

**GENERAL DE ALQUILER DE MAQUINARIA, S.L.
AND SUBSIDIARIES**

Consolidated annual accounts
and consolidated Directors' report at 31 December 2008

Index to the consolidated annual accounts for GENERAL DE ALQUILER DE MAQUINARIA, S.L. and subsidiaries

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GENERAL DE ALQUILER DE MAQUINARIA, S.A. AND SUBSIDIARIES**CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2008 AND 2007
(Thousand euros)**

		<u>2008</u>	<u>2007</u>
ASSETS			
Non-current assets			
Property, plant and equipment	Note 6	582.258	552.873
Goodwill	Note 7	122.187	114.948
Other intangible assets	Note 7	1.220	746
Financial assets	Note 9	2.464	1.907
Deferred tax assets	Note 17	6.687	9.455
Derivative financial instruments	Note 3.2	-	2.085
Total non-current assets		<u>714.816</u>	<u>682.014</u>
Current assets			
Inventories	Note 10	7.947	9.750
Trade and other receivables	Note 8	165.230	189.053
Current deferred tax assets		17	-
Other current assets		785	380
Cash and cash equivalents	Note 11	41.419	66.596
Total current assets		<u>215.398</u>	<u>265.779</u>
TOTAL ASSETS		<u>930.214</u>	<u>947.793</u>

GENERAL DE ALQUILER DE MAQUINARIA, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2008 AND 2007
(Thousand euros)

		<u>2008</u>	<u>2007</u>
LIABILITIES			
EQUITY			
Equity attributable to the Company's shareholders			
Capital stock	Note 12	30.764	30.764
Share premium	Note 12	90.302	90.302
Treasury shares	Note 12	(10.757)	(11.433)
Retained earnings	Note 12	79.476	70.162
Minority shareholdings		-	(17)
		<hr/>	<hr/>
Total equity		189.785	179.778
		<hr/>	<hr/>
Bonds and other negotiable securities issued	Note 13	111.476	121.852
Provisions	Note 19	135	129
Finance leases	Note 15	284.025	275.481
Other borrowings	Note 16	89.385	86.876
Derivative financial instruments		1.430	-
Subsidies	Note 18	6.317	7.294
Deferred tax liabilities	Note 17	12.381	13.282
		<hr/>	<hr/>
Total non-current liabilities		505.149	504.914
		<hr/>	<hr/>
Bonds and other negotiable securities issued	Note 13	1.117	-
Finance leases	Note 15	116.873	104.217
Other current financial borrowings	Note 16	50.047	41.581
Trade and other payables	Note 14	65.660	113.629
Current income tax liabilities		1.437	3.148
Other current liabilities		146	526
		<hr/>	<hr/>
Total current liabilities		235.280	263.101
		<hr/>	<hr/>
TOTAL LIABILITIES AND EQUITY		930.214	947.793
		<hr/>	<hr/>

GENERAL DE ALQUILER DE MAQUINARIA, S.A. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT AT 31 DECEMBER 2008 AND 2007
(Thousand euros)

		Year ended 31 December	
		2008	2007
Ordinary revenues	Note 20	365.226	307.464
Net profit on sale of used machinery		6.348	4.922
Other revenues		6.647	5.920
Supplies	Note 21	(46.186)	(39.707)
Staff costs	Note 23	(97.067)	(71.967)
Depreciation	Notes 6 and 7	(97.603)	(79.892)
Other costs	Note 22	(88.459)	(70.010)
Operating profit		48.906	56.730
Financial income	Note 24	8.072	3.499
Finance cost	Note 24	(40.359)	(23.524)
Profit before taxes		16.619	36.705
Income tax	Note 25	(3.002)	(11.707)
Profit for year		13.617	24.998
Earnings per share in euros (Note 26):			
Basic		0,45	0,86
Diluted		0,42	0,87

GENERAL DE ALQUILER DE MAQUINARIA, S.A. AND SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENT AT 31 DECEMBER 2008 AND 2007
(Thousand euros)

	Year ended 31	
	December	
	2008	2007
<u>1) Cash flows from operating activities</u>		
Profit for year before taxes	16.619	36.705
Adjustments:		
+ Depreciation/Amortization (Notes 6 and 7)	97.603	79.892
+ Other revenues	(6.348)	(977)
+ Other costs	1.315	421
+ Financial expense (Note 24)	40.359	23.524
- Financial income (Note 24)	(8.072)	(3.499)
+/- Provisions	6	(418)
Adjusted profit	141.482	135.648
Change in inventories (Note 10)	2.077	(7.603)
Change in trade and other receivables	28.635	(78.423)
Change in financial assets at fair value with changes in profit and loss	-	11
Change in other current assets	(322)	(246)
Change in trade and other payables	(49.936)	42.799
Change in other current liabilities	(380)	438
Application of provisions	-	(45)
Cash generated from operations	121.556	92.579
- Corporate income tax paid	(5.186)	(7.908)
Net cash generated from operating activities	116.370	84.671
<u>2) Cash flows from investing activities</u>		
Investments:		
Cash applied to investments in machinery	(793)	(20.814)
Other investments in property, plant and equipment	-	(1.161)
Divestments	21.001	10.700
Acquisition of companies	(13.969)	(147.195)
- Transaction costs	(231)	-
+ Financial income	-	1.248
Cash used in investing activities	6.008	(157.222)

GENERAL DE ALQUILER DE MAQUINARIA, S.A. AND SUBSIDIARIES**CONSOLIDATED CASH FLOW STATEMENT AT 31 DECEMBER 2008 AND 2007
(Thousand euros)**

	Year ended 31 December	
	2008	2007
<u>3) Cash flows from financing activities</u>		
- Acquisition of Treasury shares	(4.343)	(7.632)
+ Movements in treasury shares and convertible bonds	-	4.102
+ Bonds and other negotiable securities issued	-	125.000
- Transaction costs	-	(3.148)
+ Finance leases relating to prior year additions	-	25.022
+ Bank borrowings to acquire companies	14.000	75.800
+ Other of sources of financing	4.624	56
+ New financing for suppliers of property, plant and equipment	-	10.773
+ Change in current financing	27.711	13.150
- Repayments of borrowings	(20.091)	(5.122)
- Repayments of finance leases	(115.285)	(79.949)
- Repayments of deferred price on company acquisitions	(8.361)	(5.048)
- Repayments of PPE suppliers	(2.001)	(3.809)
- Early redemption of convertible bonds	(10.141)	-
- Financial income	1.696	-
- Financial expenses	(35.364)	(23.524)
Change in cash used in financing activities	(147.555)	125.671
Total change in cash flows	(25.177)	53.120
Cash and cash equivalents at beginning of year	66.596	13.476
Cash and cash equivalents at end of year	41.419	66.596
Change	(25.177)	53.120

Acquisitions of some PPE have been financed in the short and long-term by credit institutions or fixed asset suppliers. Therefore, additions of PPE during the year reflected in the balance sheet do not match the acquisition of PPE in accordance with the cash flow statement.

GENERAL DE ALQUILER DE MAQUINARIA, S.A. and SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AT 31 DECEMBER 2008 AND 2007
(Thousand euros)

	Share capital	Share premium	Treasury shares	Retained earnings	Minority shareholdings	Total Equity
Balance at 1 January 2007	28.500	48.566	(3.801)	40.641	-	113.906
Profit on transactions involving treasury shares	-	-	-	3.910	-	3.910
Gross revenues/(expense) recognized directly under equity	-	-	-	3.910	-	3.910
Tax effect	-	-	-	(1.271)	-	(1.271)
Net revenues/(expense) recognized directly under equity	-	-	-	2.639	-	2.639
Profit for year	-	-	-	24.998	(17)	24.981
Total revenues recognized in 2007	-	-	-	27.637	(17)	27.620
Share capital increase (Note 12)	2.264	41.736	-	-	-	44.000
Acquisition of treasury shares (Note 12)	-	-	(7.632)	-	-	(7.632)
Convertible bond component of equity (Note 13)	-	-	-	1.632	-	1.632
Employee stock option plan (Note 23)	-	-	-	421	-	421
Other movements	-	-	-	(169)	-	(169)
Balance at 31 December 2007	30.764	90.302	(11.433)	70.162	(17)	179.778
Profit on transactions involving treasury shares	-	-	-	(5.019)	-	(5.019)
Differences on exchange	-	-	-	(907)	-	(907)
Convertible bond component of equity (Note 13)	-	-	-	(235)	-	(235)
Other movements	-	-	-	(384)	17	(367)
Gross revenues/(expense) recognized directly under equity	-	-	-	(6.545)	17	(6.528)
Tax effect	-	-	-	1.692	-	1.692
Net revenues/(expense) recognized directly under equity	-	-	-	(4.853)	17	(4.836)
Profit for year	-	-	-	13.617	-	13.617
Total revenues recognized in 2008	-	-	-	8.764	17	8.781
Acquisition/Disposal of treasury shares (Note 12)	-	-	676	-	-	676
Employee stock option plan (Note 23)	-	-	-	550	-	550
Balance at 31 December 2008	30.764	90.302	(10.757)	79.476	-	189.785

CONSOLIDATED ANNUAL ACCOUNTS FOR GENERAL DE ALQUILER DE MAQUINARIA, S.A. AND SUBSIDIARIES AT 31 DECEMBER 2008

Notes to the Consolidated Annual Accounts (Thousand euros)

1 General information

General de Alquiler de Maquinaria, S.A., (hereinafter the Company or GAM) ended 2008 with a Group (hereinafter the Group) formed by 35 companies: General de Alquiler de Maquinaria, S.A., the parent company and 34 subsidiaries, taking into account the mergers carried out in 2008 between the GAM Group companies, such as GAM Madrid, S.L.U. (acquiring company) and GAM Madrid Sur, S.A.U. (target company), the merger between GAM Eventos S.L.U (acquiring company) and Prosec Audio, S.L. (target company), the merger between GAM Energía Alquiler de maquinaria, S.L.U. (acquiring company) and Guimerá, S.A. (target company) and the merger between Gam Noroeste, S.L.U. (acquiring company) and Gam Castilla y León, S.L.U. (target company), (33 subsidiaries in 2007). Appendix I to these Notes to the financial statements contains additional information regarding the companies included in the scope of consolidation.

In 2008 changes in the Group's scope of consolidation were as follows:

<u>Name (entries)</u>	<u>% shareholding</u>	<u>Domicile</u>	<u>Activity</u>
Guimerá, S.A. (2)	100%	Barcelona	Machinery rental
GAM Polska, S.P.Z.O.O. (1) (*)	100%	Katowice (Poland)	Machinery rental
General Alquiler de Maquinaria prestación de servicios, S.A. de C.V. (1) (*)	100%	Mexico DF (Mexico)	Machinery rental
GAM Alquiler México, S.A. de C.V. (1) (*)	100%	Mexico DF (Mexico)	Machinery rental
GAM Brasil – Locacao de maquinaria LTDA. (1) (*)	100%	Sao Paulo (Brazil)	Machinery rental
<u>Name (exits)</u>		<u>Domicile</u>	<u>Activity</u>
Gam & Sany JV, S.L.	60%	San Fernando de Henares (Madrid)	Machinery rental

(*) Unaudited company

(1) Incorporated company

(2) Company acquired and merged into GAM Energía Alquiler de maquinaria, S.L.U. in 2008

Appendix I to these Notes to the Annual Accounts contains a list of dependent and associated companies included in the scope of group consolidation at 31 December 2008.

For the purposes of preparing the consolidated annual accounts, it is understood that a Group exists when the parent company has one or more dependent company that it directly or indirectly controls. The principles applied when preparing the Group's consolidated annual accounts, as well as the scope of consolidation, are set out in Note 2.

General de Alquiler de Maquinaria, S.A., the Group's parent company, was incorporated in Spain on 29 October 2002 as a private limited liability company (SL company). It has been entered into the Madrid Mercantile Registry on page M-314333, sheet 101 in the Company Register. The latest adaptations and modifications of its Articles of Association, resulting from its incorporation, were entered into Volume 18161, Section 8, Sheet 105, Page 314333, entry 6 on 8 September 2003. On 9 February 2006 shareholders held a General Meeting and adopted a resolution to change the Company's corporate form from a private limited liability company to a public limited liability company. This resolution was executed in a public document on 28 March 2006.

The domicile of General de Alquiler de Maquinaria, S.A., is located in Madrid (Spain) at Calle María de Molina 39.

CONSOLIDATED ANNUAL ACCOUNTS FOR GENERAL DE ALQUILER DE MAQUINARIA, S.A. AND SUBSIDIARIES AT 31 DECEMBER 2008

Notes to the Consolidated Annual Accounts (Thousand euros)

GAM's corporate purpose covers the purchase, subscription, swap and sale of shares, for its own account and without involving any intermediaries, for the purposes of directing, administering and managing such shareholdings. GAM's corporate purposes also cover the purchase, sale, rental and repair of machinery and vehicles.

These consolidated annual accounts were prepared by the Board of Directors on 25 February 2009 and will be submitted to the approval of shareholders at a General Meeting and it is believed they will be approved without any modification.

The figures contained in the annual accounts statements are expressed in thousand euros, unless otherwise indicated.

2 Summary of significant accounting policies

The main accounting policies applied to the preparation of these consolidated annual accounts are described below. These policies have been consistently applied for all the years presented.

2.1. Basis of presentation

The consolidated annual accounts at 31 December 2008 are presented in accordance with the provisions of International Financial Reporting Standards (IFRS) adopted by the European Union (IFRS-EU).

The financial statements have been prepared on a historic cost basis, modified in the cases established by the IFRS-EU in which certain assets and liabilities are stated at their fair value.

The preparation of consolidated annual accounts under IFRS-EU requires the use of certain critical accounting estimates. The application of IFRS also requires that management exercise judgment in the process of applying GAM Group's accounting policies. Note 4 shows the areas that involved higher levels of judgment or complexity, or the areas in which the assumptions and estimates are significant to the consolidated annual accounts.

2.2. Consolidation

(a) *Dependent companies*

Dependent companies are those entities in which the Group has the power to direct financial and operating policies, which are generally accompanied by a shareholding exceeding 50% of voting rights. When evaluating whether or not the Group controls another company the existence and effect of potential voting rights that may actually be exercised or are convertible are taken into consideration. Subsidiaries are consolidated as from the date on which control is transferred to the Group and are excluded from the scope of consolidation on the date on which such control ceases.

CONSOLIDATED ANNUAL ACCOUNTS FOR GENERAL DE ALQUILER DE MAQUINARIA, S.A. AND SUBSIDIARIES AT 31 DECEMBER 2008

Notes to the Consolidated Annual Accounts (Thousand euros)

The acquisition method is used to record the purchase of dependent companies. The cost of acquisition is the fair value of the assets obtained, equities issued and liabilities incurred or assumed at the transaction date, plus the costs directly attributable to the acquisition. Identifiable assets acquired and identifiable liabilities and contingencies assumed in a business combination are initially stated at their fair value at the acquisition date, regardless of the scope of minority interests. The excess of acquisition cost over the fair value of the Group's interest in identifiable net assets acquired is recognized as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

Business combinations that already pertain to GAM Group use previous values and no restatement has been applied to fair value and, consequently, no goodwill arises on these transactions.

Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated, unless the transaction offers evidence of the impairment of the asset transferred. When necessary to ensure uniformity with the Group's policies, the accounting policies implemented by dependent companies are modified.

(b) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognized at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognized in the income statement and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share in the losses obtained by an associate is equal to or exceeds its shareholding, including any other unsecured receivables, the Group does not recognize any additional losses unless it has incurred obligations, or made payments, on behalf of the Associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3. Segment reporting

The Group mainly operates on the Iberian Peninsula and controls its business based on the various geographic markets within this territory. Consequently, information is provided by geographic segment and these segments are those in which products or services are rendered in a specific financial environment that presents different risks and yields than other geographic areas.

CONSOLIDATED ANNUAL ACCOUNTS FOR GENERAL DE ALQUILER DE MAQUINARIA, S.A. AND SUBSIDIARIES AT 31 DECEMBER 2008

Notes to the Consolidated Annual Accounts (Thousand euros)

The Group only renders machinery rental services and therefore does not operate in other service or product segments.

The Group understands that there are no significant differences in the margins obtained from operating in the various sectors of activity or the rental of different types of machinery. For this reason, the Group's profits are analyzed based on the yield obtained in the various areas in which it operates and not based on the activity sectors concerned or the various types of machinery rented. As a result, the Group considers that it has only one business segment that it presents as a single secondary segment.

2.4. Transactions denominated in foreign currency

(a) Functional currency and presentation

The items included in the annual accounts of each of the Group companies are measured using the currency of the principal economic environment in which the company operates ("functional currency"). The consolidated annual accounts are presented in euros, which is the Group's functional and presentation currency.

(b) Transactions and balances

Transactions in foreign currency are translated to the functional currency using the exchange rates in force at the transaction dates. Foreign currency gains and losses resulting from the settlement of transactions and translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currency are recognized in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Gains and losses on exchange are presented in the income statement under "Financial income and expense".

(c) Group Companies

Results and the financial situation of all Group companies (none of which has the currency of a hyperinflationary economy) whose functional currency differs from the presentation currency are translated to the presentation currency as follows:

- The assets and liabilities on each balance sheet presented are translated at the closing exchange rate at the balance sheet date;
- The income and expenses in each income statement are translated at the average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates existing at the transaction dates, in which case income and expenses are translated at the rates on the transaction dates); and
- All resulting exchange differences are recognized as a separate component of equity.

CONSOLIDATED ANNUAL ACCOUNTS FOR GENERAL DE ALQUILER DE MAQUINARIA, S.A. AND SUBSIDIARIES AT 31 DECEMBER 2008

Notes to the Consolidated Annual Accounts (Thousand euros)

On consolidation, any exchange differences resulting from the translation of a net investment in foreign companies and loans and other instruments in foreign currency designated as hedges of those investments are taken to equity. When sold, such exchange differences are recognized in the income statement as part of the profit or loss on the sale.

Adjustments to goodwill and fair value arising on the acquisition of a foreign company are treated as assets and liabilities of the foreign company and translated at the year-end exchange rate.

2.5. Property, plant and equipment

Land and buildings consist mainly of the installations necessary for the company to render Group services in Madrid, Granada, Santiago de Compostela, León, Canary Islands, Valencia, Seville, Ferrol, Lugo, Asturias and Lisbon. Property, plant and equipment are stated at cost, less any accumulated depreciation and impairment, except for land, which is not depreciated.

Past cost includes the expenses that are directly attributable to the acquisition of the item concerned.

Subsequent costs are included in the carrying value of the asset or are recognized as a separate asset only when it is likely that the Group will obtain future profits associated with the item concerned and when the cost of the item may be reliably determined. All other repairs and maintenance are expensed in the income statement in the year they are incurred.

Depreciation is calculated using the straight-line method to reduce costs to residual values over their estimated useful lives:

Buildings:	33 years
Machinery:	3 to 10 years
Plant, tools and equipment:	3 to 10 years
Other property, plant and equipment:	4 to 10 years

Assets being acquired under finance leases are depreciated based on the useful lives of the assets covered by each lease agreement, and these useful lives are, in all cases, higher than the term of the relevant finance lease agreements.

