they are forced to inform the Board about any criminal suits which they are a related part, as well as of any further proceedings thereof.

That should a director be subject to a suit or a hearing proceeding were brought against him/her in view of any crime referred to in article 124 of the Corporations Act, the Board examines the case as soon as possible, and in the light of his/her specific circumstances decide if the director should remain in office or not. That of all the above the Board submits a due, reasoned account in the Annual Report on Corporate Governance.

See headings: B.1.43, B.1.44

☒ **Fulfilled** ☐ **Partly fulfilled** ☐ **Explain**

33. That all directors clearly express their opposition when they consider that s proposal for a decision submitted to the Board may be contrary to the company interests. That they do likewise, especially independent directors and all other directors that may not be affected by a potential conflict of interests, when dealing with decisions that may harm the shareholders with no representation in the Board.

And that whenever the Board adopts significant or repeated decision on which a Director had expressed serious reserves, the latter draws the appropriate conclusions, and, if he/she chose to resign, explains his/her reasons in the letter the next recommendation refers to. This recommendation also applies to the Secretary of the Board, even though he may be or not a director.

☒ **Fulfilled** ☐ **Partly fulfilled** ☐ **Explain** ☐ **Not applicable**

34. That whenever, either due to resignation or to other reasons, a director is removed from office before the expiration of his/her term, he/she explains the reasons in a letter addressed to all members of the Board. That, without prejudice of that resignation being notified as a relevant event, the reasons for the removal are explained in the Annual Report on Corporate Governance.

See heading: B.1.5

☒ **Fulfilled** ☐ **Partly fulfilled** ☐ **Explain** ☐ **Not applicable**

35. That the policy of compensations approved by the Board at least addresses the following issues:

a) Amount of fixed items, with breakdown, if applicable of allowances granted for participation in the Board and its Commissions and an estimate of annual fixed remuneration they give rise to;

b) Variable compensation items, specifically including:

- **I)** Categories of directors they apply to, as well as the explanation of the relative importance of variable compensation items in relation to fixed ones.
- **II)** Results evaluation criteria on which any right to remuneration by shares, stock options or any variable item are based;
- **III)** Basic parameters and grounds of any annual bonus scheme or of any other benefits not paid in cash; and
- **IV)** An estimate of the absolute amount of variable compensations that will result from the proposed remuneration scheme, based on the degree of fulfilment of the hypothesis or goals taken as a reference.

c) Main features of prevision systems (for example complementary pensions, life insurance policies and analogous instruments), with an estimate of their amount or annual equivalent cost.

d) Conditions to be respected by contracts entered into by whomever carries out top management duties, such as executive directors, among which are:

I) Duration;

II) Notice deadlines; and

III) Any other clauses relating hiring bonuses, as well as indemnifications or protections against early termination of the contractual relationship between the company and the executive director.

See heading: B.1.15

☒ **Fulfilled** ☐ **Partly fulfilled** ☐ **Explain**

36. That remunerations comprising the delivery of shares of the company or group companies, stock options or instruments referenced to the value of the share, variable compensations linked to the company's performance or previsions schemes be reserved to executive directors.

This recommendation does not include the delivery of shares when the latter is subject to the directors keeping them until their removal as such.

See headings: A.3, B.1.3

☒ **Fulfilled** ☐ **Explain**

37. That the remuneration of the external directors be such as necessary to compensate them for their dedication, qualification, and responsibility attached to their office; but no so high as to compromise their independence.

☒ **Fulfilled** ☐ **Explain**

38. That remunerations linked to the company's performance take into account potential reserves expressed in the external auditor's report and decrease said results.

☐ **Fulfilled** ☐ **Explain** ☒ **Not applicable**

39. That in the event of variable compensations, the remuneration policies include the necessary technical cautions in order to ensure that said compensations are related to the professional performance of their beneficiaries and are not simply derived from the general evolution of markets or industry in which the company operates or from other similar circumstances.

☒ **Fulfilled** ☐ **Partly fulfilled** ☐ **Not applicable**

40. That the Board submits for voting by the General Meeting of Shareholders as a separate item in the agenda and with a consultative nature, a report on the remuneration policy for directors. That said report is made available to the shareholders, either separately or through any other means that the company may deem adequate.

