PROSEGUR

Financial Report 2008

INDEX

01

CONSOLIDATED ANNUAL ACCOUNTS

Consolidated annual accounts and management report as at 31 December 2008

AUDIT REPORT

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 2008, 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 2008. Our opinion refers solely to the 2008 consolidated annual accounts. On 10 April 2008 we issued our audit report on the consolidated annual accounts for 2007, in which we expressed an unqualified opinion.

In our opinion, the accompanying consolidated annual accounts for 2008 present fairly, in all material respects, the consolidated financial position of Prosegur Compañía de Seguridad, S.A. and its subsidiaries as at 31 December 2008 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 2008 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 2008. 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

25 February 2009

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> CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2008 AND 2007 - ASSETS (IN THOUSAND EUROS)

	Note	31/12/2008	31/12/2007
ASSETS			
Tangible fixed assets	6	281,664	249,370
Goodwill	7	270,491	266,525
Intangible assets	8	75,885	62,649
Available-for-sale financial assets and others	9	34,483	53,386
Assets due to deferred tax	19	47,938	47,954
Derivative financial instruments	22	-	3,941
Non-current assets		**710,461**	**683,825**
Inventories	10	24,469	24,474
Customers and other receivables	11	492,777	513,192
Available-for-sale non current assets		448	-
Derivative financial instruments	22	7,289	289
Other financial assets	12	114,405	37,300
Cash and cash equivalents	13	92,653	98,288
Current assets		**732,041**	**673,543**
TOTAL ASSETS		**1.442.502**	**1.357.368**

The notes attached on pages 11 to 99 are an integral part of these consolidated annual accounts.

> CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2008 AND 2007 - ASSETS (IN THOUSAND EUROS)

	Note	31/12/2008	31/12/2007
NET EQUITY			
Share Capital	14	37,027	37,027
Share issue premium	14	25,472	25,472
Treasury stock	14	(29,372)	(8,413)
Equity instruments	14	1,855	-
Revaluation reserves and other reserves	15	23	1,619
Accumulated difference: conversion	16	(30,870)	(9,440)
Accumulated gains and other reserves	17	419,451	333,702
Minority interests		1,008	2,451
Total net equity		**424,594**	**382,418**
LIABILITIES			
Debt capital	18	231,806	231,263
Derivative financial instruments	22	251	4,878
Liabilities due to deferred tax	19	36,954	47,371
Long-term provisions	20	134,536	120,751
Non current assets		**403,547**	**404,263**
Suppliers and other payables	21	329,619	324,380
Liabilities on current tax		56,708	33,042
Debt capital	18	197,062	188,018
Derivative financial instruments	22	1,531	945
Other liabilities and costs	23	29,441	24,302
Current liabilities		**614,361**	**570,687**
TOTAL NET EQUITY AND LIABILITIES		**1,442,502**	**1,357,368**

The notes attached on pages 11 to 99 are an integral part of these consolidated annual accounts

> CONSOLIDATED INCOME STATEMENT FOR FINANCIAL YEARS ENDED 31 DECEMBER 2008 AND 2007 (IN THOUSAND EUROS)

		Year ended 31 December	
	Note	2008	2007
Recurrent revenues	24	2,051,707	1,841,795
Change in finished product stocks and products in progress		(5)	2,514
Commodities and other consumables used		(67,968)	(75,106)
Employee benefits costs	25	(1,361,244)	(1,257,676)
Losses from value impairment	7,11	(8,084)	(4,311)
Depreciation of fixed assets	6,8	(51,525)	(48,347)
Outsourced work, services and supplies		(177,045)	(142,111)
Other operating expenses		(169,644)	(142,383)
Tax		(11,150)	(12,455)
Operating profit		**205,042**	**161,920**
Financial income		26,945	3,736
Financial expenses		(49,197)	(17,262)
Net financial costs	**26**	**(22,252)**	**(13,526)**
Pre-tax profit		**(182,790)**	**(148,394)**
Profit tax	19	(57,545)	(49,125)
Year's profit (loss) from discontinued activities	36	(1,400)	-
Year's consolidated profit		**126,645**	**99,269**
Attributable to:			
Minority interests		393	(968)
To company shareholders		127,038	98,301

Gains per share for the benefit of continued activities attributable to the company shareholders during the year (Euros per share)			
- Basic	27	2.07	1.60
- Diluted			
Gains per share for the benefit of discontinued activities attributable to the company shareholders during the year (Euros per share)			
- Basic	27	0.02	-
- Diluted			

The notes attached on pages 11 to 99 are an integral part of these consolidated annual accounts

> CONSOLIDATED STATEMENT OF EQUITY CHANGES DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2008 (IN THOUSAND EUROS)

	Attributable to the company's shareholders								
	Share capital (Note 14)	Share premium (Note 14)	Treasury stock (Note 14)	Other patrimonial instruments (Note 14)	Revaluation reserves and others (Note 15)	Accum. dif. conversion (Note 16)	Accum. profits and other rsevs. (Note 17)	Minority interests	Total Net Equity
Balance at 1 January 2008	**37,027**	**25,472**	**8,413**		**1,619**	**(9,440)**	**333,702**	**2,451**	**382,418**
Gross revenue / (expense) directly recognized in net equity					(2,280)				(2,280)
Tax impact					684				684
Net revenue / (expense) directly recognized in net equity					(1,596)				(1,596)
Foreign currency conversion differences						(21,430)		(54)	(21,484)
Changes in the consolidation perimeter							2,711	(996)	1,715
Year's profit							127,038	(393)	126,645
Income on patrimonial instruments				1,855					1,855
Purchase / Sale of treasury stock			(20,959)						(20,959)
Dividend corresponding to 2007							(44,000)		(44,000)
Other transactions									-
Balance as at 31 December 2008	**37,027**	**25,472**	**(29,372)**	**1,855**	**23**	**(30,870)**	**419,451**	**1,008**	**424,594**

The notes attached on pages 11 to 99 are an integral part of these consolidated annual accounts.

> CONSOLIDATED STATEMENT OF NET EQUITY CHANGES DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (IN THOUSAND EUROS)

	Attributable to the Company's shareholders							
	Share capital (Note 14)	Share premium (Note 14)	Treasury stock (Note 14)	Revaluation reserves and others (Note 15)	Accum. dif. conversion (Note 16)	Accum. profits and other rvs. (Note 17)	Minority interests	Total Net Equity
Balance at 1 January 2007	**37,027**	**25,472**	**(3,853)**	**1,557**	**(973)**	**275,388**	**6**	**334,624**
Gross revenue / (expense) directly recognized in net equity				125				125
Tax impact				(50)				(50)
Net revenue / (expense) directly recognized in net equity				75				75
Foreign currency conversion differences					(8,467)		(171)	(8,638)
Changes in the consolidation perimeter							1,648	1,648
Year's profit						98,301	968	99,269
Purchase / Sale of treasury stock			(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**

The notes attached on pages 11 to 99 are an integral part of these consolidated annual accounts.

> CONSOLIDATED STATEMENT OF CASH FLOWS DURING FINANCIAL YEARS ENDED 31 DECEMBER (IN THOUSAND EUROS)

		Year ended 31 December	
	Note	2008	2007
Cash flow from operating activities			
Cash generated by operations	29	305,971	228,855
Interest paid		(36,260)	(15,510)
Interests received		6,703	-
Tax paid		(42,082)	(42,358)
Net cash generated by operating activities		**234,332**	**170,987**
Cash flows from investment activities			
Acquisition of subsidiaries, net of cash acquired		(8,133)	(26,517)
Acquisition of available-for-sale non current assets	9	(448)	-
Acquisition of tangible fixed assets	6	(92,259)	(73,260)
Acquisition of intangible assets	8	(29,461)	(5,327)
Revenues from sales of fixed assets		2,849	2,014
Sale of subsidiaries, net of cash		-	8,705
Net disposal/acquisition of other financial assets	12	(57,700)	(37,300)
Net disposal/acquisition of available-for-sale assets	9	800	(30,852)
Net cash used in investment activities		**(184,352)**	**(162,537)**
Cash flow of funding activities			
Change in financial indebtedness		(13,656)	83,324
Change of other debts		32,290	1,737
Change in long-term provisions		(7,915)	(13,425)
Change in debts from financial leases		853	7,433
Treasury stock	14	(20,959)	(4,560)
Dividends paid to company shareholders		(42,000)	(36,500)
Net cash received / (used) in financing activities		**(51,387)**	**38,009**
Net (decrease) / increase of cash and cash equivalents		**(1,407)**	**46,459**
Cash, cash equivalents and bank overdrafts at year's beginning	13	98,288	54,652
Gains (losses) from cash exchange differences and bank overdrafts		(4,228)	(2,823)
Cash, cash equivalents and bank overdrafts at year's end	**13**	**92,653**	**98,288**

The notes attached on pages 11 to 99 are an integral part of these consolidated annual accounts.

> NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2008 (IN THOUSAND EUROS)

1. General information

PROSEGUR COMPAÑIA DE SEGURIDAD, S.A. (hereinafter, the Company) is a security services company which at the close of 2008 is comprised of a group (hereinafter, the Group) formed by 71 companies: PROSEGUR COMPAÑIA DE SEGURIDAD, S.A., the parent company, and 70 subsidiaries. Furthermore, the Group participates with other entities in 4 partnerships and 10 joint ventures (hereinafter the partnerships).

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

During 2007 and 2008 the Group has rendered its services in Spain, Portugal, Italy (only in financial year 2007), France, Romania, Argentina, Chile, Uruguay, Paraguay, Brazil, Peru, México 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 70 fully consolidated subsidiary companies through the global integration method.

Appendix II to these notes breaks down the identification details of the 10 proportionately consolidated joint ventures (JVs).

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 12 countries, which has been organised into three geographical areas: Spain, the rest of Europe and Latin America (Latam) 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 unforeseen incidences. It also provides personal security and assistance.

The changes in the consolidation perimeter during the year 2008 were as follows:

1. The following purchases have been carried out:
   Purchase of 100% of the company Resguardo y Estrategias Especializadas S.A. de C.V., a Mexican company carrying out surveillance and custody activities on cargoes in transit.

2. The following companies have been incorporated:
   In México: Prosegur Consultoría y Servicios Administrativos, S.A. and Prosegur Seguridad Privada Electrónica, S.A.

3. The company Prosegur Roma, S.A. has been wound up in Italy.

4. A takeover merger has been carried out by Prosegur Compañía de Seguridad, S.A. on C. Valdecantos, S.A.

The Group is controlled by Gubel S.L., a company incorporated in Madrid, which owns 50.11% 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 February 23, 2009 and are pending approval at the General Shareholder's Meeting. However, the directors understand that said annual accounts will be approved as presented.

2. 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, 2008 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, 2008.

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 came into force in 2008

- IAS 39 (modification) “Financial Instruments: recognition and valuation” and IFRS 7 (modification) “Financial Instruments, disclosures to be made” – reclassification of financial instruments.

(b) Standards, amendments to standards and compulsory that have not yet come into force, which the Group has not adopted in anticipation

- IFRIC 14, IAS 19 – “Limitation of assets attached to a defined plan of contribution, minimum financing needs and relationships between both”. IFRIC 14 contains guidelines for assessing the limit set by IAS 19 on surpluses that may be recognised as assets. It also explains how the pension liabilities may be affected by minimum financing obligations set contractually or legally. This interpretation has no impact on the Group’s accounts.

- IFRIC 12, “Service Agreements”, of compulsory compliance for all years starting as from January 1, 2008, has no effect on the Group’s operations. As at the date of stating these accounts, the European Union had not yet adopted this interpretation. Anyway, IFRIC 12 is not relevant for the Group’s activities as none of its integrating entities renders this kind of services.

- FRIC 11 – “IFRS 2 – Group and Treasury Share Transactions” setting the principles for determining whether a transaction based on shares in which treasury stock or shares of group companies are involved (for example options of shares of the parent company) must be recognized as a transaction with payment based on stock settled through patrimonial instruments or through cash in the individual accounts of the parent and Group companies. The application of this standard has no effect on the Group’s accounts.

As at the date of stating these accounts the IASB had already published the interpretations detailed here below. These interpretations are of a compulsory compliance for all years starting as from 1 January 2009 and subsequent.

- IAS 23 (amended), “Interests costs”, (applicable since 1 January 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. It is not regarded as having a meaningful impact, as the organization holds no qualifying assets.

- IAS 1 (revised), “Submission of financial statements” (applicable since 1 January 2009). This modified standard forbids the presentation of income and expense accounts (that is, equity changes arising from transactions with third parties that are not shareholders) in the statement of net equity changes, and requires that the changes in net equity arising from transactions with third parties that are not shareholders must be presented separately from the changes in net equity with shareholders. All changes in net equity arising from transactions with third parties that are not shareholders must be submitted in a statement of results, although the companies may choose to present a single statement (the total income statement) or two (the profit and loss statement and the total income statement. Whenever a company re-states or re-classifies the comparison information, it shall also be required to present a re-stated balance at the beginning of the comparison period in addition to the balance at current year’s end and as at the end of the comparison period. The Group shall apply IAS 1 (revised) as from 1 January 2009.

- FRS 2 (amended) "Payments based on shares" (applicable from 1 January 2009). This modification deals with the conditions for irrevocability of the granting of rights and cancellations. It clarifies that only service and performance conditions may be considered as concession conditions. Other features of payments based on shares are not considered concession conditions, but must be included in the calculation of the fair value as at concession date in transactions with employees and third parties providing similar services, so they will have no effect on the number of prized expected to consolidate neither in the subsequent valuation at concession date. All cancellations, both by the entity and by third parties must adhere to the same accounting treatment. It is not expected to have a significant impact on the Group's financial statements.

- IFRS 8 (amended) "Operating Segments". IFRS 8 replaces IAS 14 and will homogenize the information disclosure requirements by segments with the American standard for this area covered by SFAS131 – "Disclosures about segments of an enterprise and related information". The new standard requires a management approach under which information by segments is presented on the same basis as used for internal purposes.

- IAS 32 (amended) "Financial Instruments: Presentation" and IAS 1 (amended) Presentation of financial statements - "Financial instruments with an option to redemption in favour of the holder at a fair value and obligations arising at settlement" (in force since 1 January 2009). These amendments required the companies to re-classify the redeemable financial instruments as well as the instruments (of part thereof) entailing the obligation for the entity of delivering to a third party a fraction of its net assets in the event of patrimonial settlement, provided the instrument has certain features and complies with certain conditions.

- IFRS 1 (amended) "First-time adoption of the IFRS" and IAS 27 "Consolidated and individual financial statements" (applicable since 1 January 2009). The amended standard allows first-time adopters to use the fair value or the book value resulting from applying the above-mentioned accounting principles as attributable cost of investments in subsidiaries, joint ventures and associated companies in the individual financial statements. The amendment also removes from IAS 27 the definition of the costing method and replaces it by the requirement of presenting dividends as income in the investor's individual financial statements.

- IAS 27 (revised) "Consolidated and individual financial statements" (in force since from 1 July 2009). The revised standard requires that the effects of all transactions with minority interests be recorded in the net equity provided no control changes take place, so these transactions will bear no effect on the goodwill neither result in profit or losses. The amendment also contemplates the accounting treatment to be applied whenever control is lost. The minority interest kept must be re-evaluated at fair value, and the effect carried forward to profit and loss. This revised standard is pending adoption by the EU.

- IFRS 3 (revised) "Joint Ventures" (applicable as from 1 July 2009). The revised standard maintains the acquisition method for joint ventures, although it introduces significant changes. For example, all payments for the purchase of a business are recognized at fair value as at purchase date, and the contingent payments that are recognized as a liability must be assessed as at each closing date at their fair value, being all changes carried forward to profit and loss. An accounting policy option is introduced and applicable at joint-venture level. It allows valuation of minority interests at their fair value or by the proportional amount of net assets and liabilities of the acquired business. All transaction costs are taken to expenses. This revised standard is pending adoption by the EU.

- IFRS 1 (revised) "First-time adoption of IFRS" (applicable since 1 January 2009). In 2007 the Board proposed as part of its annual improvement project, to modify IFRS 1 in order to make it more comprehensible for the reader and designing it in such a way that it will be better suited to future changes. In this version, revised on November 2008, the substance of the previous version is maintained, but within a modified structure. This revised standard is pending approval by the EU.

- IAS 39 (amended) “Items likely to be designated as covered” (applicable as from 1 July 2009). This amendment introduces two major changes as it forbids designation of the inflation as a component that may be covered in fixed-rate debt commitments and include the temporary value in the part of the risk that is covered when options are designated as hedging tools. This amendment is pending adoption by the EU.

- IFRIC 16 “Hedging of a net investment for operations in foreign countries (applicable since October 2008). This interpretation clarifies the accounting treatment to apply regarding the hedging of a net investment, including the fact that the hedging of the net investment refers to differences in the functional currency, not in the presentation currency, as well as that the hedging may be maintained anywhere in the Group. The Group shall apply IFRIC 16 as from 1 January 2009. It is not expected to have a material effect on the Group’s financial statements. This interpretation is pending adoption by the EU.

- IFRIC 17 “Distribution of assets other than cash to shareholders”. This interpretation clarifies how distribution of assets other than cash should be valued whenever an entity gives out dividends to its shareholders. This interpretation requires that dividends on account be recorded when duly authorized, that they are value at fair value of the net assets to be distributed and that the difference between the dividend’s fair value so paid and the book value of the net assets distributed be recognized in the profit and loss account. This interpretation is of prospective application for all financial years starting as from 1 January 2009 and is pending adoption by the EU.

As at the date of stating these accounts the IASB had already published the interpretations detailed here below. These interpretations are of a compulsory compliance for all years starting as from 1 January 2009 and subsequent, but are not relevant in the context of the Group’s activities.

- IFRIC 13, “Customer loyalty programmes”, (applicable as from 1 January 2009) . IFRIC 13 clarifies that in instances in which goods or services are provided together with a loyalty incentive (for example loyalty points or free products) the agreement is considered as a contract with multiple items and the amount received or to be received from the customer must be attributed to the items of the agreement at fair value. IFRIC 13 is not relevant for the Group’s activities as none of its integrating entities has loyalty programmes in place.

- IFRIC 15, “Agreements for the construction of real state properties” (applicable since 1 January 2009). This interpretation clarifies it, for certain transactions, IAS 18 “Recurrent Income” or IAS 11 “Construction contracts” are to apply. This interpretation is pending adoption by the EU.

- IFRIC 18 - After the recent publication of standards, amendments to standards and interpretations by the IASB and of IFRIC and adoptions of standards by the Union, IFRIC (International Financial Reporting and Interpretations Committee) just published IFRIC 18 “Transfers of assets from customers”. This interpretation clarifies the necessary requirements, within the context of IFRS, for agreements by virtue of which an entity receives a fixed asset from a customers in order to use it for connecting said customer to a distribution network, or otherwise, to provide him with access to certain goods or services (for example gas supply, power supply or water supply). In some cases, the company receives cash in order to purchase or construct a fixed asset that will be used for hooking the customer into a network or for providing him with access to certain goods or services (or both). This interpretation shall apply prospectively as from 1 July 2009 for all transfers of assets received ever since. The early application of the interpretation is allowed provided the entity has the necessary assessment and information for applying it as at the date the transfer of the asset from the customer took place.

Improvement project published by IASB on May 2008 that has been adopted by the European Union in January 2009, which covers the following standards and interpretations:

- IFRS 5 (amended) “Available-for-sale non-current assets and discontinued activities” (and relevant amendment of IFRS 1 “First-time adoption of the IFRS” (applicable as from 1 July 2009). This amendment clarifies that all assets and liabilities of a subsidiary must classified as available-for-sale if a loss of control of such subsidiary takes place as a result of a partial sales plan. In the event that the conditions for considering it a discontinued activity are met, the relevant breakdowns on the subsidiary must be included. Therefore, the IFRS 1 has been also adapted in order to regard this amendment, in such a way that the latter’s application shall be carried out prospectively as from the IFRS transition date.

- IAS 23 (amended), “Interests costs” (applicable since 1 January 2009). The definition of interests’ costs has been modified in order to have interests calculated as per the effective interest rate defined in IAS 39 “Financial instruments: recognition and valuation”. This eliminates the inconsistency of terminology between IAS 39 and IAS 23.

- IAS 28 (amended) “Investments in associated companies” (and relevant changes to IAS 32 “Financial instruments: “Presentation” and IFRS 7 “Financial instruments: disclosures to be made” (in force sin 1 January 2009). An investment in an associated company is considered as a separate asset when calculating the impairment in value. Any impairment losses are not carried forward to specific assets included in the investment, as for example, the goodwill. Reversals of impairment losses are recognized as an adjustment to the investment balance in the extent that the recoverable amount may have increased. The Group will apply IAS 28 (amended) to the impairment tests on value of investments in associated companies, and the related impairment losses as from 1 January 2009.

- IAS 36 (amended) “Impairment of assets” (in force since 1 January 2009). In the events where the fair value less costs for sale is calculated based on the discounted cash flows, the equivalent breakdowns for such value in use calculations must be disclosed.

- IAS 38 (amended) “Intangible assets” (in force since 1 January 2009). An advanced payment may be recognized only when made as an advance for obtaining access rights to certain goods or services. For this reason, expenses for sending of catalogues shall be booked when the latter may be available and not when distributed to customer, which is the current policy being applied. The Group shall commence application of IAS 38 (amended) as from 1 January 2009.

- IAS 19 (amended) “Compensations to employees” (in force since 1 January 2009).

- This amendment clarifies that improvements on a plan entailing a change to the extent in which benefit promises will be affected by future salary increases, shall be considered as a reduction, while amendments entailing a change in benefits attributable to past services will give rise to a negative cost on past services provided it results in a decrease of the current value of the defined contribution obligation.
- The definition of yield of assets attached to the plan has been modified in order to indicate that the administration costs of the plan are deducted from the calculation of the yield of assets attached to the plan only in the extent that such costs have been excluded from the valuation of the defined contribution obligation.

- The distinction between short-term and long-term benefits for employees is based on whether the benefits will be settled in the twelve months after the date in which the relevant services were rendered or later than such date.
- IAS 37 “Provisions, contingent assets and contingent liabilities” requires that contingent liabilities be broken down rather than being recognized in the financial statements. IAS 19 has been amended in keeping with this criterion.

• IAS 39 (amended) “Financial instruments: recognition and valuation (in force since 1 January 2009).

- This amendment clarifies that it is possible that movements from/into the category of financial assets at a fair value may exist with changes in results in the event that a derivative may start (or cease) to be classified as hedging instrument in hedging of cash flows or of net investments.

- The definition of financial asset or liability at fair value with changes in results is also modified in the extent that it makes reference to items held for trading. A financial asset or liability that is part of a portfolio o financial instruments is jointly managed, and if a recent pattern of short-term profits exists, said portfolio is included as from the initial recognition.

- Current guidelines for designating and documenting hedging relations provide that the hedging instrument must involve a third party unrelated to the unit disclosing the financial information and gives the example of a segment of company as such. This means that, in order to apply hedge accounting at segment level, it is necessary that the relevant segment complies with the requirements of hedge accounting. The amendment removes the segment examples in order to make them consistent with IFRS 8 “Operating segments” that requires that the information by segment must be based on the information submitted to the members of the Management team in charge of decision-making. At present, for the purposes of presenting information by segments, each subsidiary designates cash contracts with the group as cash flow hedging in such a way that such hedging transactions are presented in the segment to which the covered item belongs. This presentation is consistent with the information handled at decision-making level. (See Note 3.1). After the entry into force of the amendment, the hedging will remain effective and shall be reflected in the segment to which the item belongs (and information provided to the members of management who make the decisions).

- Whenever a new valuation for a debt instrument is made after ceasing the hedge accounting of the fair value, the amendment clarifies that the revised effective interest rate is to be used.

• IAS 1 (amended) “Presentation of financial statements” (in force since 1 January 2009). this amendment clarifies that some, but not all, financial instruments classified as held for trading, in accordance with IAS 39 “Financial instruments: recognition and valuation” are examples of current assets and liabilities, respectively. The Group shall apply this modification as from 1 January 2009 and it is not expected to have an influence in its financial statements.

• Other minor changes to IFRS 7 “Financial instruments: disclosures to be made”, IAS 8 “Accounting policies, changes in estimations and errors”, IAS 10 “Post-balance date events”, IAS 18 “Recurrent income” and IAS 34 “Intermediate financial information”, which are not likely to have an impact on the Group’s financial statements and, therefore, have not been analyzed in detail.