Reestimate of residual values

The residual value and useful life of assets is examined and adjusted, if necessary, at the date of each balance sheet.

In accordance with IAS 16, the Group has restated the residual value of its assets. As a result of this review, and due mainly to the increase in the value of second-hand machinery, a change in the previous estimates regarding the residual value of the affected assets was detected. This change in estimates has been recorded on a prospective basis since 1 January 2008 in accordance with the provisions of the IAS 8. The effect of this change is a lower annual depreciation expense totaling approximately €9.5 million in 2008. The effect on future years of this estimate restatement is a lower depreciation expense totaling approximately €60 million.

CONSOLIDATED ANNUAL ACCOUNTS FOR GENERAL DE ALQUILER DE MAQUINARIA, S.A. AND SUBSIDIARIES AT 31 DECEMBER 2008

Notes to the Consolidated Annual Accounts (Thousand euros)

The support for the residual value that GAM Group has applied (15%) to certain families of its fleet of machinery, cranes, industrial vehicles, forklifts, generators exceeding 300 Kvas, heavy machinery, platforms and telehandlers is sustained on an in-depth internal study carried out by qualified personnel regarding the percentage of profits compared with historical cost of all disposals carried out by GAM Group to third-parties outside the Group under free market conditions and involving the aforementioned types of machinery and 2005, 2006 and 2007. In order to compare the internal conclusions reached by GAM Group a report was obtained from an independent expert on 23 January 2009 ratifying the conclusions that had already been received by the Group and there are no significant divergences.

The reason this estimate restatement was done in 2008 and not before is supported by disposals, which until 2007 were not considered to be relevant and were not significant until the fourth quarter of 2007, in addition to the analysis carried out to assign goodwill from the Company Vilatel, S.L. to the value of assets and liabilities. The report from the independent expert regarding this assignment is dated 17 March 2008 and therefore Company Management did not consider that the re-estimate of the residual values of part of its machinery fleet was sufficiently supported until 2008.

Although IAS 16 indicates that the residual value of assets is normally insignificant, the second-hand rental machinery market has demonstrated that it is an active, attractive and profitable markets that supports the market price is being paid today. In addition, the fact that rental machinery does not have very specific characteristics that can only be adapted to certain companies encourages the exchange of these types of assets, which supports residual values that are higher than those for other assets whose characteristics require them to be on company balance sheets for longer periods of time.

The gross and net carrying value at 31 December 2008 for the property, plant and equipment subject to modified residual values totals approximately €504 million and €343 million, respectively. Furthermore, the percentage of assets subject to a modified residual value currently being financed through finance leases is approximately 72% and 74% of the gross and net carrying value, respectively.

All of the assets for which residual values have been amended are being financed through finance leases, which gives rise to the reasonable certainty that the purchase option will be exercised and the average term of those contracts is 5 years, whereas all assets for which the residual value has been modified have useful lives of between 8 and 10 years.

The re-estimation of residual values carried out by GAM Group did not have any impact on the finance leases in force at 31 December 2008, the installments paid, the value of the purchase option, or the minimum payments to be made under the finance lease agreements.

When the carrying value of an asset is higher than its estimated recoverable value, the carrying value is immediately reduced accordingly (Note 2.8).

Gains and losses on the sale of property, plant and machinery are calculated by comparing the income obtained against the carrying value and are included in the income statement.

**CONSOLIDATED ANNUAL ACCOUNTS FOR GENERAL DE ALQUILER DE MAQUINARIA, S.A.
AND SUBSIDIARIES AT 31 DECEMBER 2008**

Notes to the Consolidated Annual Accounts (Thousand euros)

2.6. Intangible assets

(a) Goodwill

Goodwill represents the excess acquisition cost over the fair value of the Group's shareholding in the net identifiable assets of the acquired dependent company at the date of acquisition. Goodwill relating to the acquisition of dependent companies is included under intangible assets. Goodwill recognized as is described in Note 7 is tested annually to evaluate impairment losses and is carried at cost less any cumulative impairment losses. If these losses are recognized they cannot be reversed in the future. Gains and losses deriving from the sale of a company include the carrying value of goodwill relating to the company that has been sold.

Goodwill is assigned to cash generating units (CGU) for the purpose of testing impairment losses. It is allocated to those CGUs that are expected to benefit from the business combination that generated such goodwill.

(b) Computer programs

Software licenses acquired are capitalized based on the costs incurred on their acquisition and preparation for use. These costs are amortized over the estimated useful lives of the assets (3 years).

The costs relating to the maintenance of computer programs are recognized as an expense when incurred.

2.7. Interest cost

Interest costs incurred on the construction of any qualified asset are capitalized over the period of time necessary to complete and prepare the asset for its intended use. Other interest costs are expensed in the income statement. At 31 December 2008 no significant amount had been capitalized in this respect.

2.8. Impairment of non-financial assets

Assets with indefinite useful lives are not subject to amortization/depreciation and are tested annually for impairment losses.

The assets subject to depreciation are examined for impairment, provided that some event or change in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognized when the book value of the asset exceeds the recoverable amount. The recoverable amount is the fair value of an asset, less the higher of costs incurred for its sale or its value in use. For the purposes of determining impairment, the assets are grouped at the lowest level at which cash flows may be independently identified (cash generating units). Non-financial assets, other than goodwill, which are impaired are reviewed at the balance sheet date for reversal of the loss.

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2.9. Investments

The Group classifies its financial investments in the following categories: Financial assets at fair value through profit or loss, loans and accounts receivable, investments that are to be held to maturity and available-for-sale financial assets in accordance with the requirements of the IAS 39 "Financial Instruments". Recognition and measurement. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at the time initially recognized and the classification is reviewed each time the financial information is presented.

During the two years being considered, the Group did not have any financial assets classified as "at fair value through profit and loss", "held to maturity" or "available-for-sale"

(a) Derivative financial instruments and hedging

Derivatives are initially stated at their fair value at the date on which the relevant contract is concluded.

Group derivatives have been obtained to hedge borrowings and do not comply with the requirements of IAS 39 necessary to be considered hedging instruments. As a result, the Group accounts for these items as held for trading. Their fair value at each date is recorded as a non-current asset or liability if the remaining term of the hedged item exceeds 12 months and as a current asset or liability if the remaining term of the hedged item is less than 12 months, charging or crediting profit and loss, respectively. Subsequent to initial recognition, changes in fair value affecting these derivatives are immediately recognized in the income statement. The fair value at each date is provided by external experts.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets not listed on an active market with payments that are either fixed or may be determined. They arise when the Group supplies money, goods or services directly to a debtor without any intention of holding the account receivable for trading. This item is included under current assets, unless maturing in more than 12 months after the balance sheet date, in which case the item is recorded under non-current assets. Current loans and receivables are included under trade and other receivables in the balance sheet (Note 2.11) and non-current items are included under financial assets.

Acquisitions and disposals of investments are recognized at the transaction date, i.e. the date on which the Group enters into the commitment to acquire or sell the asset. Investments are initially recognised at fair value plus transaction costs. Investments are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

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The Group analyses each contract on an individual basis. The transfer of risks and benefits is evaluated by comparing the Group's exposure before and after the factoring agreement enters into force and the change in the amounts and schedule of effective net cash flows deriving from the transferred asset. If the Group's exposure to the change is eliminated, or is substantially reduced, the financial asset has been transferred. If this is not the case, it has not been transferred and the Group continues to recognize the asset and also records the amount received as a short-term discount from banks under current liabilities.

At each balance sheet date, the Group evaluates whether or not there is objective evidence that a financial asset or a group of financial assets may have suffered impairment losses, in the same manner as is done for Trade and other receivables (Note 2.11)

2.10. Inventories

Inventories are stated at the lower of their cost or net realizable value. The cost is determined in accordance with the first-in, first-out method (FIFO). The cost of finished products includes inventories of spare parts that are necessary to repair the Group's machinery. This cost does not include interest costs. Net realizable value is the estimated selling price during the normal course of business, less applicable variable costs of sales.

2.11. Trade and other receivables

Trade and other receivables are initially recognized at their fair value and subsequently by their amortized cost in accordance with the effective interest rate method, less the provision for impairment losses. A provision is recorded for impairment losses affecting trade receivables when there is objective evidence that the Group will not be able to collect all amounts due in accordance with the original terms of the receivable. The existence of significant financial difficulties on the part of the debtor, the likelihood that the debtor will enter into bankruptcy or financial reorganization, or the absence of payments or default are considered to be indicators that a receivable has become impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The book value of the asset is reduced to the extent that the provision is applied and the loss is recognized in the income statement. When a receivable is uncollectible, it is adjusted against the provision for receivables. Any subsequent recovery of previously written-off amounts is recognized in the income statement.

The Group provides for outstanding balances after a certain period has elapsed or where they may be reasonably classed as doubtful in view of the circumstances.

2.12. Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, bank overdrafts and other short-term highly liquid investments with original maturities of three months or less.

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2.13. Capital stock

All company shares are classified as equity since there is no mandatory surrender.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.14. Treasury shares

When a Group company acquires treasury shares, the consideration paid, including any directly attributable incremental cost (net of income tax) is deducted from equity attributable to the Company's shareholders through to redemption, reissue or disposal. When these shares are sold or subsequently reissued, any amount received, net of any incremental cost on the transaction which is directly attributable and the corresponding income tax effects, and is included in equity attributable to the Company's shareholder.

2.15. Issue of convertible bonds

The fair value of the liability component of a convertible bond is calculated by applying a market interest rate for non-convertible bonds of similar characteristics. This amount is recorded as a liability based on its amortized cost up until settlement at the time it is converted or matures. All other income is assigned to the conversion option that is recognized and is included in equity, net of corporate income tax effects.

2.16. Official subsidies

Government subsidies are recognized at their fair value when there is a reasonable expectation that the subsidy will be collected and that the Group will comply with all of the established conditions. Official subsidies related to costs are deferred and are recognized in the income statement over the period necessary to match them with the costs they are intended to offset. Official subsidies related to the acquisition of property, plant and equipment are included under non-current liabilities as deferred official subsidies and are taken to the income statement on a straight-line basis over the expected useful lives of the assets concerned.

The Group records tax assistance under IAS 20 since it is subject to compliance with the specific conditions established in this respect by the Government and this assistance affects the taking of financial decisions.

2.17. Borrowings (external resources)

Borrowings are recognized initially at their fair value net of the costs that are incurred on the transaction. Subsequently these borrowings are stated at their amortized cost. Any difference between the funds obtained (net of the costs necessary to obtain the financing) and the repayment value are recognized in the profit and loss account over the life of the debt in accordance with the effective interest rate method.

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Borrowings are classified as current liabilities unless the Group has an unconditional right to defer payment for at least 12 months after the balance sheet date.

2.18. Current and deferred taxes

Corporate income tax expense for the year consists of current and deferred taxes. The tax is recognized in the income statement, except to the extent that it relates to items that are directly recognized under equity. In this case the tax is also recognized under equity.

The current year tax expense is calculated based on tax legislation that has been approved or is about to be approved at the balance sheet date in the countries in which subsidiaries and associates operate and where profits subject to taxes are generated. Management regularly evaluates the positions held with respect to tax returns vis-à-vis situations under which tax legislation is subject to interpretation and creates, if appropriate, all necessary provisions based on the amounts expected to be paid to the tax authorities.

Deferred income tax is calculated, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated annual accounts. However, if the deferred income tax arises from the initial recognition of a liability or an asset in any transaction other than a business combination that at the time of the transaction does not affect either book results or tax gains or losses, they are not recorded. Deferred tax assets and liabilities are calculated using tax rates (and laws) approved or about to be approved at the balance sheet date and which are expected to be applied when the relevant deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets deriving from tax credits in respect of available tax losses and corporate income tax allowances and deductions to which the company is entitled are recognised to the extent that there will be sufficient taxable profits in the future against which to offset the temporary differences. In the case of deductions for investments, the counterbalancing entries for the amounts recognized are made under the account "Deferred income". The book entry, as a reduction in the expense, is apportioned over the period of time over which the property, plant and equipment that generated the tax credit is depreciated.

No tax deferred income tax is recognized with respect to the timing differences arising from investments in dependent companies, since for the Group the reversal of taxes to the group tax does not generate additional taxes due to existing legislation regarding the deduction for group double taxation.

On 29 November 2006, the Official State Gazette published Law 35/2006 on Personal Income Tax which partially amended the Corporate Income Tax Act, Non-Resident Income Tax, and Wealth Tax by reducing the corporate income tax rate from 35% in force in 2006 to 32.5% for tax years starting as from 1 January 2007 and 30% for those commencing as from 1 January 2008.

Accordingly, the Group has adjusted deferred tax assets and liabilities based on their estimated time of reversal for all Spanish companies pertaining to the Group, with the exception of Aldaiturriaga, S.A. which is taxed by the Regional Government of Bizkaia.

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2.19. Employee benefits

(a) Severance payments

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes these benefits when it has demonstrably committed to dismissing current employees in accordance with a formal detailed plan that cannot be revoked or when severance payments are to be made. Benefits that are not payable in the twelve months following the balance sheet date are discounted to their present value. At the end of the year there were no pending dismissals.

(b) Profit-sharing plans and bonuses

The Group recognizes a liability and an expense for bonuses and profit-sharing in accordance with a formula that is based on the Company's profit for the year after certain adjustments. The Group recognizes a provision when it is contractually obligated to do so or when past practices have created an implicit obligation or when the requirements mentioned under Note 2.20 are met.

(c) Stock option plans

In 2006 the Company General de Alquiler de Maquinaria, S.A. launched an executive compensation plan approved by shareholders at an Extraordinary General Meeting held on 19 May 2006, based on the following basic terms:

- Eligible parties: 45 directors and executives at GAM Group, which is led by the Company, who are considered to be for these purposes, the CEO of the Company, the Directors of functional areas (human resources, finance, etc.), the managers of regional divisions and any future executives that may be hired by GAM Group.
- Purpose and administration: Free of charge delivery of options for the acquisition of Company shares at a certain price (listed price for the share on the date entering the Plan) which are subject to the condition of remaining with GAM Group until that date on which the options may be exercised. These options will be non-transferable.
- Volume of shares: 322,909 shares, equal to 1.13% of the Company's equity after being listed on the stock market.
- Duration of the plan: The Plan will be in force for a total of six (6) years as from the grant date. The options may not be exercised for at least three (3) years after the grant date.

On 18 December 2007 this plan was extended by 29,699 stock options relating to the entry of a new executive that was not included under the initial plan.

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Based on the particular conditions of the plan, the operation is considered to be a stock-option payment transaction in accordance with IFRS 2, through which the Company acquires the services rendered by executives and incurs a liability in an amount based on the value of the shares, which is recognized by the Company under equity.

In 2008 there were no new entries into the stock option plan (Note 12.d.). The main information relating to the entry into the "Black Scholes" model in 2007 and 2008 was share prices (between €8.25 and €23.57) and the Company did not estimate the distribution of dividends, applies than expected option life of 6 years, a risk-free annual interest rate of between 3.87% and 4.66%, as well as market volatility affecting the share (between 42.54% and 56.30%) obtained as the average of the volatilities affecting similar companies in this sector in which the Group operates over the 6 years before the stock option plan was launched.

2.20. Provisions

Provisions are recognized when:

- The Group has a present obligation, whether legal or implicit, as a result of past events;
- it is more probable than not that an outflow of funds will be required to settle the obligation; and
- The amount may be reliably estimated.

The provisions are recorded at the present value of the payments that are expected to be made to settle the obligation. The increase in the provision due to the passage of time is recognized as an interest expense.

2.21. Revenue recognition

Ordinary income includes the fair value of compensation received, or to be received, on the sale of goods and services during the course of the Group's ordinary activities.

Ordinary income is presented net of value added tax, returns, price reductions and discounts and after eliminating sales made within the Group. The Group recognizes income when the amount concerned may be reliably measured, it is likely that future financial benefits will flow to the company, the costs relating to the benefit may be reliably measured and the specific requirements for each of the Group's activities are met. Income measurement is not deemed to be reliable until all contingencies relating to sales have been resolved. Ordinary revenue is recognized as follows:

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(a) Services rendered

Services rendered records company revenues deriving from its primary activity, the rental of machinery, as well as all those deriving from all accessory services (transport, maintenance, repairs, etc.). These revenues are recognized in the financial year in which the services are rendered, in the case of leases (See Note 2.22), on a straight-line basis over the rental period.

(b) Sales of goods

Sales of assets (sales of new machinery) are recognized when a Group company has transferred to the buyer the significant risks and advantages deriving from ownership and does not maintain any involvement in the management of the assets sold, to the extent usually associated with ownership, and does not retain effective control over the assets themselves.

2.22. Leases

(a) When a Group Company is the lessee

Leases of property, plant and equipment under which the Group substantially bears all risks and advantages deriving from ownership of the assets are classified as finance leases. Finance leases are capitalized at the start of the contract at the lower of the fair value of the leased asset and the present value of the minimum lease instalments. Each lease payment is broken down into principal and interest, such that a constant interest rate is obtained with respect to the unpaid balance. The payment obligation deriving from the lease, net of financial charges, is recognized under long-term or short-term payables, depending on whether or not the instalment is due within the following 12 months or after that time. The interest portion of the financial charges is taken to the profit and loss account in the period during which the lease is in force in order to obtain a constant interest rate with respect to the outstanding balance payable in each period. These agreements are indexed to variable interest rate (Euribor) plus a spread. Property, plant and equipment under finance lease is depreciated on the basis of the useful lives of the asset concerned (Note 2.5)

The main contracts involving all of the companies that make up GAM Group as a lessee are these so-called finance leases for assets (machinery of every type to be rented, which is the primary activity carried out by GAM Group).

The main characteristics of the immense majority of the lease agreements concluded by GAM Group are as follows:

Average term:	5 years (60 monthly installments)
Interest rate:	Euribor plus a fixed differential
Purchase option:	Final installment of the contract
Update of interest rates:	Quarterly, half yearly, and annual
Renewals:	Not established

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In addition, it should be noted that most of the contracts documented under this finance lease formula include clauses restricting the disposal or sale of the assets during the term of the agreement, until the purchase option is executed by the lessee, in this case GAM Group, to obtain ownership.

The policy followed by GAM Group to consider that the finance leases are of a financial nature is based on IAS 17 and therefore it considers that they comply with legislation only when all of the risks and benefits inherent to the ownership of the assets have been substantially transferred and, more specifically, GAM Group considers that this takes place when the following circumstances are met, and for this reason it has recognized these lease agreements in accordance with IAS 17 as finance leases forming part of property, plant and equipment:

- The lease transfers the ownership of the asset to the lessee at the end of the term of the lease (this situation arises in the particular case of lease agreements concluded by GAM Group when the final installment, which is the purchase option, is paid and ownership is transferred);
- The lessee (GAM Group) has the option to purchase the asset at a price that is expected to be sufficiently less than the fair value of the asset at the time the option may be exercised such that at the start of the lease there is reasonable certainty that the option will be exercised (this occurs with respect to the lease agreements concluded by GAM Group) since the purchase option is an installment within the lease agreement (under most agreements), and together with the fact that these agreements establish the installment payments, the percentage that the payment of the purchase option compared with the total amount of the agreement is very reduced, which leads to the supposition that the option will be exercised).
- The term of the lease covers a significant portion of the life of the asset (this circumstance also applies to the agreements concluded by GAM Group as lease agreements are for 5 year terms and the life of the asset varies depending on the type of machinery but falls within a range of between 3 and 10 years, and the approximate average life is around 8 years).
- At the start of the lease, the present value of the minimum payments to be made for the lease is at least equal to almost the entire fair value of the asset (in the particular case of GAM, the sum of the lease installments includes the fair value of the asset at the date on which the lease agreement is signed plus the financial charge and therefore the present value of the future payments for the lease is effectively the fair value of the asset during the initial period and for this reason the Group considers that this circumstance is met).