Said report shall specially focus in the remuneration policy approved by the Board for the current year, as well as, if applicable, remuneration expected for coming years. It shall deal with all issues referred to in Recommendation 35, except those matters that may entail the disclosure of sensible business information. It shall underline the most significant changes of said policies over the policy implement during the previous year as referred to by the General Meeting. It shall also include a global summary on how the remunerations policy for last year was actually implemented.

That the Board informs, also, about the role played by the Appointments Commission in the drafting of the remuneration policy, and if external advising were required, the identity of external consultants providing said advice.

See heading: B.1.16

☐ **Fulfilled** ☒ **Partly fulfilled** ☐ **Explain**

The Board of Directors approves an annual report on the remuneration policy of directors which includes the policy approved for the current year, or if applicable, for future years, as well as the implementation of the remuneration policy in the previous year. However, said report is not submitted to approval by the General Meeting of Shareholders as a separate item in the agenda and with a consultative nature.

41. That the notes to the financial statements detail the individual compensations paid to the directors during the financial year and also include:

a) The individual breakdown of remuneration for each director, which will comprise, if applicable:

I) Attendance allowances or other fixed compensations as a director;

II) An additional compensation as president or member of a Commission in the Board;

III) Any remuneration for participation in profits or premiums, and the reasons why they were granted;

IV) The contributions in favour of the director to pension plans of a defined contribution; or the increase of consolidated rights of the director when dealing with contributions to plans of a defined contribution;

V) Any indemnifications agreed or paid in the event of termination of duties;

VI) The remunerations collected as director of other group companies;

VII) The compensations received for the exercise of top management duties by executive directors.

VIII) Any other remuneration item other than the previous ones, regardless of nature or group company paying it, especially when having the consideration of a linked transaction, or its omission distorts the true image of total remunerations received by the director.

b) The individual breakdown of any potential deliveries to directors of shares, stock options, or any other instrument referenced to the value of the share, with a detail of:

I) Number of shares and options granted in the year and conditions for their exercise;

II) Number of options exercised during the year, with an indication of the number of shares attached and the strike price;

III) Number of options pending exercise at year's end, with an indication of their price, date and other requirements for their exercise;

IV) Any modification during the year of the conditions for exercise of options already granted.

c)) Information about the relationship, in said previous year, between the remuneration obtained by the executive directors and the results and other performance measures of the company.

☐ **Fulfilled** ☐ **Partly fulfilled** ☒ **Explain**

The compensation paid to administrators is given in the notes to the financial statements in an aggregate form, with breakdown by remuneration items.

42. That whenever exists a Delegate or Executive Commission (hereinafter the "Delegate Commission") the structure of participation of the various classes of directors is similar to the structure of the Board and its secretary is the same as the Secretary of the Board.

See headings: B.2.1 and B.2.6

☒ **Fulfilled** ☐ **Partly fulfilled** ☐ **Explain** ☐ **Not applicable**

43. That the Board is aware at all times of the matters dealt with and the decisions adopted by the Delegate Commission and that all members of the Board receive a copy of the minutes of the meetings held by the Delegate Commission.

☒ **Fulfilled** ☐ **Partly fulfilled** ☐ **Not applicable**

44. That the Board of Directors creates within its structure, apart from the Auditing Commission provided by the Stock Market Act one Commission or two separate Commissions for Appointments and Compensations.

That the composition and operation rules of the Auditing Commission and of the Commission(s) of Appointments and Compensations are recorded in the Board Regulations and include the following:

a) That the Board designates the members of these Commissions, having in mind the skills, abilities and experience of the directors and the duties of each Commission; that the Board discusses their proposals and reports; and that these Commissions shall give an account in a Board plenary after their meetings of its activities and be answerable for the work performed;

b) That said Commissions are exclusively formed by external directors, with a minimum of three. All the above is understood without prejudice of the attendance of executive directors or top managers, whenever so expressly agreed by the members of the Commission.

c) That their Presidents are independent directors.

d) That they may obtain external advice when they deem it appropriate for the execution of their duties.

e) That minutes are recorded from their sessions and a copy is submitted to all members of the Board.