The amendments detailed herein below, corresponding to the improvement project published by IASB in May 2008 and adopted by the EU in January 2009:

○ IAS 16 (amended) "Tangible fixed assets" (and relevant amendment of IAS 7 "Cash flow statement" (applicable since 1 January 2009). Those entities which main activity consists in leasing and subsequently selling assets, will present collections of payments obtained from such sales as recurrent income. The assets must be reclassified as inventories when they become available for sale. Therefore, IAS 7 is modified and the flows originating from the purchase, rental and sale of such assets shall be recorded as cash flows from operating activities. This amendment shall have no impact on the Group's activities as neither of the Group companies is engaged in the rental and sale of assets.

○ IAS 27 (amended) "Consolidated and individual financial statements" (in force since 1 January 2009). In the events that an investment in a subsidiary is recorded as per IAS 39 "Financial instruments: recognition and valuation and is classified as held for sale, in accordance with IFRS 5 "Available-for-sale non-current assets and discontinued activities", application of IAS 39 will remain in force. This amendment shall have no impact on the Group.

○ IAS 28 (amended) "Investments in associated companies" (and relevant amendments of IAS 32 "Financial instruments: presentation" and IFRS "Financial instruments: disclosures to be made") (in force since 1 January 2009). Whenever an investment on an associated company may be recorded as per IAS 39 "Financial instruments: recognition and valuation", only certain breakdowns must be included regarding IAS 28 in addition to the requirements set forth by IAS 32 "Financial instruments: presentation" and by IFRS 7 "Financial instruments: disclosures to be made". This amendment shall have no effect on the Group's operations, as there are no associated companies.

○ IAS 29 (amended) "Financial information in hyperinflationary economies" (applicable since 1 January 2009). The standard's guidelines are modified in order to clarify that certain assets and liabilities must be assessed at fair value instead of at historical cost. This amendment shall have no impact on the Group's operations as no subsidiaries or associated companies operate in hyperinflationary economies.

○ IAS 31 (amended) "Shares in joint ventures" and relevant amendments to IAS 32 and IFRS 7 (in force since 1 January 2009). When an investment on a joint venture is recorded in the books in accordance with IAS 39, only some breakdowns set forth by IAS 31 in addition to those required by IAS 32 "Financial instruments: presentation and IFRS 7 "Financial instruments: disclosures to be made". This amendment will have no effect on the Group's operations in the presentation of consolidated financial statements.

○ IAS 38 (amended) "Intangible fixed assets" (in force since 1 January 2009). This amendment removes the mention "in rare occasions, or maybe in none" for justifying the use of a method that will result in a lower depreciation rate than such resulting from applying the straight-line method. This amendment shall have no impact on the Group's operations as all intangible assets are depreciated as per the straight-line method.

○ IAS 40 (amended) "Real estate investments" (and relevant amendments of IAS 16) (applicable since 1 January 2009). Real estate properties under construction or under development for future use as a real estate investment fall within the scope of IAS 40. Therefore, when using the fair value model, said properties must be valued at fair value. However, whenever the fair value of real estate investments under construction may not be reliably established, the property shall be valued at cost until the date in which the construction ends or, if earlier, until the date in which the fair value may be reliably established. This amendment shall have no effect on the Group's operations, as the Group holds no real estate investments.

○ IAS 41 (amended) "Agriculture" (in force since 1 January 2009). It requires the use of a market discount rate in those cases in which the fair value is calculated based on the discounted cash flows as well as the removal of the prohibition of regarding the biological transformation when calculating. The fair value. This amendment shall have no impact on the Group's operations as it does not carry out any activities in the agricultural industry.

- IAS 20 (amended) "Accounting of official subsidies and disclosures to be made on public assistance" (in force since 1 January 2009). Profit from a loan at a rate lower than the market's, granted by a public institution is valued as the difference between the book value in accordance with IAS 39 "Financial instruments: recognition and valuation" and the amount received recognized as per IAS 20. This amendment shall have no impact on the Group's operations as no loans or other government assistance have been received.

- Other minor amendments on IAS 20 "Accounting of official subsidies and disclosures to be made on public assistance", on IAS 29 "Financial information in hyperinflationary economies", on IAS 40 "Real estate investments" and on IAS 41 "Agriculture", which will neither have an impact on the Group's financial statements for the above-mentioned reasons.

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 70 fully consolidated subsidiary companies, included in consolidation by the integration method.

Transactions and minority interests

The Group carries out the policy of considering transactions with minorities as transactions with third parties external to the Group. The sale of minority interests entails profits or losses which are also recorded in the equity. The acquisition results in a goodwill which is the difference between the consideration received and the corresponding proportion of the book value of minority interests in the subsidiaries.

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 unrealized 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 (JVs)

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 thousand 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.

Losses and profits resulting from exchange differences in relation to loans, cash, and cash equivalents are recorded in the profit and loss account under the heading "Financial income and expenses".

The rest of exchange difference gains and losses are recorded under "Other net gains / (losses)".

Changes in fair value of monetary securities denominated in foreign currency classified as available for sale are analyzed between conversion differences resulting from changes in the security's amortized cost and other changes in books by the security. Conversion differences are recognized in the year's profit and loss and other changes in the book value are recognized in net equity.

Conversion differences on non-monetary items, such as patrimonial instruments held at fair value with changes in results, are presented as part of the gain or loss in the fair value. Conversion differences on non-monetary items, such as available-for-sale financial assets, are included in net equity under revaluation reserves.

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.

In consolidation, exchange differences arising from the conversion of a net investment in foreign companies and in loans and other instruments denominated in foreign currencies and designated as hedging for said investments, are taken to the shareholders' net equity. When the net investment is sold, such exchange differences are recognized in the profit and loss account as part of the loss or gain from the sale.

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 fixed 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 are likely to influence the Group 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 amortised. Amortisation for other assets is calculated using the straight-line method to allocate the costs or re-valued amounts to the scrap value over their estimated useful life span:

	Coefficient (%)
Buildings	2 and 3
Plant & Machinery	10 to 25
Other installations and equipment	10 to 30
Furniture	10
Computer equipment	25
Transportation	16
Other tangible fixed 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 profit and loss 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 amortised 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 amortised 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.

2.7. Impairment loss in asset value
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 may not 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 the impairment loss, the assets are grouped at the lowest level for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill which have incurred in an impairment loss will be subject to review as at each balance date just in case reversals of the loss could have occurred.

2.8. Financial assets

2.8.1. Classification
The Group classifies its investments into the following categories: 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.

- 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).

- 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.

2.8.2. Recognition and valuation

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 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 22. Changes in the hedging reserve within equity are shown in Note 15. 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 weighed 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 amortised cost in accordance with the effective interest 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 net 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. Suppliers

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 amortised 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.

Commissions paid on the granting of credit facilities are recognized as costs of the borrowing transaction in the extent that may be likely that some or all facilities will be used. In these instances, commissions are deferred until a drawdown on the facility is materialized. In the extent that there is no evidence that the credit facilities are likely to be used, the commission shall be capitalized as an advance payment for liquidity services and it is amortized during the period of availability of the relevant credit facility.

2.16. Current and deferred tax

The tax expense for the year comprises both current and deferred tax. Tax is recognized in the income statement, except in the extent that it makes reference to item directly recognised in net equity. In such case the tax is also recognized in the net equity.

The debit for current tax is calculated based on the applicable tax regulations or on tax regulations of imminent coming into force as at the balance date in the countries of operation of the relevant subsidiaries and associated companies which generate income subject to tax. The Management evaluates on a regular basis the positions adopted in regards to situations in which the tax regulations are subject to interpretation, creating, if required, the provisions necessary based on the amounts that are expected to be payable in favour of the tax authorities.

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

Dated 27 June 2008, the General Meeting of Shareholders passed the 2011 Long-term Incentives Plan for Directors and Top Executives of Group Prosegur. The 2011 Plan is linked, on a general basis to the creation of value in the period 2008-2011 and contemplates de delivery of Company's stock-based incentives to executive directors and incentives in the form of Company's shares and cash to the Group's top executives. The maximum number of shares allocated for the 2011 Plan amounts to 375,000 or 0.608% of the current issued share capital of the Company.

The accounting treatment to be applied will be of a mixed nature. On the one hand, the cash settlement and on the other the stock-based settlement. The fair value of the employee services received in exchange for shares is recorded as an expense on the accrual base during the period covered by the plan, with the resulting increase in net equity. The total amount reflected in expenses during the accrual period is determined by the fair value of the shares awarded, €1,855 thousand as at 31 December 2008.

The plan is assessed at the beginning of the year at the fair value in the initial moment it is granted. The method used for valuation has been the construction of a binomial tree in accordance with market conditions. This method uses as market parameters, among others, the share price, the period of reference, the projection of expected dividends, the timeline structure and amount, as well as the 42.12% volatility calculated based on the historical time series adjusted through models known and acceptable to the market.

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. Any benefits that will not be paid during the 12 months following balance date are discounted at their current value.

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 the hyphoteses 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.

Provisions are regarded at present value of the disbursements that are expected to be necessary for settling the liability by using a pre-tax rate that reflects the current market evaluations on the time value of money as well as the specific risks associated to the liability. The increase in the provision resulting from the elapsing of time is recognized as an expense on interests.

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. The Group recognizes revenues when their amount can be reliably estimated, it is likely that any future economic benefits will flow to the company and specific conditions are met for each of the Group's activities.

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. Whenever a receivable account suffers a loss resulting from an impairment of value, the Group decreases the amount in books to a recoverable figure, discounting any estimated future cash flows at the original effective interest rate of the instrument and keeps regarding the discount as a lower interest income. Interest on loans that have suffered impairment losses are recognized by using the effective interest rate.

(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 amortised 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 amortised 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 amortised 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 recognized 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, in the cases in which costs incurred plus recognised profits (deducting recognised losses). 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 to the customers for the work of all contracts in process as a liability in the cases in which partial billing exceeds the costs incurred plus recognised profits (deducting recognised losses).

2.22. Available-for-sale non current assets

The non-current assets (or transferable groups of elements) are classified as available for sale when their value will be mainly recoverable through their sale, provided such sale is considered as highly likely. These assets are valued at the lesser of their book value and their fair value less any sale-related costs if their book value is recoverable mainly through a sale transaction rather than their continued use.

2.23. 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.

2.24. 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.

3. 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 22.

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 linked 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, 2008 per currency type is broken down in the following table:

Currency	Assets (€ thousand)	Liabilities (€ thousand)
Euro	478,743	604,368
Brazilian Real	92,168	98,562
Argentinean Peso	105,788	42,048
Chilean Peso	21,176	21,473
Peruvian Sol	10,231	6,732
Other currencies	33,501	16,527
Aggregate position	**741,607**	**789,710**

Based on the above table, had the Euro decreased in value by 10% with respect to the other currencies in which the group operates, the impact on the parent company's net equity would have been of €24,695 thousand.

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

Currency	Net income (€ thousand)
Euro	66,595
Brazilian Real	18,996
Argentinean Peso	28,600
Chilean Peso	4,043
Peruvian Sol	8,154
Other currencies	650
Aggregate position	**127,038**

Based on the above table, if as at 31 December 2008, had the euro 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 €6,044 thousand 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 5,000 customers with an average billing amount per customer of €17,000 a month. The most used method of payment by customers is transfer (80%) with 20% 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	3.39%
Customer 2	2.2%
Customer 3	1.79%
Customer 4	1.33%
Customer 5	1.22%
Customer 6	0.9%
Customer 7	0.77%
Customer 8	0.76%

As explained in Note 11, the Group signed in 2007 a securitization program of part of the customer portfolio, which results in the sale on non-recourse invoices, so the credit risk is transferred along with the sale.

Regarding banks and lending institutions only entities independently rated “A” or better are acceptable.

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 18) and availability of cash and cash equivalents (Note 13) in accordance with expected cash flows.

The liquidity situation of the Group for year 2009 is based on the following:

- As at 31 December, 2008 the overall cash assets and cash equivalents available amount to 92,653 thousand.
- As at closing of financial year 2008, undrawn credit lines amount to 197,550 thousand.
- Cash flows generated by recurrent activities in 2008 reached 234,332 thousand (170,987 thousand in 2007). 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.

	< 1 year	<1- 2 years>	<2-5 years>
At 31 December 2008			
Bank loans	80.857	61.461	151.955
Credit agreements	46.122	-	-
Leasing	6.145	9.131	-
At 31 December 2007			
Bank loans	69.805	80.525	123.808
Credit agreements	92.142	-	-
Leasing	5.475	8.948	-

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.

Risk on interest rate 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 company analyzes its exposure to interest rate risk on a dynamic basis. During 2008, the Company's debt capital at a floating rate was basically denominated in euros.

A simulation involving several scenarios is made having in mind the refinancing, the renewal of current positions, alternative financing and hedging. Based on these scenarios, the Company calculates the impact of a certain change in interest rates on the results. For each simulation the same change in the interest rate for each currency is used. The scenarios are only used for liabilities representing the most relevant positions borne at floating rates.

Based on the various scenarios, the Company manages the interest rate risk to cash flows through interest rate swaps.

During 2008, the Company carried floating-floating interest rate swaps in order to achieve a more flexible term drawdown structure (Note 22).

As at 31 December 2008, had the interest rates on third-party resources denominated in euros been 100 basis points higher, the remaining variables unchanged, the post-tax result would have been €3,404 thousand lower, mainly as a result of a higher expense associated to interests on floating-rate loans.

The following table contains a detail of financial debt as at December 31, 2008 with an indication of the percentage of debt considered as hedged, either under a fixed rate or derivatives.

Segment	Total Debt	Hedged Debt	Exposed Debt	Impact of 100 basis points
Spain	324,537	-	324,537	3,245
Rest of Europe	37		37	0
Latam	15,821	-	15,821	158
Aggregate position	**340,394**	**-**	**340,394**	**3,404**

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 kept in 2008 in order to limit the impact of diesel consumption of the armoured vehicle fleet on costs.

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 this 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 there is a calculation of the leverage index as at December 31, 2008 and 2007:

	2008	2007
Debt capital (Note 18)	428,868	419,281
plus/minus: derivative financial instruments (Note 22)	(5,507)	1,593
minus: other non-bank debt (Note 18)	(73,196)	(38,578)
minus: cash and cash equivalents (Note 13)	(92,653)	(98,288)
minus: other current financial assets (Note 12)	(114,405)	(37,300)
minus: other non-current financial assets linked to bank debt (Note 9)	-	(18,025)
Net financial debt	143,107	228,683
Net equity	424,594	382,418
Total capital	**567,701**	**611,101**
Leverage index	**25.21%**	**37.42%**
Net Financial Debt / Net equity rate	33.7%	59.8%

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.

4. 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 there 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's 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.

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

During the financial year 2008, an impairment loss for an amount of 2,091 thousand units has taken place in the "Rest of Europe" cash generating unit, which has caused a decrese in book value of such cash generating unit up to its recoverable amount. With the exception of goodwill, no other asset category has suffered any impairment losses.

If the gross margin foreseen by using for the calculation of value in use of the cash generating unit "Rest of Europe" (included in the Corporate Security segment) had been 10% lower than the estimations made by Management as at 31 December 2008, the Group would not have recognized an additional loss for impairment of goodwill. If the estimated discount rate before tax used for the cash flows discounted for the cash generating unit "Rest of Europe" (included in the Corporate Security segment) had been 10% higher than the estimations made by Management, the Group would not have recognized an additional loss for impairment of goodwill.

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.

Based on the estimations made, in the current financial year no additional tax has been regarded as necessary.

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 staff benefits.

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 which 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 1,040 thousand (820 thousand in 2007). Should the discount rate used differ by 10% from management's estimates, the variation in the book value of said liabilities would be irrelevant.

5. Reporting financial information by segments

Management has defined the operating segments based on the financial information reviewed by the governing committee on strategy, which is used for strategic decision making.

The committee considers the business from the point of view of geographical areas and activities. At a geographical levels, the operating segments on which financial information is presented, obtain their revenues mainly due to the rendering of corporate security and residential security services.

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

At 31 December 2008, the global organization of the Group is in accordance with the following three main segments:

- Spain
- Rest of Europe
- Latam Area

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

The results per segment for the year ended 31 December 2008 are as follows:

Financial year ended 31 December 2008	Spain	Rest of Europe	Latam	Group
Sales	1,001,594	285,158	766,408	2,053,160
Sales between segments	592	812	49	1,453
Sales to external customers	1,001,002	284,346	766,359	2,051,707
Adjusted EBITDA	109,973	18,414	130,271	258,658
Amortization	24,384	4,822	22,319	51,525
Impairment of Goodwill	2,091	-	-	2,091
Operating profit	85,589	11,501	107,952	205,042
Net financial costs (Note 26)	12,750	(1,536)	11,038	22,252
Pre-tax profit	72,839	13,037	96,914	182,790
Company's Profit Tax	20,055	2,668	34,822	57,545
Year's profit on ongoing activities	52,784	10,369	62,092	125,245
Year's profit on discontinued activities	1,400	-	-	1,400
Minority interests	-	-	(393)	(393)
Year's profit attributable to shareholders	54,184	10,369	62,485	127,038

The results per segment for the year ended 31 December 2007 are as follows:

Financial year ended 31 December 2007	Spain	Rest of Europe	Latam	Group
Sales	912,460	292,809	637,388	1,842,657
Sales between segments	62	795	5	862
Sales to external customers	912,398	292,014	637,383	1,841,795
Adjusted EBITDA	89,996	11,932	108,339	210,267
Amortization	23,637	5,061	19,649	48,347
Impairment of Goodwill	-	-	-	-
Operating profit	66,359	6,871	88,690	161,920
Net financial costs (Note 26)	7,850	(1,570)	7,246	13,526
Pre-tax profit	58,509	8,441	81,444	148,394
Company's Profit Tax	17,841	(664)	31,948	49,125
Year's profit on ongoing activities	40,668	9,105	49,496	99,269
Year's profit on discontinued activities	-	-	-	-
Minority interests	-	-	968	968
Year's profit attributable to shareholders	40,668	9,105	48,528	98,301

The sales turnover figure does not include other revenues, as explained in Note 24.

Other segment items included in the income statement for the year ending December 31, 2008 are as follows:

	Spain	Rest of Europe	Latam	Group
Amortization of tangible fixed assets (Note 6)	16,149	4,648	19,033	39,830
Amortization of intangible assets (Note 8)	8,235	174	3,286	11,695
Depreciation of insolvencies and inventories	3,102	1,608	942	5,652

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

	Spain	Rest of Europe	Latam	Group
Amortization of tangible fixed assets (Note 6)	15,508	4,911	15,956	36,375
Amortization of intangible assets (Note 8)	8,129	150	3,693	11,972
Depreciation of insolvencies and inventories	1,176	1,251	1,183	3,610

The assets and liabilities of the segments at December 31, 2008 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	52,986	24,097	209,166	286,248
Investment in fixed assets (Notes 6 and 8)	43,632	5,352	76,364	125,348

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	101,494	33,742	173,978	309,214
Investment in fixed assets (Notes 6 and 8)	26,970	5,684	45,933	78,587

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.

The results by segment for the year ended 31 December 2008 are as follows:

Year ended 31 December 2008	Corporate Security	Residential Security	Group
Sales	1,940,697	111,956	2,052,653
Sales between segments	174	772	946
Sales to external customers	1,940,523	111,184	2,051,707
Adjusted EBITDA	223,713	34,945	258,658
Amortization	42,500	9,025	51,525
Impairment of Goodwill	2,091	-	2,091
Operating profit	179,122	25,920	205,042
Net financial costs (Note 26)	22,781	(529)	22,252
Pre-tax profit	156,341	26,449	182,790
Company's Profit Tax	49,743	7,802	57,545
Year's profit on ongoing activities	106,598	18,647	125,245
Year's profit on discontinued activities	1,400	-	1,400
Minority interests	(393)	-	(393)
Year's profit attributable to shareholders	108,391	18,647	127,038

The results by segment for the year ended 31 December 2007 are as follows:

Year ended 31 December 2007	Corporate Security	Residential Security	Group
Sales	1,743,417	99,308	1,842,725
Sales between segments	183	747	930
Sales to external customers	1,743,234	98,561	1,841,795
Adjusted EBITDA	181,674	28,593	210,267
Amortization	40,204	8,143	48,347
Impairment of Goodwill	-	-	-
Operating profit	141,470	20,450	161,920
Net financial costs (Note 26)	14,222	(696)	13,526
Pre-tax profit	127,248	21,146	148,394
Company's Profit Tax	42,713	6,412	49,125
Year's profit on ongoing activities	84,535	14,734	99,269
Year's profit on discontinued activities	-	-	-
Minority interests	968	-	968
Year's profit attributable to shareholders	83,567	14,734	98,301

The sales figure does not include other income, as explained in Note 24.

The assets and liabilities of the segments at December 31, 2008 and the investments in fixed assets during the year ending on this same date are as follows:

	Corporate Security	Residential Security	Group
Total assets and liabilities	241,884	44,365	286,248
Investment in fixed assets (Notes 6 and 8)	91,109	34,239	125,348

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:

	Corporate Security	Residential Security	Group
Total assets and liabilities	309,196	18	309,214
Investment in fixed assets (Notes 6 and 8)	62,190	16,397	78,587

The amounts reported to the strategic management committee regarding the total assets have been assessed in accordance to the valuation rules of the financial statements. These assets are attributed based on the segment's activities and on their actual location.

The reconciliation of assets by segments with the total assets is shown below:

	2008	2007
Assets assigned to segments	923,758	897,639
Other assets	518,744	459,729
Not assigned:	-	-
- Goodwill	270,492	266,526
- Other non-current financial assets	34,482	53,386
- Other current financial assets	161,800	83,248
- Cash and cash equivalents	44,681	52,339
- Derivatives	7,289	4,230
Total assets according to balance	**1,442,502**	**1,357,368**

The reconciliation of liabilities by segments with the total liabilities is shown below:

	2008	2007
Liabilities assigned to segments	637,510	588,426
Other segments	380,398	386,524
Not assigned:	-	-
- Other bank debt	355,671	386,524
- Derivatives	1,781	-
- Long-term liens	22,946	-
Total liabilities according to balance	**1,017,908**	**974,950**

6. Tangible assets

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

	Land and buildings	Plant and machinery	Other installations and furniture	Other tang. fixed ass.l	Adv. and fixed ass. in progress	Total
Year ended 31 December 2008						
Initial net book value	77,996	12,898	76,331	60,397	21,748	249,370
Conversion differences	(2,108)	(2,171)	(3,253)	(5,531)	(3,459)	(16,522)
Additions to consolidation perimeter - cost	-	-	987	-	-	987
Additions to consolidation perimeter amortizations	-	-	(332)	-	-	(332)
Additions	18,369	7,208	27,903	16,745	22,034	92,259
Write-offs	(553)	(578)	(10,110)	(4,032)	(766)	(16,039)
Accum. amort. disposals	346	340	6,288	3,792	-	10,766
Other transfers	926	2,490	3,375	(2,849)	(20,553)	(16,611)
Other transfers amortization	(880)	(787)	4,672	13,606	-	16,611
Amortization charge en P&L	(1,424)	(3,996)	(17,978)	(16,432)	-	(39,830)
Other movements	883	3,520	396	(3,907)	113	1,005
Final net book value	**93,555**	**18,924**	**88,279**	**61,789**	**19,117**	**281,664**
At 31 December 2008						
Cost or revaluation	122,951	49,489	174,266	169,448	19,117	535,271
Accumulated amortization and impairment losses in value	(29,396)	(30,565)	(85,987)	(107,659)	-	(253,607)
Net book value as at 31 December 2008	**93,555**	**18,924**	**88,279**	**61,789**	**19,117**	**281,664**

	Land and buildings	Plant and machinery	Other installations and furniture	Other tang. fixed ass.	Adv. and fixed ass. in progress	Total
Year ended 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
Write-offs	(146)	(132)	(7,394)	(4,874)	(412)	(12,958)
Accum. Amort. disposal	23	123	5,244	4,096	-	9,486
Amortization charge	(2,340)	(2,432)	(15,392)	(15,987)	-	(36,151)
Allocation of impairment losses recognized in profit and loss	-	-	-	(224)	-	224
Exit from the consolidated group	(4)	(70)	(383)	(342)	-	(799)
Amort. exit from consolidated group	1	63	332	244	-	640
Addition into the consolidated group	2,176	1,798	3,467	4,283	-	11,724
Amort. addition to consolidated group	(780)	(1,150)	(2,693)	(4,453)	-	(9,076)
Other movements	(482)	(591)	4,422	(5,115)	-	(1,766)
Other movements amortization	356	(97)	1,144	363	-	1,766
Transfers						
Transfers, amortization						
Final net book value	**77,996**	**12,898**	**76,331**	**60,397**	**21,748**	**249,370**
At 31 December 2007						
Cost or revaluation	105,434	39,020	154,968	169,022	21,748	490,192
Accumulated amortization and impairment losses in value	(27,438)	(26,122)	(78,637)	(108,625)	-	(240,822)
Net book value as at 31 December 2007	**77,996**	**12,898**	**76,331**	**60,397**	**21,748**	**249,370**

Dated 23 January 2008, the Company purchased a land plot in the Vicálvaro Industrial Park (Madrid) for an amount of €11,968 thousand, on which the Company had a purchase commitment at closing of the financial year 2007. Regarding the purchase of the above-mentioned plot, as at 31 December 2008 there is a commitment in place in relation to the relevant civil works estimated in €10,200 thousand. No significant additional purchase commitments exist on tangible fixed assets as at 31 December 2008.