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- If the lessee may cancel the lease agreement and the losses incurred by the lessor as a result of such cancellation are assumed by the lessee (GAM Group considers that this circumstance is done bearing in mind that if the finance lease agreements are terminated early it is obligated to pay the amount yet to be paid for the asset at the time of early termination plus an early cancellation commission which varies in the amount depending on the agreement concerned).

The approximate sum of all of the purchase options associated with finance leases totals €17 million in 2008 (€14 million in 2007). The purchase options have been included within the minimum payments to be made to the lessor and therefore they form part of the historic cost of the assets capitalized on the asset side of the Group's balance sheet in accordance with the provisions of IAS 17.

As regards the contingent lease installments the Group does not believe that there are factors for which any change could affect periodic future payments, with the exception of the interest rate updates applicable to the agreements. In this case the Group updates the installments pending payment by applying the new interest rate conditions as soon as they are recorded by the financial institutions, in accordance with the interest rate modification deadlines established in each agreement.

Leases in which the lessor maintains a significant portion of the risks and advantages deriving from ownership are classified as operating leases. Operating lease installments (net of any incentive received from the lessor) is taken to profit and loss on a straight-line basis over the lease period.

The nature of the main contracts involving any of the companies forming part of GAM Group as lessees, and when recognized as operating leases as is stipulated by IAS 17, relate to the lease of real estate for the operating bases from which the various companies pertaining to GAM Group carry out their activities, as well as the lease of vehicles used by GAM Group personnel to carry out their sales activities (the average term of these agreements is between 3 and 4 years).

The main characteristics of the contracts that GAM Group has concluded with respect to the lease of its premises are summarized below:

Number of contracts	More than 100
Average term:	5 years
Renewables:	Tacit between the parties (mostly)

In addition, it should be noted that most of the operating lease agreements include indemnity clauses in the event of early termination which translates mainly into the payment of one or more installments, notwithstanding the fact that in no case do these indemnities represent significant amounts.

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(b) When a Group Company is the lessor

Assets leased from third parties under operating lease agreements are included under the property, plant and equipment caption in the balance sheet. These assets are depreciated over their expected useful lives based on criteria that are coherent with those applied to similar assets by the Group. Lease income is recognized on a straight-line basis over the term of the lease.

The main agreements involving all of the companies that make up GAM Group as lessors are those relating to the rental of machinery. These agreements are for various terms (daily, weekly, monthly, etc.) and almost all have terms of less than one year and only in exceptional cases are rentals carried out for more than one year but in no case does this term represent a significant part of the useful life of the leased assets.

These types of agreements have the following main characteristics:

- Assignment of the use of the asset under a lease
- The lessee has no possibility of a purchase option involving the assets.
- There is no transfer of asset ownership, the asset is owned by the lessor (GAM Group)
- The lessee is responsible for properly using the machinery.

Bearing in mind the above characteristics, and in accordance with the least definition provided by IAS 17, GAM Group records all its leases under operating revenues on a straight line basis over the term of the lease thereby maintaining ownership of the leased asset under the heading Property, plant and equipment until it is sold or otherwise disposed of.

Due to the characteristics of the contracts in which GAM Group acts as the lessor, and given the term of the lease, no significant contingent installments are considered to exist.

Bearing in mind IAS 17 GAM Group does not have any lease agreements that may be canceled, i.e. it does not have any finance leases in which it acts as the lessor.

2.23. Environment

Expenses deriving from business action taken to protect and improve the environment are recorded as an expense in the year incurred. When such expenses entail additions to property, plant and equipment the purpose of which is to minimize the environmental impact and protect and improve the environment, they are accounted for as an increase in the value of non-current assets.

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2.24. Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets available for sale and are recognized at the lower of carrying value and fair value less selling costs, if the carrying value is mainly recovered through a sale instead of continuing use.

2.25. Trade and other payables

Trade and other payables are initially recognized at their fair value and subsequently they are stated at their amortized cost using the effective interest rate method. Short-term accounts payable, without any established interest rate, are stated at the amount of the original invoice when the effect of discounting is not significant. They are included in current liabilities except for assets maturing in more than 12 months of the balance sheet date which are classified as non-current liabilities.

2.26. Dividend distribution

The distribution of dividends to Company shareholders is recognized as a liability in the Group's consolidated annual accounts in the year that the dividends are approved by the Company's shareholders.

2.27. New IFRS rules and IFRIC interpretations

The IASB has recently approved and published certain accounting standards, modifications to standards already in force and IFRIC interpretations that enter into force after 31 December 2008. At the year end General de Alquiler de Maquinaria, S.A. had not applied any of these new standards early and does not expect their application to have any significant effect on the Group's annual accounts.

(a) Rules, amendments and interpretations of rules entering into force in 2008

IAS 39 (Amendment) "Financial instruments: Recognition and measurement" and IFRS 7 (Amendment) "Financial Instruments: Disclosures"- Reclassification of financial instruments.

IFRIC11, "IFRS 2-Transactions with Group and treasury shares", which provides guidance to determine whether a share-based transaction involving an entity's own equity instruments or group companies (for example parent company stock options) must be recognized as an equity-settled or cash-settled transaction in the individual accounts of the parent company and group companies. The application of this standard will not have any effect on the Group's accounts.

IFRIC 14, "IAS 19 - Limit on assets linked to a defined benefit plan, minimum financing needs and the relationship between both" provides guidance for evaluating the limits established in the IAS 19 regarding the surplus that may be recognized as an asset. It also explains the manner in which current pension liabilities may be affected by minimum funding obligations established by contract or by law. This interpretation has no effect on the Group's accounts.

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(b) Standards adopted early

The Group has not adopted any standard early.

(c) Standards, amendments and interpretations entering into force in 2008 but whose application has no effect on the Group's accounts.

IFRIC 12 "Service Concession Arrangements", which is mandatory for years starting as from 1 January 2008, does not have any effect on the Group's operations. At the date these accounts were prepared the European Union had not adopted this interpretation.

d) Rules, amendments and interpretations of existing standards that have not yet entered into force and which the Group has not adopted early.

At the date these accounts were prepared, the IASB had published the following interpretations. These interpretations are of mandatory compliance in all years starting as from 1 January 2009 and subsequent years, although the Group has not adopted them:

- **IAS 1 (Revised) "Presentation of financial statements"** (in force since 1 January 2009)
This revised standard prohibits the presentation of revenues and expenses (i.e. changes in equity on transactions with third-parties that are not shareholders) in the statement of changes in equity and requires the changes in equity resulting from transactions with non-shareholder third parties be presented separately from changes in equity due to transactions with shareholders. All changes in equity due to transactions with non-shareholder third parties must be presented in a profit and loss statement, although companies may choose to present a single statement (the statement of total revenues) or two statements (the statement of profit and loss and the statement of total revenues). When a company restates or reclassified compared of information, it must present a restated balance sheet at the start of the compared period, in addition to the balance sheet at the end of the current year and the comparative year. The Group will apply IAS 1 (Revised) as from 1 January 2009.
- **IFRS 2 (Amended) "Share-based payments"** (in force as from 1 January 2009) This amendment covers vesting conditions and cancellations. This standard clarifies that only service and performance conditions may be considered concession conditions. Other characteristics of share-based payments are not considered to be concession conditions but rather should be included in the calculation of fair value at the concession date within the transactions with employees and third-parties that rent or similar services, such that neither the number of awards that are expected to vest more their subsequent measurement at the concession date do not have any effect. All cancellations, both those made by the Company and by third-parties, must receive the same accounting treatment. The Group will apply IFRS 2 (Amended) as from 1 January 2009. It is not expected to have a significant effect on the Group's financial statements.

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- **IFRS 8 “Operating segments” (in force as from 1 January 2009).** IFRS 8 replaces IAS 14 and unifies the requirements for presenting financial information by segments with the US standard SFAS 131 “Disclosures about segments of an enterprise and related information”. The new Standard requires a management approach under which segment information is presented on the same basis as which it is used for internal purposes. The Group is analyzing the effect that the application of the standard may have on the consolidated financial statements.
- **IAS 27 (Revised) “Consolidated and separate financial statements” (in force since 1 January 2009)** The revised standard requires that all transactions with minority shareholders be recorded under equity provided that there are no changes in control, such that these transactions will no longer have an effect on goodwill and will not give rise to a loss or gain. The amendment also covers the accounting treatment to be applied when control is lost. The minority interest that is maintained must again be measured at fair value and the effect must be recognized in the income statement. The Group will apply IAS 27 (Revised) on a prospective basis to transactions with minority shareholders as from 1 January 2010. This revised standard has yet to be adopted by the European Union. The Group is analyzing the effect that the application of the standard may have on the consolidated financial statements.
- **IFRS 3 (Revised) “Business combinations”** (in force as from 1 July 2009). The revised standard maintains the acquisition method for business combinations, although it introduces important changes. For example, all payments made to acquire a business are recognized at fair value at the acquisition date and contingent payments that are classified as liabilities are measured at each closing date at fair value, and all changes are recorded in the income statement. An accounting policy option is introduced and is applicable to the business combination level, consisting of measuring minority shareholdings at fair value or the proportional amount of the net assets and liabilities recorded by the target company. All transactional costs are expensed. The Group will apply IFRS 3 (Revised) on a prospective basis to all business combinations as from 1 January 2010. This revised standard has yet to be adopted by the European Union. The Group is analyzing the effect that the application of the standard may have on the consolidated financial statements.

(e) Standards, amendments and interpretations of existing standards that have not yet entered into force and which may be relevant to the Group's operations.

The improvement projects published by the IASB in May 2008 and which have been adopted by the European Union in January 2009, affect various standards and interpretations. Of all of these amendments, the most significant for the Group is the following:

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IAS 16 (Amended) "Property, plant and equipment" (and the relevant amendment of IAS 7 "Cash flow statement") (in force as from 1 January 2009). Those companies whose main activity consists of renting and subsequently selling assets will present amounts received from those sales as ordinary revenues, and the assets must be reclassified to inventories at the time the asset becomes available-for-sale. As a result, IAS 7 is amended, indicating that the cash flows deriving from the acquisition, rental and sale of such assets are classified as cash flows from operations. The Group is analyzing the effect that the application of the standard may have on the consolidated financial statements.

3 Financial risk management

3.1. Financial risk factors

The Group's activities are exposed to several financial risks: cash flow interest rate risk, credit risk, liquidity risk, derivative fair value risk and exchange rate risk. The group's financial management controls the above risks in accordance with the guidelines issued by the Board of Directors. To mitigate these risks, financial management obtains surety insurance, credit policies, and factoring and derivative arrangements. Financial management's decisions are supervised and approved by the Board of Directors.

(a) Interest rate risks

The Group has financed its strong growth mainly through deferred payments to the sellers of the acquired businesses and loans obtained from credit institutions to acquire companies and financial leases to acquire machinery. Except for the deferred payments, which have an implicit interest rate, and convertible bonds issued bearing a fixed interest rate, all of the other borrowings accrue an interest rate indexed to the Euribor plus a spread, which gives rise to the risk that future cash flows will vary and that, consequently, finance costs will change.

The Group covers these risks financially, to the extent deemed adequate, by contracting derivatives for which a set fee is paid and receives flows indexed to the Euribor rate (Note 3.2). Sensitivity analyses have been performed on changes in interest rates (Note 3.4).

(b) Credit risk

The Group's credit risks fundamentally derives from trade receivables and the balances recorded with these customers do not present a significant concentration of credit risk. A significant portion of sales are made to listed companies or companies of recognized solvency within the construction (mainly civil works), wind energy and industrial sectors. Sales to small customers, or those with low credit ratings, are insured and an evaluation is performed in each specific case, and the insurer is liable for between 85% and 90% of the risk of default in any insured transaction.

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(c) *Liquidity risk*

On a monthly basis financial management analyses the debt payment schedule and the relevant need for short and medium-term liquidity. To date the flows generated by the business are sufficient to repay debt and due to the effect the on cash balances caused by an average collection period of 170 days at 31 December 2008 (180 at 31 December 2007), and commercial discounts, the Company habitually enters into factoring agreements with banks (see Notes 4.2 (a) and 16) and uses credit facilities that the company has obtained from several financial institutions.

As regards the current difficult economic environment and the slowdown of the economy, GAM currently maintains a good financial and liquidity situation and has taken advisable measures to preserve that condition, specifically the following are notable

- GAM continues to increase its diversification into sectors other than construction and towards markets outside Spain.
- There are certain operating levers that GAM is in a position to apply, which will reduce costs such as synergies from the duplication of bases and economies of scale by centralizing resources.
- Given the average young age of the fleet, which is less than three years old, GAM does not need to make replacement investments to maintain its current level of activity over the coming years. In addition, the capillarity of the Company allows equipment to be rotated thereby optimizing its use.
- The average collection period has been reduced significantly compared with 2007, which has substantially reduced financing needs.

Borrowings are structured such that the Group generates sufficient cash flows to satisfy repayment. The Group does not currently require additional financing and it is focused on reducing leveraging levels.

(d) *Exchange rate risk*

The Group operates on an international level and therefore it is exposed, in a very limited way, to foreign currency exchange rate risk, particularly with the Romanian leu and the Polish zloty. Exchange rate risk derives from future sales transactions, recognized assets and liabilities and net investments in foreign operations when denominated in a currency that is not the functional currency in which the Group's consolidated financial statements are presented.

Given the insignificance of the main figures that could be affected by exchange rate risk, as well as the little impact on the volume of assets, profits and consolidated equity recorded by GAM Group, no specific policies have been applied to hedge against exchange rate risk in 2008 and 2007.

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However, with the expectation that the international business will grow in 2009 and given the fact that it could be affected by exchange rate risk GAM Group is defining a policy for hedging against this risk to be applied as from 2009.

3.2. Accounting for derivatives and hedges

The Group has contracted derivatives, mainly to cover its finance leases and, to a lesser extent, bank loans, all of which are subject to variable interest rates indexed to the Euribor rate plus a spread, for which it pays a fixed rate and receives the Euribor rate at 3 or 12 months.

At 31 December 2008 the face notional value of the contracted derivatives totaled €57 million and their main characteristics are as follows:

- notional amounts of €50 million, falling due between 2009 and 2013 (between 2009 and 2013 in 2007), for which a fixed rate is paid and the 6-month Euribor rate is received.
- notional amount of €1 million, falling due in 2011 (2011 in 2007), for which a fixed rate is paid and 6-month Euribor is received, provided that it does not exceed a certain threshold.
- notional amount of €3.5 million, falling due in 2010 (2010 in 2007), for which a fixed rate is paid and 3-month Euribor is received, provided that it does not exceed a certain threshold.
- several notional amounts of €2 million, basically falling due in 2011 (2011 in 2007), for which a fixed rate is paid and a bank reference index rate is received.

At 31 December 2007 the notional amount of contracted derivatives totaled €180 million and false to between 2009 and 2015, for which a rate was paid and a variable rate ranging between 3-month and 12-month Euribor was received.

The amount not covered totals €527 million at 31 December 2008 (€383 million in 2007).

Although the derivatives have been obtained to hedge borrowings they do not comply with the requirements of IAS 39 necessary to be considered hedging instruments. As a result, the Group accounts for these items as held for trading. Their fair value at each date is recorded as a non-current asset or liability if the remaining term of the hedged item exceeds 12 months and as a current asset or liability if the remaining term of the hedged item is less than 12 months, charging or crediting profit and loss, respectively.

The fair value at each date is provided by experts outside of the Group and has a negative impact on the Group's financial results totaling €1654k (Note 24) at 31 December 2008 (€1899k gain in 2007). This impact gave rise to the recognition of a liability under the heading "Derivative financial instruments" totaling €1430k in the accompanying balance sheet (€2085k under assets in 2007). There are no other hedges at the end of 2008 (€186k in 2007).

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The market measurement of the derivatives by independent experts is based on the year-end measurement of interest rate swaps and options (Cap, Floor) for which the ICAP curve (Embedded Curve) and the Vcap curve (Volatility curve) obtained from Reuters is used. Both curves generate flows as a result of comparing the structural fixed rate with the reference rate (Euribor) in the case of interest rate swaps, and as a result of the probability that a reference rate reached that threshold (Cap, Floor) in the case of options.

The maximum exposure to the credit risk at the reporting date is the carrying value of these financial assets recognized under assets.

3.3. Estimation of fair value

The fair value of financial instruments not listed on an active market is calculated using measurement techniques. The Group uses a variety of methods and applies assumptions based on market conditions existing at each balance sheet date. The fair value of interest rate swaps is calculated as the present value of estimated future cash flows.

The assumption is made that the carrying value, less the provision for the impairment of payables and receivables, approximate fair value. The fair value of financial liabilities for financial reporting purposes is estimated by discounting future contractual cash flows at the current interest rate in the market from which the Group may obtain similar financial instruments.

3.4. Sensitivity to movements in interest rates

As has been explained above, practically all borrowings are indexed to the Euribor rate plus a spread and derivatives are also affected by movements in the Euribor rate. Based on the information provided by external professionals, the Group has analyzed the effect that changes in interest rates would have on profit for the year.

Probable movements within one year are considered to consist of a 50 basis point change in the 12-month Euribor rate. Under this scenario:

- If the movement consisted of a rate increase, the financial cost of the debt will increase by approximately €2442k (€1827k in 2007), offset by a gain in the fair value of the derivatives totaling €433k (€1957k in 2007).
- If the movement consisted of a rate reduction, the financial cost of debt would fall by the aforementioned amount of €2442k (€1827k in 2007) and the market value of the derivatives would fall by €355k (€2220k in 2007).

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3.5. Management of equity and borrowing levels

The Group is undergoing strong expansion of its activity and therefore it requires large amounts of financing. The Group's objective is to have adequate equity to obtain the necessary financing from external sources for expansion but without compromising its solvency and maximizing the yield that shareholders will obtain from the investments. The Group does not operate in sectors with specific equity requirements and it complies with general legislation (Spanish Companies Act) regarding minimum equity requirements.

In general, the purchase of machinery is financed through finance leases; acquisitions of companies are financed by deferring part of the payment, bank loans and, when necessary, by increasing share capital; the purchase of property and land is financed through mortgage loans, and working capital is financed through discounting, factoring and credit facilities.

Due to its current need for financing, the Group has not distributed dividends since it was funded. The Group manages its capital requirements by controlling the level of borrowings, measured as the number of times that net debt exceeds equity, with the understanding that the maximum ratio for obtaining outside financing at reasonable cost is four times equity. Net debt includes finance leases, convertible bond issues and other financial debt, subtracting the financial debt through fixed asset supplier financing, bank loans and deferred payments to the sellers of acquired companies, less accounts receivable from former shareholders of acquired companies and cash and cash equivalents. All assets and liabilities are considered to make up equity.

