

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

Consolidated annual accounts at 31 December 2009
and Consolidated Directors' Report for 2009

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

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

**CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2009 AND 2008
(Thousand euro)**

		At 31 December	
		2009	2008
ASSETS			
Non-current assets			
Property, plant and equipment	Note 6	512,451	582,258
Goodwill	Note 7	122,285	122,187
Other intangible assets	Note 7	1,012	1,220
Financial assets	Note 11	2,414	2,464
Deferred tax assets	Note 19	7,833	6,687
Total non-current assets		645,995	714,816
Current assets			
Inventories	Note 12	7,473	7,947
Trade and other receivables:	Note 10	140,623	165,230
Current deferred tax assets		3,941	17
Other current assets		1,313	785
Cash and cash equivalents	Note 13	10,471	41,419
Total current assets		163,821	215,398
TOTAL ASSETS		809,816	930,214

The notes on pages 8 to 69 are an integral part of these consolidated annual accounts

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

**CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2009 AND 2008
(Thousand euro)**

		At 31 December	
		2009	2008
LIABILITIES			
EQUITY			
Equity attributable to owners of the parent			
Share capital	Note 14	30,764	30,764
Share premium	Note 14	90,302	90,302
Treasury shares	Note 14	(7,426)	(10,757)
Retained earnings	Note 14	68,457	79,476
Total equity		182,097	189,785
+ Bonds and other negotiable securities issued	Note 15	55,412	111,476
Provisions	Note 21	135	135
Finance leases	Note 17	255,071	284,025
Other borrowings	Note 18	158,266	89,385
Derivative financial instruments	Notes 3.2 and 9	1,697	1,430
Subsidies	Note 20	5,255	6,317
Other payables		93	-
Deferred tax liabilities	Note 19	8,697	12,381
Total non-current liabilities		484,626	505,149
+ Bonds and other negotiable securities issued	Note 15	515	1,117
Finance leases	Note 17	51,799	116,873
Other current financial borrowings	Note 18	32,955	50,047
Trade and other payables:	Note 16	57,078	65,660
Current income tax liabilities		395	1,437
Other current liabilities		351	146
Total current liabilities		143,093	235,280
TOTAL LIABILITIES AND EQUITY		809,816	930,214

The notes on pages 8 to 69 are an integral part of these consolidated annual accounts

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

**CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009 AND 2008
(Thousand euro)**

		Year ended 31 December	
		2009	2008
Ordinary revenues	Note 22	277,816	371,574
Other revenues		5,668	6,647
Supplies	Note 23	(38,067)	(46,186)
Personnel expenses	Note 25	(87,513)	(97,067)
Depreciation	Notes 6 and 7	(93,305)	(97,603)
Other expenses	Note 24	(80,920)	(88,459)
Operating profit/(loss)		(16,321)	48,906
Financial income	Note 26	29,579	8,072
Financial expense	Note 26	(28,745)	(40,359)
Profit/(loss) before taxes		(15,487)	16,619
Income tax	Note 27	6,549	(3,002)
Profit/(loss) for the year		(8,938)	13,617
Earnings/(loss) per share in euro (Note 28):			
Basic	(0.30)	0.45	
Diluted	(0.77)	0.42	

The notes on pages 8 to 69 are an integral part of these consolidated annual accounts

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**CONSOLIDATED OVERALL INCOME STATEMENT AT 31 DECEMBER 2009 and 2008
(Thousand euro)**

	Year ended 31 December	
	2009	2008
Profit for the period	(8,938)	13,617
Other overall profit/(loss)		
Other adjustments with non-owner third parties	683	(384)
Total overall income statement, net of taxes	-	(269)
Total overall income statement, net of taxes	(8,255)	13,348
Attributable to:		
- Company shareholders	(8,255)	13,348
	(8,255)	13,348

The notes on pages 8 to 69 are an integral part of these consolidated annual accounts

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

CONSOLIDATED CASH FLOW STATEMENT AT 31 DECEMBER 2009 and 2008
(Thousand euro)