Tangible fixed assets are recorded in books at historical cost with the exception of the revaluation of the Pajaritos and Acacias buildings, in Madrid, and the one in Hospitalet (Barcelona), which upon the initial transition to IFRS were assessed at market value. If land and buildings were booked at their historical cost, the amounts would be as follows:

	2008	2007
Cost	84,452	66,111
Accumulated amortization	(2,196)	(1,757)
Net book value	**82,256**	**64,354**

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:

	2008	2007
Rented facilities	76,349	67,877
Accumulated amortization	(41,210)	(37,611)
	35,139	**30,266**

The P&L account includes the income for leasing of facilities of €95,259 thousand (2007: €84,427 thousand). These amounts refer to the entire rental business, whose associated costs are included in the income statement.

During the 2008 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 €1,982 thousand (2007: €917 thousand) and generated corporate income tax credits of €55 thousand (2007: €32 thousand). Likewise, at 2008 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.

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

	2008	2007
Cost of capitalized financial leasing (value of investment)	34,016	4,621
Accumulated amortization	(12,494)	(72)
Net book value	**21,522**	**4,549**

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

7. Goodwill

Movements in goodwill during financial year 2008 have been as follows:

	Goodwill
Year ended 31 December 2008	
Initial net book value	266,525
Additions to consolidation perimeter	6,057
Allocation of impairment losses recognized in the income statement	(2,091)
Net book value as at 31 December 2008	**270,491**

Additions to the consolidation perimeter:

During the 2008 financial year, goodwill was incorporated from the share capital increase by 40% in the participation in the subsidiary Compañía Transportadora de Valores Prosegur de Colombia, S.A. (ex Thomas Gregg & Sons Transportadora de Valores, S.A. for 4,427 thousand; and from the purchase of Resguardo y Estrategias Especializadas, S.A. de C.V. (RYES) for an amount of 2,157 thousand. Additionally, adjustments amounting to 527 thousand have been made, thus decreasing the valuation of goodwill received from the purchases of Xiden S.A.C.I., added during 2007. Note 32 gives details on the calculation of goodwill by acquisitions.

The details of movements during the year 2007 in Goodwill were as follows:

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

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:

As at 31 December 2008:

	Spain	Rest of Europe	Latam	Total
Corporate Security	92,100	25,096	137,114	254,310
Residential Security	4,816	-	11,365	16,181
Total	**96,916**	**25,096**	**148,479**	**270,491**

As at 31 December 2007:

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

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 Europe	Latam
Growth rate[1]	3	3	3
Discount rate[2]	7.50	8.50	13.69

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

Management determined the EBITA (profit before tax, interest and amortisation) 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 the year 2008 an impairment loss in value has been recognized for an amount of 2,091 thousand in goodwill attributable to the CGU located in the “Rest of Europe” region in the segment of corporate security. With the exception of goodwill, no other asset category has suffered any impairment losses. During 2007 no impairment losses were recognized.

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 2.6. 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 4). In such estimates the goodwill purchased in the year has been disregarded.

If the EBITA reviewed at December, 31 2008 had been 10% less than the management’s estimates of 31 December 2008, the Group would not need to reduce any goodwill book value as at December 31, 2008 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, other hypotheses remaining unchanged, would not need to reduce the goodwill book value as at December 31, 2008 for goodwill assigned to CGUs.

8. Intangible assets

The breakdown and movements for the financial year 2008 of the main types of intangible assets, distinguishing between those generated internally and other intangible assets, are as follows:

Year ended 31 December 2008	Computer applications	Customer portfolios	Trademarks	Total
Initial book value	16,304	45,797	548	62,649
Conversion differences	(1,118)	(5,987)		(7,105)
Additions	9,162	1,914	-	11,076
Additions due to joint ventures	-	20,424	602	21,026
Write-offs	(2,990)	(110)	-	(3,100)
Write-offs, amortization	2,929	105	-	3,034
Transfers	(773)	(712)	-	(1,485)
Transfers, amortization	845	640	-	1,485
Amortization charge	(5,700)	(5,652)	(343)	(11,695)
Net book value as at 31 December 2008	**18,659**	**56,419**	**807**	**75,885**
Cost or valuation	34,836	78,458	1,279	114,573
Accumulated amortization and impairment losses	(16,177)	(22,039)	(472)	(38,688)
Net book value as at 31 December 2008	**18,659**	**56,419**	**807**	**75,885**

During the financial year 2008, intangible assets originating in the PPA of the acquisition of the companies Compañía Transportadora de Valores Prosegur de Colombia, S.A. (ex Thomas Greg & Sons Transportadora de Valores, S.A.) for an amount of €2,641 thousand (which includes a customer portfolio amounting to €767 thousand and a brand worth €282 thousand) and Xiden, S.A.C.I. valued at €1,050 thousand (which includes a customer portfolio amounting to €2,321 thousand and a brand worth €320 thousand) (see Note 32).

Also, in the financial year 2008, the customer portfolio acquired through the joint venture carried out with Telefónica Asistencia y Seguridad, S.A. (Telemergencia) in Chile (see Note 32) has been added. This portfolio has been valued at purchase price (€17,336 thousand) and has not been amortized in 2008. During next financial year, the verification of the fair values assigned to this joint venture this joint venture shall be completed and a survey will be carried out in order to determine the useful life of the portfolio acquired.

The breakdown and movements of the main types of intangible assets, during the financial year 2007, distinguishing between those generated internally and other intangible assets, are as follows:

Year ended 31 December 2007	Computer applications	Customer portfolios	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)
Write-offs, amortization	611	27	-	638
Additions to the consolidated group - cost	341	4,186	677	5,204
Additions to the consolidated group - amortization	(296)	(2)	-	(298)
Exits from the consolidated group - cost	(92)	(160)	-	(252)
Exits from the consolidated group - amortization	88	123	-	211
Amortization charge	(4,884)	(6,959)	(129)	(11,972)
Net book value as at 31 December 2007	**16,304**	**45,797**	**548**	**62,649**
Cost or valuations	30,555	62,929	677	94,161
Accumulated amortization and impairment losses	(14,251)	(17,132)	(129)	(31,512)
Net book value as at 31 December 2007	**16,304**	**45,797**	**548**	**62,649**

During customer portfolios were added originating from the PPA assessment of company acquisitions of Compañía Transportadora de Valores Prosegur de Colombia, S.A. and IASA Ingenieros, S.A. (see Note 32).

The remaining assets informed are amortised in percentages ranging from 5.5% to 20%, 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 2008.

9. Financial assets

a) Available-for-sale financial assets

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

	€ Thousand
Balance as at 1 January 2007	**3,797**
Additions	32,516
Write-offs	(930)
Exchange differences	(22)
Balance as at 31 December 2007	**35,361**
Additions	622
Write-offs	(1,422)
Exchange differences	(78)
Balance as at 31 December 2008	**34,483**

Financial assets include the following net investments:

Name	Net Investment value	% interest	Investment
Capitolotre, S.P.A..	31,647	19.0%	31,647
Euroforum Escorial, S.A.	1,007	8.1%	1,053
Keytech Sistemas Integrales	99	37.0%	112
Other investments	289		326
	33,042		**33,138**

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 thousand, plus expenses related to the acquisition for an amount of €79 thousand. 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 and electronic systems. Therefore, the share of Prosegur in Capitolotre, S.P.A. provides the former with a controlling interest of 14.6% in IVRI Group. As at 31 December 2008, the investment in Capitolotre, S.P.A. has been assessed at fair value, by using valuation techniques that include the use of recent free transactions amongst duly informed interested parties making reference to other substantially identical instruments, the analysis of discounted cash flows and price-fixing models by making the maximum use of market data.

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 €1,064 thousand (2007: €1,847 thousand) corresponding to long-term guarantee deposits and other long-term assets for the amount of €377 thousand (2007: €379 thousand).

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

	2008	2007
Euro	33,954	33,970
Argentinean Peso	277	263
Brazilian Real	83	982
Mexican Peso	122	99
Other Currencies	47	47
	34,483	**35,361**

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 non-current financial assets is as follows:

	€ Thousand
Balance as at 1 January 2007	**-**
Transfers	16,691
Write-offs	-
Exchange differences	1,334
Balance as at 31 December 2007	**18,025**
Transfers	(18,729)
Write-offs	-
Exchange differences	704
Balance as at 31 December 2008	**-**

Transfers for the financial year 2008 correspond to a deposit for an amount of 47 million Brazilian Reals with a counter value of €18,729 thousand (See Note 12).

10. Inventories

Stocks at 31 December 2008 and 2007 are as follows:

	2008	2007
Products under construction	9,363	10,589
Commercial inventories, fuel and others	8,043	8,798
Operating material	4,602	2,682
Uniforms	2,461	2,405
Total	**24,469**	**24,474**

No inventories have been pledged as debt guarantees.

11. Customers and receivables

The details for this heading as at 31 December 2008 and 2007 are as follows:

	2008	2007
Customers	394,064	443,756
Minus: provision for impairment losses on receivables	(22,949)	(22,588)
Customers - net	371,115	421,168
Other receivables	107,434	78,744
Advance payments	14,228	13,280
Total	**492,777**	**513,192**
Current portion	**492,777**	**513,192**

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).

The fair values of the aforementioned concepts do not differ significantly from their nominal value.

In December 2007 a securitization program of part of the customer portfolio was signed, entailing the sale of non-recourse invoices up to a maximum amount of €180,000 thousand. The program has a duration of five years. The first stage comprises the sale of receivables from the Group's companies based in Spain and Portugal, with a possible subsequent extension to other countries. Under the conditions of said agreement, the Company considers that risks and benefits associated to these receivables have been transferred, with the according write-off in the balance sheet for an amount of €91,687 thousand as at 31 December 2008. The amount of the total debt subject to securitization amounted to €138,084 thousand.

Debts with public administrations for various tax concepts are recorded in other receivables at the value of €51,140 thousand (2007: €37,077 thousand) of which €34,144 thousand (2007: €22,626 thousand) correspond to payments on account and corporate income tax debts. Likewise, legal deposits are registered at a total of €15,633 thousand (2007: €14,826 thousand) and staff advances at €627 thousand (2007: €5,047 thousand).

At closing of the financial year 2007, there were standing guarantees for an amount of €9,469 thousand that were executed during the financial year 2008, relating funds in deposit of a customer withheld in Brazil. The Company is carrying out the necessary administrative procedures with the competent authorities in order to release said amount, which has been included in the heading of other receivables.

During the financial year 2008, the Group has effected a payment foe an amount of €2,000 thousand, corresponding to an investment agreement being currently renegotiated. As said payment has been regarded as a right in relation to the agreement eventually reached between the parties, said amount has been booked under the heading of other receivables at the current year's closing.

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

	2008	2007
Euro	261,917	323,719
Other currencies	132,147	120,037
	394,064	**443,756**

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	307,669	25,327	38,119
	307,669	**25,327**	**38,119**

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

	2008	2007
Initial balance	22,588	20,025
Provision for impairment loss of receivables	3,764	4,521
Applications and others	(2,934)	(562)
Reversal of unused amounts	(469)	(1,396)
End balance	**22,949**	**22,588**

In addition, during 2008 the impairment loss in receivables totalled €2,698 thousand (2007: €1,185 thousand). The total loss in the income statement due to impairment losses on receivables has been of €5,993 thousand (2007: €4,311 thousand). 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.

12. Other financial assets

The detail of balances and movements during years 2008 and 2007 is as follows:

	€ Thousand
Balance as at 1 January 2007	**16,691**
Additions	37,300
Transfers	(16,691)
Exchange differences	-
Balance as at 31 December 2007	**37,300**
Additions	115,000
Interests	9,337
Transfers	18,729
Write-offs	(61,682)
Exchange differences	(4,279)
Balance as at 31 December 2008	**114,405**

The transfer in the financial year 2008 corresponds to a deposit for an amount of Brazilian reals 47 million and its exchangeable value as at 31 December 2008 is €14,450 thousand (2007: €18,025 thousand). This deposit guarantees a loan granted to a subsidiary company in Brazil (see Note 18) with maturity in 2009.

Additions carried out during 2008 are as per the following detail:

Description	Issue date	Maturity date	Principal (thousand euros)	Balance at 31/12/2008
Fixed-term deposit	24/01/2008	15/01/2009	50,000	50,000
Credit Link Note	28/02/2008	20/03/2009	25,000	25,000
Fixed-term deposit	18/01/2008	18/07/2008	20,000	-
Fixed-term deposit	04/04/2008	04/04/2009	20,000	20,000
Credit note in Brazilian Reals	11/05/2004	11/05/2009	18,729	14,450
Accrued interest			9,337	4,955
			143,066	**114,405**

The financial assets are denominated in the following currencies:

	2008	2007
Euro	99,777	37,300
Brazilian Real	14,628	-
	114,405	**37,300**

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

13. Cash and cash equivalents

The details for this heading as at 31 December 2008 and 2007 are as follows:

	2008	2007
Cash and banks	44,681	52,340
Short-term deposits in lending institutions	47,972	45,948
	92,653	**98,288**

The effective interest rate of the short-term deposits in credit institutions was 5.77% (2007: 3.85%) and the average maturity of said deposits is 64 days.

14. Capital

Share capital

	Nº of shares (thousands)	Ordinary shares (€ thousand)	Share premium (€ thousand)	Treasury stock (€ thousand)	Total (€ thousand)
As at 1 January 2007	**61,712**	**37,027**	**25,472**	**(3,853)**	**58,646**
Purchase of treasury stock				(4,560)	(4,560)
Sale of treasury stock					-
Balance as at 31 December 2007	**61,712**	**37,027**	**25,472**	**(8,413)**	**54,086**
Purchase of treasury stock				(20,959)	(20,959)
Sale of treasury stock					-
Balance as at 31 December 2008	**61,712**	**37,027**	**25,472**	**(29,372)**	**33,127**

At 31 December 2008, the share capital of Prosegur Compañía de Seguridad S.A. totalled €37,027,478 and was represented by 61,712,464 fully subscribed and paid up shares with the nominal value of €0.6 each. They are quoted in their entirety on the Madrid and Barcelona stock markets.

Shareholders are as follows:

	Nº of shares	
Shareholders	**31/12/2008**	**31/12/2007**
Ms. Helena Revoredo Delvecchio [1]	30,924,033	30,924,033
Ms. Mirta Giesso Cazenave [2]	3,471,613	3,471,613
C.F. Alba (represented by Mr. Isidro Fernández Barreiro)	6,175,000	6,175,000
State Street Bank and Trust	5,167,061	2,819,685
Others	15,974,757	18,243,636
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.

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 2008, the Board of Directors of Prosegur Compañía de Seguridad, S.A. owned 34,427,736 shares (34,395,746 shares in 2007) which correspond to 55.79% of the share capital (55.74% in 2007).

Share premium

A share premium of the value of €25,472 thousand is available and was not modified during the 2007 and 2008 financial years.

Treasury stock

Dated 28 June 2007, the General Meeting of Shareholders authorized the Board of Directors to acquire up to 5% of the share capital as treasury stock, which may be used partly or in full to be delivered or transferred to the Company's Directors or to employees or to directors or employees of Group companies, either directly or as a result of the exercise by them of option rights, all within the framework of remuneration schemes referenced to the quoted value of the Company's shares.

During financial year 2007 a total of 195,410 shares were purchased for a gross amount of €4,560 thousand. 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 thousand.

During financial year 2008 a total of 1,003,186 shares were purchased for a gross amount of €20,959 thousand. At 31 December 2008 a total 1,434,743 shares in the form of treasury stock were accounted for at the gross amount of €29,372 thousand.

As explained in Note 2.17, dated 27 June 2008, the General Meeting of shareholders passed the 2011 long-term incentives plan for executive directors and top managers of Group Prosegur. The Plan contemplates the delivery of the Company's treasury stock to executive directors and Company's treasury stock and cash for top managers of the Group.

The commitment acquired by the Company as at 31 December 2008 regarding the 2011 Plan for compensation to directors and top managers is recorded in net equity within the heading "Other patrimonial instruments", for an amount of €1,855 thousand.

15. Revaluation reserve and others

	Reserve for hedging operations	Reserve for treasury stock	Revaluation reserve
Balance as at 1 January 2007	1,544	13	1,557
Fair value profits of the year	125		125
Tax on fair value profits	(50)		(50)
Other movements	-	(13)	(13)
Balance as at 31 December 2007	**1,619**	**-**	**1,619**
Fair value profits of the year	(2,280)		(2,280)
Tax on fair value profits	684		684
Balance as at 31 December 2008	**23**	**-**	**23**

The variation in the reserves for hedging operations is mainly due to cancellations of derivative financial instruments and on interest rates (interests rate swaps) as described in Note 22.

The reserve for treasury stock correspond to the result of selling own shares during financial year 2006. This reserve was re-classified in 2007 into the "Accumulated profits and other reserves" heading.

16. Accumulated conversion difference

	Conversion
Balance as at 1 January 2007	(973)
Conversion differences	(8,467)
Balance as at 31 December 2007	**(9,440)**
Conversion differences	(21,430)
Balance as at 31 December 2008	**(30,870)**

The breakdown of the accumulated conversion difference by segments at close of years 2008 and 2007 is as follows:

	2008	2007
Spain	-	-
Rest of Europe	(796)	(75)
Latam	31,666	(9,365)
Total	**30,870**	**(9,440)**

17. Accumulated profits and other reserves

At 31 December 2008, unavailable accumulated reserves and profits existed for an amount of €7,489 thousand (2007: €9,905 thousand). The movement of unavailable reserves is due to the re-classification of the treasury stock reserve (2007: €820 thousand) as well as to the attribution of €1,596 thousand from the revaluation reserve (Note 15).

The legal reserve of €7,405 thousand has been allocated 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 revaluation at the amount of €23 thousand (2007: €1,619 thousand) and the reserve for converting capital to euros at the amount of €61 thousand are of limited availability.

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

	2008		2007	
	Result attributable to company shareholders	Result attributable to minority interests	Result attributable to company shareholders	Result attributable to minority interests
Spain	54,184	-	40,668	-
Rest of Europe	10,369	-	9,105	-
Latam	62,485	(393)	48,528	968
	127,038	**(393)**	**98,301**	**968**

The proposal to the General Meeting of Shareholders for the distribution of the 2008 results, determined in accordance with business law and the criteria for reporting individual annual accounts under the Spanish accounting principles, and compared with the approved distribution of the 2007 result is as follows:

	2008	2007
Basis of distribution		
Year's result	50,000	33,765
Voluntary reserves	-	10,235
	50,000	**44,000**
Distribution		
Dividends	50,000	44,000
	50,000	**44,000**

18. Debt capital

This caption of the balance sheet is as follows:

	2008	2007
Non current		
Loans with credit institutions	961	18,025
Syndicated loan	212,455	186,308
Leasing debts	9,131	8,948
Other debts	9,259	17,982
	231,806	**231,263**
Current		
Credit accounts	46,122	92,142
Loans with credit institutions	14,897	7,305
Syndicated loan	65,960	62,500
Leasing debts	6,146	5,475
Other debts	63,937	20,596
	197,062	**188,018**
Total debt capital	**428,868**	**419,281**

Interest rate	2008	2007
Credit accounts	4.78%	4.47%
Loans	12.17%	10.96%
Syndicated	4.39%	4.44%
Leasing debts	13.20%	15.49%

The book values as at 31 December 2008 of the long-term capital debt does not significantly differ from its fair value.

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

	6 months or less	6 to 12 months	1 to 5 years	Total
As at 31 December 2008				
Total debt capital (excluding other debts)	58,753	286,825	10,092	355,670
Total interests	1,857	14,873	4,170	20,899

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

	2008	2007
Euro	323,193	347,011
Other currencies	32,477	33,692
	355,670	**380,703**

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

	12 months or less	1 to 5 years	Total
As at 31 December 2008			
Total debt with credit institutions	14,897	961	15,858
As at 31 December 2007			
Total debt with credit institutions	7,305	18,025	25,330

At 31 December 2008, the Group has undrawn credits granted totalling €197,550 thousand (€250,067 thousand in December 2007).

The Group has the following undrawn lines of credit:

	2008	2007
Floating rate:		
With maturity falling within a year	87,550	5,067
With maturity falling after a year	110,000	200,000
	197,550	**205,067**

The lines of credit with maturity falling within a year will be subject to various reviews during 2009.

Funding in Brazil

There is a loan amounting to 47,000 thousand reals, (2007: 47,000 thousand reals) with an exchangeable value of €14,450 thousand (2007: €18,025 thousand) granted to a subsidiary company in Brazil with maturity on May 2009.

Syndicated Loan

In 2006, Prosegur Compañía de Seguridad S.A. contracted a syndicated financing operation for the value of €450,000 thousand 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 thousand 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 thousand.

The tranche (B) is destined to cover corporate needs and any possible company acquisitions undertaken by the Group. As at 2008 year's end drawdowns for an amount of €90,000 thousand had been made.

The financial conditions for the payment of interests is stipulated in Euribor plus a 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 2008 was Euribor + 0.30% (Euribor + 0.35% in 2007). The loan matures on 25 July 2011.

The loan is guaranteed by the following subsidiary companies of the Prosegur Group: Prosegur Companía 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 thousand at each amortisation date will be as follows:

Amortization date	Amount (€thousand)	Outst. Bal. (€thousand)
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 2008.

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 thousand. 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 amortisation 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:

	2008	2007
Less than 1 year	6,145	5,556
1 to 5 years	9,131	8,727
More than 5 years	0	140
Current value of financial leasing liabilities	**15,276**	**14,423**

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 32) performed during present and past years. The breakdown is as follows:

	2008	2007
Non-current		
Debts from deferred payments on purchases	4,004	11,638
Investment agreements	2.878	2.721
Others	2,377	3,623
	9,259	**17,982**
Current		
Debts from deferred payments on purchases	15,216	18,852
Debts from securitization of collection rights	46,315	
Others	2,406	1,744
	63,937	**20,596**

Amongst the items comprising the balance of debts as at 31 December 2008 from deferred payments due to purchases, the following can be found:

Regarding the acquisition made during 2005, namely Grupo Nordés, the seller had guaranteed an additional amount conditioned to the fulfilment of certain requirements regarding turnover growth during the period 2006-2008. In 2005, this deferred payment was considered as an additional goodwill amount assessed at fair value for an amount of €6,899 thousand. In January 2008 a new contract was entered into modifying the conditions set forth regarding deferred payment in the initial sale-purchase contract signed in 2005. An additional payment of a lump sum amounting to €9,623 thousand was contemplated with the following maturities: €5,500 thousand in January 2008, €1,500 thousand in January 2009, €1,500 thousand in January 2010 and €1,123 thousand in January 2011. The adjustment in the fair value of the deferred payment has meant a debit on the income statement for the financial year 2008 of €1,142 thousand. The deferred amount at present value as at 31 December 2008 was of €3,918 thousand.

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 thousand). Up to December 2008 payments have been made amounting to 48 million Brazilian Reals; the remaining 22 million Brazilian Reals (€9,562 thousand) will be payable during 2009.