Debt ratios at 31 December 2008 and 31 December 2007 were as follows (thousands):

	2008	2007
Total borrowings	652.923	630.007
Bonds and other negotiable securities issued (Note 13)	112.593	121.852
Finance leases (non-current) (Note 15)	284.025	275.481
Other financial borrowings (non-current) (Note 16)	89.385	86.876
Finance leases (current) (Note 15)	116.873	104.217
Other financial borrowings (current) (Note 16)	50.047	41.581
Less: Receivables relating to "vendor loans"	-	(335)
Less: Cash and cash equivalents (Note 11)	(41.419)	(66.596)
Less: Vendor loan ⁽¹⁾ (Note 16)	(4.000)	(8.361)
Less: Payable to suppliers of assets ⁽²⁾	(23.441)	(29.411)
Net financial debt	584.063	525.304
Total equity	189.785	179.778
Ratio Net financial debt/Equity	3,08	2,92

⁽¹⁾ This relates to payments to be made to the former owners of the acquired companies. The deferred amount is exempt from any explicit financial charge. For this reason it is not considered to be financial debt.

⁽²⁾ Debt relating to the deferred amounts relating to machine a suppliers. These deferrals are exempt from any explicit financial charge and for this reason they are not considered to be financial debt.

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GAM Group has compliance covenants relating to four loans that the Group has obtained from financial institutions to finance part of the acquisition of the company Vilatel, S.L. in 2007, the outstanding debt at 31 December 2008 relating to these loans totals €55,472k (Note 29) (€67,800 in 2007). These covenants must be complied with over the entire life of the loans.

At 31 December 2008 the Company did not comply with these covenants and to correct this situation it obtained a "waiver" from the four financial institutions at 31 December 2008, expressly stating that such a failure to comply will not be a cause for early termination up until 31 December 2009.

4 Accounting estimates and judgments

Estimates and judgments are evaluated continually and they are based on historical experience and other factors, including the expectation of future events that are believed to be reasonable under the circumstances at hand.

4.1. Critical accounting estimates and assumptions

In the consolidated annual accounts for 2008 and 2007 it was necessary to apply and use Group Management estimates to determine the amount and value of certain assets, liabilities, revenues, expenses and commitments that are recorded in the relevant positions and disclosed in the notes to the accounts. Certain accounting estimates are considered to be significant if the nature of the critical estimate is material and when changes in these estimates would have a significant impact on the consolidated annual accounts prepared by GAM and its financial position or operating performance. These relate mainly to the following points:

(a) Value of goodwill

The Group performs an annual impairment test on goodwill, in accordance with the accounting policy mentioned in Note 2.6.a). The amounts recoverable from cash generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. The estimates are made based on management's best judgments at each closing. In accordance with the estimates made by management, there has been no need to record any impairment of goodwill. However, the use of other estimates could have given rise to an impairment (Note 7).

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(b) Useful lives and residual value of property, plant and equipment

The Group estimates the useful lives and residual values of the various types of property, plant and equipment by taking into consideration their use and expected wear and tear, commercial and technical obsolescence and by applying its past experience. The rental cycle for machinery assets is shorter than their technical useful lives, given that the GAM Group quality policy and market quality requirements demand high performance levels by rented machinery and technically up-to-date employees. At each closing management re-estimates useful lives and the residual value of machinery (Note 2.5).

As a result of the application of the above factors and the Group's short experience levels, the results of these re-estimates may give rise to modifications to these parameters. In 2008 the Group re-estimated the residual value of part of its assets, as is stated in Note 2.5 above.

(c) Recovery of deferred tax assets

Management evaluates the recovery of deferred tax assets based on estimates of future taxable income by analyzing whether or not this income will be sufficient during the periods in which the deferred tax assets are deductible. During this evaluation, management bears in mind the expected reversal of deferred tax liabilities, projected taxable income and tax planning strategies. Deferred tax assets are recorded when their future recovery is probable. Management considers that deferred tax assets recorded by the Group are likely to be recovered. However, the estimates may change in the future as a result of changes in tax legislation or due to the impact of future transactions on tax balances.

Although these estimates were prepared by management based on the best information available at the end of each year, and through the application of their best estimates and knowledge of the market, it is possible that future events may require the group to change these estimates in the coming years. In accordance with the IAS 8, the effects of the change in the estimate would be recognized in the consolidated income statement.

(d) Share-based payments

In 2006 Group launched an executive stock-option compensation plan. IFRS 2 establishes several requirements with respect to the classification and measurement of share-based payments. Based on these requirements, management has classified the plan as share-based payments settled using the equity instruments. The value of the options has been determined at the grant date using the measurement model "Black Scholes". The primary data entered into the model is listed under Note 2.19 (c). The Group recognizes the expense and the increase in equity for services received during the period for consolidation purposes, based on the best estimate available regarding the number of equity instruments that are expected to vest. Management revises this estimate when subsequent information indicates that the number of equity instruments expected to vest differs from previous estimates.

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(e) *Classification of the lease agreements*

The Group is involved in several lease agreements as a lessor and as a lessee. Management determines the classification of these lease transactions as operating or finance leases based on the transfer of the risks and advantages deriving from the ownership of the leased assets by the lessor and the lessee. As is explained in Note 2.22, a lease is classified as a finance lease when substantially all risks and benefits inherent to the ownership of the asset are transferred from the lessor to the lessee. To the contrary, the lease is classified as an operating lease if substantially all risks and benefits inherent to the ownership of the asset are not transferred from the lessor to the lessee.

4.2. Important judgments when applying accounting policies

(a) *Elimination of financial assets from the balance sheet*

The Group considers that under all factoring without recourse agreements all the risks and benefits of receivables are transferred and therefore at 31 December 2008 €39,407k of such receivables were eliminated from the balance sheet. This figure was €20,330k in 2007. However, there are receivables which the Group believes do not meet the conditions established by current legislation to be eliminated from the balance sheet totaling €975k at 31 December 2008 and €5227 in 2007. (Note 16).

5 Segment reporting

The Group controls its business based on the revenues generated in the various geographic markets on the Iberian peninsula, which is its main segment, and based on the offices at which the machinery being rented are located. Each company forming part of the Group operates in a different geographic location and controls certain offices. The Group's results are controlled based on the results reported by each company (some have been grouped by segment due to the fact that they operate in the same financial area).

The Group's main geographic segments are as follows:

- a) Northwest: It fundamentally includes Asturias, Galicia and Castilla y Leon.
- b) Basque Country and Navarre
- c) Centre: Fundamentally Madrid and surrounding areas (Toledo, Cuenca, Ávila, Segovia, Guadalajara and Ciudad Real).
- d) South: Andalusia and Murcia.
- e) East: This fundamentally includes Barcelona, Valencia, Tarragona, Mallorca as well as the additional offices located in Catalonia, Valencia and the Balearic Islands.
- f) Portugal: Includes the activities of the offices located in Portugal.

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g) Other segments: This mainly includes the offices located in Aragón, Romania, Bulgaria, Poland and Mexico.

h) The holding company's activities, which involve certain management and control services for the Group cannot be assigned to any specific segment and are therefore presented as not assigned.

The Group has not presented a secondary segment for its activity as it is engaged in only one segment.

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

<u>2007</u>	Northwest	Basque Country	Centre	South	East	Portugal	Other	Not assigned	Total
Ordinary revenues	76.951	39.785	31.240	46.335	74.702	11.870	26.313	268	307.464
Inter-segment sales	3.401	7.202	4.641	432	3.502	950	4.939	4.801	29.868
Total sales	80.352	46.987	35.881	46.767	78.204	12.820	31.252	5.069	337.332
Net profit on sale of used machinery	153	1.073	541	1.105	1.993	87	(30)	-	4.922
Other revenues	1.072	752	1.349	293	1.003	301	758	392	5.920
Total revenues	81.577	48.812	37.771	48.165	81.200	13.208	31.980	5.461	348.174
Supplies	(13.326)	(3.833)	(3.493)	(5.290)	(7.589)	(1.512)	(4.681)	17	(39.707)
Staff costs	(17.173)	(11.694)	(7.419)	(9.298)	(15.140)	(2.427)	(5.379)	(3.437)	(71.967)
Depreciation	(18.154)	(7.160)	(9.970)	(11.392)	(22.625)	(3.511)	(6.681)	(399)	(79.892)
Other costs	(9.226)	(14.144)	(8.021)	(8.072)	(16.891)	(2.385)	(6.280)	(4.991)	(70.010)
Other inter-segment costs	(6.657)	(5.368)	(4.643)	(3.524)	(5.135)	(521)	(3.765)	(255)	(29.868)
Operating Profit	17.041	6.613	4.225	10.589	13.820	2.852	5.194	(3.604)	56.730
Finance income									3.499
Finance cost									(23.524)
Profit before taxes									36.705
Income tax									(11.707)
Profit for year									24.998

The assets and liabilities for each segment for the year ended 31 December 2007 and investments in assets during the year are as follows:

<u>2007</u>	Northwest	Basque Country	Central	South	East	Portugal	Other	Not assigned	Total
Total assets by segment	158.329	65.349	96.577	125.670	315.252	27.661	104.178	54.777	947.793
Total liabilities by segment	100.717	42.853	64.620	72.395	175.631	20.779	79.602	211.418	768.015
Investments in assets	50.325	12.341	21.579	26.500	73.838	36.134	31.400	109	252.226

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Segment-level results for the year ended 31 December 2008 are as follows:

2008	Northwest	Basque Country	Central	South	East	Portugal	Other	Not assigned	Tota
Ordinary revenues	74.548	38.750	20.734	42.023	131.887	17.415	39.869	-	365.221
Inter-segment sales	3.212	8.137	6.003	1.463	9.569	40	6.725	4.845	39.994
Total sales	77.760	46.887	26.737	43.486	141.456	17.455	46.594	4.845	405.221
Net profit on sale of used machinery	893	2.235	413	587	1.557	469	194	-	6.341
Other revenues	1.168	971	764	462	1.357	82	1.574	268	6.641
Total revenues	79.821	50.093	27.914	44.535	144.370	18.006	48.362	5.113	418.214
Supplies	(12.798)	(4.213)	(2.206)	(4.868)	(13.410)	(2.507)	(5.843)	(340)	(46.185)
Staff costs	(18.947)	(11.564)	(6.105)	(10.401)	(30.993)	(3.251)	(10.319)	(5.487)	(97.067)
Depreciation	(19.393)	(7.296)	(8.599)	(12.319)	(30.709)	(5.750)	(13.000)	(537)	(97.603)
Other costs	(10.609)	(11.494)	(7.549)	(9.515)	(29.354)	(3.072)	(11.938)	(4.928)	(88.459)
Other inter-segment costs	(4.572)	(6.382)	(2.764)	(3.882)	(11.694)	(1.921)	(8.379)	(400)	(39.994)
Operating Profit	13.502	9.144	691	3.550	28.210	1.505	(1.117)	(6.579)	48.901
Finance income									8.071
Finance cost									(40.359)
Profit before taxes									16.611
Income tax									(3.002)
Profit for year									13.611

The assets and liabilities for each segment for the year ended 31 December 2008 and investments in assets during the year are as follows:

2008	Northwest	Basque Country	Central Zone	South Zone	East Zone	Portugal	Other	Not assigned	Tot
Total assets by segment	145.608	72.727	71.535	106.269	343.856	42.165	107.183	40.871	930.274
Total liabilities by segment	87.170	42.424	41.469	62.840	183.396	25.313	90.744	207.072	740.428
Investments in assets	22.627	13.389	3.992	10.556	37.165	11.763	43.827	1.825	133.314

Segment assets mainly include property, plant and equipment, intangible assets (including goodwill), inventories, receivables and cash and cash equivalents.

Segment liabilities mainly include operating liabilities, taxes, finance lease and other financial liabilities.

Fixed asset investments include additions of property, plant and equipment (Note 6) and intangible assets (Note 7).

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6 Property, plant and equipment

A breakdown and movements in the different categories of property, plant and equipment is as follows:

<u>Cost</u>	Land and buildings	Plant and machinery	Other plant, tools and equipment	Other PPE	Prepayments and assets in course of construction	TOTAL
Balances at 1 January 2007	7.601	378.558	10.341	9.562	2.679	408.741
Additions from business combinations	-	179.564	1.312	3.378	-	184.254
Increases	3.264	252.226	3.100	1.702	1.243	261.535
Decreases	(344)	(21.910)	(53)	(1.705)	-	(24.012)
Other movements	306	2.697	(54)	777	(3.726)	-
Balances at 31 December 2007	10.827	791.135	14.646	13.714	196	830.518
Additions from business combinations	-	18.454	1.010	1.228	2	20.694
Increases	3.977	121.968	793	4.190	1.519	132.447
Decreases	(19)	(37.786)	(26)	(2.465)	(9)	(40.305)
Other movements	1.747	4.107	(12.379)	6.138	407	20
Balances at 31 December 2008	16.532	897.878	4.044	22.805	2.115	943.374

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<u>Accumulated amortization</u>	Land and buildings	Plant and machinery	Other plant, tools and equipment	Other PPE	Prepayments and assets in course of construction	TOTAL
Balances at 1 January 2007	(558)	(119.291)	(4.504)	(6.974)	-	(131.327)
Increases	(574)	(75.403)	(2.264)	(1.309)	-	(79.550)
Decreases	375	13.575	3	1.450	-	15.403
Additions from business combinations	(28)	(78.534)	(852)	(2.653)	-	(82.067)
Other movements	-	(89)	6	(21)	-	(104)
Balances at 31 December 2007	(785)	(259.742)	(7.611)	(9.507)	-	(277.645)
Increases	(406)	(89.789)	(494)	(6.452)	-	(97.141)
Decreases	2	23.881	9	1.753	-	25.645
Additions from business combinations	-	(9.866)	(1.064)	(1.025)	-	(11.955)
Other movements	(885)	(331)	6.419	(5.223)	-	(20)
Balances at 31 December 2008	(2.074)	(335.847)	(2.741)	(20.454)	-	(361.116)
2007 TOTAL	10.042	531.393	7.035	4.207	196	552.873
2008 TOTAL	14.458	562.031	1.303	2.351	2.115	582.258

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The Company's policy is to obtain the insurance policies deemed necessary to cover the risks that could affect its property, plant and equipment.

At 31 December 2008 the Group records assets with a net value of €430,243k (€421,609k in 2007), which are documented in finance leases. These contracts contain a clause restricting the sale of the assets covered by the contracts until the finance lease expires (Note 2.22 (a))

There are bank loans secured by land and buildings whose net carrying value at 31 December 2008 was €4070k (€4483 in 2007)

The heading Machinery includes the following amounts for finance leases in which the Group is the lessee.

	<u>2008</u>	<u>2007</u>
Capitalized finance lease costs	624.443	555.347
Accumulated depreciation	(194.200)	(133.738)
Net carrying value	430.243	421.609

The cost of fully depreciated property, plant and equipment at 31 December 2008 totaled €87,466k (€49,242k in 2007).

7 Goodwill and other intangible assets

<u>Cost</u>	<u>Goodwill</u>	<u>Other intangible assets</u>	<u>TOTAL</u>
Balances at 1 January 2007	26.363	852	27.215
Increases	-	462	462
Additions from business combinations	88.585	291	88.876
Balances at 31 December 2007	114.948	1.605	116.553
Increases	-	934	934
Additions from business combinations	7.239	14	7.253
Balances at 31 December 2008	122.187	2.553	124.740

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<u>Accumulated amortization</u>	Goodwill	Other intangible assets	TOTAL
Balances at 1 January 2007	-	(295)	(295)
Increases	-	(342)	(342)
Additions from business combinations	-	(222)	(222)
Balances at 31 December 2007	-	(859)	(859)
Increases	-	(462)	(462)
Additions from business combinations	-	(12)	(12)
Balances at 31 December 2008	-	(1.333)	(1.333)
Total 2007	114.948	746	115.694
Total 2008	122.187	1.220	123.407

Other intangible assets mainly records the cost relating to several computer applications used by the Group.

The increase in goodwill in 2008 derive from the acquisition of the Company Guimerá, S.A. for €18,000k, generating goodwill totaling €7239k (The increases in goodwill and 2007 relates to the acquisition of the companies Vilatel, S.L. Comercial Marsal, S.A., Viasolo, and Prosec Audio,S.L. generating goodwill totaling €88,585k) (Note 28).

Goodwill impairment tests

Goodwill is assigned to cash generating units (CGU) identified by the geographical area in which they carry out operations.

In 2007 identified CGUs coincided with the companies whose acquisition generated the goodwill. As a result of the acquisition of the Company Vilatel, S.L. in June 2007 there were a series of corporate restructurings that modified the identified CGUs, and in 2008 they coincided with geographic segments and therefore the comparative figures for 2007 have been restated. This change did not give rise to the recognition of any impairment loss.

A summary of goodwill by cash generating units (CGU) is set out below.

	CGUs in 2007						
	Basque Country Zone	Northeast Zone	Central Zone	South Zone	East Zone	Portugal	Total
Total goodwill	1.722	2.369	11.589	11.284	84.817	3.167	114.948

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	CGUs in 2008						Total
	Basque Country Zone	Northeast Zone	Central Zone	South Zone	East Zone	Portugal	
Total goodwill	1.722	2.369	11.589	11.284	92.056	3.167	122.187

Key assumptions used to calculate value in use

The recoverable amount is determined based on a value-in-use calculation. These calculations use discounted cash-flow projections based on the 5-year financial budgets approved by the Board of Directors. The most sensitive aspects included in the projections used by all CGU are sales figures and replacement investments. Cash flows after the five year period have been estimated without including any growth rate. The discount rates used reflect the current value of money and the various risks affecting the CGU. The rates used were:

<u>CGU</u>	<u>2008 rate</u>	<u>2007 rate</u>
Northwest Zone	5,52%	6,26%
Basque Country Zone	6,92%	8,76%
South Zone	6,51%	6,73%
Central Zone	6,01%	8,00%
East Zone	6,16%	7,70%
Portugal	5,99%	6,61%

The tests performed at these two dates did not reveal any impairment. A sensitivity analysis of the key growth assumptions and discount rate used has been carried out and no significant potential impairment has been detected.

In accordance with the provisions of IAS 36, and given that the rates used to evaluate potential impairment of cash generating unit (CGUs) have been calculated once the tax effect has been taken into account, the discount rates before taxes for each of the cash generating units are reported below. The application of a discount rate before taxes and the exclusion of corporate income tax from cash flows does not change the analysis of the impairment test presented in the consolidated annual accounts.