	Year ended 31 December	
	2009	2008
<u>1) Cash flows from operating activities</u>		
Profit before taxes	(15,487)	16,619
Adjustments:		
Amortization and depreciation (Notes 6 and 7)	93,305	97,603
+ Other revenues	(5,417)	(6,348)
+ Other costs	2,003	1,315
+ Financial expense (Note 26)	28,745	40,359
- Financial expense (Note 26)	(29,579)	(8,072)
+/- Provisions		6
Adjusted profit	73,570	141,482
Change in inventories (Note 12)	474	2,077
Changes in trade and other receivables	24,607	28,635
Changes in other current assets	(4,452)	(322)
Changes in trade and other payables	(8,582)	(49,936)
Changes in other current liabilities	(837)	(380)
Cash generated from operations	84,780	121,556
- Corporate income tax paid	-	(5,186)
Net cash generated from operating activities	84,780	116,370
<u>2) Cash flows from investing activities</u>		
Investments:		
Cash applied to investments in machinery	(10,034)	(793)
Divestments	12,452	21,001
Acquisition of companies	(98)	(13,969)
- Transaction costs	-	(231)
Cash used in investing activities	2,320	6,008

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

**CONSOLIDATED CASH FLOW STATEMENT AT 31 DECEMBER 2009 and 2008
(Thousand euro)**

	Year ended 31 December	
	2009	2008
<u>3) Cash flows from financing activities</u>		
- Acquisition of Treasury shares	640	(4,343)
+ Bank borrowings to acquire companies	-	14,000
+ Other sources of financing	-	4,624
+ Change in current financing	28,782	27,711
+ Refinancing line	42,885	-
- Repayments of borrowings	(8,009)	(20,091)
- Repayments of finance leases	(115,576)	(115,285)
- Repayments of deferred price on company acquisitions	-	(8,361)
- Repayments of PPE suppliers	(7,496)	(2,001)
Early redemption of convertible bonds	(32,093)	(10,141)
- Financial income	782	1,696
- Financial expense	(27,963)	(35,364)
Change in cash used in financing activities	<u>(118,048)</u>	<u>(147,555)</u>
Total change in cash flows	<u>(30,948)</u>	<u>(25,177)</u>
Cash and cash equivalents at beginning of year	41,419	66,596
Cash and cash equivalents at end of year	10,471	41,419
Change	(30,948)	(25,177)

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.

The notes on pages 8 to 69 are an integral part of these consolidated annual accounts

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AT 31 DECEMBER 2009 and 2008 (Thousand euro)

	Share capital	Share premium	Shares own shares	Retained earnings	Minority interest	Total Equity
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 15)	-	-	-	(235)	-	(235)
Other movements	-	-	-	-	17	17
Gross income(expense) recognized directly in equity	-	-	-	(6,161)	17	(6,144)
Tax effect	-	-	-	1,577	-	1,577
Net income/(expense) recognized directly in equity	-	-	-	(4,584)	17	(4,567)
Profit/(Loss)	-	-	-	13,617	-	13,617
Other overall profit/(loss)	-	-	-	(269)	-	(269)
Total overall profit/(loss)	-	-	-	13,348	-	13,348
Acquisition/Disposal of treasury shares (Note 14)	-	-	676	-	-	676
Employee stock option plan (Note 25)	-	-	-	550	-	550
Balance at 31 December 2008	30,764	90,302	(10,757)	79,476	-	189,785
Profit on transactions involving treasury shares	-	-	-	(2,690)	-	(2,690)
Differences on exchange	-	-	-	(58)	-	(58)
Convertible bond component of equity (Note 15)	-	-	-	(342)	-	(342)
Gross income(expense) recognized directly in equity	-	-	-	(3,090)	-	(3,090)
Tax effect	-	-	-	-	-	-
Net income/(expense) recognized directly in equity	-	-	-	(3,090)	-	(3,090)
Profit/(Loss)	-	-	-	(8,938)	-	(8,938)
Other overall profit/(loss)	-	-	-	683	-	683
Total overall profit/(loss)	-	-	-	(8,255)	-	(8,255)
Acquisition/Disposal of treasury shares (Note 14)	-	-	3,331	-	-	3,331
Employee stock option plan (Note 25)	-	-	-	326	-	326
Balance at 31 December 2009	30,764	90,302	(7,426)	68,457	-	182,097