Debts from investment agreements for an amount of €2,878 thousand correspond to liabilities with the Colombian investor Transporsec arising from the funding of a 9% shareholding in the company Compañía Transportadora de Valores Prosegur de Colombia, S.A. (ex Thomas Greg and Sons Transportadora de Valores, S.A.), of which the Company purchased 60% of its share capital during the financial year 2007 and the remaining 40% during 2008 (see Note 32).

As explained in Note 11 above, the Group formalized a securitization program for a portion of its customer portfolio, which entails the sale of non-recourse invoices. The heading of debts for securitization of collection rights, for an amount of €46,315 thousand includes liabilities for amounts to refund corresponding to collections made on invoices sold.

The details on the maturities for the heading “Other debts” are as follows:

	2008	2007
Less than 1 year	63,937	20,596
1 to 5 years	8,857	17,982
more than 5 years	402	-
Total	**73,196**	**38,578**

19. Tax situation

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 2008 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., Prosegur Activa España, S.L. and Prosegur Multiservicios, S.A.

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.

The expenses deriving from profit tax, are calculated as follows

	2008	2007
Profit before tax	182.790	148.394
Tax rate	30,00%	32,50%
Result adjusted to tax rate	54.837	48.228
Permanent differences	2.219	2.102
Impact of different tax rates	812	(74)
Adjustment of deferred taxes from previous years	(1.869)	-
Change of tax rates by deferred tax	-	389
Adjustment of taxes from previous years	(258)	(1.589)
Losses without deferred tax	3.490	3.138
Deductions	(1.775)	(2.468)
Benefit from the EIG operation	(810)	-
Others	899	(601)
Tax expense	**57.545**	**49.125**

The weighted average rate is 31.75% (2007: 33.1%). The most significant variations take place in the deferred tax due to the drop in profit tax rate in Spain, as well as to the optimization of effective rates in Latin America, mainly in Argentina, Brazil, and Chile. Additionally, the benefit from the operation with the Economic Interest Groups (EIGs) for an amount of €810 thousand is recognized as explained further below.

The change in the tax rate in Spain for the financial years 2007 and 2008 (32.5% for 2007 and 30% for 2008) 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 thousand, the impact of the Supreme Court's ruling regarding calculation of paid overtime, €504 thousand, and the accrual of residential security sales -€15,000 thousand, decrease in the deferred taxes of liabilities with regards the revaluation of buildings -€11,000 thousand, and goodwill and portfolio amortisation €384 thousand.

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 resulted in a change of focus in the financial year 2007 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 2008 and 2007 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 2008 and 2007 is the result of the temporary differences generated by the difference between the accounting value of certain assets and liabilities and their tax base. Gross movements in the deferred tax assets and liabilities account and their breakdown at the end of the financial years 2007 and 2008 are as follows:

Assets on deferred tax	31-dec-06	Debit or cerdit to results	Joint ventures	Debit or credit to net equity	Conv. difference	31-dec-07	Debit or credit to results	Joint ventures	Debit or credit to net equity	Applic.	Conv. difference	31-dec-08
Amortization of tangible and intangible assets	**436**	72	-	-	(4)	**504**	(9)	-	-	-	-	**495**
Accrual of alarms' cost	**5,794**	(1,036)	-	-	(148)	**4,610**	101	-	-	-	(50)	**4,661**
For different provisions	**9,863**	3,397	-	-	208	**13,468**	2,897	-	-	-	(1,415)	**14,950**
For risks in France	**3,899**	(3,526)	-	-	-	**373**	(292)	-	-	-	-	**81**
Negative tax bases	**6,774**	(3,228)	-	-	522	**4,068**	(2,557)	-	-	-	(795)	**716**
Ruling on differences in hourly rates	**9,000**	6,046	-	-	-	**15,046**	2,639	-	-	-	-	**17,685**
Tax goodwill and portfolios	**2,963**	(36)	-	-	-	**2,927**	4	-	-	-	-	**2,931**
Otros	**6,137**	820	-	-	1	**6,958**	(390)	-	(80)	(68)	(1)	**6,419**
	44,866	**2,509**	**-**	**-**	**579**	**47,954**	**2,393**	**-**	**(80)**	**(68)**	**(2,261)**	**47,938**

Liabilities on deferred tax	31-dec-06	Debit or credit to results	Joint ventures	Debit or credit to net equity	Conv. difference	31-dec-07	Debit or credit to results	Joint ventures	Debit or credit to net equity	Aplic.	Conv. difference	31-dec-08
Amortization of tangible and intangible assets	**(2,646)**	(594)	-	-	238	**(3,002)**	910	-	-	-	182	**(1,910)**
Tax goodwill	**(18,260)**	(4,541)	(1,695)	-	-	**(24,496)**	349	(1,107)	-	6,974	8	**(18,272)**
For investments	**(1,836)**	(1,003)	-	-	239	**(2,600)**	(273)	-	-	-	93	**(2,780)**
Accrual of alarms' income	**(865)**	(371)	-	-	113	**(1,123)**	(470)	-	-	-	40	**(1,553)**
Deferred capital gains on sales of fixed assets	**(1,258)**	391	-	-	-	**(867)**	228	-	-	-	-	**(639)**
EIG results	**(606)**	-	(204)	-	-	**(810)**	810	-	-	-	-	**-**
Asset revaluation	**(11,402)**	132	-	-	-	**(11,270)**	132	-	-	-	-	**(11,138)**
Others	**(3,009)**	(31)	-	(50)	(113)	**(3,203)**	159	-	764	1,297	321	**(662)**
	(39,882)	**(6,017)**	**(1,899)**	**(50)**	**477**	**(47,371)**	**1,845**	**(1,107)**	**764**	**8,271**	**644**	**(36,954)**

The deferred tax assets generated during 2008 for a value of €2,639 thousand (2007: €6,046 thousand) correspond to the deferred tax impact of the Supreme Court ruling on extra hours, as described in Note 25.

The entry into force of the new Spanish accounting plan in the year 2008 and its tax implications has caused on the Spanish companies and, especially in the parent company, Prosegur Compañía de Seguridad, S.A., an allocation of deferred tax to be paid to be debited on the equity of each relevant company, for €25,017 thousand This amount was already recorded in the consolidated financial statements of Group Prosegur. The tax treatment for payment of said amounts allows that it may be made mostly by increasing the taxable bases for the financial years 2008, 2009 and 2010, which means an application to deferred tax of €8,203 thousand in 2008. In the years 2009 and 2010, €8,407 thousand shall be applied each year approximately, being these payments affected, to a lesser extent, by the evolution of certain provisions.

The deferred tax assets as negative tax bases pending offsetting 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 capitalized	Capitalized
2009	723	723	-
2010	16	16	-
2011	204	1	203
Subsequent years, or with no time limit	57,397	54,106	3,291
Total	**58,340**	**54,846**	**3,494**

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.

In the month of June 2008, the General Meetings of Prosegur Compañía de Seguridad, S.A. and C. Valdecantos S.A. approved a takeover merger of the latter by the former. The date from which the operations carried out by C. Valdecantos, S.A., the company being taken over, shall be, for accounting purposes, regarded as effected by the company onto which the relevant assets will be transferred is 1 January 2008.

In November 2007 was formalized the takeover merger of IASA Ingenieros, S.A. by Nordés Prosegur Tecnología S.A. The date from which the operations carried out by IASA Ingenieros, S.A., the company being taken over, shall be, for accounting purposes, regarded as effected by the company onto which the relevant assets will be transferred is 1 July 2007.

The additional assets and liabilities resulting from these mergers were recorded at the book value of the merged company without generating any accounting or tax gains and made no use of the tax regime contemplated in Chapter VIII of Title VII of the refunded text of the Act on the Companies Profit Tax.

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.

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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.

On the other hand, Prosegur Compañía de Seguridad, S.A., held until 31 December 2007, 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.

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, deferring the recognition of the profit until the groups change to the tonnage-based tax regime as set forth by articles 124 and succeeding on the Royal Legislative Decree 4/2004 dated 5 March, enacting the refunded text of the Act on the Companies Profit Tax, in regard to the determination of the tax base in the Companies Profit Tax. This change of regime took place on 1 January 2008, having a tax benefit of €810 thousand been recognized as stated above in the table of changes on deferred tax.

As 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 2004. The remaining countries are subject to local legislation, with the 2004 financial year being the oldest open to inspection in most cases.

20. Long-term provisions

On 31 December 2008, the amount under this caption totalled €134,536 thousand (2007: €120,751 thousand). Said amount and movements during 2008 are comprised of:

	Provision for overtime	Prov. for risks and expenses	I/P periodization Income on alarms	Staff accruals	Total
Initial balance as at 1 January 2008	50,152	49,799	20,800	-	120,751
Allocations	8,797	16,959	19,480	1,895	47,131
Reversals	-	(3,293)	(17,334)	-	(20,627)
Additions to the consolidation perimeter	-	-	-	-	-
Exits from the consolidation perimeter	-	-	-	-	-
Application	-	(7,915)	-	-	(7,915)
Conversion difference	-	(4,804)	-	-	(4,804)
Final balance as at 31 December 2008	**58,949**	**50,746**	**22,946**	**1,895**	**134,536**

a) Change in price of overtime

In May 2005, the current State Bargaining 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 trade unions. As at stating these accounts no new State Bargaining Agreement for Security Companies for 2009 and subsequent years had been signed.

On 6 February 2006, the social 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 position 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. Until now, no resolution has been made on both appeals.

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 by the employees, including a provision for past years as from the beginning of the Bargaining Agreement to the year end at 31 December 2008. This was recorded as higher staff costs with a credit entry to a long-term provision.

During financial year 2008, 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, €8,797 thousand (2007: €20,152 thousand) have been booked as a higher staff expense with a credit entry to a long-term provision.

The accrued amount of such a provision as at December 31, 2008 is €58,949 thousand (2007: €50,152 thousand) 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 2008 and 2007 is as follows:

	2008	2007
Initial balance	49,799	45,451
Allocations	16,959	14,548
Reversal	(3,293)	(3,773)
Addition to the consolidation perimeter	-	144
Exits from the consolidation perimeter	-	(219)
Applications	(7,915)	(7,191)
Conversion difference	(4,804)	839
Final balance	**50,746**	**49,799**

The breakdown by concept for the provision for liabilities during the 2008 financial year is as follows:

- Legal €16,112 thousand. Legal provisions are analysed individually.

- Labour €34,634 thousand. 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 €1,040 thousand (2007: €820 thousand) 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 thousand 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 challenged has not been finally set 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.

On 5 September 2008, a new suit for an ordinary trial was filed by the official receivers of Esabe Express, S.A. against Prosegur Compañía de Seguridad, S.A. and Alarmselskabet Dansikring A/S and Securitas A/B. In said suit it is requested that the payment effected by Esabe Express S.A. through Alarmselskabet Dansikring A/S in favour of Prosegur, for an amount of €13,023 thousand, be declared null and void at law, based on the fact that said payment was effected at a later date than the retroaction of the bankruptcy (1 May, 1991). Therefore, Prosegur is requested to refund the assets resulting from the bankruptcy of Esabe Express, S.A. for said amount, plus any applicable legal interests of the same. Prosegur has filed with the competent court a writ in response to the suit in which it maintains that to the contrary of the petitioner's arguments, Esabe Express, S.A. had not effected any disposition acts or payments after the set date of 1 May, 1991, requesting the whole suite to be dismissed.

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

c) Staff accruals

As explained in Note 14, dated 27 June 2008, the General Meeting of Shareholders approved the 2011 Plan of long-term incentives for executive directors and top executives of the Prosegur Group. The 2011 Plan contemplates the delivery of incentives through company shares to executive directors and a combination of company shares and cash to the Group's managers. The provision covering the commitment embraced by the company as at 31 December 2008 in relation with the cash incentives contemplated in the 2011 Plan for compensation to directors and managers amounts to €1,895.

d) Revenue accruals

This refers to revenues for alarms, at an amount of €22,946 thousand (2007: €20,800 thousand).

21. Trade and other payables

The breakdown of suppliers and other payables is as follows:

	2008	2007
Trade creditors	84,953	77,502
Other payables	38,378	40,694
Staff accruals	121,244	123,076
Social security and other taxes	85,043	83,108
	329,619	**324,380**

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.

It provides an opportunity of receiving a variable pay that will depend 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 €31,075 thousand (2007: €21,184 thousand).

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

22. Derivative financial instruments

The company maintains derivative financial instruments on interest rates (interest rate swaps), on exchange rates, and mixed interest and exchange rate financial swaps (“cross currency swaps”), in accordance with the management policy on financial risks described in Note 3.

The details on the fair value of the derivative financial instruments at year’s closing is as follows:

	Assets	Liabilities
Non-current		
Interest rate swaps	-	251
Non-current total	**-**	**251**
Current		
Mixed interest and exchange rate swaps	-	1,531
Fixed-term contracts on foreign currency	7,289	-
Current total	**7,289**	**1,531**

The total fair value for a derivate is classified as a non-current asset or liability if the remaining maturity of the notional is longer than 12 months and as a current asset or liability if the remaining maturity is shorter than 12 months.

All derivative financial instruments maintained by the Company record their fluctuations in market value in the P&L account as they are not considered as a perfect hedging.

Asset derivative financial instruments

The asset financial instruments as at December 2008 and 2007, with their fair, and notional values and maturities are as follows:

Features	Notional	Fair value as at 31/12/08	Fair value as at a 31/12/07	Notional Maturities
				2009
Exchange insurance Eur/Brl	BRL 77,044 K	3,723	-	BRL 77,044 K
EBITA collar Eur/Ars hedging	ARS 130,000 K	3,566	-	-
Interest rate hedging	EUR 250,000 K	-	3,941	-
Exchange insurance Eur/Ars	EUR 1,500 K	-	75	-
Diesel Collar		-	214	-
Exchange insurance Clp/Eur	CLP 5,500,000 K	-	-	-
	Totals	**7,289**	**4,230**	**-**

Liability derivative financial instruments

The liability financial instruments as at December 2008 and 2007, with their fair, and notional values and maturities are as follows:

Features	Notional	Fair value as at 31/12/08	Fair value as at 31/12/07	Notional Maturities		
				2009	**2010**	**2011**
Interest rate hedging	BRL 47,000 K	1,531	4,878	47,000 BRL thousand	-	-
Interest rate hedging (Basis Swap)	EUR 156,250 K	251	-	31,250 EUR K	62,500 EUR K	62,500 EUR K
Exchange insurance Eur/Brl	BRL 89,857 K	-	945	-	-	-
Exchange insur. Eur/Ars	ARS 110,000 K	-				
	Totals	**1,782**	**5,823**	**-**	**-**	**-**

All derivative financial instruments maintained by the Company record their fluctuations in market value in the P&L account as they are not considered as a perfect hedging.

However, until 31 March 2007, the derivatives for hedging interest rates existing on the syndicated loan were considered as a perfect hedging and their fair value fluctuations were directly recorded in net equity. As a result, of the change in consideration applied to certain hedging, as from 1 April 2007 took place the reversal of the accumulated hedging operations reserve with a reversal plan until 2011.

During the financial year 2008, the Group sold interest rate hedging derivatives on the syndicated loan's nominal amounts referred to in the above paragraph, thus undertaking in this year the reversal of the accumulated hedging for this item, for un amount of €1,542 thousand (net of tax effect).

The pending balance of the hedging reserve as at December 31, 2008 for an amount of €23 thousand, corresponds to the interest rate hedging of a credit note in Brazilian reals and shall be attributed to the result of the financial year 2009.

	Interest rate hedging (€ 250,000 thousand)	Interest rate hedging (BRL 47,000,000)	Total amount
Balance as at 1 January 2007	1,221	323	1,544
Changes in equity until 31 March 2007	982	(210)	772
Reserval of reserve of hedging operations	(661)	(36)	(697)
Balance as at 31 December 2007	1,542	77	1.619
Reversal of reserve of hedging operations	(1,542)	(54)	(1,596)
Balance as at 31 December 2008	**-**	**23**	**23**

The total net variation in equity of the financial instruments during 2008 for an amount of €2,280 thousand has a tax effect attached for an amount of €684 thousand (see Note 15).

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

Asset derivative financial instruments

Features	Notional	Fair value as at 31/12/2008	Fair value as at 31/12/2007	Notional Maturities
				2009
Exchange insurance Eur/Brl	BRL 77,044 K	3,723	-	BRL 77,044 K
EBITA collar Eur/Ars hedging	ARS 130,000 K	3,566	-	-
Interest rate hedging	EUR 250,000 K	-	3,941	-
Exchange insurance Eur/Ars	EUR 1,500 K	-	75	-
Diesel Collar		-	214	-
Exchange insurance Clp/Eur	CLP 5,500,000 K	-	-	-
	Totals	**7,289**	**4,230**	**-**

Liability derivative financial instruments

Features	Notional	Fair value as at 31/12/08	Fair value as at 31/12/07	Change in results as at 31/12/08
Interest rate hedging	1,531	4,878	77	3,347
Basis Swap	251	-	-	(251)
Exchange insurance Brl/Eur	-	945	-	945
Exchange insurance Eur/Ars	-	-	-	-
	1,782	**5,823**	**77**	**4,041**

The main features of the derivative financial instruments in force as at 31 December, 2008 as described below:

a) Interest rate hedging

The company maintains an interest rate hedging over BRL 47,000 thousand. The derivative is aimed at eliminating as much risk as possible on interest and exchange rates for the purchase of a Brazilian entity through a credit note in Brazilian reals.

The features of the derivative instrument and of the above-mentioned credit note are as follows

Derivative financial instrument:

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

The hedged element is the financial asset referred to in Note 9, with the following characteristics:

- Credit note for 47,000 thousand Brazilian reals
- 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

b) Basis Swap

The company has taken an interest rate swap in order to have a higher flexibility in the disposal terms for Tranche A of the syndicated loan as per the following detail:

Derivative financial instrument:

Type of instrument:	Basis swap
Engagement date:	12/09/2008
Start date:	26/01/2009
Maturity date:	26/07/2011
Payments:	Bi-annually
Collections:	Monthly
Prosegur collects:	Euribor 1 m
Prosegur pays:	Euribor 6 m – 0.325%
Nominal	€156,250 thousand in bi-annual amortizations

Hedged element:

The syndicated loan referred to in Note 18 has the following features:

- Start date: 25 July 2006
- Maturity date: 25 de July de 2011
- Payments: Bi-annually
- Prosegur pays: Euribor 1 m
- Nominals: €156,250 thousand in bi-annual amortizations.

With this operation the Company pays for the monthly drawdowns on the notional of Tranche A of the syndicated loan at EUR 6M - 0.325% and receives on a monthly basis the EUR 1M. The operation has been entered into with reductions in notional in such a way that it adjusts to the amortizations of the syndicated loan.

Terms	Notionals
26/01/2009	156,250
27/07/2009	125,000
25/01/2010	93,750
26/07/2010	62,500
25/01/2011	31,250

c) Exchange insurance for Brazilian reals

In February 2008 the exchange insurance up to March 2009 was renewed for an amount of 77,044 thousand 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.

In October 2008, a part cancellation of the notional for an amount of 12,813 thousand Brazilian reals, was made.

This transaction had been previously denominated in euros and was being hedged from the Prosegur Brazil subsidiary. This hedging has been considered as not perfect and its fair value variations are recorded in the P&L account.

d) Collar exchange insurance for ARS/EUR

At closing of financial year 2008 the Company had contracted a collar structure hedging aimed at limiting the impact in the 2009 EBITA of the fluctuations of the exchange rate for the Argentinean Peso. The hedging shall be in force during all 2009 as per the following details:

Nominal: 130,000 thousand (ARS/EUR)	**Matur. 29/12/09**
Settlement	Yearly
Floor rate	5.5125 ARS/EUR
Capped Rate	5.62 ARS/EUR
Cost:	Zero-cost collar structure

23. Other liabilities and expenses

	2008	**2007**
Advance income	25,777	19,464
Provision for discontinued activities	546	3,113
Other expenses	3,118	1,725
	29,441	**24,302**

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 20).

During 2008, a reversal for an amount of €2,000 thousand in the provision for this continued activities has taken place, which has meant a net profit of €1,400 thousand (See Note 36).

24. Recurrent and other revenues

Details of current revenues at 31 December 2008 and 2007 are as follows:

	2008	**2007**
Goods sold	62,755	55,462
Services rendered	1,893,693	1,701,906
Operating leasing revenue	95,259	84,427
Total recurrent revenue	**2,051,707**	**1,841,795**

25. Expenses due to employee benefits

Details of the expenses due to employee benefits at 31 December 2008 and 2007 are as follows:

	2008	2007
Wages & salaries	1,034,167	926,898
Compensation	12,018	19,668
Social security contributions	278,510	267,403
Other social expenses	36,549	43,707
	1,361,244	**1,257,676**

In accordance with that stipulated in Note 20, the amount related to the Supreme Court ruling on overtime was accounted for as Staff Expenses at the value of €8,797 thousand (2007: €20,152 thousand).

26. Net financial costs

The composition of net financial costs is as follows:

	2008	2007
Expenses from interests		
- loans with credit institutions	(30,880)	(14,238)
- loans with other entities	(660)	(997)
	(31,540)	**(15,235)**
Revenues from interests		
- cash equivalents	692	1,313
- loans and other investments	10,736	687
	11,428	**2,000**
Net (Loss) / profit from foreign currency transactions	(12,517)	(1,156)
Financial expenses from leasing operations	(1,303)	(871)
(Loss) / profit in fair value	9,830	141
Other results from transactions with derivatives	1,875	
Other financial income	3,812	4,867
Other financial expenses	(3,837)	(3,273)
	(2,140)	**(291)**
	(22,252)	**(13,526)**

27. 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 14).

	2008	2007
Profit from continued activities attributable to the Company's shareholders (euros)	125,637,915	98,301,084
No. of ordinary shares in circulation	61,712,464	61,712,464
Average No. of treasury stock	967,293	333,852
Basic earnings per share (€ per share)	**2.07**	**1.60**

The basic earnings per share for discontinued activities 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 14).

	2008	2007
Profit from discontinued activities attributable to the Company's shareholders (euros)	1,400,000	-
No. of ordinary shares in circulation	61,712,464	61,712,464
Average No. of treasury stock	967,293	333,852
Basic earnings per share (€ per share)	**0.02**	**-**

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 14. Likewise, in 2008 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.

28. Dividends per share

The dividends approved by the Shareholders' Meeting in June 2008 and June 2007 were €44,000 thousand (€0.71 per share) and €40,000 thousand (€0.65 per share) respectively. A dividend per share of € 0.81 will be proposed at the next General Shareholders' Meeting, which will result in a total dividend of €50,000 thousand. This dividend is not reflected in these consolidated annual accounts.

29. Cash generated from operating activities

	2008	2007
Net profit before tax	**182,790**	**148,394**
Adjustments made on the result:	103,431	106,012
- Commitments from payments in shares	1,855	-
- Losses from goodwill impairment	2,091	-
- Amortization	51,525	48,347
- Loss from disposal of fixed assets	1,593	1,632
- Loss / (profit) from exchange differences	12,517	1,156
- (Profit) / Loss from sale of subsidiaries	-	212
- Net change in provisions	26,504	38,053
- Net change in deferred tax	(4,238)	3,508
Loss / (profit) from derivative financial instruments	(9,830)	(141)
Other financial revenues	(11,428)	(2,861)
Other financial expenses	32,842	16,106
Profit before changes in working capital	**286,221**	**254,406**
(Increase) / decrease in account receivables	21,498	(59,205)
(Increase) / decrease in inventories	5	(2,514)
(Increase) / decrease in account payables and other liabilities	10,378	39,722
Profit / (loss) for exchange differences in working capital	(12,131)	(3,554)
Cash generated from the operations	**305,971**	**228,855**

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

	2008	2007
Book value	4,442	3,646
Loss for the sale of fixed assets	(1,593)	(1,632)
Amount received from the sale of fixed assets	2,849	2,014

30. 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.

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

	2008	2007
Trade guarantees	51,394	47,818
Financial guarantees	108,721	39,141
Total	**160,115**	**86,959**

Financial guarantees mainly include guarantees for ongoing litigations, as well as guarantees for future payments for acquisition of companies made during the year or during previous years, which balance as at closing of financial year 2008 amounted to €6,945 thousand (2007: €10,918 thousand).