<u>CGU</u>	<u>2008 rate</u>	<u>2007 rate</u>
Northeast Zone	7,25%	8,53%
Basque Country Zone	8,08%	9,25%
South Zone	7,20%	8,79%
Central Zone	7,54%	9,46%
East Zone	7,63%	9,30%
Portugal	7,53%	8,72%

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8 Trade and other receivables

This caption breaks down as follows:

	2008	2007
Trade and trade bills receivable	178.913	194.647
Taxes and social security refundable	6.017	5.316
Other receivables	141	1.293
Provision for bad debts	(19.841)	(12.203)
	165.230	189.053

Movement in the provision for bad debts in 2008 and 2007 is as follows:

	2008	2007
Balance at 1 January	(12.203)	(7.663)
Additions from business combinations	(327)	(738)
Allocations made during the year	(9.997)	(6.784)
Applications	1.516	1.814
Recovery of provision amounts	1.142.	976
Other movements	28	192
Balance at 31 December	(19.841)	(12.203)

In general, the Group's customers make payments within one year and therefore these receivables are stated at their fair value.

Trade receivables and trade bills receivable include bills discounted at banks and pending maturity at 31 December 2008 in the amount of €239k (€1436k in 2007) (Note 16).

GAM Group considers financial assets to be in default when their maturity date has elapsed without having received payment from the debtor. In the specific case of "Trade and other receivables" the amount that the Group recorded at 31 December 2008 in default and for which no impairment had been applied totaled approximately €44 million (€39 million at 31 December 2007). However, approximately 44% of those balances at 31 December 2008 (45% at 31 December 2007) were covered by insurance policies obtained from top-tier companies, which guarantees that between 85% and 90% will not become impaired, as is indicated in Note 3.1.b).

In addition, and taking into account the Group's experience and the nature of its customers that are very tied to the construction sector, the Group does not consider the €44 million balance mentioned above (€39 million in 2000) to be strictly in default, with respect to all invoices outstanding up to a maximum of 60 days. This amount totaled €30 million at 31 December 2008 (€23 million in 2007).

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Maximum exposure to the credit risk at the reporting date is the carrying value of the trade and other receivables.

9 Financial assets

<u>Cost</u>	<u>Other loans</u>	<u>Deposits and guarantees</u>	<u>Other</u>	<u>Total</u>
Balances at 1 January 2007	885	352	21	1.258
Additions from business combinations	-	354	-	354
Increases	59	675	50	784
Decreases	-	(85)	-	(85)
Transfer to short-term	(404)	-	-	(404)
Balances at 31 December 2007	540	1.296	71	1.907
Additions from business combinations	-	115	-	115
Increases	14	391	124	529
Decreases	-	(49)	(38)	(87)
Balances at 31 December 2008	554	1.753	157	2.464

The caption "Other loans" records loans granted to outside parties that will fall due in 2010 and 2011.

The heading Deposits and guarantees mainly relates to the leased premises at which the Group carries out its activities.

The fair value of all assets is similar to their carrying value at 31 December 2008 and 2007.

Maximum exposure to the credit risk at the reporting date is the carrying value of these financial assets.

10 Inventories

Inventories breaks down as follows at 31 December 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Spare parts	6.797	6.401
Machinery to be sold	672	2.933
Prepayments	478	416
	7.947	9.750

The Group's inventories mainly consist of products used to repair machinery.

There are no limitations to the availability of inventories due to factors such as guarantees, pledges or security deposits.

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11 Cash and cash equivalents

All of the cash balance relates to bank accounts, in addition to petty cash and short-term deposits.

These bank accounts bear a variable interest rate indexed to the 1-month Euribor plus a spread of between 0% and 1% for 2008 (0% and 1% for 2007).

12 Equity

(a) Capital stock, share premium and treasury stock

	No. shares (thousand)	Share premium	Treasury shares	Total
At 1 January 2007	28.500	48.566	(3.801)	73.265
Capital increases	2.264	41.736	-	44.000
Purchases of Treasury shares	-	-	(7.632)	(7.632)
Balance at 31 December 2007	30.764	90.302	(11.433)	109.633
Purchases of Treasury shares	-	-	676	676
Balance at 31 December 2008	30.764	90.302	(10.757)	110.309

Shareholders at an Extraordinary Meeting of General de Alquiler de Maquinaria, S.A. held on 25 July 2007, unanimously adopted a resolution to:

Increase capital stock by €2,264k by issuing 2,264,121 ordinary registered shares with a par value of €1 each, payable at the time of subscription. The shares were issued with a share premium of €18.43 per share.

Capital stock at 31 December 2008 amounted to €30,764k, and was represented by 30,764,121 fully paid ordinary shares of a single class, with identical voting and financial rights, with a par value of €1 each. All of the shares are represented by book entries and were listed on the Madrid, Barcelona, Valencia and Bilbao stock markets on 13 June 2006.

In accordance with the disclosures received by the Company in compliance with the provisions of current legislation regarding the reporting of shareholdings, the significant shareholders at 31 December 2008 and 2007 are:

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	Percentage shareholding	
	2008	2007
Bilbao Bizkaia Kutxa Group	5,19%	5,19%
Caja de Ahorros de Asturias	5,00%	5,00%
Caixa de Aforros de Vigo, Orense e Pontevedra	5,01%	5,01%
Gondaral, S.L.	5,35%	5,35%
Gloval Procesos Corporación 2000, S.A.	10,43%	10,43%
Caja de Ahorros y Monte Piedad de Navarra	5,00%	5,00%
Catavi, S.L.	5,00%	5,00%
QMC Development Capital Fund PLC	4,55%	4,55%
Hector Fabian Gómez-Sainz	9,75%	-
Metotec, S.L.	8,65%	7,36%

(b) Share premium

This reserve is available for distribution.

(c) Treasury shares

Parent company shareholders at an Extraordinary Meeting adopted a resolution on 19 May 2006 to authorize the acquisition of a maximum number of treasury stock, provided that added to the capital stock already in the possession of the parent company or its subsidiaries, it does not exceed 5% of the parent company's capital stock. This was to be done at a minimum price of €1 per share and a maximum price of not more than 120% of the listed value at the date of acquisition. The authorization was granted for 18 months as from the time the Resolution was adopted.

On 22 May 2008 the Parent Company's General Meeting adopted a resolution to extend the deadline for acquiring treasury shares to 18 months after the date of the Resolution with the same limits and legal requirements established in the preceding paragraph.

d) Stock option plan

Parent company shareholders at an Extraordinary Meeting held on 19 May 2006 adopted a Resolution approving a compensation system for directors and executives of the Group indexed to the value of GAM shares, at the listed closing price on the dates of entry into the plan (between €8.25 and €23.57 per share) (see Note 2.19.c). At the year end, and in compliance with IFRS 2, the Group created a reserve totaling €1196k to cover the liability accrued at 31 December 2008 deriving from this plan (€646k at 31 December 2007).

The volume of stock options, as well as the exercise prices for the option plan in 2008 and 2007 are set out below.

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	Number of options	Exercise price	Grant date	Execution Date
Balance at 31 December 2006	322.909	8,25	13/06/2006	13/06/2009
Granted during the year	29.699	23,57	18/12/2007	18/12/2010
Balance at 31 December 2007	352.608	9,54		
Granted during the year	-	-		
Balance at 31 December 2008	352.608	9,54		

(e) Retained earnings

Movements in and a breakdown of Retained earnings are set out below:

	Legal reserve	Other reserves	Profit for year	Total
Balance at 31 December 2006	2.239	21.091	17.311	40.641
Application of 2006 profit	740	16.571	(17.311)	-
Other movements in equity	(35)	4.558	-	4.523
Profit for 2007	-	-	24.998	24.998
Balance at 31 December 2007	2.944	42.220	24.998	70.162
Application of 2007 profit	657	24.341	(24.998)	-
Other movements in equity	-	(4.303)	-	(4.303)
Profit for 2008	-	-	13.617	13.617
Balance at 31 December 2008	3.601	62.258	13.617	79.476

This heading includes the legal reserve, which amounts to €3,601k at 31 December 2008 (€2,944k at 31 December 2007) have been made in compliance with Article 214 of the Spanish Companies Act which stipulates that 10% of the profits for each year must be transferred to this reserve until it represents at least 20% of share capital.

The legal reserve cannot be distributed and if used to offset losses in the event no other reserves are available for this purpose, it must be replenished from future profits.

The heading Other Reserves consists of undistributed prior-year profit, reserves relating to the share-based payment plan (Note 12.d)), profits deriving from transactions involving treasury shares, as well as the equity conversion component of convertible bonds issued (Note 13). Accumulated profits are freely available except for approximately €3.2 million in 2008 (€3.2 million in 2007), which are associated with the respective reserve for Investments in the Canary Islands.

The proposal for distributing the parent company's 2008 profit and other reserves that will be presented to shareholders at the General Meeting and the approved distribution for 2007 is as follows:

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	<u>2008</u>	<u>2007</u>
Available for distribution		
Profit for the year	1.416	6.566
Legal reserve	142	657
Prior year losses	1.164	-
Voluntary reserves	110	5.909
	<u>1.416</u>	<u>6.566</u>

The contribution to consolidated results of each company included in consolidation is as follows:

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<u>Companies</u>	<u>2008</u>	<u>2007</u>
General de Alquiler de Maquinaria, S.A.	(6.984)	(5.340)
GAM Portugal – Aluguer de Máquinas e Equipamentos, Lda	215	1.439
Aldaiturriaga, S.A.U.	6.369	3.395
GAM Canarias, S.L.U.	(295)	1.665
GAM Energía Alquiler de Maquinaria, S.L.U	1.547	555
GAM Este, S.L.U	(714)	1.080
GAM Levante Alquiler de Maquinaria, S.L.U.	119	842
GAM Centro Alquiler de Maquinaria, S.L.U.	(1.063)	1.028
GAM Noreste, S.L.U.	(320)	1.082
GAM Islas Baleares, S.L.U.	(1.134)	123
General de alquiler de maquinaria Industrial, S.L.U	320	81
GAM Estructuras alquiler de maquinaria, S.L.U	(2.158)	195
GAM Verde, S.L.U.	(358)	29
GAM Vias, S.L.U	231	(5)
GAM Eventos, S.L.U.	90	(81)
GAM Puertos, S.L.U.	58	(12)
GAM Noroeste, S.L.U.	6.117	9.319
GAM Norte, S.L.U.	38	47
GAM Renove, S.L.U.	(1)	(1)
GAM Sureste, S.L.	(1.538)	1.205
GAM Suroeste, S.L.U.	1.591	4.559
Servicios Generales de Alquiler de Maquinaria, S.L.U	(1.372)	(282)
Grupo Internacional de Inversiones en Maquinaria de Alquiler GAM, S.A.U	(302)	(16)
Gam Maquinaria Pesada S.L.U	173	109
Vilatel, S.L.U	12.215	4.944
Comercial Marsal, S.A.U	890	(343)
GAM Alquiler Rumanía, S.R.L	608	(160)
Viasolo España, S.L.	(108)	(413)
New Metal Space, S.A.	(63)	-
GAM Alquiler Bulgaria, E.A.D	(206)	-
GAM Polska, SP Zoo	(48)	-
GAM ALquiler México S.A.de C.V	(300)	-
GAM and Sany JV, S.L.	-	(46)
Total	<u>13.617</u>	<u>24.998</u>

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13 Bonds and other negotiable securities issued

On 20 August 2007 the parent company issued 2500 convertible bonds bearing interest at a rate of 2.75% per year and a nominal value of €50,000. The bonds mature in 5 years (20 August 2012) after their issue at their nominal value of €50,000 or they may be converted into shares at the option of the bearer at one share for each €37.05. In the event that the bond creditors decide not to exercise the conversion right, the yield on the bonds will total 5.25%. The values of the liability component and the conversion component of equity will be calculated at the time the bonds are issued.

The fair value of the liability component, included in non-current borrowings, is calculated at a market interest rate for a similar non-convertible bond, which is 5.44%. The residual amount, which represents the value of the conversion component of equity is included under equity under the heading "Other Reserves", net of the relevant tax effect.

The main figures relating to the issue of convertible bonds recognized in the balance sheet at 31 December 2008 and 2007 have been calculated as follows:

	<u>Convertible bonds</u>
Nominal value of convertible bonds issued on 20 August 2007	125.000
Equity component	(1.632)
Transaction costs deducted from the initial debt	(3.779)
Deferred income tax	(699)
Liability component initially recognized on 20 August 2007	118.890
Expense accrued at 31 December 2007 ⁽¹⁾	2.962
Liability component at 31 December 2007	121.852
Expense accrued at 31 December 2008 ⁽¹⁾	7.768
Payments made at 31 December 2008	(3.438)
Early redemption of convertible bonds at 31 December 2008	(13.589)
Liability component at 31 December 2008	112.593

(1) Accrued expenses include the financial expense relating to the interest on convertible bonds totaling €7003k and €2680k for the year ended the 31 December 2008 and 2007, respectively (Note 24).

During September 2008 the Group redeemed 270 €50,000 bonds early. The compensation paid for this transaction totaled €10,141k and a profit under financial income in the income statement for 2008 total of €3613k and they charge totaling €165k was recorded under the heading "Accumulated profits" in the consolidated balance sheet for 2008.

The convertible bond issued by GAM Group do not include any embedded derivative in accordance with the definition provided by IAS 39.

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14 Trade and other payables

This caption is analyzed below at 31 December 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Trade payables	31.736	42.320
Other payables	33.924	71.309
	<u>65.660</u>	<u>113.629</u>

Under the caption "Other payables" the Group records payables to PPE suppliers that will be refinanced through finance leases totaling €22,496k in 2008 (€52,905k in 2007).

The fair value of all balances included under the heading "Trade and other payables" coincides with the carrying amount.

15 Finance leases

This caption breaks down as follows:

Non-current	<u>2008</u>	<u>2007</u>
Finance lease liabilities (non-current)	284.025	275.481
Finance lease liabilities (current)	116.873	104.217
Total finance lease liabilities	<u>400.898</u>	<u>379.698</u>

At 31 December 2008 and 2007 the payment of finance lease liabilities is projected to take place in accordance with the following schedule:

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013 and subsequent years</u>	<u>Total</u>
Net present value	116.873	111.401	88.166	65.530	18.928	400.898
Financial charges	19.115	12.703	7.089	2.519	719	42.145
	<hr/>					
<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012 and subsequent years</u>	<u>Total</u>
Net present value	104.217	97.930	83.574	60.448	33.529	379.698
Financial charges	10.408	10.102	8.621	6.236	3.459	38.826

The interest rate applicable to financial lease liabilities is indexed to the Euribor, plus a fixed spread depending on each case.

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The fair value of finance leases is similar to the carrying value.

16 Other borrowings

This caption is analyzed below:

Non-current	2008	2007
Borrowings from credit institutions	75.291	83.740
Other borrowings from credit institutions	8.897	-
Obligations and other borrowings	2.000	-
Other current liabilities	3.197	3.136
	89.385	86.876
	2008	2007
Borrowings from credit institutions	23.545	21.187
Other borrowings from credit institutions	17.921	6.670
Obligations and other borrowings	2.000	8.361
Other current liabilities	6.581	5.363
	50.047	41.581
	139.432	128.457

The heading "Borrowings from credit institutions" records the financing necessary to acquire the installations required to carry out the Group's activity. In addition, in 2007 the Group obtained loans from credit institutions to finance the acquisition of companies in 2007 for approximate the amount of €75,800k and the present value of the outstanding debt at 31 December 2008 is €55,472k. These loans are associated with compliance with the covenants described under Note 35 and are secured through a pledge of 25% of the shares in the company Vilatel, S.L.

In 2008 the Group obtained a €14,000k loan to finance the acquisition of the company Guimerá, S.A. (Note 28).

There are bank loans secured by land and buildings whose outstanding principal at 31 December 2008 was €2131k (€2491 in 2007) (Note 6).

The caption "Other borrowings from credit institutions" on the liability side of the balance sheet mainly records the payables totaling €975k at 31 December 2008 (€5227k in 2007) (Note 4.2), structured into "factoring with recourse" instruments in accordance with the agreements concluded with several financial institutions. It also records the €25,604k drawn down at 31 December 2008 (€7k in 2007) from credit facilities in accordance with the agreements concluded with several financial institutions.

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The available limit of credit facilities in force at the year end amounted to €31,800k (€29,800k in 2007).

The effective interest rate of reference for borrowings from credit institutions is the Euribor rate plus a variable spread ranging between 0.5% and 1.25% (between 0.5% and 0.75% in 2007) for commercial discounting facilities and lines of credit in a margin of up to 1.50% (1.25% in 2007) for bank loans.

The composition of the caption “Other borrowings from credit institutions” is as follows:

Current / Non-current	2008	2007
Discounted bills	239	1.436
Amounts owed to credit institutions under factoring arrangements (Note 4.2)	975	5.227
Draw downs from credit facilities	25.604	7
	26.818	6.670

The captions “Obligations and other borrowings” and “Other current and non-current borrowings” breakdown as follows:

Current / Non-current	2008	2007
Deferred payments for acquisitions of companies (Note 24)	4.000	8.361
PPE suppliers	9.296	8.499
Other current liabilities	482	-
	13.778	16.860

The repayment in 2008 and 2007 of bank borrowings and obligations and other borrowings is expected to take place in accordance with the following schedules:

2008	2009	2010	2011	2012	2013 and subsequent years	Total
Borrowings from credit institutions	23.545	22.145	21.766	19.116	12.264	98.836
Credit facilities	16.707	8.897	-	-	-	25.604
PPE suppliers	6.581	1.084	621	647	363	9.296
Other creditors	-	482	-	-	-	482
Deferred payments – acquisition of companies	2.000	2.000	-	-	-	4.000
Discounted bills	239	-	-	-	-	239
Amounts owed to credit institutions under factoring arrangements	975	-	-	-	-	975
Total	50.047	34.608	22.387	19.763	12.627	139.432

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<u>2007</u>	2008	2009	2010	2011	2012 and subsequent years	Total
Borrowings from credit institutions	21.187	19.405	19.469	18.811	26.055	104.927
Credit facilities	7	-	-	-	-	7
PPE suppliers	5.363	2.886	82	106	62	8.499
Deferred payments – acquisition of companies	8.361	-	-	-	-	8.361
Discounted bills	1.436	-	-	-	-	1.436
Amounts owed to credit institutions under factoring arrangements	5.227	-	-	-	-	5.227
Total	41.581	22.291	19.551	18.917	26.117	128.457

In accordance with the provisions of IFRS 7 the estimated financial charge by maturity for the €139,432k and the €128,457k relating to 2008 and 2007, respectively, is set out below.