The notes on pages 8 to 69 are an integral part of these consolidated annual accounts

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

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS AT 31 DECEMBER 2009 (Thousand euro)

1. General information

General de Alquiler de Maquinaria, S.A., (hereinafter the Company or GAM) ended 2009 with a Group (hereinafter the Group) formed by 38 companies: General de Alquiler de Maquinaria, S.A., the parent company and 37 dependent companies 34 dependent companies in 2008). Appendix I to these Notes to the Annual Accounts includes additional information relating to the companies included within the scope of consolidation.

In 2009 changes in the Group's scope of consolidation were as follows:

<u>Name (entries)</u>	<u>% shareholding</u>	<u>Address</u>	<u>Activity</u>
GAM Alquiler Perú, SAC (*) (1)	100%	Lima (Perú)	Machinery rental
GAM Prestadora de Servicios, SAC (*) (1)	100%	Lima (Perú)	Machinery rental
GAM Panamá, SA (*) (1)	100%	Panama (Panama)	Machinery rental
Movilidad sostenible MOV-E, S.L. (formerly Kernville, S.L.) (*)	50%	Llanera (Asturias)	Development of sustainable energy activities

<u>Name (exits)</u>	<u>% shareholding</u>	<u>Address</u>	<u>Activity</u>
Kernville, S.L.	100%	Oviedo (Asturias)	Dormant

(*) Unaudited company

(1) Incorporated company

During November 2009 the Group sold its 50% stake in the company Kernville, S.L. to the company "Grupo de empresas Temper, S.L." for €1.5 thousand and no profit or loss was recognized on the transaction. During the same month the name of Kernville, S.L. was changed to Movilidad Sostenible MOV-E, S.L. This company will start operations in 2010.

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, a group is understood to exist when the parent company has one or more subsidiaries, understood as those entities which the parent company controls directly or indirectly. The principles applied in the preparation of the Group's consolidated annual accounts together with the consolidation scope 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 adaptation and modification of its incorporation bylaws was entered into volume 18161, book 8, sheet 105, page 314333, entry 6 on 8 September 2003. On 9 February 2006 Company shareholders held a General Meeting and adopted a resolution to transform the Company from a private limited liability company (SL company) to a public limited liability company (SA 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 María de Molina, 39.

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.

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

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS AT 31 DECEMBER 2009 (Thousand euro)

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 euro, unless otherwise indicated.

2. Summary of the main accounting policies

The main accounting policies adopted when preparing these consolidated annual accounts are described below. These policies have been applied consistently for all the years presented.

2.1. Basis of presentation

The consolidated annual accounts at 31 December 2009 have been prepared in accordance with International Financial Reporting Standards adopted by the European Union (IFRS-UE), IFRIC interpretations and mercantile legislation applicable to the companies that prepare information in accordance with 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 discloses the areas that require a higher level of judgment or entail greater complexity, and the areas where assumptions and estimates are significant for the consolidated annual accounts.

a) Comparability

GAM Group presents the net results obtained on used machinery for the first time in these consolidated annual accounts under the heading "Ordinary revenues" instead of separately with the consideration that this better expresses a true and fair view as these transactions are frequent for the Group and form part of a relevant and recurring line of business for the Group. The reclassified amounts at both 31 December 2009 and 2008 are expressed in Note 22. As the revision only affects presentation issues, there is no impact on earnings per share. The reclassification does not have any effect on the balance sheet and there is no "third balance sheet".