As explained in Note 11, at closing of the financial year 2007, there were standing guarantees for an amount of €9,469 thousand that were executed during the financial year 2008, relating funds in deposit of a customer withheld in Brazil. The Company is carrying out the necessary administrative procedures with the competent authorities in order to release said amount. No significant negative impact is expected on the company.

Regarding the fire occurred in the Windsor Building in Madrid in 12 February 2005, where the company was rendering surveillance services, during the year 2008, the Provincial Audience of Madrid cleared out the criminal responsibility on the event as no guilty persons were found. Therefrom, civil proceedings have been brought, five in total, in the First Instance courts of Madrid Nos. 1, 18, 37, 44 and 46 by the various parties involved with the relevant claims for damages suffered, being the Company amongst the defendants. The Company requested to the First Instance Court No. 18 to accumulate proceedings brought against it in relation to the fire in the Windsor building. Although such request was denied, another accumulation petition requested by the co-defendant is pending resolution. All proceedings are adjourned until the proceeding accumulation petition is finally resolved. The Company does not expect meaningful liabilities to arise as a result of the suits brought against it.

For further information, please read the comments on Long-term provisions and Other liabilities and expenses in Notes 20 and 23.

31. Commitments

Commitment to purchase fixed assets

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

	2008	2007
Tangble fixed assets	13,980	21,496
Intangible assets	393	1,962
	14,373	**23,458**

As explained in Note 6, as at 31 December 2008 there is a pending commitment arising from the civil works of a property in Vicálvaro estimated at €10,200 thousand. Of this amount, €6,200 correspond to 2009 and €4,000 to 2010.

The tangible fixed 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:

Tipo	Menos de 1 año	Entre 1 y 5 años	Más de 5 años
Real Estate	1,460	3,960	951
Vehicles	7,457	10,199	-
Computer equipment	1,458	1,667	-
Other assets	132	255	-
	10,507	**16,081**	**951**

The commitments will 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:

2009	3,425
2010 and succeeding	5,999
	9,424

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

32. Business Combinations

Incorporation of goodwill is described in Note 7.

Goodwill added in 2007 which valuation has been completed in 2008
Dated February 19, 2007 the Group reached an agreement for the purchase of 60% of the share capital of the company Thomas Greg and Sons Transportadora de Valores, S.A. (TG&S), one of the two biggest Colombian companies specializing in the areas of securities' logistics and cash management. The total purchase price was 60,738 million Colombian pesos (€19,987 thousand). The effective date in which the Group took control over TG&S was 30 April 2007, so the purchased business began consolidation as from 1 May 2007. The revenues and net loss for the period, carried forward to the consolidated profit and loss account for the financial year 2008 were €32,311 thousand and €143 thousand respectively (2007: €21,223 thousand and a net profit of €2,910 thousand). If the joint business had been consolidated as from 1 January 2007, the revenues and net loss would have been €29,733 thousand and €494 thousand respectively. The CGU is included in Latin America's main segment, under corporate security.

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 net assets acquired	5,441
Goodwill as at 31 December 2007	**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 assets and liabilities	1,260	1,260
Intangible assets	3,960	-
Deferred tax	(1,339)	-
Working capital	900	900
Cash and cash equivalents	840	840
Financial debt in acquired subsidiaries	(1,260)	(1,260)
Total compensation paid 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 which are expected to arise after the acquisition by the Group. The intangible asset is mainly supported on customer relationships and it is amortized in 11 years. There are no deferred amounts pending on the purchase. During 2008 the checking of fair values assigned to this business combination was completed without any required adjustments in goodwill.

Dated 19 June 2007, the group company Grupo Nordés Prosegur Tecnología, S.L. acquired 100% of the share capital of IASA Ingenieros, S.A. a Spanish company based in Barcelona which activity is the installation of fire prevention systems and their maintenance. The date of effective control by the Group is 1 July 2007. The total purchase price was €11,750 thousand. Dated 12 November 2007 took place the takeover merger of IASA Ingenieros, S.A. by Nordés Prosegur Tecnología, S.L. The date from which the operations of the company taken over must be considered for accounting purposes as carried out by the company taking control, Nordés Prosegur Tecnología, S.L. is 1 July 2007. Therefore, the acquired business starting consolidation as from 1 July 2007. The revenues and net profit in the period contributed to the consolidated profit and loss account for year 2007 amounted to €3,097 thousand and €222 thousand respectively. If the business had begun consolidation since 1 January 2007, the revenues and net profit would have been €10,401 thousand and €931 thousand respectively. The CGU is included in the main segment of Europe and under corporate security.

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

Purchase price:

Cash paid	6,425
Attributable expenses	0
Deferred at fair value	4,728
Total purchase price	11,153
Fair value of net assets acquired	3,120
Goodwill as at 31 December 2007	**8,033**

The deferred amount not updated to current value is €5,325 thousand, 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 deferred amount at present value arising from this acquisition as at 31 December 2008 amounts to €2,564 thousand (Note 18).

The assets and liabilities resulting from the acquisition are as follows	Fair value	Book value
Fixed assets	58	58
Other assets	159	159
Intangible 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 to the high profitability of the business acquired and to the important synergies expected to arise after acquisition by the Group. The intangible assets correspond mainly to customer relationships and trademarks and will be amortised in 6 months and 2 years respectively. During the financial year 2008 the checking of fair values assigned to this business combination has been completed with no adjustments on goodwill being required.

Dated December 21, 2007, the Group acquired 100% of the share capital of Xiden, S.A.C.I., an Argentinean company specialising in the installation of access control systems, anti-intrusion systems and professional and industrial video systems. The total purchase price was 4,950 thousand Argentinean Pesos (€1,813 thousand). The date in which the takeover 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 in 2007. Had the business been consolidated as of January 1, 2007, contributed revenues and profit to the Group for 2007 would have increased by €4,196 thousand and €230 thousand respectively. Revenues and net profit contributed to the consolidated profit and loss account has been €5,229 thousand and €31 thousand 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 net assets acquired	736
Goodwill as at 1 January 2008	1,077
Adjustment on goodwill valuation	(527)
Goodwill as at 31 December 2008 (Note 7)	**550**

Details of the assets and liabilities arising from the purchase are as follows:

	Fair value	Book value	Revised fair value	Adjusted differences
Fixed assets	250	250	119	(131)
Other assets and liabilities	791	791	514	(277)
Intangible assets	-	-	1,050	1,050
Deferred tax	-	-	(315)	(315)
Cash and cash equivalents	109	109	109	-
Financial debt in subsidiary acquired	(414)	(414)	(414)	-
Total purchase compensation	1,813	-	1613	(200)
Goodwill	**1,077**	**-**	**550**	**(527)**

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 correspond mainly to customer relationships and trademarks and will be amortised in 16 years and 4 years respectively. During the financial year 2008 the checking of fair values assigned to this business combination has been completed with and adjustment on goodwill being required for an amount of €527 thousand. The Company has not restated the 2007 balances in order to reflect these changes as they are not significant.

Goodwill added in 2008

Dated 24 April 2008 the Group completed the purchase of the 100% of its subsidiary Compañía Transportadora de Valores Prosegur de Colombia, S.A. (ex Thomas Greg & Sons Transportadora de Valores, S.A.), of which 60% had been already purchased in April 2007. The purchase price for the remaining 40% has been of 13,000 thousand dollars (€8,156 thousand). The acquired business began consolidation as from 1 May 2007. The result attributable to minority interests since 1 January 2008 up to 24 April 2008, date in which the 40% interest was purchased, amounted to €84 thousand. The CGU is included in the main segment of Latin America under corporate security.

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

Purchase price:

Cash paid	8,156
Attributable expenses	-
Deferred at fair value	-
Total purchase price	8,156
Fair value of the net assets acquired	3,729
Goodwill as at 31 December 2008 (Note 7)	**4,427**

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

	Fair value	Book value
Properties, plant and equipment	720	720
Other assets and liabilities	840	840
Intangible assets	2,641	-
Deferred tax	(792)	-
Working capital	600	600
Cash and cash equivalents	560	560
Financial debt in acquired subsidiary	(840)	(840)
Total compensation for the acquisition	8,156	8,156
Goodwill	**4,427**	**-**

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 correspond mainly to customer relationships and will be amortised in 11 years. There are no deferred amounts due to the acquisition. During the financial year, the checking of fair values assigned to this business combination has been completed.

Dated 2 December 2008, the company Group acquired 100% of the share capital of Resguardo y Estrategias Especializadas, S.A. de C.V. (RYES), a Mexican company engaged surveillance and custody for goods in transit. The total purchase price was 27,925 thousand Mexican pesos (€1,453 thousand). Takeover date and from which the company taken over starts with consolidation is 1 January 2009, so no revenues or profit have been contributed to the Group in the financial year 2008. Had the acquisition occurred on 1 January 2008, the consolidated revenues and profit for the year 2008 would have been increased by €5,385 thousand and the consolidated net profit would have been decreased by €586 thousand. 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	537
Attributable expenses	-
Deferred at fair value	916
Total purchase price	1,453
Fair value of net assets acquired	(704)
Goodwill as at 31 December 2008 (Note 7)	**2,157**

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

	Fair value	Book value
Fixed assets	225	225
Working capital	(357)	(357)
Financial debt on subsidiary acquired	(572)	(572)
Total compensation for the acquisition	1,453	1,453
Goodwill	**2,157**	**-**

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 value of the deferred amount is subject to the future values of the EBIT for the financial years 2009 and 2010. The estimation of such non updated liability at present value is 21,624 thousand Mexican pesos (€1,125 thousand) to be paid in two maturities dated 30 April 2010 and 30 April 2011. Goodwill is net from the financial cost associated to the recording of the deferred debt at present value. During next financial year, the checking of fair values assigned to this business combination will be completed.

Other business combinations

Dated 14 October 2008, the Group signed an agreement for the assignment of right and sale-purchase of assets with Telefónica Asistencia y Seguridad, S.A. (Telemergencia), a company providing assistance and security services in Chile, through which customer portfolios and other assets relating the Telemergencia business are acquired. The total price for the assignment and sale-purchase amounted to 15,563 million Chilean pesos (€18,221 thousand). According to contract, a price of 14,816 million Chilean pesos was assigned to the customer portfolio (€17,336 thousand) and 747 million Chilean pesos (€836 thousand) to the assets. The assets purchased are recorded in the consolidated balance sheet as at 31 December 2008 for their purchase cost within the headings under fixed assets (€430 thousand) and current assets (€406 thousand), based on their respective nature. The customer portfolio is recorded as at 31 December 2008 for its purchase cost (€17,336 thousand) within the heading of intangible assets (See Note 8). During next financial year, the checking of fair values assigned to this business combination will be completed and a survey carried out in order to ascertain the useful life of said portfolio.

33. Transactions with related parties

The Group is controlled by Gubel S.L. (incorporated in Madrid), which owns 50.11% of company shares. The remaining 49.89% of shares is owned by various shareholders, among which worth special mention is AS Inversiones S.L. with 5.625% 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 18). The share of Banca March, S.A. in said loan as at December 31, 2008 amounted to €4,394 thousand.

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, and can be extended for a further five years and the lease at 31 December 2008 was €88 thousand per month.

This contract cannot be terminated during the initial period or extension until the validity dates have expired. In the event that the lessee 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 lessee 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 in that moment.

During 2008, the rent for all concepts was €1,102 thousand.

Also during 2008, the Company has rendered security services to Banca March for an amount of 2,697 thousand.

Directors' and key managerial staff's compensation

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

	2.008	2.007
Fixed compensation	1,520	1,253
Variable compensation	1,750	5,283
Compensation in kind	36	-
Allowances	862	682
Life insurance premiums	30	19
	4,198	**7,237**

2. Remuneration to top management
A top manager is understood as a person carrying out in fact or at law top management duties directly reporting to the company administration body or to executive commissions or chief executive officers

of the same, including any proxy holders that do not limit the scope of their representation to specific areas or matters or other than the activity that falls within the company's purpose.

The total compensation accrued by top management during 2008 is as follows:

	2008
Fixed compensation	2,278
Variable compensation	890
Compensation in kind	72
Life insurance premiums	23
	3,263

The total compensation accrued by top management during 2008 amounted to €3,322 thousand.

In addition to the details on Notes 1 and 2 above, as explained in Note 2.17, dated 27 June 2008, the General Meeting of Shareholders passed the 2011 Long-term Incentives Plan for Directors and Top Executives of Group Prosegur. The 2011 Plan contemplates de delivery of Company's stock-based incentives to executive directors and incentives in the form of Company's shares and cash to the Group's top executives. The commitment assumed by the Company as at 31 December 2008 relating the delivery of share incentives under the 2011 Plan is recorded in net equity within the heading "Other patrimonial instruments" for an amount of €1,855 thousand (see Note 14). The provision corresponding to the commitment acquired by the company as at 31 December 2008 in relation to the cash incentives set forth under the 2011 Plan amount to €1,895 thousand (see Note 20).

Loans to related parties

At 31 December 2008 there were no loans to related companies. 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:

Name of person or company acting as Director	Name of Group company	Office
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

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

	2008
Assets	
Long-term assets	765
Current assts	2,734
	3,499
Liabilities	
Long-term liabilities	1,492
Current liabilities	2,007
	3,499
Net result	
Revenues	(9,385)
Expenses	11,489
Loss after tax	**2,104**

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

35. Joint Ventures (JVs)

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 consolidated balance sheet and income statement:

	2008	2007
Assets		
Non-current assets	-	-
Current assets	1,245	94
	1,245	**94**
Liabilities		
Non-current liabilities	8	-
Current liabilities	1,237	94
	1,245	**94**
Net result		
Revenues	(2,007)	(185)
Expenses	2,011	189
Loss after tax	**4**	**4**

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

36. Other information

The Group's average number of staff was as follows:

	2008	2007
Operating staff	81,755	78,223
Rest	4,620	3,760
Total	**86,375**	**81,983**

The average number of operators employed during 2008 by the companies forming part of the consolidated group using the proportional integration method was 3,874 individuals.

Breakdown by gender of the members of the Group's staff as at close of financial year 2008 is as follows:

	Males	Females
Operating staff	71,848	12,214
Rest	3,386	1u,662
Total	**75,234**	**13,876**

Breakdown by gender of the members of the Board of Directors and top management staff as at close of financial year 2008 is as follows:

	Males	Females
Top Management	14	1
Board members	5	3
	19	**4**

Auditors' fees paid by the Group for 2008 amounted to a total of €1,600 thousand, in accordance with the following table:

	2008
PricewaterhouseCoopers for audits	1,399
PricewaterhouseCoopers for other services	334
	1,733

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 thousand, of which €14,123 thousand correspond to Prosegur Group.

In the financial year 2004 a provision was allocated for €13,000 thousand 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 provision corresponding to expenses in connection to the process amount to €567 thousand in the year 2008 (€4,460 thousand in 2007). During the year 2007, a reversal of a provision has been made for an amount of €1,400 thousand. The balance of the abovementioned provision as at 31 December 2008 is €546 thousand (2007: €3,113 thousand, see Note 23). 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.

37. Post-closing events

After closing date of the financial year 2008, the following business combinations have taken place:

- Dated 20 January, 2009 the Company has acquired 100% of Setha Industria Electrónica Ltda in Brazil, a company specializing in the installation, maintenance and integration of electronic and industrial communication systems with an approximate turnover of €9,000 thousand. The purchase price has been 22,500 thousand Brazilian reals (€9,620 thousand).

- Dated 23 January, 2009 the Company has acquired 100% of Grupo Centuria in Brazil, a company specializing in the provision of private surveillance with an approximate turnover of €3,300 thousand. The purchase price has been 4,611 thousand Brazilian reals (€1,970 thousand).

- Dated 30 January, 2009 the Company has acquired in Argentina 100% of the company General Industries Argentina, S.A., which activity is the monitoring of alarm systems, mainly in the banking sector, with an approximate turnover of €7,800 thousand. The purchase price has been 13,348 thousand Argentinean pesos (€3,003 thousand).

- Dated 3 February, 2009 the Company has acquired 100% of Nautiland, S.A. (Punta System), in Uruguay, which activity is the monitoring of residential alarm systems, with 4,069 connections. The purchase price has been $3,761 thousand (€2,935 thousand).

- Dated 18 February 2009 the 100% of Valtis, S.A., in France, has been purchased. This is a company specializing in the areas of securities' logistics and cash management with a turnover exceeding €16,000 thousand. The purchase price has been €19,750 thousand.

> APPENDIX I. SUBSIDIARIES INCLUDED IN THE CONSOLIDATION PERIMETER

Name	Adress	Costin Euro M	Interest % over Nominal	Interest Shareholding Company	Consolidation assumption	Activity	Auditor
Servimax Servicios Generales S.A.	Pajaritos, 24 - Madrid	406	100,0	Prosegur Cia de Seguridad, S.A.	a	1	A
Formación Selección y Consultoría S.A.	Conde de Cartagena, 4 Madrid	120	100,0	Prosegur Cia de Seguridad, S.A.	a	6	B
Prosegur Transportes de Valores S.A.	Pº de las Acacias, 51 - Madrid	1.030	100,0	Prosegur Cia de Seguridad, S.A.	a	1	A
Prosegur Multiservicios S.A.	Pajaritos, 24 - Madrid	150	100,0	Prosegur Activa España S.A.	a	2	B
ESC Servicios Generales S.L.	Avda. Primera, B-1 - A Coruña	6	100,0	Prosegur Cia de Seguridad, S.A.	a	1	A
Nordés Prosegur Tecnología S.L.	Avda. Primera, B-1 - A Coruña	16.117	100,0	Prosegur Cia de Seguridad, S.A.	a	1	A
Prosegur Activa España S.A.	Pajaritos, 24 - Madrid	4.615	100,0	Prosegur Activa Holding S.A.	a	2	A
Prosegur Activa Holding S.A.	Pajaritos, 24 - Madrid	5.122	100,0	Prosegur Cia de Seguridad, S.A.	a	4	B
Prosegur Internacional Handels GMBH	Poststrabe, 33 - Hamburg	34.829	100,0	Malcoff Holding BV	a	4	B
Malcoff Holding BV	Schouwbugplein, 30-40 Rotterdam	172.109	100,0	Prosegur Cia de Seguridad, S.A.	a	4	B
Reinsurance Bussiness Solutions	80 Harcourt Street Dublin	635	100,0	Prosegur Cia de Seguridad, S.A.	a	5	A
Prosegur Distribuçao e Serviços, Lda.	Av. Infante Dom Henrique, 326 Lisboa	3.277	100,0	Prosegur Cia de Seguridad, S.A.	a	6	B
Prosegur Activa Portugal Lda.	Av. Infante Dom Henrique, 326 Lisboa	504	100,0	Prosegur Activa Holding S.A.	a	2	A
Prosegur Companhia de Seguranca, Lda.	Av. Infante Dom Henrique, 326 Lisboa	7.026	100,0	Prosegur Cia de Seguri-dad, S.A.	a	1	A
Escol Serviços Segurança S.A.	Zona Ind. Maia, 1 Oporto	3.794	100,0	Prosegur Cia de Seguridad, S.A.	a	1	A
Prosegur France S.A.	84 Rue des Aceries Saint Etienne	35.224	100,0	Prosegur Cia de Seguridad, S.A.	a	1	A
Prosegur Securité Humaine EURL	113-115 Avenue Sidoine Appolinaire - Lyon	3.532	100,0	Prosegur France S.A.	a	1	A
Prosegur Traitement de Valeurs EURL	Rue Rene Cassin ZI de Molina La Talaudiere	593	100,0	Prosegur France S.A.	a	1	A
Prosegur Teleserveilance EURL	3 Alle de L'ectronique Saint Etienne	808	100,0	Prosegur France S.A.	a	1	B
Prosegur Securité Nucleaire	84 Rue des Aceries Saint Etienne	150	100,0	Prosegur France S.A.	a	1	B
Prosegur Technologie	84 Rue des Aceries Saint Etienne	1.524	100,0	Prosegur France S.A.	a	1	A
Jean Jaures SCI	Rue Rene Cassin ZI de Molina La Talaudiere	61	100,0	Prosegur France S.A.	a	1	B
SARL BFA	8 Avenue Descartes Les Plessis Robinson	0	33,5	Prosegur Cia de Seguridad, S.A.	a	1	B
Esta Service S.R.L.	29B Cours Mirabeau Marignane	0	100,0	Prosegur Cia de Seguridad, S.A.	a	7	B
Prosegur Services S.R.L.	Z.I. Des Tourrades Mandelieu	0	100,0	Prosegur Cia de Seguridad, S.A.	a	7	B
Armor Acquisition S.A.	Tres Arroyos 2835 Ciudad de Buenos Aires	5.523	5,0	Prosegur Cia de Seguridad, S.A.	a	4	B
		22.148	95,0	Prosegur Internacional Handels GMBH			

Name	Adress	Costin Euro M	Interest % over Nominal	Interest Shareholding Company	Consolidation assumption	Activity	Auditor
Juncadella Prosegur Internacional S.A.	Tres Arroyos 2835 Ciudad de Buenos Aires	14.806 11.675	68,8 31,2	Armor Acquisition S.A. Prosegur Internacional Handels GMBH	a	4	B
Transportadora de Caudales de Juncadella S.A.	Tres Arroyos 2835 Ciudad de Buenos Aires	23 0	5,0 95,0	Armor Acquisition S.A. Juncadella Prosegur Internacional S.A.	a	1	A
Prosegur Alarmas S.A.	Tres Arroyos 2835 Ciudad de Buenos Aires	6 0	95,0 5,0	Juncadella Prosegur Internacional S.A. Armor Acquisition S.A.	a	2	B
Prosegur Tecnología S.A.	Tres Arroyos 2835 Ciudad de Buenos Aires	97 2	95,0 5,0	Juncadella Prosegur Internacional S.A. Armor Acquisition S.A.	a	1	B
Prosegur S.A.	Tres Arroyos 2835 Ciudad de Buenos Aires	7.065 656	95,0 5,0	Juncadella Prosegur Internacional S.A. Armor Acquisition S.A.	a	1	A
Servicios Auxiliares Petroleros S.A.	Tres Arroyos 2835 Ciudad de Buenos Aires	1.012 52	95,0 5,0	Juncadella Prosegur Internacional S.A. Amor Acquisition S.A.	a	1	B
Prosegur Activa, S.A.	Tres Arroyos 2835 Ciudad de Buenos Aires	3.150 350	90,0 10,0	Prosegur Holding, S.A. Prosegur Inversiones, S.A.	a	2	A
Prosegur Inversiones S.A.	Tres Arroyos 2835 Ciudad de Buenos Aires	392 44	90,0 10,0	Prosegur Activa Holding, S.A. Prosegur Inversiones, S.A.	a	4	B
Prosegur Holding, S.A.	Tres Arroyos 2835 Ciudad de Buenos Aires	3.488 388	90,0 10,0	Prosegur Activa Holding, S.A. Prosegur Activa España, S.A.	a	4	B
Fire Less, S.A.	Charlone, 1351/57 Ciudad de Buenos Aires	407 173	90,0 10,0	Prosegur Cia de Seguridad, S.A. Juncadella Prosegur Internacional S.A.	a	1	A
Xiden, S.A.C.I.	Olleros, 3923 Ciudad de Buenos Aires	1.675 31	90,0 10,0	Prosegur Cia de Seguridad, S.A. Juncadella Prosegur Internacional S.A.	a	1	B
Prosegur Uruguay, S.A.	Bvrd Artigas 2629 (Montevideo)	838 53	90,0 10,0	Prosegur, S.A. Amor Acquisition, S.A.	a	3	A
Compañía Ridur, S.A.	25 der Mayor 455. Apto 4 - Montevidéo	1.055	100,0	Juncadella Prosegur Internacional S.A.	a	1	B
Prosegur Transportadora de Caudales, S.A.	Guarani 1531 (Montevideo)	1.164 1	99,9 0,1	Juncadella Prosegur Internacional S.A. Amor Acquisition, S.A.	a	1	A
Transportadora de Caudales Silviland	Guarani 1531 (Montevideo)	0	100,0	Prosegur Transportadora de Caudales, S.A.	a	1	B
Prosegur Activa Uruguay, S.A.	Brvd. Artigas 2629 (Montevideo)	1254 66	95,0 5,0	Prosegur Activa Holding, S.A. Prosegur Activa España, S.A.	a	2	A
TSR Participacoes Societarias, S.A.	Tomas Edison, 1250 - Barra Funda. Sao Paulo - SP	45.858	100,0	Juncadella Prosegur Internacional S.A.	a	4	A
Prosegur Brasil, S.A.	Guaratá, 633 - Prado - Belo Horizonte - MG	56.052	100,0	TSR Participacoes Societarias, S.A.	a	1	A
Prosegur Sistemas de Securanca Ltda	Guaratá, 633 - Prado - Belo Horizonte - MG	0 0	1,0 99,0	Prosegur Brasil, S.A. TSR Participacoes Societarias, S.A.	a	1	A
CTP Centro de Treinamento Prosegur Ltda	Sta. Catarina, na Estrada Geral s/n. “Passa Vinte”	0	99,6	Prosegur Brasil, S.A.	a	6	B