<u>2007</u>	2008	2009	2010	2011	2012 and subsequent years	Total
Total financial charge	6.154	4.897	3.533	2.366	1.828	18.778

<u>2008</u>	2009	2010	2011	2012	2013 and subsequent years	Total
Total financial charge	5.053	3.747	2.532	1.385	623	13.340

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17 Deferred income tax

The overall movement in the deferred tax account is as follows:

2007

<u>ASSETS</u>	<u>2006</u>	<u>Additions</u>	<u>Applications</u>	<u>2007</u>
New PPE	13.499	3.023	(2.606)	13.916
Tax losses	90	281	(50)	321
Other	219	292	(5)	506
	<u>13.808</u>	<u>3.596</u>	<u>(2.661)</u>	<u>14.743</u>
<u>LIABILITIES</u>	<u>2006</u>	<u>Additions</u>	<u>Applications</u>	<u>2007</u>
Lease installments	10.044	6.055	(1.866)	14.233
Fair value for business combinations	353	1.996	(723)	1.626
Capitalization of expenses associated with acquisitions	427	96	-	523
Stock option plans	-	590	-	590
Convertible bonds	-	699	-	699
Derivatives	-	626	-	626
Other	-	526	(253)	273
	<u>10.824</u>	<u>10.588</u>	<u>(2.842)</u>	<u>18.570</u>

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2008

<u>ASSETS</u>	2007	Additions	Applications	2008
New PPE	13.916	496	(2.734)	11.678
Tax losses	321	3.322	(17)	3.626
Other	506	354	-	860
	14.743	4.172	(2.751)	16.164

<u>LIABILITIES</u>	2007	Additions	Applications	2008
Lease installments	14.233	8.051	(3.100)	19.184
Fair value for business combinations	1.626	-	(764)	862
Capitalization of expenses associated with acquisitions	523	-	-	523
Stock option plans	590	-	-	590
Convertible bonds	699	-	-	699
Derivatives	626	-	(626)	-
Other	273	-	(273)	-
	18.570	8.051	(4.763)	21.858

The effect of certain deferred tax liabilities are netted against deferred tax assets in the balance sheet since they involve the same tax authority. The amounts offset totaled €9477k in 2008 and €5288k in 2007, as follows:

	2008	2007
Deferred tax assets	16.164	14.743
Netted deferred tax liabilities	(9.477)	(5.288)
	6.687	9.455

	2008	2007
Deferred tax liabilities	21.858	18.570
Netted deferred tax liabilities	(9.477)	(5.288)
	12.381	13.282

The classification of deferred tax assets and liabilities as short and long-term in 2008 and 2007 is set out below:

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<u>ASSETS (2008)</u>	2009	2010 and subsequent years	Total
New PPE	1.408	10.270	11.678
Tax losses	3.626	-	3.626
Other	860	-	860
	5.894	10.270	16.164

<u>LIABILITIES (2008)</u>	2009	2010 and subsequent years	Total
Lease installments	2.667	16.517	19.184
Fair value for business combinations	550	312	862
Capitalization of expenses associated with acquisitions	-	523	523
Other	-	1.289	1.289
	3.217	18.641	21.858

<u>ASSETS (2007)</u>	2008	2009 and subsequent years	Total
New PPE	5.041	8.875	13.916
Tax losses	321	-	321
Other	506	-	506
	5.868	8.875	14.743

<u>LIABILITIES (2007)</u>	2008	2009 and subsequent years	Total
Lease installments	5.422	8.811	14.233
Fair value for business combinations	702	924	1.626
Capitalization of expenses associated with acquisitions	-	523	523
Other	1.002	1.186	2.188
	7.126	11.444	18.570

Since 2005 the Parent company is authorized to file consolidated corporate income tax returns and at 31 December 2008 the scope of tax consolidation was formed by the following group companies:

Gam Centro Alquiler de Maquinaria, S.L.U (formerly GAM Madrid S.L.U.), Gam Este, S.L.U., Gam Levante Alquiler de Maquinaria, S.L.U., Gam Canarias, S.L.U., Gam Sureste, S.L., Gam Noroeste, S.L.U., Gam Energía Alquiler de maquinaria, S.L.U., Gam Renove, S.A.U, Gam Noreste, S.L.U, Gam Suroeste, S.L.U, GAM Islas Baleares, S.L.U, GAM Estructuras Alquiler de Maquinaria, S.L.U, GAM Eventos, S.L.U, General de Alquiler de Maquinaria Industrial, S.L.U, Grupo Internacional de Inversiones en Maquinaria GAM, S.A, General de Alquiler de Maquinaria Pesada, S.L, GAM Puertos, S.L.U, GAM Verde, S.L.U, GAM Vias, S.L.U. y Servicios Generales de Alquiler de Maquinaria, S.L.U, Vilatel, S.L.U., Comercial

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Marsal, S.A.U. and Kernville, S.L.U.

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On 29 November 2006, the Official State Gazette published Law 35/2006 on Personal Income Tax which partially amended the Corporate Income Tax Act, Non-Resident Income Tax, and Wealth Tax by reducing the corporate income tax rate from 35% to 32.5% for tax years starting as from 1 January 2007 and 30% for those commencing as from 1 January 2008.

Accordingly, in 2008 the Group adjusted deferred tax assets and liabilities in accordance with their estimated time of reversal, except for those companies that are taxed under regional systems for which this modification had not been approved at the year end.

Two of the subsidiaries are taxed under the regional system in Bizkaia. The legislation applicable to the settlement of corporate income tax for 2008 is Regional Law 3/1996 (26 June), as amended by Regional Law 6/2007 (27 March) which is currently in force, although several appeals have been filed in this respect.

The Parent Company's Directors have calculated the amounts associated with this tax for 2008 and those years open to inspection in accordance with provincial legislation in force at each year end on the understanding that the final outcome of several legal procedures and appeals that have been filed in this respect will not have a significant impact on the annual accounts taken as a whole.

The years open to a tax inspection vary depending on the consolidated Group company although, in general, the returns for the past three or four years are open to inspection.

18 Subsidies

The composition of this caption is as follows:

	<u>2008</u>	<u>2007</u>
Subsidies for new property, plant and equipment	6.245	7.181
Other subsidies	72	113
	<u>6.317</u>	<u>7.294</u>

Group companies benefit from the subsidies provided by various public administrations for investments in new property, plant and equipment. These subsidies represent between 10%-25% of the investment made in new equipment. The amount pending application at 31 December 2008 totals €6245k (€7181k in 2007).

In order to benefit from this subsidies the Group must maintain these assets in its balance sheet for at least 5 years, as a result of the failure to comply with this rule with respect to some of the assets covered by these subsidies, the Group has recognized €138k as an expense in 2008 (€657k in 2007).

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19 Provisions

Movements during 2008 and 2007 are as follows:

	<u>Miles de euros</u>
Balance at 31 December 2006	592
Applications	(45)
Reversals	(418)
	<hr/>
Balance at 31 December 2007	129
Applications	6
Reversals	-
	<hr/>
Balance at 31 December 2008	<u>135</u>

At 31 December 2008 the Group recorded provisions totaling €135k (€129k in 2007) to cover potential contingencies relating to public bodies.

20 Ordinary revenues

The breakdown of this heading at the end of 2008 and 2007 is as follows:

	<u>2008</u>	<u>2007</u>
Machinery rental	284.088	251.046
Income for transportation and other supplementary services	79.064	54.155
Sale of new machinery	2.074	2.263
	<hr/>	<hr/>
Total ordinary revenues	<u>365.226</u>	<u>307.464</u>

21 Supplies

The breakdown of this heading at the end of 2008 and 2007 is as follows:

	<u>2008</u>	<u>2007</u>
Fuel	13.858	8.652
Spare parts	18.206	13.521
Other consumables	5.698	5.606
Machinery re-rentals	8.424	11.928
	<hr/>	<hr/>
	<u>46.186</u>	<u>39.707</u>

The heading "Machinery re-rentals" includes expenses deriving from the rental of machinery from third-party renters outside the Group to cover spikes in demand.

**CONSOLIDATED ANNUAL ACCOUNTS FOR GENERAL DE ALQUILER DE MAQUINARIA, S.A.
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22 Other costs

The breakdown of this heading at the end of 2008 and 2007 is as follows:

	2008	2007
Leases and royalties	13.994	7.557
Transportation expenses	23.443	20.224
Repairs and maintenance	9.487	7.696
Other external services	39.853	33.472
Taxes	1.682	1.061
	88.459	70.010

The heading "Other external services" mainly includes expenses such as independent professional services, advertising, insurance, bank services, supplies and other operating expenses of a very diverse nature.

23 Staff costs

The breakdown of this heading at the end of 2008 and 2007 is as follows:

	2008	2007
Wages and salaries	75.287	54.302
Stock option plan (Note 12.d)	550	421
Staff welfare expenses	21.230	17.244
	97.067	71.967

The average number of employees by category is set out below:

	2008		2007	
	Men	Women	Men	Women
Board of Directors	12	1	11	1
Management	24	4	36	5
Administration	169	316	213	137
Traffic / transport	611	45	464	87
Workshop	1.131	27	683	44
Commercial	323	91	174	48
	2.270	484	1.581	322

The average payroll in 2008 consisted of 82% men and 18% women (83% and 17%, respectively, in 2007).

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24 Financial income and expense

The breakdown of this heading at the end of 2008 and 2007 is as follows:

	2008	2007
Financial expense		
- Issue of debentures and debt (Note 13)	(7.003)	(2.680)
- Finance leases, discounting facilities and loans	(31.072)	(19.778)
- Discounting of deferred payments	(14)	(175)
- Derivatives (Note 3.2).	(1.654)	-
- Other financial expenses	(616)	(891)
	(40.359)	(23.524)
Financial income:		
- Financial income	5.309	1.600
- Derivatives	2.763	1.899
Net finance cost	(32.287)	(20.025)

25 Income tax

	2008	2007
Corporate income tax payable for the year	1.135	7.817
Deferred tax	1.867	3.890
	3.002	11.707

The Group's income tax differs from the theoretical amount that would have been obtained had the average weighted tax rate applicable to the consolidated companies' profits been used as follows:

	2008	2007
Profit before taxes	16.619	36.705
Adjustment to book profit	-	(1.132)
Excluded items	(206)	524
Tax credits (PPE deductions, Reserves for investments in the Canary Islands)	(701)	(900)
Offset of tax-loss carryforwards	(17)	(1.363)
Adjusted book profit before taxes	15.695	33.834
Initial corporate income tax payable	3.947	12.971
Deductions from tax payable		
- Reinvestment exemptions	(945)	(1.238)
- Environmental deductions	-	(20)
- Other deductions to tax payable	-	(6)
Accrued corporate income tax	3.002	11.707
Effective rate	18%	32%

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Notes to the Consolidated Annual Accounts (Thousand euros)

26 Earnings per share

a) Basic

Basic earnings per share are calculated by dividing the profit attributable to the Parent Company's shareholders by the weighted average number of ordinary shares in the year, excluding treasury shares acquired by the Company and held in its portfolio (Note 12).

	<u>2008</u>	<u>2007</u>
Profit attributable to the parent company's shareholders	13.617	24.998
Weighted average number of ordinary shares outstanding (thousand)	30.140	28.930
Basic earnings per share (€ per share)	0,45	0,86

b) Diluted

To calculate the diluted earnings per share the potential effects of dilution that would take place in the event that all bonds issued in 2007 yet to mature in 2008 were swapped for the shares into which they may be converted has been taken into account, similarly the profit attributable to parent company shareholders has been adjusted by eliminating interest expense, net of the tax effect, relating to the debt associated with the convertible bonds (Note 13).

	<u>2008</u>	<u>2007</u>
Profit attributable to the parent company's shareholders	13.617	24.998
Net expense of convertible debt (net of taxes)	574	1.122
Profit used to calculate the diluted earnings-per-share	14.191	26.120
Weighted average number of ordinary shares outstanding (thousand)	33.412	30.158
Basic earnings per share (€ per share)	0,42	0,87

27 Contingencies

The Group records guarantees related to its ordinary business which are not expected to give rise to any significant liability.

In the normal course of its business the Group has provided guarantees to third parties totaling €9234k (€7665k in 2007), of which €4000k (€5911k in 2007) relate to guarantees relating to the acquisition of investee companies, and the rest secure provided to third parties, among which are public bodies and sundry creditors and are intended to secure the rendering of the companies' services and the acquisition of machinery.

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28 Business combinations

Business combinations taking place in 2008

GUIMERA, S.A.

On 13 February 2008 the Group company GAM Energía Alquiler de Maquinaria, S.L. wholly acquired the company Guimerá, S.A. who was the leader company in the business segment of renting energy equipments. Its main installations are located in Barcelona. This company contributes to sales and profits since 13 February 2008, the date established as the control date from which it was included in the Group's scope of consolidation. If the acquisition had taken place on 1 January 2008 contribution to sales and consolidated profits by this acquired company would have been €1084k and €102k in addition to the already consolidated figures, respectively. Given that this company was taken over in 2008 by GAM Energia Alquiler de Maquinaria S.L.U. the contribution to the net consolidated profit of Guimera S.A. is included within the profits provided by the acquiring company (see Note 12).

The net assets acquired and goodwill break down as follows:

<u>Purchase consideration</u>	<u>Thousand euros</u>
Cash paid	14.000
Deferred payment (Note 16)	4.000
Purchase costs incurred	<u>231</u>
Total purchase price	18.231
Fair value of the net assets acquired	<u>10.992</u>
Goodwill	<u>7.239</u>

Goodwill is attributable basically to the capacity of the acquired company to generate future revenues and the synergies that are expected to arise after its acquisition as a general balance is reached with respect to the rental of machinery in the Mediterranean region, taking advantage of all of GAM Group's potential.

In 2008, and in accordance with IFRS 3, the Group assigned part of the goodwill resulting from the transaction to certain assets and liabilities owned by Guimerá, S.A., but an analysis of the market value of all of the Company's assets and liabilities did not reveal market values that are significantly different than the carrying value and therefore the Group has decided to maintain the Goodwill deriving from the acquisition transaction and the carrying and market value of the assets and liabilities for Guimerá, S.A. coincide.

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The assets and liabilities arising on the acquisition are as follows:

	Fair value
Other intangible assets	2
Non-current assets	
Property, plant and equipment	8.739
Non-current financial assets	115
NON-CURRENT ASSETS	8.856
Inventories	274
Trade receivables	4.812
Other current assets	83
Cash and other cash equivalents	31
CURRENT ASSETS	5.200
TOTAL ASSETS	14.056
Other non-current liabilities	829
NON-CURRENT LIABILITIES	829
Short-term financial payables	268
Trade and other payables	1.967
CURRENT LIABILITIES	2.235
TOTAL LIABILITIES	3.064
NET ASSETS ACQUIRED	10.992
ASSOCIATED TRANSACTION COSTS	231

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<u>Cash paid for the acquisition</u>	<u>Miles de euros</u>
Petty cash paid	14.000
Cash held by the acquired company	31
Net cash paid	13.969

Business combinations taking place in 2007

- **VILATEL, S.L.**

On 7 June 2007, General de Alquiler de Maquinaria, S.L. wholly acquired VILATEL, S.L., which is fundamentally engaged in the rental of machinery without operators and is located in the Mediterranean Region. The acquired business contributed sales and services to the group totaling €5.1 million and a net profit of €2.5 million for the period between 1 June 2007 and 31 December 2007. If the acquisition had taken place on 1 January 2007, the contribution to sales and profits would have been €70,028k and €14,266k, respectively.

The net assets acquired and goodwill break down as follows:

<u>Purchase consideration</u>	<u>Miles de euros</u>
Cash paid	111.111
Present value of deferred payments	5.000
Purchase costs incurred	<u>372</u>
Total purchase price	116.483
Fair value of the net assets acquired	<u>32.459</u>
Goodwill	<u>84.024</u>

Goodwill is attributable basically to the capacity of the acquired company to generate future revenues and the synergies that are expected to arise after its acquisition as a general balance is reached with respect to the rental of machinery in the Mediterranean region, taking advantage of all of GAM Group's potential.

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The assets and liabilities arising on the acquisition are as follows:

	Carrying value	Fair value
Other intangible assets	234	234
Property, plant and equipment		
Buildings	368	4.007
Machinery	89.872	93.890
Non-current assets		
Non-current financial assets	473	473
NON-CURRENT ASSETS	90.947	98.604
Inventories	1.883	1.883
Trade receivables	26.527	26.527
Other current assets	515	515
Cash and other cash equivalents	5.157	5.157
CURRENT ASSETS	34.082	34.082
TOTAL ASSETS	125.029	132.686
Deferred income tax	3.565	5.432
Long-term loans	54.258	54.258
Other non-current liabilities	3.889	3.889
NON-CURRENT LIABILITIES	61.712	63.579
Short-term financial payables	19.856	19.856
Trade payables	4.913	4.913
Other current liabilities	11.507	11.507
CURRENT LIABILITIES	36.276	36.276
TOTAL LIABILITIES	97.988	99.855
NET ASSETS ACQUIRED	27.041	32.831
ASSOCIATED TRANSACTION COSTS	372	372

Cash paid for the acquisition

Petty cash paid	
Share-based payment (Note 12)	
Cash held by the acquired company	
Net cash paid	

Miles de euros

67.111
44.000
(5.157)
105.954

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- **Comercial Marsal, S.A.**

On 7 June 2007, General de Alquiler de Maquinaria, S.L. wholly acquired Comercial Marsal, S.A., which is fundamentally engaged in the rental of machinery without operators and is located in Tarragona. The acquired business contributed sales and services to the group totaling €957k and a net loss of €343k for the period between 1 June 2007 and 31 December 2007. If the acquisition had taken place on 1 January 2007, the contribution to sales and profits would have been €1,630k and €348k, respectively.

The net assets acquired and goodwill break down as follows:

<u>Purchase consideration</u>	<u>Miles de euros</u>
Cash paid	2.786
Total purchase price	<u>2.786</u>
Fair value of the net assets acquired	1.993
Goodwill	<u>793</u>

Goodwill is attributable basically to the capacity of the acquired company to generate future revenues and the synergies that are expected to arise after its acquisition as a general balance is reached with respect to the rental of machinery in the Mediterranean region, taking advantage of all of GAM Group's potential.

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The assets and liabilities arising on the acquisition are as follows:

	Carrying value	Fair value
Other intangible assets	1	1
Property, plant and equipment		
Machinery	101	101
Non-current assets		
Non-current financial assets	14	14
NON-CURRENT ASSETS	116	116
Inventories	76	76
Trade receivables	420	420
Other current assets	152	152
Cash and other cash equivalents	1.867	1.867
CURRENT ASSETS	2.515	2.515
TOTAL ASSETS	2.631	2.631
Deferred income tax	153	153
Long-term loans	21	21
NON-CURRENT LIABILITIES	174	174
Short-term financial payables	14	14
Trade payables	339	339
Other current liabilities	111	111
CURRENT LIABILITIES	464	464
TOTAL LIABILITIES	638	638
NET ASSETS ACQUIRED	1.993	1.993

Cash paid for the acquisition

Petty cash paid

Cash held by the acquired company

Cash paid out

Miles de euros

2.786

(1.867)

919

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- **Viasolo-Aluguer de Maquinas, S.A.**

On 1 June 2007, General de Alquiler de Maquinaria, S.A. wholly acquired Viasolo-Aluguer de Maquinas, S.A., which is fundamentally engaged in the rental of machinery without operators and is located in Portugal. The acquired business contributed sales and services to the group totaling €3,592k and a net loss of €681k for the period between 1 June 2007 and 31 December 2007. If the acquisition had taken place on 1 January 2007, the contribution to sales and profits would have been €6,402k and €630k, respectively.