See headings: B.2.1 and B.2.3

☐ **Fulfilled** ☒ **Partly fulfilled** ☐ **Explain**

The Appointments and Compensations Commission is formed by four members, one of them (who is the President of the Commission) is an independent director, two of them are dominical directors and one an executive director. The Auditing Commission is formed by three members one of them (who is the President of the Commission) is an independent director, and the other two are dominical directors.

45. That the supervision of compliance of internal conduct codes are corporate governance rules is vested in the Auditing Commission, in the Appointments Commission or, if they are separate bodies, in the Commissions of Compliance or Corporate Governance.

☒ **Fulfilled** ☐ **Explain**

46. That the members of the Auditing Commission, and specially its President are designated taking into account their skills and experience in the fields of accounting, auditing and risk management.

☒ **Fulfilled** ☐ **Explain**

47. That the listed companies have available an internal audit function that, under supervision of the Auditing Commission shall ensure the smooth operation of the information and internal control systems.

☒ **Fulfilled** ☐ **Explain**

48. That the person in charge of the internal audit function submits to the Auditing Commission his/her annual working plan; directly reports incidences that may occur in its development and submits at the closure of each financial year a report on his/her activities.

☒ **Fulfilled** ☐ **Partly fulfilled** ☐ **Explain**

49. That the policy for risk management and control at least identifies:

a) The various types of risks (operating, technological, financial, legal, reputation…) facing the company, including in financial or economic risks contingent liabilities and other out-of-balance-sheet risks;
b) The setting of risk levels that the company considers acceptable;
c) The measures foreseen for mitigating the impact of the identified risks, in the event they would finally materialize.
d) Information and internal control systems that will be used to control and manage said risks, including contingent liabilities or out-of-balance-sheet risks.

See heading: D

X **Fulfilled** ☐ **Partly fulfilled** ☐ **Explain**

50. That the Auditing Commission is in charge of:

1º Regarding information and internal control systems:
a) Supervising the process of preparation and the integrity of the financial information relating the company and, if applicable, relating the group, reviewing compliance with regulatory requirements, the adequate limitation of the consolidation perimeter and the correct application of accounting criteria.
b) Periodically revise the internal control and risk management systems so the main risks are identified, managed and reported in an adequate manner.
c) Ensure the independence and efficiency of the internal audit function; propose the selection, appointment, reelection and removal of the person in charge of internal auditing; propose the budget for this service; receive periodical information about its activities; verify that top management has in regard

the conclusions and recommendations made in its reports.

d) Establish and supervise a mechanism that allows employees communicate in a confidential, and, if convenient, anonymous manner, irregularities of potential impact, especially financial and accounting irregularities that may be noticed within the company.

2º Regarding the external auditor:

a) Submit to the Board proposals for selection, appointment, re-election and substitution of the external auditor, as well as the conditions of his/her engagement.

b) Regularly receive from the external auditor information on the auditing plan and the results of its execution and verify that the top management has his/her recommendations in due regard.

c) Ensure the independence of the external auditor and to that purpose:

I) That the company notifies to the CNMV as a relevant event the change of auditor and also provides a statement on the possible existence of disagreements with the leaving auditor and, if any, about their content.

II) That makes sure the company and the auditor comply with the applicable laws on the rendering of services other than auditing, the limits for concentration of the auditor's business and, in general, any other regulations set forth in order to ensure the independence of auditors;

III) That in the event of resignation of the external auditor, the circumstances giving right to it are examined.

d) Regarding groups, encourage that the group's auditor undertakes to assume the responsibility for all audits of the companies included in the group.

See headings: B.1.35, B.2.2, B.2.3 and D.3

☒ **Fulfilled** ☐ **Partly fulfilled** ☐ **Explain**

51. That the Auditing Commission may call any employee or manager of the company, or even establish that they appear without presence of any other manager.

X **Fulfilled** ☐ **Explain**

52. That the Auditing Commission informs the Board, prior to the adoption by the latter of the relevant decisions, about the following matters mentioned in Recommendation 8:

a) The financial information that in view of its condition as a listed company the latter must disclose on a regular basis. The Commission shall ensure that intermediate accounts are stated under the same accounting criteria as the annual accounts and, to that purpose, consider the suitability of a limited revision of the external auditor.

b) The creation or acquisition of shares in companies of an special purpose or with registered offices in countries or territories regarded as tax havens, as well as any other transactions or operations of an analogous nature which, due to their complexity may hamper the group's transparency.

c) Linked transactions, unless this prior reporting function has been entrusted to other controlling and supervisory Commission.