Name	Adress	Interest Costin Euro M	Interest % over Nominal	Interest Shareholding Company	Consolidation assumption	Activity	Auditor
Prosegur Brasil Cursos Ltda	Guaratá, 697 - Prado - Belo Horizonte - MG	0	99,8	Prosegur Brasil, S.A.	a	6	B
		1	0,2	Prosegur Sistemas de Securanca Ltda			
Prosegur Tecnología en Sitemas de Sugurança Electrónica e Incendios Ltda.	Tomas Edison, 823 Barra Funda Sao Paulo	1.617	99,6	Prosegur Cia de Seguridad, S.A.	a	1	A
		1	0,4	TSR Participacoes Societarias, S.A.			
Prosegur Activa Chile S.L.	Los Gobelinos 2567 Of. 203, Renca, Santiago	4.950	99,0	Prosegur Activa Holding, S.A.	a	2	B
		50	1,0	Prosegur Activa España, S.A.			
Juncadella Prosegur Group Andina	Los Gobelinos 2567 Of. 203, Renca, Santiago	0	100,0	Juncadella Prosegur Internacional S.A.	a	4	B
Capacitaciones Ocupacionales Sociedad Ltda	Los Gobelinos 2567 Of. 100, Renca, Santiago	383	83,0	Prosegur Cia de Seguridad, S.A.	a	6	B
		0	7,0	Prosegur International handels GMBH			
		36	10,0	Juncadella Prosegur Group Andina			
Empresa de Transportes Compañía de Seguridad Chile Ltda.	Los Gobelinos 2567 Renca, Santiago	2.829	60,0	Juncadella Prosegur Group Andina	a	1	A
		0	40,0	Prosegur International handels GMBH			
Servicios Prosegur Ltda	Los Gobelinos 2567 Renca - Santiago	1.533	99,9	Prosegur Cia de Seguridad, S.A.	a	1	A
		1.018	0,1	Prosegur Internacional Handels GMBH			
Sociedad de Distribución Canje y Mensajería Ltda	Los Gobelinos 2567, Renca - Santiago	1.311	49,0	Prosegur Cia de Seguridad, S.A.	a	1	A
		0	30,0	Juncadella Prosegur Group Andina			
		265	21,0	Prosegur Internacional Handels GMBH			
Prosegur Chile S.A.	C.A. Lopez de Alcazar, 488 Independencia - Santiago	1.215	70,0	Prosegur S.A.	a	1	A
		563	30,0	Prosegur Internacional Handels GMBH			
Servicios de Seguridad Prosegur Regiones Limitada	C.A. Lopez de Alcazar, 488 Independencia - Santiago	887	99,0	Prosegur Chile S.A.	a	1	B
		0	1,0	Juncadella Prosegur Group Andina			
Prosegur Paraguay S.A.	c/ Concepción Leyes de Chávez - Asunción	0	99,0	Juncadella Prosegur Internacional S.A.	a	1	A
		0	1,0	Transportadora de Caudales de Juncadella S.A.			
Prosegur Tecnología Paraguay, S.A. (Ex Seguridad Prosegur S.A.)	c/ Concepción Leyes de Chávez - Asunción	10	99,0	Juncadella Prosegur Internacional S.A.	a	1	B
		0	1,0	Transportadora de Caudales de Juncadella S.A.			
Compañía de Seguridad Prosegur S.A.	Av. Morro Solar 1086 Surco - Lima - Perú	0	52,0	Juncadella Prosegur Internacional S.A.	a	1	A
		0	48,0	Transportadora de Caudales de Juncadella S.A.			
Proseguridad S.A.	Av. Los Próceres 250 Surco - Lima - Perú	0	52,0	Juncadella Prosegur Internacional S.A.	a	1	A
		0	48,0	Transportadora de Caudales de Juncadella S.A.			

Name	Adress	Interest Costin Euro M	Interest % over Nominal	Interest Shareholding Company	Consolidation assumption	Activity	Auditor
Prosegur Cajeros S.A.	Av. Los Próceres 250 Surco - Lima - Perú	20	52,0	Juncadella Prosegur Internacional S.A.	a	1	B
		18	48,0	Transportadora de Caudales de Juncadella S.A.			
Prosegur Tecnología Perú S.A.	Av. Los Próceres 250 Surco - Lima - Perú	1	52,0	Compañía de Seguridad Prosegur S.A.	a	1	B
		1	48,0	Proseguridad S.A.			
Compañía Transportadora de Valores Prosegur de Colombia S.A. (Ex Thomas Greg&Sons Trasportadora de Valores S.A.)	Avda. de las Américas, 42-25 Bogotá	27.125	94,9	Prosegur Cia de Seguridad, S.A.	a	1	A
		1.040	5,1	Prosegur Transporte de Valores S.A.			
PRO-S Cia Seg Privada S.A.	Avda. Horacio, 124 Colonia Chapultepec Morales. 11570 Mexico DF	2.602	100,0	PS Mexico Cia Seguridad Privada S.A.	a	1	B
PS Mexico Cia Seguridad Privada S.A.	Avda. Horacio, 124 Colonia Chapultepec Morales. 11570 Mexico DF	16.942	90,0	Prosegur Cia de Seguridad, S.A.	a	6	B
Prosegur Seguridad Privada S.A. de CV	Avda. Horacio, 124 Colonia Chapultepec Morales. 11570 Mexico DF	666	100,0	PS Mexico Cia Seguridad Privada S.A.	a	1	A
Prosegur Seguridad Privada Logística y Gestión de Efectivos S.A. de CV	Monte Elbruz, 132 colonia Chapultepec Morales. 11570 Mexico DF	11.135	100,0	PS Mexico Cia Seguridad Privada S.A.	a	1	A
Prosegur Consultoría y Serv. Administrativos de RL de CV	Monte Elbruz, 132 colonia Chapultepec Morales. 11570 Mexico DF	31	100,0	PS Mexico Cia Seguridad Privada S.A.	a	6	B
Prosegur Seguridad Privada Electrónica S.A. de CV	c/ Piña, 297, colonia Nueva Santa María. 02820 - Mexico DF	31	100,0	PS Mexico Cia Seguridad Privada S.A.	a	1	B
Resguardo y Estrategias Especializadas S.A. de CV	c/ Alfredo Nobel, 21. Colonia Los Reyes Indistrual. 54073 Tlalnepantla	2.342	100,0	PS Mexico Cia Seguridad Privada S.A.	a	1	A

> 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 otherwise stated, the closing date of these annual accounts is 31 December 2007.

> Activity:

(1) Activity area of the Corporate Security Business Group
(2) Activity area of the Residential Security Business Group
(3) Activity area of both Business Groups
(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. JOINT VENTURES INCLUDED IN THE CONSOLIDATION PERIMETER

Name	Address	Interest Costin Euro M	% over nominal	Parther in the jointventure	Notes	Activity
Cess-Esc Ute	Av. Mas Suster, 131 Barcelona	0	100.0		(a)	0
Ute Malaga Prosegur Compañía se Seguridad, S.A. Nordes Prosegur Tecnología, S.A.	c/ Pajaritos, 24 - Madrid	0	100.0		(b)	1
Ute Esc - Clece Edificios Municipales	c/ La Paz, 14 - Valencia	5	90.0	CLECE, S.A.	(c)	1
Ute Esc - Clece Colegios Publicos	c/ La Paz, 14 - Valencia	5	90.0	CLECE, S.A.	(d)	1
Ute Serat Aeropuerto de Bilbao Servimax Servicios Auxiliares S.A. - Eurolimp, S.A.	c/ Príncipe de Vergara, 135 Madrid	5	40.0	EUROLIMP, S.A.	(e)	1
Ute Nordes Prosegur Tecnologia, S.A. Prosegur Activa España	c/ Carril del Conde, 56 Madrid	0	100.0		(f)	0
Ute Prosegur Servimax Conservatorio Municipal Ataulfo Argenta	c/ Pajaritos, 24 - Madrid	0	100.0		(g)	1
Ute Rtve Prosegur-Servimax	c/ Pajaritos, 24 - Madrid	0	100.0		(h)	1
Ute Prosegur-Servimax Aena	c/ Pajaritos, 24 - Madrid	0	100.0		(i)	2
Ute Barcelona T2 Prosegur-Servimax	c/ Pajaritos, 24 - Madrid	0	100.0		(j)	2

> Notes

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

(a) The objective of this JV 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 JV is to provide security, surveillance and maintenance in the health centres of the Deputation of Malaga.

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

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

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

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

(g) The objective of this JV is to provide ancillary and surveillance services in the conservatoire Ataulfo Argenta in Santander.

(h) The objective of this JV is to provide ancillary and surveillance services in various RTVE centres.

(i) The objective of this JV is to provide ancillary and surveillance services at the Airport of Getafe.

(j) The objective of this JV is the execution of security services in the new South Terminal, access control services for vehicles and perimeter control in the Airport of Barcelona-Lote 2.

> 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:

(0) Activity discontinued during the year 2008
(1) Activity area of the Corporate Security Business Group
(2) Joint Venture created in 2008 but with no activity at year's end

> Auditor

These joint ventures are not subject to audit.

> APPENDIX III. COMPANIES UNDER COURT ADMINISTRATION

Name	Address	Interest			Activity
		Coste in Eur M as at 31/03/05	% over Nominal	Partner in the joint venture	
S.A. Securité Europeene de L'Espacer Industriel	15 Rue de Louvres (Chennevieres Les Louvres)	0	60,0	Prosegur Cia de Seguridad, S.A.	1
		457	40,0	Sarl Esta Service	
SARL Force Gardiennage	92 Boulevard Emile Delmas (La Rochelle)	0	4,8	Prosegur Cia de Seguridad, S.A.	1
		218	95,2	Sarl Esta Service	
S.A. Bac Securité	18 Av. Morane Saulnier (Velizy Villacoublay)	10.534	100,0	Prosegur Cia de Seguridad, S.A.	1

Subsidiaries of SA Bac Securité (wound up during the financial year 2006)

Name	Address	Interest			Activity
		Cost in Eur M as at 31/03/05	% over nominal	Partner in the joint venture	
Sarl Initiale	8 Avenue Descartes (Les Plessis Robinson)	7.7	100.0	S.A. Bac Securité	1
Sarl Yardair	8 Avenue Descartes (Les Plessis Robinson)	19.8	100.0	S.A. Bac Securité	1

> Notes:

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 were deposited before the Commercial Court of Versailles.

> Activity:

(1) Activity area of the Corporate Security Business Group
(2) Activity area of the Residential Security Business Group
(3) Activity area of both Business Groups

> APPENDIX IV. PARTNERSHIPS INCLUDED IN THE CONSOLIDATION PERIMETER

		Interest					
Name	Address	Cost in Eur M	% over nominal	Shareholding Company	Consolidation Assumption	Activity	Auditor
Rosegur Holding Corporación S.L.	Pajaritos, 24 - Madrid	2.216	50	Prosegur Cia de Seguridad, S.A.	a	4	B
Rosegur S.A.	Calea Plevnei nr 137ª Sector 6 Bucuresti	0	100,0	Rosegur Holding Corporacion, S.L.	a	1	A
Security Dragon Star, S.R.L.	B-dul Traian nr. 1B baia Mare. Maramures	0	100,0	Rosegur, S.A.	a	1	B
Rosegur Services S.L.	B-dul Ghica Tei, 64-70 Bucaresti	0	100,0	Rosegur Holding Corporacion, S.L.	a	1	B

> Consolidation assumption:

The consolidation assumption contemplated by article 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) Activity area of the Corporate Security Business Group
(2) Activity area of the Residential Security Business Group
(3) Activity area of both Business Groups
(4) Holding company
(5) Financial services
(6) Auxiliary services
(7) Inactive

> Auditor:

A Audited by PricewaterhouseCoopers
B Not subject to audit

02

MANAGEMENT REPORT

> MANAGEMENT PRINCIPLES

In an economic environment with major challenges, both strategic and managerial, Prosegur closed the year 2008 very satisfactorily. We established and reinforced our leadership position in most of the markets where we operate. The latest acquisitions carried out confirm our global vocation and future outlook.

The data accrued for 2008 include the following highlights:

> Acquisitions of affiliates

- In February 2007, the Prosegur Group acquired 60% of the Asset Transport company Thomas Greg & Sons (TG&S) specialised in the areas of asset logistics and cash management in Colombia. TG&S was one of the main asset logistics and cash management companies in Colombia, with considerable national presence across 17 branch offices and over 1,400 employees, in a market of over €800 million. On 24th April 2008 the Prosegur Group extended its stake in this company up to 100% (it is currently Transportadora de Valores Prosegur de Colombia, S.A.), by acquiring 40% of its share capital, for USD$ 13 million (€8.2 million).

- In December 2008, the Prosegur Group acquired, for €1.45 million, 100% of the company Resguardo y Estrategias Especializadas, S.A. de C.V (RYES) specialised in the areas of custody of goods in transit in Mexico.

> Business Combinations

- On 14th October 2008, the Group signed a contract for the cession of rights and sale of assets of Telefónica Asistencia y Seguridad, S.A. (Telemergencia), a company providing assistance and security services in Chile, by which we acquired their customer portfolio and other assets related to the Tele-emergency business. The total price of the cession and sale was 15,563 million Chilean pesos (€18.2 million).

> Securitisation programme

- In January 2008, we conducted the first transaction pertaining to the securitisation programme formalised in December 2007. This operation entailed the sale of non-recourse invoices for a maximum amount of €180 million. The programme has a duration of five years and the first phase includes the sale of collection rights for the companies of the Group located in Spain and Portugal, with the possibility of extending it subsequently to other countries.

> Other highlights

- During 2008 several guarantees were executed for a total of € 9.5 million related to a customer's funds in deposit retained in Brazil. The Company is undertaking the necessary administrative proceedings with the corresponding authorities to release this amount.

- With regard to the fire that broke out in the Windsor Building in Madrid on 12th February 2005, where the Company provided surveillance services, the Provincial Court of Madrid, on 10th December 2007, dismissed penal liability in the case and closed all actions. Subsequently, several civil proceedings were initiated, six of them brought against the Company as co-defendant, before the Courts of First Instance of Madrid numbers 1, 18, 37, 44, 46 and 56, by the various parties involved, claiming compensation for damages. The Company requested before the Court of First Instance nº 18 of Madrid that all proceedings presented against it with relation to this matter be brought together. Although this request was not accepted, a resolution is pending for another request to bring together all cases presented by another co-defendant. At the time of this Report all proceedings, except for the one carried out in JPI nº56, have been suspended until the above request for accumulation is resolved in Court nº 18.

Throughout the year we continued with our Plan to improve budgeting techniques in each business line, and we also improved techniques to determine the main management indicators for each business.

All of this helped maintain the following policies throughout the year:

a) To establish continuous improvement objectives.
b) To consider alternative strategies and options.
c) To implement in a timely and appropriate manner, the strategies adopted by means of strategic planning, ensuring at all times that the information system can detect in real time any deviation that may arise in order to apply corrective actions.
d) To develop competitive advantages versus the rest of the market.

The Prosegur Group's Management had available throughout the year timely and appropriate information on its customers, the market and the legal, financial and technological environment, which enabled it to continuously adjust its performance.

Below are details of the most significant management variables and their development throughout the year, such as activities, commercial management, personnel, investments, operations and financial management.

> ACTIVITIES

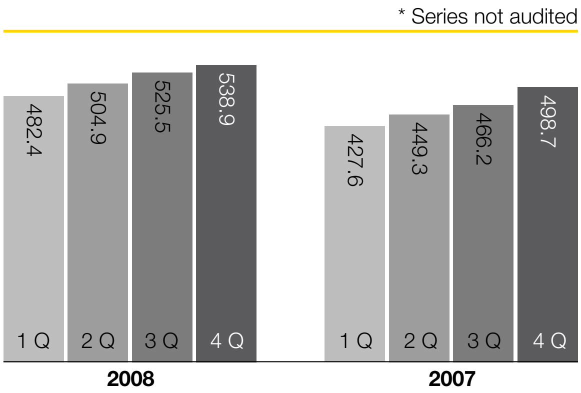
The year ended on 31st December 2008 closed with a turnover of €2,051.7 million (€1,841.8 million in 2007).

(€ million)	2008	2007
Spain	1,001.0	912.4
Rest of Europe	284.3	292.0
LatAm	766.4	637.4
Total	2,051.7	1,841.8

By business line:

(€ million)	2008	2007
Corporate Security	1,940.5	1,743.2
Residential Security	111.2	98.6
Total	2,051.7	1,841.8

Evolution throughout 2008 and 2007 was as follows:



- Turnover rose to €2,051.7 million in 2008, versus €1,841.8 million in 2007, which means an increase of 11.4%.

- The business area with the greatest organic growth in 2008 was that of Corporate Security Services, achieving an accumulated turnover of €1,940.5 million (€1,743.3 million in 2007), which means an increase of 11.3%. On the other hand, the area of Residential Security (alarms) had an annual income of €111.2 million in 2008 (€98.6 million in 2007), 12.8% more than the previous year.

- By geography, Spain increased its turnover by 9.7% achieving €1.001 million. Europe achieved €284.3 million with a drop in sales of 2.6% versus the previous year. This decrease in turnover in Europe is due to the sale in December 2007 of the companies located in Italy, and their subsequent exclusion from the consolidated figures in 2008. In its turn, Latin America experienced an increase in sales of 20.2% reaching €766.4 million.

- The area of Residential Security services continued during 2008 with the strategy to achieve sustained growth and appropriate profitability, reaching 276,845 connections.

- The series detailed below shows sales growth in the last ten years, considering from 2004 onwards they are reported under IFRS criteria whereas the previous years are reported in accordance to the prior regulation (PGC [*General Accounting Plan*]).

(Figures in € million)	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Turnover	684,2	685,6	903,9	1.106,8	1.117,6	1.112,3	1.387,8	1.628,4	1.841,8	2.051,7

> PCOMMERCIAL INFORMATION

Commercialisation of the group's services is done through the branch offices and with our own full-time commercial staff, who in all cases employ selective criteria to minimise late or doubtful payments. With this aim, for customers for whom we lack experience, we conduct research and consult public databases, undertaking relevant risk assessments and individual analyses that can be objectively measured. Once the contract is signed and throughout provision of the service, customers are provided with direct attention, which enables maximum understanding of their operating needs and financial situation, thus reducing the risk of non-collection.

The majority of requests for corporate security services come from banks, industrial and commercial corporations and public institutions.

> PERSONNEL

The Prosegur Group's workforce at the end of 2008 reached 89,110 employees, versus 83,364 in 2007.

One of the core tools with which Prosegur has established itself as one of the leading European services groups has traditionally been its recruitment. The special trust and responsibility that must characterise the personnel providing services at the customers' sites, in such a delicate activity as security, force us to ensure not only the efficiency of the Prosegur Group professionals, but also their honesty, responsibility, emotional stability and psychological maturity.

This is why the continuous improvement of our recruitment processes enabling us to discriminate with the utmost detail possible somebody's eligibility for a job within the Prosegur Group, has always been a priority for the Human Resources Management.

Monthly evolution of the average workforce in the Group is detailed below:

	Corporate Security	Residential Security	Total
Jan	81,459	2,120	83,579
Feb	82,384	2,132	84,516
Mar	82,592	2,151	84,743
Apr	83,176	2,163	85,339
May	83,234	2,181	85,415
Jun	83,634	2,172	85,806
Jul	84,778	2,168	86,946
Aug	85,269	2,183	87,452
Sep	85,329	2,175	87,504
Oct	85,493	2,171	87,664
Nov	86,230	2,197	88,427
Dec	86,931	2,179	89,110
Average	84,209	2,166	86,375

In the last five years the average workforce has grown as shown below:

Workforce	2008	2007	2006	2005	2004
Direct	81,755	78,223	73,112	63,859	55,041
Indirect	4,620	3,760	3,653	3,450	3,298
Total	86,375	81,983	76,765	67,309	58,339

The workforce evolution in relation to turnover, considering that for 2004 onwards we report under IFRS and for the previous years under the criteria of the former PGC, has been the following in the last five years:

Nº employees per turnover million	2008	2007	2006	2005	2004
Direct	39.8	42.5	44.9	46.0	49.5
Indirect	2.3	2.0	2.2	2.5	3.0

> INVESTMENTS

The Group's investments are analysed in all cases by the areas of financial investment analysis and management control, which estimate and assess their strategic relevance, term of return and profitability as a prerequisite for approval. Next they are submitted to the Investments Committee, who finally decides whether the investment or expenditure is in order. All investments greater than €0.6 million are submitted for approval to the Executive Committee.

During the year, €51.5 million (€48.1 million in 2007) were allocated to amortisation, of which €39.8 million (€36.20 million in 2007) correspond to tangible fixed assets and €11.7 million (€11.9 million in 2007) to intangible fixed assets.

Below are details on total investments analysed by the Investments Committee in 2008 compared to 2007:

(Data in € million)	2008	2007
First Quarter	26.4	27.8
Second Quarter	24.7	15.4
Third Quarter	17.3	12.4
Fourth Quarter	20.1	13.2
Total	88.5	68.8

Throughout the year, investments in tangible fixed assets were conducted for a total of € 92.7 million. In its turn, investment in computer applications totalled € 9.2 million.

> OPERATIONS

Margins improved compared to 2007 given the positive evolution in most countries, and in particular due to good business performance in Latin America and Spain, despite the difficult macroeconomic environment.

A series of the last five years shows the trend of operating profits (under new regulations since 2004 and following the former GAAP in the previous years):

2008	2007	2006	2005	2004
205.0	161.9	105.0	113.9	105.5

(Data in € million)

The steady growth rate shows an accumulated variation of operating profits of 18.1%.

Consolidated EBITA over sales increased from 8.8% in 2007 to 10.1% in 2008.

> OUTLOOK AND TRENDS

In an economic environment of uncertainty, growth of internal demand may be affected. At the same time, economic development in the last ten years, improvements in living conditions and greater awareness of protection in face of existing insecurity, endows the Group's customer portfolio with a reasonable degree of recurrence, with certain independence from the economic cycle. Furthermore we expect outsourcing of some of the security services by various economic agents to continue.

In this context, we will continue adopting strategies based on the development of comprehensive service and product offers that allow designing customised customer solutions.

In this regard, we will insist, with even greater emphasis, on enhancing the complementary nature of the surveillance services and the installation of electronic and smart security systems, alarms and fire detection equipment, within a process of diversification aimed at offering a full service package to our end customers.

Estimates and decisions are continuously assessed and based on past experience and other factors, including expectations for future events considered reasonable under the circumstances.

The Group conducts future estimates and decisions. The resulting accounting estimates, by definition, rarely equal the resulting actual results. The major uncertainties regarding estimates are related to commerce funds, tax expenses and provisions.

> FINANCIAL MANAGEMENT

From a financial management perspective, 2008 was an active year. Notable are on the one hand the actions conducted to diversify alternative financing sources other than traditional ones and, on the other, actions related to management of financial risks.

In January 2008, a securitisation programme came into effect for part of the customer portfolio which entailed the sale of non-recourse invoices for up to a maximum amount of €180 million. This operation represented no change whatsoever in the management of collections carried out by the company to date and has helped to improve management of current assets.

Implementation of this programme helped increase the Group's capacity to generate financial resources susceptible of being employed in interesting strategic operations and projects for business growth without increasing our debt.

The ratio of net financial debt over own resources has gone from 0.60 at the end of 2007, to 0.34 at the end of 2008.