The net assets acquired and goodwill break down as follows:

<u>Purchase consideration</u>	<u>Miles de euros</u>
Cash paid	8.000
Purchase costs incurred	<u>218</u>
Total purchase price	8.218
Fair value of the net assets acquired	<u>5.051</u>
Goodwill	<u>3.167</u>

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The assets and liabilities arising on the acquisition are as follows:

	Carrying value	Fair value
Property, plant and equipment		
Machinery	12.038	15.202
Non-current assets		
Non-current financial assets	9	9
NON-CURRENT ASSETS	12.047	15.211
Trade receivables	2.966	2.966
Other current assets	1	1
Cash and other cash equivalents	170	170
CURRENT ASSETS	3.137	3.137
TOTAL ASSETS	15.184	18.348
Deferred income tax	144	935
Long-term loans	8.498	8.498
NON-CURRENT LIABILITIES	8.642	9.433
Short-term financial payables	586	586
Trade payables	2.655	2.655
Other current liabilities	405	405
CURRENT LIABILITIES	3.646	3.646
TOTAL LIABILITIES	12.288	13.079
NET ASSETS ACQUIRED	2.896	5.269
ASSOCIATED TRANSACTION COSTS	218	218

Cash paid for the acquisition

Petty cash paid	8.000
Cash held by the acquired company	(170)
Cash paid out	7.830

Miles de euros

8.000
(170)
7.830

- **PROSEC Audio. S.L.**

On 23 October 2007, General de Alquiler de Maquinaria, S.A. wholly acquired Prosec Audio S.L., which is fundamentally engaged in the rental of machinery for events and is located in Asturias. The acquired business contributed sales and services to the group totaling €4k and a net loss of €126k for the period between 1 November 2007 and 31 December 2007. If the acquisition had taken place on 1 January 2007, the contribution to sales and profits would have been €658k and €78k, respectively.

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The net assets acquired and goodwill break down as follows:

<u>Purchase consideration</u>	<u>Miles de euros</u>
Cash paid	731
Total purchase price	731
Fair value of the net assets acquired	130
Goodwill	601

The assets and liabilities arising on the acquisition are as follows:

	Carrying value	Fair value
Other intangible assets	20	20
Property, plant and equipment		
Machinery	164	164
Non-current assets		
Non-current financial assets	5	5
NON-CURRENT ASSETS	189	189
Inventories	81	81
Trade receivables	270	270
Other current assets	17	17
Cash and other cash equivalents	100	100
CURRENT ASSETS	468	468
TOTAL ASSETS	657	657
Deferred income tax	23	23
Long-term loans	137	137
NON-CURRENT LIABILITIES	160	160
Short-term financial payables	38	38
Trade payables	214	214
Other current liabilities	115	115
CURRENT LIABILITIES	367	367
TOTAL LIABILITIES	527	527
NET ASSETS ACQUIRED	130	130

<u>Cash paid for the acquisition</u>	<u>Miles de euros</u>
Petty cash paid	731
Cash held by the acquired company	(100)
Cash paid out	631

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29 Related party transactions

The accounts that Grupo General Alquiler de Maquinaria, S.A. maintains with significant shareholders at the end of 2008 and 2007 break down as follows:

	2008			
	Bilbao Bizkaia Kutxa	Caja de Ahorros de Asturias	Caixanova	Caja de Ahorros de Asturias
Acquisition loans	(13.868)	(13.868)	(13.868)	(13.868)
Credit facilities	(877)	(1.603)	(978)	(925)
Finance leases	(17.255)	(18.818)	-	(8.657)
Other borrowings	-	(3.158)	-	-
Discounted bills	-	(187)	-	-
Total debt	(32.000)	(37.634)	(14.846)	(23.450)

	2007			
	Bilbao Bizkaia Kutxa	Caja de Ahorros de Asturias	Caixanova	Caja de Ahorros de Asturias
Acquisition loans	(16.950)	(16.950)	(16.950)	(16.950)
Credit facilities	20	(77)	-	(2)
Finance leases	(16.349)	(18.835)	-	(5.522)
Discounted bills	(17)	(832)	-	-
Total debt	(33.296)	(36.694)	(16.950)	(22.474)

In addition to the above transactions, in 2008 there are operating lease agreements with companies associated with significant shareholders, the sum of which totals €5022k in 2008 (€2132k in 2007) and relate entirely to part of the premises at which the Group carries out its activities.

The financial charges paid to associated companies for interest expenses totaled approximately €5073k at 31 December 2008 (€3345k in 2007).

We hereby provide information regarding the conditions for the loans associated with the acquisition of the company Vilatel., S.L.:

Average term:	6 years (half-yearly installments)
Interest rate:	Euribor plus a fixed differential
Update of interest rates:	Half yearly
Renewals:	Not established
Covenants:	See Note 3.5

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The main characteristics of the immense majority of lease contracts concluded by GAM Group with financial institutions defined as associated parties are as follows:

Average term:	5 years (60 monthly installments)
Interest rate:	Euribor plus a fixed differential
Purchase option:	Last installment under the contract
Update of interest rates:	Quarterly, half yearly and annual
Renewals:	Not established

In addition, GAM Group has created a pledge of the shares in the company Vilatel to secure payment obligations with the listed associated parties for the loans obtained to acquire Vilatel.

Furthermore, the Group has been provided professional advisory services from associated parties totaling €214k in 2008 (€436k in 2007).

No transactions were carried out in 2008 and 2007 with significant shareholders other than those reported above.

All transactions with associated parties were carried out under market conditions.

General de Alquiler de Maquinaria, S.A. does not have a parent company given that no shareholder holds a stake exceeding 50% of the Company's share capital.

30 Compensation paid to the Board of Directors and Senior Management

Compensation is paid to Directors in accordance with Article 9 of the Bylaws governing GAM. The amount may be a fixed amount agreed by shareholders at a General Meeting and does not have to be the same for all members.

The compensation accrued by the members of GAM's Board of Directors in 2008 totaled €1361k (€981k in 2007). This amount breaks down as follows:

	Thousand euros
	2008
Salaries	545
Per diems	369
Other compensation	156
Stock options	291
	1.361

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During 2008 the compensation that accrued to the Parent Company's Senior Management, considered to be Area Managers, totaled €734k (€588k in 2007) for all salary items, which are all short-term compensation items.

The Parent Company established a share-based compensation plan for Group directors and executives (Note 12.d) The amount paid in 2008 in this respect total €550k (€421k in 2007) (Note 23).

No advance payments or loans have been granted to members of the Board of Directors or Senior Management and there are no obligations assumed with them with respect to guarantees.

The members of the Board of Directors and Senior Management do not accrue any amounts for present or future pension commitments.

31 Commitments

(a) *Commitments to acquire property, plant and equipment*

Committed investments in machinery assets at 31 December 2008, but not recognized in the consolidated annual accounts total €6497k.

(b) *Commitments for operating leases-when a Group company is the lessee*

The Group leases installations and land to serve as operating bases to carry out its principal activity of machinery rental, and in their majority they may be canceled after satisfying the indemnity clauses established in each of the operating lease agreements. In no case are these amounts significant (Note 2.22).

32 Events after the balance sheet date

No significant events took place after the balance sheet date

33 Other information

(a) *Information regarding the environment*

In 2008 and 2007, Group companies made no significant investments and incurred no significant costs in relation to systems, equipment or installations to protect and improve the environment, fundamentally due to the type of activity in which it engages.

In view of the procedures currently applied, the Parent company's Directors consider that the environmental risks are suitably controlled and that there are no environmental contingencies that should be provisioned.

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The Group received no environmental grants in 2008 and 2007.

(b) Auditors' fees

Fees for audit services relating to the individual and consolidated financial statements accrued to the GAM Group's main auditor in 2008 totaled €348k (€264k in 2007).

Fees for other professional services accrued to the Group's main auditor in relation to 2008 totaled €161k. In 2007 the main auditor charged €183k in fees for other professional audit services.

(c) Art. 127 ter. 4

In accordance with the provisions of Article 127 ter of the Spanish Companies Act, the following information at 31 December 2008 is provided:

- a) Companies with the same, similar or complementary corporate purpose as General de Alquiler de Maquinaria, S.A and dependent companies in which members of the Board of Directors have shareholdings and positions of responsibility, if any, are as follows:

None

- b) Companies with the same, similar or complementary corporate purpose as General de Alquiler de Maquinaria, S.A. and dependent companies, in which members of the Board of Directors hold management positions are as follows:

None

- c) The activities of the same, similar or complementary nature as those forming part of the corporate purpose of General de Alquiler de Maquinaria, S.A. and dependent companies, apart from those indicated above, carried out by the members of the Board of Directors on their own behalf or on the behalf of third parties, are as follows:

None

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Notes to the Consolidated Annual Accounts (Thousand euros)

CONSOLIDATED FINANCIAL STATEMENTS FOR GENERAL DE ALQUILER DE MAQUINARIA, S.A. AND SUBSIDIARIES AT 31 DECEMBER 2008						
APPENDIX I						
Name	Domicile	Shareholding	Shareholder	Consolidation method	Activity	Auditor
		% shareholding				
GAM PORTUGAL – Aluguer de Máquinas e Equipamentos, Lda	Lisbon (Portugal)	100,00%	General de Alquiler de Maquinaria, S.A.	Full consolidation method	Machinery rental	(1)
Aldaiturriaga, S.A.U.	Baracaldo, Vizcaya	100,00%	General de Alquiler de Maquinaria, S.A.	Full consolidation method	Machinery rental	PWC
GAM Canarias, S.L.U.	Fuerteventura (Canary Islands)	100,00%	General de Alquiler de Maquinaria, S.A.	Full consolidation method	Machinery rental	PWC
GAM Energía Alquiler de Maquinaria, S.L.U	Fuenlabrada (Madrid)	100,00%	General de Alquiler de Maquinaria, S.A.	Full consolidation method	Machinery rental	PWC
GAM Este, S.L.U	Castellbisbal (Barcelona)	100,00%	General de Alquiler de Maquinaria, S.A.	Full consolidation method	Machinery rental	PWC
GAM Levante Alquiler de Maquinaria, S.L.U.	Massalfassar (Valencia)	100,00%	General de Alquiler de Maquinaria, S.A.	Full consolidation method	Machinery rental	PWC
GAM Centro Alquiler de Maquinaria, S.L.U. (formerly GAM Madrid, S.L.U.)	San Fernando de Henares (Madrid)	100,00%	General de Alquiler de Maquinaria, S.A.	Full consolidation method	Machinery rental	PWC
GAM Noreste, S.L.U.	Zaragoza (Aragón)	100,00%	General de Alquiler de Maquinaria, S.A.	Full consolidation method	Machinery rental	PWC
GAM Islas Baleares, S.L.U.	Benissalem (Palma de Mallorca)	100,00%	General de Alquiler de Maquinaria, S.A.	Full consolidation method	Machinery rental	PWC
General de alquiler de maquinaria Industrial, S.L.U	Llanera, Asturias	100,00%	General de Alquiler de Maquinaria, S.A.	Full consolidation method	Machinery rental	(1)
GAM Estructuras alquiler de maquinaria, S.L.U	San Fernando de Henares (Madrid)	100,00%	General de Alquiler de Maquinaria, S.A.	Full consolidation method	Machinery rental	(1)
GAM Verde, S.L.U.	San Fernando de Henares (Madrid)	100,00%	General de Alquiler de Maquinaria, S.A.	Full consolidation method	Machinery rental	(1)
GAM Vias, S.L.U	Llanera, Asturias	100,00%	General de Alquiler de Maquinaria, S.A.	Full consolidation method	Machinery rental	(1)
GAM Eventos, S.L.U.	Llanera, Asturias	100,00%	General de Alquiler de Maquinaria, S.A.	Full consolidation method	Machinery rental	(1)
GAM Puertos, S.L.U.	Llanera, Asturias	100,00%	General de Alquiler de Maquinaria, S.A.	Full consolidation method	Machinery rental	(1)
GAM Noroeste, S.L.U.	Llanera, Asturias	100,00%	General de Alquiler de Maquinaria, S.A.	Full consolidation method	Machinery rental	PWC
GAM Norte, S.L.U.	Baracaldo, Vizcaya	100,00%	General de Alquiler de Maquinaria, S.A.	Full consolidation method	Machinery rental	(1)
GAM Renove, S.L.U.	Llanera, Asturias	100,00%	General de Alquiler de Maquinaria, S.A.	Full consolidation method	Machinery rental	(1)
GAM Sureste, S.L.	Granada (Andalucía)	100,00%	General de Alquiler de Maquinaria, S.A.	Full consolidation method	Machinery rental	PWC
GAM Suroeste, S.L.U.	Granada (Andalucía)	100,00%	General de Alquiler de Maquinaria, S.A.	Full consolidation method	Machinery rental	PWC
Servicios Generales de Alquiler de Maquinaria, S.L.U	Oviedo (Asturias)	100,00%	General de Alquiler de Maquinaria, S.A.	Full consolidation method	Machinery rental	(1)
Grupo Internacional de Inversiones Alquiler de Maquinaria, S.A.U	San Fernando de Henares (Madrid)	100,00%	General de Alquiler de Maquinaria, S.A.	Full consolidation method	Machinery rental	(1)

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Gam Maquinaria Pesada S.L.U	Oviedo (Asturias)	100,00%	General de Alquiler de Maquinaria, S.A.	Full consolidation method	Machinery rental	(1)
Vilatel, S.L.U	Tarragona (Catalonia)	100,00%	General de Alquiler de Maquinaria, S.A.	Full consolidation method	Machinery rental	PWC
Comercial Marsal, S.A.U	Tarragona (Catalonia)	100,00%	General de Alquiler de Maquinaria, S.A.	Full consolidation method	Machinery rental	(1)
GAM Alquiler Romania, S.R.L	Bucarest (Rumania)	100,00%	Grupo Internacional de Inversiones Alquiler de Maquinaria, S.A.U.	Full consolidation method	Machinery rental	(1)
New Metal Space, S.A.	Oviedo (Asturias)	45,00%	General de Alquiler de Maquinaria, S.A.	Equity method	Machinery rental	(1)
GAM Alquiler Bulgaria, E.A.D.	Sofia (Bulgaria)	100,00%	Grupo Internacional de Inversiones Alquiler de Maquinaria, S.A.U.	Full consolidation method	Machinery rental	(1)
Viasolo España, S.L.	Granada (Andalucía)	100,00%	GAM PORTUGAL – Aluguer de Máquinas e Equipamentos, Lda	Full consolidation method	Machinery rental	(1)
GAM Polska, S.P.Z.O.O.	Katowice (Polonia)	100,00%	Grupo Internacional de Inversiones Alquiler de Maquinaria, S.A.U.	Full consolidation method	Machinery rental	(1)
General Alquiler de Maquinaria prestación de servicios, S.A. de C.V.	México DF (México)	100,00%	GAM Noroeste, S.L.U.	Full consolidation method	Machinery rental	(1)
GAM Alquiler México, S.A. de C.V.	México DF (México)	100,00%	Grupo Internacional de Inversiones Alquiler de Maquinaria, S.A.U.	Full consolidation method	Machinery rental	(1)
GAM Brasil – Locacao de maquinaria LTDA	Sao Paulo (Brasil)	100,00%	Grupo Internacional de Inversiones Alquiler de Maquinaria, S.A.U.	Full consolidation method	Machinery rental	(1)
Kernville, S.L.	Oviedo (Asturias)	100,00%	General de Alquiler de Maquinaria, S.A.	Full consolidation method	Dormant	(1)

(1)Notaudited

DIRECTORS' REPORT FOR 2008

Development of the Group's activities

In 2008, General de Alquiler de Maquinaria, S.A. (hereinafter GAM) grew in terms of sales for the fifth consecutive year to €365 million, which is 19% more than last year.

The current market conditions and the general economic situation currently in place continues to confirm the validity of these three strategic lines applied by GAM Group over the past few years, and which will intensify in 2009 and subsequent years, as follows:

- Accelerate the presence of GAM and its broad rental business and new international markets with great potential both on a general economic level as well as the level of potential growth of the machinery rental sector in particular, in which there are exceptional opportunities for growth in countries such as Mexico and Brazil in America and the Eastern European countries Romania, Poland and Bulgaria. At the beginning of 2009 an agreement was reached with the Arab company ETE for the development and joint operation of the machinery rental and sale business in Saudi Arabia, United Arab Emirates, Qatar, Bahrain, Kuwait, Oman and Iraq which means that the Group will extend its operations to the Asian continent, its third after Europe and America.
- Intensify diversification to new sectors in which either there was no professional rental service or traditionally there was no rental culture such as the case of railway maintenance machinery, event equipment of any type, roadway and garden maintenance machinery, transportation, assembly and maintenance of wind generators for the renewable energy sector, etc.
- Continue with the strategy for growth and geographic expansion in the Iberian Peninsula where GAM is the notable leader.

The evolution in quantitative terms of the main income statement figures continues to confirm the strategic policy being followed by the Company:

- At 31 December 2008 revenues totaled €365 million, which is a 19% increase over the same period last year.
- The EBITDA (defined as the aggregate of "Operating profit" and "Depreciation/amortization") recorded by the Group totaled €147 million, which is a 7% increase over last year.
- Profits totaled €13.6 million, 45% less than the net profit obtained in the same period last year.

As regards the main figures that affect the Group's balance sheet:

- Net financial debt at 31 December 2008 totals €584 million.

DIRECTORS' REPORT FOR 2008

- Approximately 69% of this debt associated with finance lease agreements maturing after 5 years.
- Bonds convertible into shares represent 19% of this debt which matures in 2012.
- The rest is fundamentally six-year debt arising on the acquisition of companies and financing from suppliers to acquire machinery.
- Investments in machinery in 2008 totaled €122 million.

These investments are in line with the Group's intention to obtain a diversified, modern and young fleet that allows it to vendor a unique and uniform service to our customers in every market in which GAM Group participates. The machinery fleet currently maintained by GAM Group consists of 75,000 machines of very diverse types.

As a continuation of expansion policy through acquisitions which has been carried out by GAM Group over the past few years, during the first half of 2008 the company Guimerá was acquired and completely integrated. This acquisition reinforces GAM's presence in the energy sector and provides it with an increased commercial presence in strategic areas such as Catalonia and Madrid, providing 7 offices throughout Spain at the time of acquisition.

Future perspectives for the Group and analysis of the main business risks

Although during the second half of 2008 the machinery rental sector performed reasonably well in general terms, it has not escaped the general decline in economic activity, particularly in the Spanish construction sector. Despite the deceleration that is currently affecting the economy in general and Spain in particular, GAM Group has finished its fifth consecutive year with consolidated revenue growth reaching €365 million, which continues to confirm that we are the leading company in the machinery rental business on the Iberian Peninsula with a strong advantage compared to our main competitors.

In parallel with the construction activity, the Company will continue to intensify its diversification into those sectors where there is significant potential for rental to overtake sales, such as Industrial, Energy, Green, Ports, Roadways and Events. Similarly, the Group continues to consolidate in those countries where it started international activities at the end of 2007 and the start of 2008, such as Poland, Romania and Bulgaria and its intention is to gain a presence in other countries with strong growth expectations such as Brazil and Mexico where GAM Group started to operate at the end of 2008. We also note the alliance with the Arab company ETE to develop the activity in Persian Gulf countries.

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As regards construction:

- In the civil works sector significant growth is expected due to the announced acceleration of the infrastructure plan (PEIT)
- In the residential sector a deceleration and fall off of activity is expected. GAM's exposure to this segment is residual.
- In the non-residential sector we expect a gradual deceleration to the extent that financing limitations continue to impede development.