2.2. Consolidation principles

(a) Subsidiaries

Subsidiaries are all those companies where the Group is able to manage the financial and operating policies which is generally accompanied by a shareholding involving more than half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. 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.

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

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS AT 31 DECEMBER 2009 (Thousand euro)

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interests. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded 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 provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(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 participation in subsequent losses or gains on the acquisition of Associates are recognized in the income statement and its participation in movements subsequent to the acquisition are recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's shares of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further 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. Dilution gains or losses in associates are recognized in the income statement.

2.3. Segment reporting

Operating segments are presented in a manner coherent with the internal information presented to the highest decision-taking body. The highest decision-taking body is responsible for assigning resources to operating segments and evaluating the performance of those segments. The highest decision-taking body has been identified as the Board of Directors, which is responsible for strategic decisions (Note 5).

Management has established operating segments based on the financial information reviewed by the Board of Directors and used when taking strategic decisions.

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

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS AT 31 DECEMBER 2009 (Thousand euro)

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. Foreign currency transactions

a) Functional and presentation currency

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 euro, 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.

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.

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NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS AT 31 DECEMBER 2009 (Thousand euro)

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.

Historical cost includes expenses directly attributable to purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset only when it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset may be reliably determined. The carrying value of the replaced components is eliminated from the accounting records. All other repair and maintenance expenses are charged to the income statement in the year in which 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 asset's residual values and useful life are reviewed, and adjusted if appropriate, at each balance sheet date.

In accordance with IAS 16, in 2008 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 was recorded on a prospective basis as from 1 January 2008 in accordance with the provisions of IAS 8. The effect of this change gives rise to lower annual depreciation expense totaling approximately €10.8 million in 2009 (€9.5 million in 2008). The effect of this restatement in future years is a reduction of depreciation totaling approximately €48 million over the coming 9 years.

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 manipulators 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.

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NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS AT 31 DECEMBER 2009 (Thousand euro)

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 value and carrying value at 31 December 2009 of the property, plant and equipment with a residual value totals approximately €429 million and €221 million, respectively (€504 million and €343 million at 31 December 2008). Furthermore, the percentage of assets subject to a modified residual value currently being financed through finance leases is approximately 89% and 83% of the gross and net carrying value, respectively (72% and 74% in 2008).

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.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

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

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 acquisitions of subsidiaries is included in 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 on the sale of a company include the carrying amount of goodwill related to the company sold.

Goodwill is assigned to cash generating units (CGUs) in order to test for impairment losses. It is allocated to those CGUs that are expected to benefit from the business combination that generated such goodwill, identified on the basis of operating segments.

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NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS AT 31 DECEMBER 2009 (Thousand euro)

(b) Computer programs

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over the assets' estimated useful lives (3 years).

Costs associated with maintaining computer software programs are recognized as an expense when incurred.

The costs of direct development attributable to the design and implementation of identifiable original computer programs that may be controlled by the Group are recognized as intangible assets when the following conditions are met:

- (a) It is technically possible to complete production of the intangible asset such that it will be available for use or for sale;
- (b) Management has the intention of completing the intangible asset in question, for use or for sale.
- (c) There is the capacity to use or sell the intangible assets;
- (d) It is possible to demonstrate the manner in which the intangible asset will generate probable profits in the future;
- (e) Adequate technical, financial or any other type of resources are available to complete development and to use or sell the intangible of asset; and
- (f) The payment attributable to the intangible asset may be reliably measured.

Attributable direct costs include software development employee costs and an appropriate portion of relevant overheads.

The expenses that do not meet these criteria will be recognized as an expense at the time incurred. Payments for an intangible asset initially recognized as an expense for the year will not be subsequently recognized as intangible assets.

2.7. Interest costs

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 2009 and 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 higher of fair value of an asset less selling costs and value in use. For the purposes of assessing impairment losses, assets are grouped together at the lowest level for which there are separately identifiable cash flows (Cash Generating Units). Non-financial assets, other than goodwill, that present an impairment loss are reviewed at each balance sheet date to determine whether or not the loss has reversed.