> Financial structure

At the end of 2008, the structure of long-term debt was determined by the syndicated operation contracted by Prosegur Spain in July 2006 in the amount of €450 million.

The operation is structured into two tranches, with a first one in the form of a loan for €250 million and a second tranche in the form of credit for € 200 million with a maturity of 2011. At the end of 2008, the second tranche was available for €110 million.

In consolidated terms, the long-term gross financial debt with a maturity of more than one year reached €222.5 million at the end of the year, versus €213.2 million the previous year, supported essentially by the loan contracted in Spain with the bank syndicate and due to financial and leasing operations in Brazil.

On the other hand, short-term financial debt amounted to €133.1 million versus €167.4 million the previous year.

Evolution of gross financial debt by maturity in the last two years had the following distribution at the end of 2008:

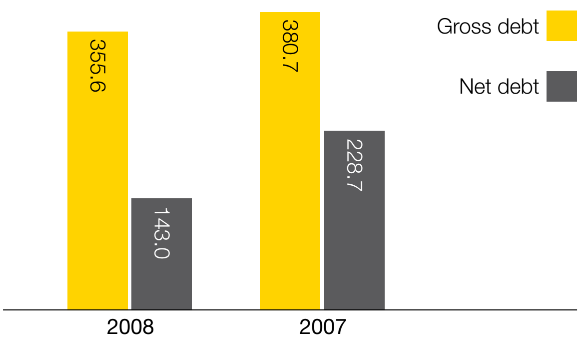
Group's Gross Financial Debt
(€ million)

Average cost of financial debt in 2008 was 5.07%, versus 4.84% the previous year. Reduction of debt in Brazil, together with the positive impact of interest rate coverage, established for the debt in euros, neutralised the rise of interest rates in the Euro Zone which took place in the first semester, allowing a restriction of the rise of the total mean cost of the Group's financial debt.

When considering net financial debt, calculated as total external resources current and non-current (excluding other non bank debts) plus/minus net derivative financial instruments, less cash and cash equivalents, less other current financial assets and less non-current financial assets associated to bank debt, the amount at the end of 2008 was €143 million (€228.7 million in 2007).

This chart compares total gross debt and net debt in 2008 and 2007:

Evolution of Group's Debt



Gross debt includes external short and long-term bank resources and market valuations of financial instruments.

To calculate net debt, we deducted from gross debt cash and cash equivalents and other current financial assets.

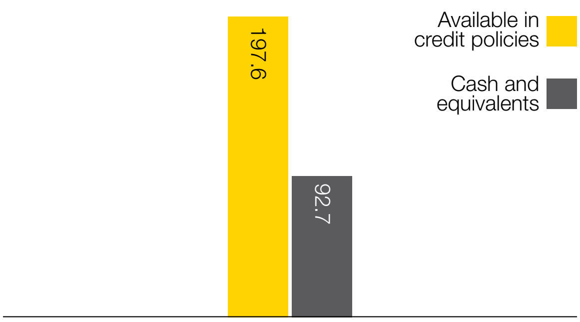
> Liquidity

The Group has a policy of maintaining a good level of liquidity or available and contracted financing capacity that allows ensuring and responding swiftly and flexibly to working capital or inorganic growth requirements. This is linked to a positive financial leverage level of 25.21%.

On 31st December 2008, the Group's available liquidity amounted to €290.2 million. This figure is due to availability of the existing syndicated line of credit of €110 million, plus other short-term lines of credit amounting to €87.6 million (maturity equal to or less than 1 year) diversified in a broad bank pool, representing the major banks in each country where we operate, and for cash and cash equivalents in the amount of €92.7 million.

This liquidity figure represents 14.1% of annual consolidated sales, which allows securing short-term financing needs as well as our strategic acquisition policy.

Cash and cash equivalents and available in credit policies



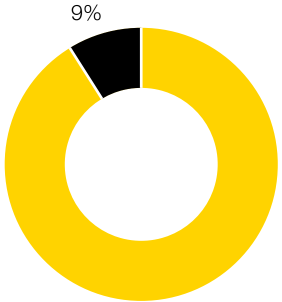
> Foreign Exchange Risk

Prosegur maintains a financing policy for own business investment operations in local currency, in order to minimise exposure to foreign exchange in different countries. It is necessary to ensure the sector's investment capital needs, which vary according to the business area, are consistent with the operating cash flow generated, to enable regulating the rate of investments to be conducted in each country according to operating requirements.

Thus, although Prosegur is present in many countries, our financial debt is basically in two currencies: euro and Brazilian real. The debt in euros represents 91% and only 9% comprise all others, essentially Brazilian reals.

The structure of financial debt in foreign currencies Prosegur had at the end of 2008 was distributed as follows:

Group Debt



> Risk Protection

The diversity of risks the Group is exposed to has led to an active policy in the derivatives market in order to limit it. The company has contracted protection structures with derivative instruments limiting foreign exchange fluctuations.

Given the situation of financial markets, especially, in the second semester of 2008 during which interest rates decreased significantly, the Prosegur Group proceeded to the early liquidation of IRS (interest rate swap) which, for an amount of €250, fixed the variable reference rate at 3.68% until July 2011 for the syndicated loan. This operation had been agreed with reductions of the notional amount so it would adjust to amortisation of the syndicated loan. Liquidation was conducted with sufficient advance in order to receive a positive value for the cancellation, while at the same time, reducing the average cost of the debt by being able to benefit completely from the drop in the interest rate curve.

We have contracted structures that limit exposure to risk due to foreign exchange. In this regard, we contracted foreign exchange insurance up to March 2009 through NDF (non deliverable forward) of Brazilian reals versus euros. The operation covers Prosegur's exposure to risk by the inter-company debt in Brazilian reals it has with its Brazilian affiliate.

We also maintain a new risk coverage structure for foreign exchange through a cross currency swap of over 47 million Brazilian reals covering Prosegur's exposure for the purchase of financial assets (term note) in said currency from a Brazilian bank. This note is in its turn the counterpart and object of provision of a loan in the same amount granted to Prosegur Brazil.

With the same aim of protecting ourselves from foreign exchange fluctuations, in 2008 we contracted collar type structures at no cost that allowed protecting expected EBITA and generated in those countries with currencies other than euros, with coverage for Brazilian real, Argentinean peso and Chilean peso.

On the other hand, we contracted coverage for fuel consumption that allowed mitigating the oil price fluctuations occurring throughout 2008.

> TREASURY SHARES

As of 31st December 2008, the company held 1,434,743 treasury shares representing 2.32% of the share capital, with a value of €29.4 million. Part of these shares was to be granted to certain company managers.

In 2008 we acquired 1,003,186 treasury shares.

On 28th June 2007 the Annual General Shareholder Meeting authorised the Board of Directors to acquire up to 5% of share capital in treasury shares (and renewed said authorisation on 27th June 2008), allowing these shares to be totally or partially granted to the Company managers or employees or of the Group's companies, directly or as a result of some of them exercising their stock options, all within the compensation systems related to the Company's share price.

On 27th June 2008 the Annual General Shareholder Meeting approved the long-term 2011 Incentive Plan for executive managers and directors of the Prosegur Group. The 2011 Plan is linked, in general, to the creation of value during the period 2008-2011 and it contemplates granting incentives in company shares to executive managers and in company shares and cash to Group directors. The maximum number of shares devoted to the 2011 Plan amounts to 375,000, representing 0.608% of the Company's current share capital.

> ENVIRONMENT

In 2008, the Company invested in armoured vehicles that meet the Euro III standards regarding emission of non-polluting particles. This investment, reported as an increase in value of fixed assets, totalled €1.9 million (€0.9 million in 2007) and generated a deduction in corporate tax of €0.055 million (€0.032 million in 2007).

Likewise the Company, at the end of 2008, had no environmental contingencies, nor legal claims, nor income or expenses for this item.

> RESEARCH AND DEVELOPMENT

It is of special importance to highlight undertaking of a project initiated in 2008 and financed by the programme AVANZA R&D within the National Plan of Scientific Research, Development and Technology Innovation (2008-2011):

Development of an Innovative CRM (Customer Relationship Management) Solution based on the pla-tform ON-DEMAND SALESFORCE.COM (SALESFORCE) (Dossier TSI-020100-2008-160). The total amount of the grant/reimbursable credit is €573.6 thousand.

> LATER EVENTS

After the closing of the year 2008, we conducted the following business combinations:

- On 20th January 2009 we acquired 100% of Setha Indústria Eletrônica Ltda in Brazil, a company specialising in the installation, maintenance and integration of electronic and industrial communications systems, whose turnover was approximately €9 million. The purchase price was 22.5 million Brazilian reals (€9.6 million).

- On 23rd January 2009 we acquired 100% of the Group Centuria in Brazil, specialised in providing private surveillance services and with an approximate turnover of €3.3 million. The purchase price was 4.6 million Brazilian reals (€1.9 million).

- On 30th January 2009 we acquired in Argentina 100% of the company General Industries Argentina, S.A., devoted to monitoring alarms, mainly in the banking industry, with an approximate turnover of €7.8 million. The purchase price was 13.4 million Argentinean pesos (€3 million).

- On 3rd February 2009 we acquired 100% of the company Nautiland, S.A. (Punta Sys-tems) in Uruguay, providing residential alarm services with 4.069 connections. The purchase price was USD$ 3.8 million (€2.9 million).

- On 18th February 2009 we acquired 100% of Valtis, S.A. in France, a company specialising in the areas of asset logistics and cash management, whose turnover exceeds €16 million. The purchase price was €19.7 million.

> REPORT SUBMITTED BY THE BOARD OF DIRECTORS OF PROSEGUR COMPAÑÍA DE SEGURIDAD, S.A. ON THE ELEMENTS OF THE MANAGEMENT REPORT CONTEMPLATED IN ARTICLE 116.BIS OF THE LAW OF SECURITIES EXCHANGE

Madrid, 23rd February 2009

This Report has been prepared by the Managers of PROSEGUR COMPAÑÍA DE SEGURIDAD, S.A. ("PROSEGUR" or the "Company") in order to comply with that stipulated in article 116.bis of the Law of Securities Exchange with relation to the elements of the Management Report con-templated in said article.

1. INTRODUCTION

Article 116.bis of the Law of Securities Exchange, introduced by Law 6/2007, of 12th April, to modify the system of takeover bids and the transparency of issuers, establishes that publicly listed companies must include in their management report information on the items indicated in said article.

Likewise, it establishes that the Board of Directors must annually present an explanatory report at the General Shareholders Meeting on the items contemplated in said article, for which purpose the Board of Directors of PROSEGUR has issued this report.

2. ELEMENTS OF THE MANAGEMENT REPORT CONTEMPLATED IN ARTICLE-116.BIS OF THE LAW OF SECURITIES EXCHANGE

2.1. Capital structure, including securities not negotiated in a community regulated market, indicating, as appropriate, the various classes of shares and for each class of share, the pertaining rights and obligations and the percentage of share capital they represent.

The share capital of PROSEGUR amounts to €37,027,478.40 comprised of 61,712,464 shares with a nominal value of €0.60, belonging to a single class and the same series. All shares are fully subscribed and disbursed. Each share gives the right to a vote.

2.2. Any restriction on the transferability of assets

The Company has no bylaw restrictions of any kind for the acquisition or transfer of stakes in share capital other than those established by private security regulations.

2.3. Significant capital stakes, direct or indirect

Below is, in accordance with the information provided by our shareholders to the National Securities Exchange Committee, a list of holders of significant stakes of the Company's share capital:

Name or company	Nº direct voting rights	Nº indirect voting rights	% over total voting rights
Ms Helena Revoredo Delvecchio	0	30,924,033	50.110%
Ms Mirta Giesso Cazanave	189,832	3,281,781	5.626%
Coporación Financiera Alba, S.A.	0	6,175,000	10.006%
Marathon Asset Management LLP[4]	0	1,862,370	3.018%

[1] Through Gubel, S.L. and Prorevosa, S.A.
[2] Through AS Inversiones, S.A.
[3] Through Alba Participaciones, S.A.
[4] Marathon Asset Management LLP is an investment fund manager with shares in the name of its customers, with power to exercise the corresponding voting rights.

2.4. Any restriction to voting right

There are no legal or bylaw restrictions to exercise voting right.

2.5. Shareholder pacts

No pact of this nature between its shareholders has been communicated to the Company.

2.6. Regulations applicable to the appointment and replacement of members of the Board of Directors and modification of Company bylaws

Modification of Bylaws must comply with that established under articles 103 and 144 of the Law of Public Limited Companies.

Appointment and replacement of members of the Board of Directors is ruled by the Company Bylaws and Regulations of the Board of Directors, in accordance with the Law of Public Limited Companies.

- Quantitative composition:

In accordance with the Company Bylaws, the Board must be comprised of a minimum of five (5) and a maximum of (15) members elected by the General Shareholders Meeting, or by the Board of Directors itself, under the terms legally established.

- Qualitative composition:

The Company Bylaws and Regulations of the Board of Directors determine the Board must ensure the Executive Board Members do not represent a majority over External Members. The Board must likewise ensure that within the Group, External Board Members include holders or representatives of holders of significant stable stakes of the Company's capital (directors representing substantial shareholders) and prestigious professionals of renown not linked to the executive team or to significant shareholders (independent board directors).

In order to establish a reasonable balance between directors representing substantial shareholders and independent directors, the Board will comply with the Company's ownership structure, so that the relationship between the two classes of Board Directors reflects the relationship between stable capital and floating capital.

○ Selection of Board Directors:
In accordance with that established by Regulations, Board Directors are appointed by the General Shareholders Meeting or the Board of Directors, in the case of co-option, and in any case, in accordance with the stipulations contemplated in the Law of Public Limited Companies.

Proposals for Director appointments submitted by the Board of Directors for consideration by the General Shareholders Meeting and the appointment decisions taken by this body by virtue of the co-option authority must be preceded by the corresponding proposal to the Appointment and Compensation Committee.

With reference to the appointment of external directors, Regulations establish that the election of candidates should include individuals with acknowledged solvency, competence and expe-rience, with extreme rigour regarding those aimed at filling positions of independent directors.

Finally, the Board of Directors may not propose or designate to cover a position of an independent director, individuals with any connection to the Company's management or with family, professional or commercial connections to any executive director or senior manager of the Company.

○ Duration of tenure:
Board Directors will fulfil their position for three (3) years, and may be re-elected once or more for periods of equal duration.

Notwithstanding the above, independent directors may not remain in their position for a period of more than twelve (12) consecutive years, unless they became another class of board director.

○ Termination of Board Directors:
Board Directors will terminate their position when the period for which they were appointed is over and when the General Shareholders Meeting or the Board of Directors decides so in accordance with the power vested in them by law and bylaws. Nonetheless, the Board will not propose termination of any independent director except in the event the latter has breached his/her obligations and the Appointment and Compensation Committee issues a report in this regard.

The Regulations of the Board establish that board directors must make their position available to the Board of Directors and formalise, if the latter considers it appropriate, the corresponding resignation in the following cases:

- When they quit the executive position their appointment as Board Director is associated to.
- When involved in any of the situations of incompatibility or prohibition legally contemplated.
- When processed for presumably criminal actions or subject to disciplinary proceedings for a serious or very serious offence heard by the supervising authorities.
- When severely sanctioned by the Audit Committee for having breached their obligations as board directors.
- When their continuing in the Board could jeopardise the Company's interests or when the reasons for which they were named no longer exist (for example, when a director representing substantial shareholders sells his stake in the Company).

2.7. Power of the Board Directors and, in particular, those related to the possibility of issuing or repurchasing shares
The power to represent the Company corresponds to the Board of Directors collectively and by majority decision. It has been vested with the broadest authority in order to contract in general, undertake

all kind of acts and businesses, binding or not, or ordinary or extraordinary admi-nistration and of strict domain, regarding all nature of goods, movables, fixed assets, money, trade bills, with no exceptions save those matters which are the responsibility of the General Shareholders Meeting or not included in the company purpose.

Notwithstanding the above, the Chief Executive Officer has been vested with all the powers of the Board of Directors except those which under Law or the Bylaws cannot be delegated (which includes those specifically attributed to the Executive Committee).

Likewise, the President of the Board has been attributed broad power for adminis-tration and decision granted permanently by means of a power of attorney.

The Company's Annual General Shareholders Meeting held on 27th June 2008 authorised the Board of Directors to conduct the resulting acquisition of the Company's treasury shares, directly or through companies appointed by it, subject to the limits and prior requirements established in the agreement of said General Shareholders Meeting. The duration of the authorisation is 18 months from the date of said Meeting, and is expressly subject to the limitation that at no time the nominal value of treasury shares acquired by exercising this authorisation added to that already owned by Prosegur Compañía de Seguridad, S.A. and any of its affiliates, may exceed 5% of its share capital at the time of the acquisition.

2.8. Any significant agreement entered into by the Company and in effect, modified or terminated in the event of a change of control of the Company as a result of a takeover bid, and as appropriate, except when its communication could be seriously detrimental to the Company. This exception will not apply when the Company is legally obliged to publicise this information.

The most significant matter is the syndicated financing agreement foreseeing as a possible cause of early maturity, by decision of the crediting entities, a decline in the Company's solvency due to a change in its control. The contract is dated 25th July 2006 and it corresponds to a financing operation for the amount of €450 million at five years and structured into two tranches: a first tranche (A) established in the form of a loan for €250 million and made fully available from the start of the contract and a second tranche (B) subscribed in the form of a credit for€200 million.

The Company has contracted credit policies with various banks for a total credit limit of €153.7 million. As a standard, most of these policies include a clause related to a change in shareholder control as a possible cause of early maturity of the same.

On 28th December 2007 a securitisation contract was signed with meant the sale of non-recourse invoices for a total limit of €180 million. This contract, which came into effect in January 2008, includes as a possible cause of early maturity, by decision of the crediting entities, a decline in the Company's solvency due to a change in its control.

2.9. Agreements between the Company and its Board Members or Employees deciding compensation when they resign or are dismissed unfairly or if the employment relationship is terminated due to a takeover bid.

At present, no executive director of the Company has under contract agreed on the right to receive compensation due to resignation, unfair dismissal or change of control.

Contracts between the Company and senior managers expressly contemplate the right to receive compensation as established under article 56 of the Workers Bylaws in the event of unfair dismissal.

As for compensation for dismissal of senior managers in other countries where the Group is present, the labour legislation of those countries applies.

> STATEMENT OF RESPONSIBILITY FOR THE ANNUAL FINANCIAL REPORT

The Members of the Board of Directors of Prosegur Compañía de Seguridad, S.A. declare that, as far as they are aware, the individual and consolidated annual accounts corresponding to fiscal year 2008, formulated at the meeting held on 23rd February 2009, prepared in accordance with the applicable accounting principles, provide a true picture of the assets, financial situation and results of Prosegur Compañía de Seguridad, S.A. and its consolidated group as a whole, and that the individual and consolidated management reports include a true analysis of the evolution and business results and the position of Prosegur Compañía de Seguridad, S.A. and its consolidated group as a whole, together with a description of the major risks and uncertainties they face.

In Madrid, on 23rd February 2009

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

03

ANNUAL REPORT ON CORPORATE GOVERNANCE

Listed public limited liability companies

ISSUER'S IDENTIFICATION DETAILS

Date of year end: 31-12-2008
TIN: A28430882
Company name:
PROSEGUR COMPAÑÍA DE SEGURIDAD, S.A.

A OWNERSHIP STRUCTURE

A.1. Company's share capital:

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

Please state whether there are various kinds of shares with different rights attached:

Yes ☐ No X

A.2. Details on direct or indirect holders of significant interests as at, year's end closing 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
Marathon Asset Management LLP	0	1,862,370	3,018

(*) Through:

Person or company that is a direct holder of the interest	Number of direct voting rights	% on the total voting rigths
Prorevosa, S.A.	21,340	0.035
Alba Participaciones, S.A.	6,175,000	10.006
Marathon Asset Management LLP is an investment fund management company holding interests on behalf of its customers in order to be able to use their voting rights	1,862,370	3.018

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

Name of shareholder or company	Transaction date	Description of transaction
Marathon Asset Management LLP	06/05/2008	Purchase of voting rights

A.3. Company's directors having voting rights associated to company shares:

Name of person 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	35,000	0.057

(*) 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.	35,000	0.057
Total % of voting rights held by the Board of Directors		**55.792**

Company's Directors who hold 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, 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
Gubel, S.L.	Commercial	Leasing by Proactinmo, S.L. (a subsidiary of Gubel, S.L.) to Prosegur of an office building for an initital term of five (5) years up to 2010. Yearly rent for FY 2008 was of 1,102 thousand euros.
Corporación Financiera Alba, S.A.	Commercial	Banca March, S.A is one of the leading financial institutions acting under the syndicated loan granted to the Company. Banca March S.A.'s interest in the drawn balance as at 31/12/08 was 4,390 thousand euros. Furthermore, Banca March, S.A. has granted a credit facility up to 2,000 thousand euros (balance drawn as at 31/12/08: €0).
Corporación Financiera Alba, S.A.	Commercial	Prosegur has provided corporate security services to Banca March, S.A. for an amount of 2,697 thousand euros.

A.6. Has the Company been informed about the external covenants affecting it as set forth by art. 112 of the Securities Markets Act (LMV)?

Yes ☐ No X

Parties to the external covenant	% of share capital involved	Brief description of covenant
N/A	N/A	N/A

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

Yes ☐ No X

Parties to the arrangements	% of share capital involved	Brief description of the arrangement
N/A	N/A	N/A

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

Yes X No

Name of person or legal entity
Ms. Helena Irene Revoredo Delvecchio

Remarks
Through the company Gubel, S.L.

A.8. Company's Treasury Stock:

At year's closing date:

Number of direct shares	Number of indirect shares (*)	% on total share capital
1.434.743	0	2,32

(*) Through:

Person or company name of direct holder of the interest	Number of direct shares
---	---
Total:	---

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

Notification date	Total of direct shares purchased	Total of indirect shares purchased	% total on share capital
17/01/2008	583,455		0.945
17/01/2008	345,585		0.560
17/01/2008	160,273		0.260
30/10/2008	326,755		0.528

Gain (Loss) from treasury stock transferred during the period	0

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 27 June, 2008, agreed to renew the authorization granted by the General Meeting itself –on 28 June, 2007–, 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 of 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 times that such an option may be exercised by Prosegur Compañía de Seguridad, S.A. –either directly or through any subsidiaries of which it may be the parent company– of treasury stock, fully paid-up, through a sale-purchase or any other transaction.

Minimum price or consideration for the purchase shall be equivalent to the nominal value of the treasury stock so acquired, and the maxium 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 of 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 of 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 or of group companies, 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 such purpose.

3.- Declare null and void, for the relevant unused part, the authorization granted under Item Seven of the Agenda of the meeting held by the Annual General Meeting of Shareholders held on 28 June, 2007.”

A.10. Legal or 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 X

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 X

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

Yes ☐ No X

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

Yes ☐ No X

B MANAGERIAL STRUCTURE OF THE COMPANY

B.1. Board of Directors

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

Maximum number of directors	15
Minimum number of directors	5

B.1.2. Chart of Board Members:

Name of person or company acting as a 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. Christian Gut Revoredo		Chief Officer	30/06/1997	28/06/2007	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	27/06/2008	Shareholder's General Meeting
Ms. Chantal Gut Revoredo		Director	30/06/1997	28/06/2007	Shareholder's General Meeting
Mr. Eduardo Paraja Quirós		Director	26/04/2004	26/04/2004	Shareholder's General Meeting
Mr. Eugenio Ruiz-Gálvez Priego		Director	27/06/2005	27/06/2008	Shareholder's General Meeting

Total number of directors	8

Resignations occurred in the Board of Directors during the period:

Person or entity acting as a director	Situation of director at the time of resignation	Resignation date
N/A	N/A	N/A

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

EXECUTIVE DIRECTORS

Person or entity acting as a director	Commission proposing the appointment	Position in the Company
Ms. Helena Irene Revoredo Delvecchio	Appointments and Compensations Commission	Executive President
Ms. Christian Gut Revoredo	Appointments and Compensations Commission	Chief Executive Officer

Total number of executive directors	2
% of the Board total	25

EXTERNAL DOMINICAL DIRECTORS

Person or entity acting as a director	Commission proposing the appointment	Name of significant shareholder on which behalf acts or who has proposed the appointment
Ms. Mirta María Giesso	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

EXTERNAL INDEPENDENT DIRECTORS

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 A.B. Asesores Bursátiles and President of A.B. Gestión and A.B. Asesores Red. - Current President of Bankinter, and a 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 Audit 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 director of Ebro Puleva

Total number of independent directors	2
% of Board total	25

OTHER EXTERNAL DIRECTORS

Name of person or company acting as director	Commission proposing the appointment
Mr. Eduardo Paraja Quirós	Appointments and Compensations Commission

Total number of other external directors	1
% of Board total	12,5

Reasons why they cannot be regarded either as dominical or independent and their links, either with the company or its directors, even shareholders:

Person or Company acting as a director	Reasons	Company, director or shareholder with which/whom is linked
Mr. Eduardo Paraja Quirós	He cannot be regarded as dominical director because (i) he does not hold an interest equal or greater than such legally considered as relevant or has been appointed based on his condition as shareholder, even though his shareholding does not reach such a level and (ii) he does not represent any shareholder(s) included in (i). He cannot be regarded as independent director as he already was an executive director for the Company without 5 years having elapsed since his discontinuance in such a relation.	-

Changes, if any, occurred on the nature of each director during the year:

Person or company acting as a director	Date of change	Previous condition	Current condition
Mr. Eduardo Paraja Quirós	01/01/2008	Executive director	Other external directors

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

Name of person or company that is a shareholder	Reason
N/A	N/A

Have any formal requests been considered for Board presence from shareholders whose holdings are equal or greater to others upon whose request dominical had been appointed?