See headings: B.2.2 and B.2.3

X **Fulfilled** ☐ **Partly fulfilled** ☐ **Explain**

53. That the Board of Directors endeavours to submit the accounts to the General Meeting with no reserves or discrepancies in the auditors report and that in the exceptional event they may exist, both the President of the Auditing Commission and the auditors explain clearly to the shareholders the contents and scope of said reserves or discrepancies.

See heading: B.1.38

☒ **Fulfilled** ☐ **Partly fulfilled** ☐ **Explain**

54. That a majority of members in the Appointments Commission —or Appointments and Compensations Commission, if combined into a single body— are independent directors.

See heading: B.2.1

☐ **Fulfilled** ☒ **Explain** ☐ **Not applicable**

The Appointments and Compensations Commission is formed by four members, one of them (who is the President of the Commission) is an independent director, two of them are dominical directors and one an executive director.

55. That in addition to the functions described in the previous Recommendations, the Appointments Commission has the following duties:

a) Evaluate skills, abilities and experience required for the Board; as a result of this, define the functions and qualities necessary in the candidates that are to fill each vacancy; evaluate time and dedication required to be able to carry out their duties properly.
b) Examine and organize, in the manner deemed most advisable, the succession to the President and of the first executive and, if applicable, submit proposals to the Board in order to achieve said succession in an orderly, well-planned fashion.
c) Inform about appointments and removals of top managers proposed to the Board by the first executive.
d) Inform the board about matters of gender diversity referred to in Recommendation 14 of this Code.

See heading: B.2.3

☒ **Fulfilled** ☐ **Partly fulfilled** ☐ **Explain** ☐ **Not applicable**

56. That the Appointments Commission consult the President and first executive of the company, especially when dealing with matters relating executive directors.

And that any director may request the Appointments Commission to take into consideration, if deemed suitable, potential candidates for filling vacancies as directors.

☒ **Fulfilled** ☐ **Partly fulfilled** ☐ **Explain** ☐ **Not applicable**

57. That in addition to the functions described in the previous Recommendations, the Compensations Commission takes charge of the following duties:

a) Propose to the Board of Directors:

I) The remuneration policy for directors and top managers;

II) The individual remuneration of executive directors and all other conditions of their contracts.

III) The basic conditions for contracts with top managers.

b) Enforce compliance with the remuneration policy set forth by the company.

See headings: B.1.14, B.2.3

X **Fulfilled** ☐ **Partly fulfilled** ☐ **Explain** ☐ **Not applicable**

58. That the Compensations Commission consults with the President and first executive of the company, especially in matters regarding executive directors and top managers.

X **Fulfilled** ☐ **Explain** ☐ **Not applicable**

>> G // Other information of interest

GENERAL CLARIFICATION: It is expressly mentioned that data contained in this report refer to the Financial Year closed on 31 December 2007, except for those issues in which other date of reference is expressly provided.

— Note 1 to headings B.1.2, B.1.3 and B.2.1

— Mr. Eduardo Paraja Quirós was removed of his offices of Chief Executive Officer and member of the Executive Commission effective as from 1 January 2008; he was also removed from his executive role in the Prosegur Group, changing into the category of "other external directors".

— Mr. Christian Gut Revoredo was appointed Chief Executive Officer effective as from 1 January 2008.

Binding definition of independent director:

Does any of the independent directors have or has he/she had any relationship with the company, its significant shareholders or its top manager that if it were sufficiently significant or important, would have determined that the relevant director could not be considered as an independent director in accordance with section 5 of the Unified Code for Good Governance?

☐ **YES** ☒ **NO**

This annual report on corporate governance has been approved by the Board of Directors of the Company, in its meeting held on 28 April 2008.

No Directors voted against or refrained from voting in relation with the approval of this report.

Shareholder Office

These notes to the financial statements are submitted to the Ordinary General Meeting and are available to the company shareholders at the company's registered offices, calle Pajaritos, 24, in Madrid.

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