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2.9. Financial assets

The Group classifies its financial assets in the following categories: at fair value through changes in profit or loss, loans and receivables, 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 financial assets were acquired. Management establishes the classification of financial assets at the time of their initial recognition and reviews the classification at each reporting date.

During the two years being considered, the Group did not have any financial assets classified as "at fair value through profit and loss" 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. Subsequent to initial recognition, they are again measured at fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, on the nature of the item being hedged.

At 31 December 2009 the Group only recorded cash flows.

The Group has obtained derivatives 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 an 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 with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. 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. Loans and receivables are stated at their amortised cost in accordance with the effective interest rate method.

Acquisitions and disposals of investments are recognized at the trading date, i.e., on the date the Group undertakes to acquire or sell the asset. Investments are initially recognised at fair value plus transaction costs. Financial investments are written off when the rights to receive cash flows from them have expired or have been transferred and the Group has transferred substantially all the risks and advantages deriving from ownership.

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.

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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 measured at the lower of cost and 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. The net realizable value is the estimated selling price in the ordinary 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 for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. 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 carrying value of the asset 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 cannot be collected it is written off 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.

2.13. Share capital

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 presented in equity as a deduction, net of taxes, from the revenue obtained.

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, is included in equity attributable to the Company's shareholder.

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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. Government grants

Government grants are recognized at fair value when there is reasonable assurance that the grant will be collected and the Group will comply with all established terms and 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. Borrowings are subsequently measured at amortized cost. Any differences between the funds obtained (net of necessary costs) and their repayment value are recognized in the income statement over the life of the debt applying the effective interest method.

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

An exchange of debt instruments between a lender and borrower, provided that the instruments have substantially different conditions, will be recognized as the cancellation of the original financial liability and the recognition of a new financial liability. Similarly, a substantial change in the current conditions of a financial liability, or a part thereof, (regardless of whether or not it is attributable to the debtor's financial difficulties), is recorded as a cancellation of the original financial liability and the recognition of a new financial liability.

In order to apply the preceding paragraph, the conditions are substantially different if the present value of the discounted cash flows under the new conditions, including any commission paid net of any commission received, using the original effective interest rate to determine the discount, is more than 10% different than the present value discounted from the cash flows that remain outstanding with respect to the original financial liability. If a swap of debt instruments or a change in conditions is recognized as a cancellation, the costs or commissions incurred will be recognized as part of the result deriving from the cancellation. If the swap or modification mentioned above is not recorded as a cancellation, the costs and commissions will adjust the carrying value of the liability and it will be amortized over the remaining residual life of the adjusted liability.

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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 recognized in the overall income statement or directly under equity. In this case, the tax is also recognized under other overall profit or loss, or directly under equity, respectively.

Current tax expense is calculated based on the 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 generate profits subject to taxation. 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 taxes arise from the initial recognition of a liability or an asset on a transaction other than a business combination that at the time of the transaction has no effect on the tax gain or loss, they are not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income 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.

Deferred tax assets and liabilities are offset if, and only if, there is a legally recognized right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities derive from income tax payable to the same tax authority, involve the same company or taxpayer, or different companies or taxpayers that intend to settle current tax assets and liabilities at their net amount.

2.19. Employee benefits

(a) Termination benefits

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 recognises these benefits when it has demonstrably undertaken to terminate the current workers' employment in accordance with a formal detailed plan, which cannot be withdrawn or, to provide severance indemnities, as a result of an offer to encourage voluntary redundancy. Benefits which are not going to be paid within 12 months of the balance sheet date are discounted at present value. At the end of the year there were no pending dismissals.

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(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 certain figures relating to the business. 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.

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 2009 two persons joined the stock-option plan and 13,903 options were granted at a grant price of €5.64 and €19.85 (Note 14 d), respectively. 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 3.44% 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.

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2.20. Provisions

Provisions are recognized when:

- The Group has a present obligation, 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. Any increase in the provision due to the passing of time is recognized as an interest expense.