In parallel with the effort to make sales more dynamic, the Company also started an aggressive cost control and reduction plan operational leveraging. This plan includes activities to reduce and control costs in numerous areas, including the following: Consumption, personnel and transportation.

The debt ratios maintained by the Company and the structure of debt bring GAM into the best position to take on its future plans and financing plans for growth in international and new business areas. The Company is generating cash and is reducing its debt levels for the coming years.

The following are representative of the principal risks that could affect GAM Group's business in 2009:

1. Negative development of the current national economic situation:

The national economic situation underwent significant deceleration during the second half of 2008, which was revealed by: The negative development of the main economic indices provided by government and organizations that estimate a GDP decline in 2009, as well as a reduction of private consumption and limitations to sources of financing for companies and individuals.

This unfavorable development could cause:

- A slow down of construction rates in general terms in Spain, which could affect the machinery rental sector.
- A further increase in the competitiveness of the machinery rental sector due to downward pressure on average prices for renting in Spain given the atomization of suppliers in order to maintain revenue figures for 2009 and to obtain liquidity that is necessary to satisfy payment obligations.

2. Worsening of customers' credit situation:

The negative development of the economy in general and the liquidity situation of economic agents is negatively affecting default rates, which have notably increased over the past few months.

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Given the type of customers with which the Group maintains commercial relationships and their association with the construction sector, there is a risk that a portion of the customers in GAM Group's portfolio may have liquidity problems and delays there average payment period to the Group or take advantage of the new insolvency law which would allow them to significantly delay their payment obligations. However, the Group is taking a conservative position with respect to the accounting treatment of the insolvency provision in order to maintain its customer portfolio in a healthy state at all times.

3. Financial instruments

The Group's activities are exposed to several financial risks: cash flow interest rate risk, credit risk, liquidity risk, derivative fair value risk and exchange rate risk. The group's financial management controls the above risks in accordance with the guidelines issued by the Board of Directors. To mitigate these risks, financial management obtains surety insurance, credit policies, and factoring and derivative arrangements. Financial management's decisions are supervised and approved by the Board of Directors.

The risks, and their management, are as follows:

(a) Cash flow interest rate risks

The Group has financed its strong growth mainly through deferred payments to the sellers of the acquired businesses and loans obtained from credit institutions to acquire companies and financial leases to acquire machinery. Except for the deferred payments, which have an implicit interest rate, and convertible bonds issued bearing a fixed interest rate, and financial expenses deriving from the convertible bonds issued by the Company, all of the other borrowings accrue an interest rate indexed to the Euribor plus a spread, which gives rise to the risk that future cash flows will vary and that, consequently, finance costs will change.

The Group covers these risks financially, to the extent deemed adequate, by contracting derivatives for which a set fee is paid and receives flows indexed to the Euribor rate.

(b) Credit risk

The Group's credit risks fundamentally derives from trade receivables and the balances recorded with these customers do not present a significant concentration of credit risk. A significant portion of sales are made to listed companies or companies of recognized solvency within the construction (mainly civil works), wind energy and industrial sectors. Sales to small customers, or those with low credit ratings, are insured and an evaluation is performed in each specific case, and the insurer is liable for between 85% and 90% of the risk of default in any insured transaction.

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(c) Liquidity risk

On a monthly basis financial management analyses the debt payment schedule and the relevant need for short and medium-term liquidity. To date the flows generated by the business are sufficient to repay debt and due to the effect the on cash balances caused by an average collection period of 170 days at 31 December 2008 (180 at 31 December 2007), and commercial discounts, the Group habitually enters into factoring agreements with banks and uses credit facilities that the Group has obtained from several financial institutions.

As regards the current difficult economic environment and the slowdown of the economy, GAM currently maintains a good financial and liquidity situation and has taken advisable measures to preserve that condition, specifically the following are notable

- GAM continues to increase its diversification into sectors other than construction and towards markets outside Spain.
- There are certain operating levers that GAM is in a position to apply, which will reduce costs such as synergies from the duplication of bases and economies of scale by centralizing resources.
- Given the average young age of the fleet, which is less than three years old, GAM does not need to make replacement investments to maintain its current level of activity over the coming years. In addition, the capillarity of the Company allows equipment to be rotated thereby optimizing its use.
- The average collection period has been reduced significantly compared with 2007, which has substantially reduced financing needs.

Borrowings are structured such that the Group generates sufficient cash flows to satisfy repayment. The Group does not currently require additional financing and it is focused on reducing leveraging levels.

(d) Interest rate risk

The Group operates on an international level and therefore it is exposed, in a very limited way, to foreign currency exchange rate risk, particularly with the Romanian leu and the Polish zloty. Exchange rate risk derives from future sales transactions, recognized assets and liabilities and net investments in foreign operations when denominated in a currency that is not the functional currency in which the Group's consolidated financial statements are presented.

Given the insignificance of the main figures that could be affected by exchange rate risk, as well as the little impact on the volume of assets, profits and consolidated equity recorded by GAM Group, no specific policies have been applied to hedge against exchange rate risk in 2008 and 2007.

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However, with the expectation that the international business will grow in 2009 and given the fact that it could be affected by exchange rate risk GAM Group is defining a policy for hedging against this risk to be applied as from 2009.

Environment

The company has taken the measures it considers necessary to protect the environment and to minimize any potential environmental impact that the Group's activity could have, in accordance with the requirements of current legislation.

Research and development

In 2008 no significant investments were made in this area.

Transactions involving treasury shares

On 22 May 2008 the Extraordinary General Meeting held by Shareholders adopted a Resolution in accordance with Article 75 and subsequent of the Spanish Companies Act to authorize the Company to acquire treasury shares either directly or through its subsidiaries. GAM Group, in accordance with the Resolution approved by shareholders, has acquired treasury stock to be applied to the Stock option plan. At 31 December 2008 GAM Group reduced equity by €10.8 million in this respect.

Human resources

GAM Group has approximately 2574 employees at 31 December 2008 (2625 at 31 December 2007), which is a moderate 2% decline compared with December 2007.

The Group has a human resources policy that covers many training activities that is intended to recruit and retain the best professionals for its activities.

Items covered by Article 116 bis of the Stock Market Act relating to the year ended 31 December 2008

(a) Capital structure, including securities that are not traded on a regulated market in the EU, indicating any classes of shares and, for each class of shares, the rights and obligations that they confer and the percentage of capital stock that they represent.

At 31 December 2008 capital stock was represented by 30,764,121 shares, all with a par value of €1 each fully subscribed and paid and all conferring the same rights and obligations to shareholders.

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In addition, on 20 August 2007 the Company issued a convertible bond at a conversion price of €37.05 per share. The terms and conditions applicable to each issue are public and are available on the Company's website www.gamalquiler.com On 5 September 2008 the Company purchased TWO HUNDRED SEVENTY (270) bonds with a total nominal value of THIRTEEN MILLION FIVE HUNDRED THOUSAND EUROS (€13,500,000) to be subsequently written off. This write off has yet to be registered.

At 31 December 2008 the Company had 905,087 treasury shares, representing 2.9% of share capital.

(b) Restrictions to the transfer of stock.

There are no statutory restrictions on the transfer of the stock representing capital.

However, as a listed company, the acquisition of certain significant shareholdings must be reported to the issuer and to the National Stock Market Commission, in accordance with the provisions of Article 53 of Law 24/1988 on the Stock Market, Royal Decree 1362/2007 (19 October) and the Circular 2/2007 (19 December) issued by the National Stock Market Commission, which establish the first reporting threshold at 3% of capital or of voting rights.

Finally, also taking into account that the Company is listed, the acquisition of a percentage that is equal to or exceeds 30% of capital stock or the voting rights within the Company, gives rise to the obligation to present a Public Share Acquisition Offer, in accordance with the terms established under Article 60 of Law 24/1988 on the Stock Market.

(c) Significant direct or indirect stakes in capital stock.

At 31 December 2008, and in accordance with the information available to the Company, the owners of significant stakes in General de Alquiler de Maquinaria, S.A. were as follows:

	Percentage Shareholding
Bilbao Bizkaia Kutxa Group	5,19%
Caja de Ahorros de Asturias	5,00%
Caixa de Aforros de Vigo, Orense e Pontevedra	5,01%
Gondaral, S.L.	5,35%
Gloval Procesos Corporación 2000, S.A.	10,43%
Caja de Ahorros y Monte Piedad de Navarra	5,00%
Catavi, S.L.	5,00%
QMC Development Capital Fund PLC	4,55%
Héctor Fabián Gómez Sainz	9,75%
Metotec, S.L.	8,65%

DIRECTORS' REPORT FOR 2008

(d) Restrictions on voting rights

There are no restrictions to voting rights.

(e) Non-business agreements.

The Company has no knowledge of the existence of any non-business agreements affecting General de Alquiler de Maquinaria, S.A.

(f) Rules applicable to the appointment and replacement of members of the Board of Directors and the amendment of the Company's bylaws.

- **Appointment of Members of the Board of Directors:**

As is stated in Article 12 of the Board of Directors Regulations for General de Alquiler de Maquinaria S.A.

- “
1. *The General Meeting, or the Board of Directors, if appropriate, are competent to designate the Members of the Board of Directors in accordance with the provisions of the Spanish Companies Act and the Bylaws.*
 2. *The appointment must be of persons that, in addition to meeting the legal and statutory requirements that the position requires, are of recognized prestige and possess the knowledge and professional experience that are adequate to the performance of their duties.*
 3. *Any proposal for the appointment or reelection of Directors raised by the Board to the General Shareholders Meeting, as well as any provisional appointment, will be approved by the Board:*
 - a) *At the proposal of the Appointment and Compensation Commission, in the case of independent Directors and in the cases established under Article 3.5.*
 - b) *After having received a report from the Appointment and Compensation Commission, in the case of other Directors.*
 - c) *The Company will make the following information regarding its Directors public through its website and maintain it up-to-date:*
 - (i) *Professional profile and biography;*
 - (ii) *Other Boards of Directors to which they pertain as well as any professional activities carried out at other companies whether or not they are listed;*
 - (iii) *A reasoned explanation of their executive, Institutional or independent position, as appropriate; in the case of Institutional Directors, shareholders will be informed as to who they represent or to whom they are associated.*
 - (iv) *Date of first appointment as a Company Director, as well as all subsequent appointments; and*
 - (v) *Company stock and stock options that they hold.*

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4. (...)“

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- Removal of Members of the Board of Directors:

As is stated in Article 17 of the Board of Directors Regulations for General de Alquiler de Maquinaria S.A.

“

1. *Institutional Directors will present their resignation when the shareholder that they represent wholly sells the stake held in the Company. This will also be the case, in the relevant number, when that shareholder reduces its stake to a level that requires a reduction in the number of its Institutional Directors. An exception to this will be any case in which the Board of Directors, at the reasoned proposal of the Appointment and Compensation Commission, believes that there are reasons that justify the Director remaining in the post.*
2. *The Board of Directors will not propose the removal of any Independent Director before the end of the statutory period for which the appointment was made, unless there is just cause appreciated by the Board after having received a report from the Appointment and Compensation Commission. In particular, just cause will be understood to exist when the Director has failed to comply with the duties inherent to the position or has come under any of the circumstances described under Article 18.2.*

A proposal to remove Independent Directors may also be made based on the results of Public Share Offerings, mergers or other similar corporate transactions that give rise to a change in the Company's capital structure, when such changes in the structure of the Board are recommendable based on the proportion of capital represented on the Board

3. *Directors will immediately report any criminal proceedings in which they appear as defendants to the Board, as well as all subsequent procedural issues.*

As soon as they are indicted or a court orders the start of oral hearings due to any of the crimes indicated under Article 124 of the Spanish Companies Act, the Board will necessarily examine the case and, in the light of the specific circumstances and their potential effects on the Company's credit and reputation, will decide as to whether or not to proceed with the removal of the Director.

4. (...)
5. *In addition to the specific reasons that are set out in the preceding points, Directors will cease to form part of the Board at the end of their appointment and in all other cases in which this is appropriate in accordance with the Law, the Bylaws and these Regulations.*

DIRECTORS' REPORT FOR 2008

6. *Directors must offer their resignation to the Board of Directors and resign, if the Board deems it advisable, in the following cases:*
 - a) *When internal Directors cease to hold executive positions outside the Board to which their appointment as Director was associated. An exception to this will be any case in which the Board of Directors, at the reasoned proposal of the Appointment and Compensation Commission, believes that there are reasons that justify the Director remaining in the post.*
 - b) *When coming under any of the cases of incompatibility or prohibition established by Law.*
 - c) *When they receive any serious reprimand from the Audit and Control Commission due to any failure to comply with the obligations falling to Directors.*
7. *Once their term ends or they are removed for any other reason from the Board, Directors may not render services to any competing company for two years, unless the Board of Directors relieves the Director from this obligation or shortens the term of the prohibition."*
 - Amendment of the Company's Bylaws

The procedure for amending the Bylaws is regulated by Article 144 of the Spanish Companies Act, which is common to all companies and requires the approval of Shareholders at a General Meeting, with the majority votes established by Article 103 of that law.

(g) Powers of the members of the Board of Directors and, in particular, those relating to the possibility of issuing or repurchasing shares.

The Power to represent the Company lies with the Board of Directors on a joint basis through majority votes. It has been provided with the broadest powers to enter into contracts in general, and carry out all classes of actions and businesses, enter into obligations, administrate the ordinary and extraordinary business of the Company, with respect to all classes of assets, property, money, securities and trade bills, with no exceptions other than those that are reserved for Shareholders holding a General Meeting or are not included in the Company's corporate purpose.

Notwithstanding the above, Mr. Pedro Luís Fernandez, as the CEO of General de Alquiler de Maquinaria, S.A. has been delegated all of the authority of the Board of Directors, except that which cannot be delegated in accordance with the Law.

The General Meeting held by Shareholders on 22 May 2008 authorized the Board to increase share capital, one or more times, including the authority to exclude preferential subscription rights, in the terms established by Article 153.1.b. of the Spanish Companies Act, thereby canceling the authorization granted for this purpose by the General Meeting held on 28 June 2007, to the extent that that authority has not been used.

DIRECTORS' REPORT FOR 2008

The Board of Directors had not made use of this authorization.

With respect to the authority to acquire treasury shares, the General Meeting of Shareholders held on 22 May 2008 authorize the acquisition, either directly or indirectly, of treasury shares within the limits, and in accordance with the legal requirements established for this purpose, to satisfy the incentive plan established for senior management and certain Company employees. The authorization stipulates that the acquired treasury shares will not exceed the amount of 5% of the Parent Company's share capital, they must be free of charges and encumbrances, and this acquisition will take place at a minimum price of 1 euro per share and a maximum price not exceeding 120% of the listed price on the acquisition date. This authorization was granted for 18 months as from the time the Resolution was adopted.

(h) Significant agreements concluded by the Company that enter into force, are amended or conclude in the case of any change in control of the Company due to a public share offering, and its effects, except when revealing this information would seriously harm the Company. *This exception is not applicable as the Company is obligated by law to make this information public.*

There are no significant agreements concluded by the Company that enter into force, are amended or conclude in the event of any change in control of the Company due to a public share offering.

i) Agreements between the Company and its Directors, management or employees that receive indemnities when they resign or are dismissed unfairly or if the employment relationship ends as a result of a public share offering.

The legal and conventional effects that may derive from the end of any service relationship that links the personnel of General de Alquiler de Maquinaria S.A. with the Company are not uniform but rather logically vary in accordance with the personnel concerned, the position or job post held by the employee, the type of agreement concluded with the Company, the legislation governing the employment relationship and other sundry factors.

In the case of employees and members of senior management associated with General de Alquiler de Maquinaria, S.A. through a common employment relationship, which is the case with almost all the personnel at the Company, in general the employment contracts that link these employees with the Company do not contain any indemnity clause that would be invoked upon any termination of the employment relationship and therefore the employee would have the right to the appropriate indemnity in accordance with employment legislation, based on the reason for contract termination.

Certain members of the Board of Directors are entitled to indemnities, subject to specific clauses, in the event that they are removed from their positions.

In accordance with Article 202 of the Spanish companies Act, a separate section of the Directors' Report contains the Corporate Governance Report.

FORMULACIÓN DE LAS CUENTAS ANUALES CONSOLIDADAS E INFORME DE GESTIÓN CONSOLIDADO DEL EJERCICIO 2008

On 25 February 2009, and in compliance with Article 171 of the Spanish Companies Act and Article 37 of the Code of Commerce, the Board of Directors of the company General Alquiler de Maquinaria, S.A. prepared the Consolidated Financial Statements and Consolidated Directors' Report for the year ended 31 December 2008, which are set out in the preceding attached documents.

Mr Pedro Luis Fernández Director (Chairman)	Mr. Lorenzo Martínez Director
Mr. Jorge Mataix Director	Mr. Jorge Morral Director
Mr. Carlos Puente Director	Mr. Carlos Fernandez Director
Asturiana de Administración de Valores Mobiliarios, S.L. Represented by: Mr. Jesús Ruano Director	Mr. Jose Manuel Campa Director
Mrs. Alicia Vivanco Director	Mr. Gonzalo Hinojosa Director
Metotec, S.L. Represented by: Mr. Ramón Marsal Director	QMC Directorships, S.L. Represented by: Mr. Manuel Gil Director
Mr. Francisco J. Martínez Non-voting Secretary	Mr. Héctor Fabián Gómez-Sainz García Director

DECLARATION OF RESPONSIBILITY FOR THE CONTENT OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2008 FOR GENERAL DE ALQUILER DE MAQUINARIA, S.A.:

Company management presents the annual financial report for the year ended 31 December 2008 by signing the following document:

In accordance with Article 11.1.b) of Royal Decree 1362/2007, all of the Members of the Board of Directors of the company GENERAL DE ALQUILER DE MAQUINARIA, S.A. the player that, to the best of their knowledge the annual accounts for the year ended 31 December 2008 have been prepared in accordance with applicable accounting principles, they present a true and fair view of the equity, financial situation and the results obtained by GENERAL DE ALQUILER DE MAQUINARIA, S.A. and consolidated companies taken as a whole and that the Directors' Report approved together with the accounts includes a faithful analysis of the development, business results and the position of GENERAL DE ALQUILER DE MAQUINARIA, S.A. and consolidated companies, taken as a whole, as well as a description of the Main risks and uncertainties faced by the Company.

<p>Mr Pedro Luis Fernández Director (Chairman)</p>	<p>Mr. Lorenzo Martínez Director</p>
<p>Mr. Jorge Mataix Director</p>	<p>Mr. Jorge Morral Director</p>
<p>Mr. Carlos Puente Director</p>	<p>Mr. Carlos Fernandez Director</p>
<p>Asturiana de Administración de Valores Mobiliarios, S.L. Represented by: Mr. Jesús Ruano Director</p>	<p>Mr. Jose Manuel Campa Director</p>
<p>Mrs. Alicia Vivanco Director</p>	<p>Mr. Gonzalo Hinojosa Director</p>
<p>Metotec, S.L. Represented by: Mr. Ramón Marsal Director</p>	<p>QMC Directorships, S.L. Represented by: Mr. Manuel Gil Director</p>
<p>Mr. Francisco J. Martínez Non-voting Secretary</p>	<p>Mr. Héctor Fabián Gómez-Sainz García Director</p>