Yes ☐ No **X**

B.1.5. Has any director resigned from his/her post before its due expiration? Has he/she explained his/her reasons? Through what channels?

Name of director	Reason of resignation
N/A	N/A

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. Christian Gut Revoredo – Chief Executive Officer: The Company's CEO has all powers that are vested on the Board of Directors, except for those powers that are indelegable by operation of the law or the Company's Bylaws, or by operation of the internal regulations of the Board of Directors.

B.1.7. Members of the Board who 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	Nordes 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
Mr. Eduardo Paraja Quirós	Prosegur Activa Holding, S.L.	Non-executive president

B.1.8. Company directors who are members of the Board of Directors of other businesses listed in official stock markets in Spain other than the Group's as notified to the Company:

Person or company acting as a director	Name of listed company	Office
Mr. Isidro Fernández Barreiro	Corporación Financiera Alba, S.A.	Second Vice President
Mr. Pedro Guerrero Guerrero	Bankinter, S.A.	President
Mr. Eugenio Ruiz-Gálvez Priego	Ebro Puleva, S.A.	Director

B.1.9. Has the company rules in place about the number of boards in which the directors may take part?

Yes [ ] No **X**

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 investment 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 management and budgeting goals for the financial year	X	
Compensations policy and assessment of performance by top managers	X	
Control and risk management policies as well as the regular monitoring of the internal information and control system	X	
Dividend and treasury stock policies, especially the latter's limits.	X	

B.1.11. Aggregate compensation received by the directors during the year:

a) In the company covered by this report:

Compensation item	Data in thousand euros
Fixed compensation	1,520
Variable compensation	1,750
Allowances	862
Statutory Compensation	0
Stock options and/or other financial instruments	0
Other (compensations in kind)	36
TOTAL	**4,168**

Other benefits	Data in thousand euros
Payments in advance	0
Loans granted	0
Pension funds and schemes: Contributions	0
Pension funds and schemes: Obligations	0
Life insurance premiums	30
Guarantees established by the company in favour of the directors	0

b) Due to the company's directors taking part in other Boards of Directors and/or in the top management of other group companies:

Compensation item	Data in thousand 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 thousand euros
Payments in advance	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	1,522	0
External dominical	427	0
External independent	205	0
Other external	2,044	0
Total	**4,198**	**0**

d) Regarding profit attributable to parent company:

Total compensation for directors (in thousand euros)	4,198
Total compensation for directors/ profit attributable to parent company (expressed in %)	3.30

B.1.12. Members of top management that are not at the same time executive directors. Total remuneration accrued in their favour during the year:

Name of person or company	Office
Santiago García - Arenal López - Doria	Head of. Prosegur Latinoamérica
Alejandro Corominas Menendez	Head of Corporate Security, Spain
Gonzaga Higuero Robles	Head of Corp. Security, Europe
José Antonio Lasanta Luri	Head of. Prosegur Tecnología
Fabián Blanco Ortiz	Head of. Prosegur Activa
Sagrario Fernández Barbé	Head of Legal Counsel
Juan José Calvo Sáez	Head of Risk Management
Jorge Leitao	Head of. Prosegur Portugal
Daniel Lozano Lozano	Chief Financial Officer
Luis Javier Oro Pradera	Head of innovation and productivity
Jaime Pla Velarde	Head of Global Customers
Francisco Javier Poveda Gil	Head of internal audit
Guillermo Ruiz San Juan	Head of Information Technology
Pablo Blanco Juárez	Head of Strategy
Miguel Ángel Bandrés Gutiérrez	Head of Strategic Resources

Total remuneration for top managers (in thousand euros)	3,263

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 approved by the company's or the group's governance bodies:

Number of beneficiaries	0

	Board of Directors	General Meeting
Body authorizing the clauses	X	

	YES	NO
Is the general meeting informed about the clauses?		X

B.1.14. Procedure for determining the remuneration of the members of the Board of Directors and relevant statutory clauses in that regard:

In accordance with the provisions of article 22 of the Company's Bylaws, the position of Director 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 on the Board of Directors upon proposal made by the Compensations 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 2d) or 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 2e) of said article 17) to review, on a regular basis, 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	
Directors compensation, 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:

Yes **X** No

	Yes	No
Amount of fixed compensations, with breakdown, if any, 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 amounts 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?

Yes No **X**

Issues dealt with by the report on remuneration policies
The Board of Directors approves an annual report on remuneration policy for Directors that contains the policy approved for the current financial year, or, if applicable, for future years, as well as the implementation of the remuneration policy for the previous year. Said report is submitted for disposal by the Annual General Meeting of Shareholders of the company as from the date of publishing of the announcement containing the call to the meeting, being the shareholders entitled to review said report in the company offices or to request its submission immediately and with no cost.

Role played by the Compensations Commission

- 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.

External counsel	Yes	No
Has it used any external counsel?		X
Identities of external consultants		

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 acting as a director	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, if any 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.
Mr. Chantal Gut Revoredo	Gubel, S.L.	Partner with a non-controlling minority interest.
Mr. Mirta María Giesso Cazenave	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?

Yes X No

Description of changes
The Board of Directors of the Company agreed on 28 April 2008 to modify article 23 of the Board of Directors Regulations. It is just a mere technical change consistent with the prior modification of article 22.1 of the Company's Bylaws aimed at reducing to just three years the term of the Director's position (without prejudice of the possibility of one or more re-elections for equal terms of maximum duration).

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 Directors, in accordance with the provisions of the Corporations Act (Ley de Sociedades Anónimas) and the Company's Bylaws may fill any existing vacancies through the co-opting method.

In this regard, it is necessary 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 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 from the previous mandate shall be evaluated.

Last, the Board and the Appointments and Compensations Commission, within their respective powers shall endeavour to direct the election of candidates among persons of recognized reputation, skills and experience. Rigour shall be extreme regarding persons called to fill vacancies as independent directors 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.

However the above, independent directors may not remain in office for a period exceeding twelve consecutive years, except if they turn into dominical, executive or other type of external director.

Similarly to appointment proposals, proposals for re-election of Directors that the Board 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 with evaluation of the quality of work and dedication of the proposed directors from the previous mandate.

Assessment

In accordance with the provisions of the Board of Directors Regulations, the President shall organize and coordinate with the Presidents of the Appointments and Compensations Commission and of the Audit Commission the regular assessment of the Board, as well as, if applicable, such of the first executive.

Resignation or Removal

Directors shall cease in their post 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 fulfiled his/her duties and the Appointments and Compensations Commissions 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 ceasing 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 disciplinary actions arising from serious or very serious faults as instructed by the supervisory authorities.

d) When they are severely reprimanded by the Audit Commission for violation of they obligations as Directors.

e) When their remaining in office may put at 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 this shareholding in the Company).

B.1.21. Is the role of first executive of the Company vested in the position of President of the Board?

Yes [ ] No [X]

Have rules been 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 **X** No

Explanation of the rules
In conformance with the provisions of article 10.3 of the Board Regulations, the Board of Directors may empower an independent director to carry out 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; (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 such duties.

B.1.22. Are qualified majorities other than those legally required necessary for certain types of decisions?

Yes No **X**

Procedure for adoption of agreements by the Board of Directors:

Adoption of agreements		
Description of agreement	**Quorum**	**Majority type**
All agreements	Personal attendance or proxy holding by a half plus one of all Directors.	In any event, agreements shall be adopted by absolute majority of Directors attending to the meeting, either in person or through proxy, except in cases where the law requires a favourable vote by a greater number of directors for the validity of certain agreements adopted.
	51%	51%

B.1.23. Are there any specific requirements other than those for Directors in order to be elected President?

Yes No **X**

B.1.24. Does the president have a casting vote?

Yes **X** No

Instances in which the casting vote applies
In accordance with the provisions of article 23 of the Company's Bylaws, the President of the Board of Directors shall decide in instances of a tie when adopting resolutions.

B.1.25. Do the Company's Bylaws or the Board Regulations set a limit for Directors' age?

Yes ☐ No X

B.1.26. Do the Company's Bylaws or the Board Regulations set a limited term for independent directors:

Yes X No ☐

Maximum number of years in office	12

B.1.27. In the event of a small or no number of female directors, reasons and initiatives adopted in order to correct such a situation:

Explanation of reasons and initiatives
Not applicable

Has the Appointments and Compensations Commission set procedures to deprive personnel screening processes of implicit biases that may hinder the appointment of female directors, in which female candidates meeting the required profile are really sought?

Yes X No ☐

Main procedures
In accordance with the provisions of article 17 of the Board of Directors Regulations of the Company, amongst the duties of the Appointments and Compensations Commission there is the obligation of reporting to the Board about any issues relating equal opportunities for both genres, if deemed necessary in the light of the Board of Directors' composition.

B.1.28. Description of formal processes for the 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. Number of times the Board has met without the attendance of its President:

Number of Board Meetings	7
Number of Board Meeting 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 Committee	12
Number of meetings by the Audit Commission	8
Number of meetings by the Appointments and Compensations Commission	2

B.1.30. Number of meetings held by the Board of Directors during the financial year without the attendance of all its members. In the calculation proxy giving without specific instructions shall be considered as non-attendance:

Number of non-attendances by directors during the financial year	2
% of non-attendances over the total votes for the year	3.57

B.1.31. Have the individual and consolidated annual accounts submitted for approval by the Board been previously certified?

Yes **X** No

Person(s) certifying the individual and consolidated annual accounts of the company, in order to be approved by the Board of Directors:

Name	Office
Christian Gut Revoredo	Chief Executive 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 the IFRS, being all Group companies audited by a single firm: PricewaterhouseCoopers Auditores, S.L.

In a similar fashion, the Audit 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 onto its criteria, it shall publicly explain the contents and the scope of the relevant discrepancy.

B.1.33. Is the Board Secretary a Board director?

Yes ☐ No **X**

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 Compensations Commission 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 and Compensations Commission inform about the appointment?	X	
Does the Appointments and Compensations 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 **X** 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 and keep its governing rules and procedures observed and regulary reviewed. Also, the Secretary shall endeavour to have the Board's actions in compliance with the Company's Bylaws, the rules set by the General Meeting and the Board and with good corporate governance recommendations.

B.1.35. Mechanisms, if any, put in place by the Company in order to keep the independence of auditors, financial analysts, investment banks and rating agencies.

The Audit 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, as there are no relations with this kind of firms.

B.1.36. Has the company changed external auditors during the year?

Yes [ ] No [X]

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 to its group globally:

Yes [X] No [ ]

		Group	Total
Amount of jobs other than auditing (thousand euros)	-	334	334
Amount of jobs other that auditing / Total amount invoiced by the auditing firm (in %)	-	23,87%	23,87%

B.1.38. Does the audit report on last year's Annual Accounts contain any reservations or discrepancies?

Yes [ ] No [X]

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 by the current auditor over the total number of years in which the annual accounts have been audited:

	Company	Group
Number of uninterrupted years	20	20

	Company	Group
Number of years audited by current auditing firm / Total number of years 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 acting as director	Name of relevant company involved	% shareholding	Role or position
N/A	N/A	N/A	N/A

B.1.41. Is there any procedure in place to enable the directors rely on external advice?

Yes **X** 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 or others. The engagement must be necessarily related to specific problems of some import and complexity that may arise in the relevant position. The decision of hiring 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 directors; 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.

B.1.42. Is there a procedure in place in order to enable the directors to gather the necessary information for preparing meetings of the company's management bodies with enough time?

Yes **X** 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 broad as legally possible to gather 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 **X** 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 whenever 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 proceedings for a court hearing due to any of the offences provided for by article 124 of the Corporations Act (Ley de Sociedades Anónimas)?

Yes No **X**

B.2. Commissions in the Board of Directors

B.2.1. Details on all commissions of the Board of Directors and all of their members:

EXECUTIVE COMMITTEE

Name	Office	Type
Ms. Helena Revoredo Delvecchio	President	Executive Director
Mr. Isidro Fernández Barreiro	Director	Dominical Director
Mr. Christian Gut Revoredo	Director	Executive Director
Mr. Pedro Guerrero Guerrero	Director	Independent Director
Ms. Chantal Gut Revoredo	Director	Dominical Director
Mr. Eugenio Ruiz-Galvez Priego	Director	Independent Director

AUDIT COMMISSION

Name	Office	Type
Mr. Eugenio Ruiz-Galvez Priego	President	Independent Director
Ms. Chantal Gut Revoredo	Director	Dominical Director
Ms. Isidro Fernández Barreiro	Director	Dominical Director

APPOINTMENTS AND COMPENSATIONS COMMISSION

Name	Office	Type
Ms. Pedro Guerrero Guerrero	President	Independent Director
Ms. Isidro Fernández Barreiro	Director	Dominical Director
Ms. Chantal Gut Revoredo	Director	Dominical Director
Ms. Helena Revoredo Delvecchio	Director	Executive Director

B.2.2. The Audit Commission is in charge of:

	Sí	No
Supervise 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 top management has considered the conclusions and recommendations made in their reports	X	
Set up and monitor a mechanism that may enable employees to 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 and conditions 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 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 Description of the organizational and operating rules, as well as the responsibilities entrusted to each commission of the Board.

The Executive Committee

a) Regulation
Articles 25 of the Company's Bylaws and 15 of the Board Regulations.

b) Composition
The Executive Committee shall be formed by a minimum of three (3) and a maximum of seven (7) members of the Board of Directors.

The Executive Committee, 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 Committee 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 Committee.

c) Operation
The Executive Committee 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 Committee 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 Committee, 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 Committee, with reservation of a final decision on such business. In any other event, agreements adopted by the Executive Committees shall be valid and binding with no need of further ratification by the Board plenary.

d) Responsibilities
The Executive Committee 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 Audit Commission

a) Regulation:
Articles 27 of the Company's Bylaws and 16 of the Board Regulations.

b) Composition
The Audit 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 Audit Commission and will carry out his/her duties under the office of President of the Audit Commission. This person shall be substituted every four years and may be re-elected upon lapsing of one year since last leaving office.

The Audit 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 Audit 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 Audit Commission must hold at least four (4) meetings per year. On an extraordinary note, the Audit Commission shall meet each time the Board of Director 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 Audit Commission has the following basic duties:

a) 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.

b) 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.

c) 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.

d) Verify the suitability and integrity of internal control systems and review the designation and substitution of relevant persons in charge.

e) 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.

f) Review issue prospectus, periodical financial information and any other relevant information that must be provided to the markets and supervisory bodies by Board.

g) 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;

h) 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.

i) 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.

j) Specifically, the Audit 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 team.

k) 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

l) 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. In any event, the President must be an independent director.

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:

a) 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 the 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.

b) 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.
c) Propose to the Board the members that shall be part of each Commission.
d) Propose to the Board of Directors the system and amount of annual compensations of the Directors.
e) Periodically review the compensation schemes, adjusting their suitability and performance as required.
f) 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.
g) 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.
h) 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.
i) Inform the Board about issues relating gender diversity, if deemed necessary in view of the composition of the Board of Directors.

B.2.4. State advisory, consultation powers and, if applicable, delegations vested in each commission**:**

Name of Commission	**Brief description**
Executive Committee	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.
Audit 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 it is 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 Committee reflect the participation of the various directors in the Board based on their different conditions?

Yes **X** No

C LINKED TRANSACTIONS

C.1.Has the board plenary reserved the approval –upon prior favourable report issued by the Audit 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?

Yes **X** 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 person or company of the significant shareholder	Name of company or entity within the group	Nature of the relationship	Transaction	Amount (thousand euros)
Gubel, S.L.	Proactinmo, S.L.	Commercial	Leasing with effects since 2006 of an office building in favour of the Company.	1,102
Corporación Financiera Alba, S.A.	Banca March, S.A.	Commercial	Participation in the syndicated loan granted to the Company.	4,390
Corporación Financiera Alba, S.A.	Banca March, S.A.	Commercial	Provision of corporate security services by Prosegur	2,697

C.3. 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 of person or company acting as an administrator or a top manager	Name of company or entity within the group	Nature of the relationship	Transaction type	Amount (thousand 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 (thousand 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 **X**

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 **X**

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 and 14001 standards, respectively, 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 are foreign exchange contracts as hedging for exchange rate over certain assets, liabilities or future transactions, as detailed in Note 22 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 5,000 customers which average is 17,000 euros per month. The payment instrument with broadest use is the transfer (80%) compared to only 20% 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 2009 is based on the following items:

- Globally, as at 31 December 2008 there is cash and cash equivalents available for an amount of 92,653 thousand euros.

- At close of financial year 2008 there are unused credit facilities amounting to 197,550 thousand euros.

- Cash flows generated by operations in 2008 reached 234,332 thousand euros (170,987 thousand of euros in 2007). 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 analyses and manages its rexposure to interest rate risks in dynamic manner.

The Group has various hedging mechanisms aimed at covering these risks, as detailed in Note 22 of the Consolidated Annual Report.

During 2008, external resources of the Group at a floating interest rate were denominated in euros and to a lesser extent in 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 dividends to 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 non-banking 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 Audit 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, customer focus, transparency, 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 Audit 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 Directors, through the Audit 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 **X**

D.3. Is there any commission or other body in place in charge of establishing and supervising these control devices?

Yes **X** No ☐

Duties:

Name of commission or body	Description of duties
Audit Commission	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 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 on 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 X

E.2. Are there any differences with the regime provided for in the Corporations Act for adoption of company agreements?

Yes ☐ No X

E.3. Rights of shareholders in relation to General Meetings different to those provided for by the LSA.

No shareholders 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 X No

Details 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) n 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 on the General Meeting Regulations.

During the financial year 2008 no modifications have been introduced in the General Meeting Regulations.

E.7. Data of attendance to General Meetings held during the financial year of this report:

Attendance details

Date of General Meeting	% of physical presence	% in representation	% distance vote		% Total
			Electronic voting	Others	
27/06/2008	65.79	18.36	0.000		84.15

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.

Items on the agenda	Summary of proposal	Votes for	Votes against	Abstention	Result of vote
I	Approval of individual and consolidated annual accounts for year 2008	51,886,855 (99.91%)	27,908 (0.05%)	17,746 (0.04%)	Passed
II	Payment of dividends in cash	51,932,509 (100%)	0 (0%)	0 (0%)	Passed
III	Incentives plan	44,195,040 (85.10%)	6,749,493 (13%)	987,976 (1.90%)	Passed
IV.a)	Re-election of Mr. Pedro Guerrero Guerrero	51,900,509 (99.94%)	0 (0%)	32,100 (0.06%)	Passed
IV.b)	Re-election of Mr. Eugenio Ruiz-Gálvez Priego	51,932,509 (100%)	0 (0%)	0 (0%)	Passed
V	Authorization to purchase treasury stock	51,921,353 (99.98%)	0 (0%)	11,156 (0.02%)	Passed
VI	Re-election of the Company's and Consolidated Group's accounts auditor	51,932,509 (100%)	0 (0%)	0 (0%)	Passed
VII	Setting the maximum annual remuneration of directors	51,932,509 (100%)	0 (0%)	0 (0%)	Passed
VIII	Take-over merger with the company C. Valdecantos, S.A.	51,897,703 (99.93%)	11,825 (0.02%)	22,981 (0.05%)	Passed
IX	Delegation of powers for formalizing, interpreting, modifying and executing agreements	51,932,509 (100%)	0 (0%)	0 (0%)	Passed

E.9. Are there any statutory restrictions establishing a minimum number of shares necessary for attending to the General Meeting?

Yes X No

Number of shares required for attendance 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 X

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 CORPORATE GOVERNANCE RECOMMENDATIONS

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.

Fulfilled X 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.

Fulfilled Partly fulfilled
Explain Not applicable X

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 X Partly fulfilled
Explain Not applicable

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 X 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.

Fulfilled **X** 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.

Fulfilled **X** 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

Fulfilled **X** 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.

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.
  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.
  iii) Financial information to be periodically disclosed by the company as it is listed on a stock exchange.

iv) Investments or 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:
1. That are carried out by virtue of contracts which terms and conditions are standardized and are massively applied to many customers;
2. That are carried out at prices of fees set generally by whoever acts as supplier of the relevant good or service;
3. 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.

Fulfilled **X** 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

Fulfilled **X** 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

Fulfilled **X** Partly fulfilled Explain

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.

Fulfilled **X** Partly fulfilled Explain

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.

Fulfilled X Explain

13. That the number of independent directors represents at least one third of the total directors

Fulfilled Explain X

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.

Fulfilled X 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.

Fulfilled Partly fulfilled
Explain Not applicable X

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.

Fulfilled X 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.

Fulfilled Partly fulfilled
Explain Not applicable X

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.

Fulfilled X 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.

Fulfilled X 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.

Fulfilled X 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.

Fulfilled X 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.

Fulfilled X Partly fulfilled Explain

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.

Fulfilled X 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.

Fulfilled X 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 **X** 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.

Fulfilled Partly fulfilled **X** 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.

Fulfilled **X** 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

29. That independent directors do not remain as such for a consecutive period exceeding 12 years.

Fulfilled **X** 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.

Fulfilled **X** 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.

Fulfilled X 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.

Fulfilled X 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 X 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.

Fulfilled Partly fulfilled
Explain Not applicable X

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 compensation items.
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.

Fulfilled **X** 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.

Fulfilled **X** 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 **X** 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 **X**

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 **X** Partly fulfilled Explain

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.

Fulfilled   Partly fulfilled **X** Explain

The Company fulfils the recommendation as seen in heading 1.16, although the report is not subject to approval by the General Meeting of Shareholders.

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 **X**

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.

Fulfilled **X** 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 **X** Partly fulfilled Explain

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.

Fulfilled Partly fulfilled **X** Explain

The Board of Directors has created an Appointments and Compensations Commission comprising four members, three of which are external Directors (one of them dominical and the other two independent, one of them acting as President of said Commission) and one is an executive Director.

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 **X** 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 **X** 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 X 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 X 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.

Fulfilled X 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, re-election 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.

Fulfilled X 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

Fulfilled X 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 a 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.

Fulfilled X 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.

Fulfilled X 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.

Fulfilled Explain X 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

Fulfilled X 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 X 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.

Fulfilled X 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.

Fulfilled X Explain Not applicable

G OTHER INFORMATION OF INTEREST

GENERAL CLARIFICATION: It is expressly noted that the details contained in this report as dated as at 31 December 2008, save where otherwise specifically stated.

B.1.12. It must be noted that Mr. Daniel Lozano Lozano ceased as Chief Financial Officer of Prosegur Compañía de Seguridad, S.A. dated 31 January. 2009.

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 X

This annual report on corporate governance has been approved by the Board of Directors of the Company, in its meeting held on 23 February 2009.

No Directors voted against or refrained from voting in relation with the approval of this report.

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SHAREHOLDER'S OFFICE

The notes are presented in the Annual General Meeting and are available to the Company's shareholders at the registered offices, in calle Pajaritos 24, Madrid.

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