2.21. Revenue recognition

Ordinary revenues include the fair value of compensation received or to be received for the sale of assets and services during the Group's ordinary course of business.

Ordinary revenues are stated net of value added tax, returns, discounts and rebates, and after eliminating intra-group sales. 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 revenues are recognized as follows:

(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 (Note 2.22), on a straight-line basis over the rental period.

(b) Sales of assets

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.

(c) Interest revenue

Interest income is recognized using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Loan interest revenues that have suffered impairment losses are recognized using the original effective interest rate method.

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2.22. Leases

(a) When a Group company is the lessee

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership 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 allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. 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 element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for 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

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);

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- 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).
- 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 met 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 €20 million in 2009 (€17 million in 2008). 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 a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

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).

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

No. 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.

(b) When a Group company is the lessor

Assets leased to third parties under operating lease contracts are included in property, plant and equipment 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 revenues are recognized on a straight-line basis over the lease period.

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:

Creditors and other payables are initially carried at their fair value and subsequently they are valued at the amortized cost using the effective interest rate method. Short-term payables with no established interest rate are stated at original invoice amount when the effect of the discount 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 payment of dividends to the Company's shareholders is recognised as a liability in the Group's consolidated annual accounts in the year in which the dividends are approved by the Company's shareholders.

2.27. New IFRS rules and IFRIC interpretations

a) New and amended standards adopted by the Group

As from 1 January 2009 the Group has adopted the new and revised IFRS standards indicated below:

IFRS 7, Financial instruments Disclosures") (in force as from 1 January 2009). This revision requires further disclosures regarding the measurement of fair value and liquidity risk. Specifically, the revision requires that fair value measurements be disclosed in accordance with a hierarchical order of fair value parameters. Since the change in the accounting policy only involves additional disclosures, there is no impact on earnings per share. In the first year this revision is applied no comparative information is required.

IAS 1 (Revised), "Presentation of financial statements" (in force as from 1 January 2009). The revised standard prohibits the presentation of income and expense items (i.e., "changes in equity with non-owners") in the statement of changes in equity, and requires them to be broken out separately in an overall income statement. As a result, the Group presents all changes in equity deriving from transactions with owners in the consolidated statement of changes in equity, such that all changes in equity deriving from transactions with non-owners are broken out in the consolidated total income statement. Comparative information has been re-expressed in accordance with the revised standard. As the revision only affects presentation issues, there is no impact on earnings per share.

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IFRS 2 (Revised) "Share-based payments" (in force as from 1 January 2009). This revision addresses the conditions for the irrevocable nature of the granting of rights and cancellations. It clarifies that only service and performance conditions may be considered to be concession conditions. Other characteristics of share-based payments are not considered to be concession conditions, but rather they must be included in the calculation of fair value at the concession date in transactions with employees and third-parties that render similar services, such that they have no effect on the number of awards that are expected to consolidate or the subsequent valuation at the concession date. All cancellations initiated by the company and by third-parties must receive the same accounting treatment. The Group and the Company have adopted the modification of IFRS 2 as from 1 January 2009. This revision did not have a significant effect on the financial statements presented by the company or the group.

IFRS 8 "Operating segments" (in force as from 1 January 2009). IFRS 8 replaces IAS 14 and brings segment reporting into line with US SFAS 131 "Disclosures about segments of an enterprise and related information". The new standard requires segment information be presented on the same basis used by management for internal purposes, i.e. segmented financial information is presented in line with internal information prepared and supplied to the maximum decision making body within the company. The application of this standard will not have any effect on the Group's consolidated annual accounts.

IAS 23 (Revised) "Borrowing costs" (in force as from 1 January 2009). Starting on 1 January 2009 the Group capitalizes borrowing costs relating to qualifying assets that are directly attributable to the acquisition, construction or production of that asset and are considered to increase its cost. The Group previously recognized the interest directly under costs. This change in accounting policy is due to the application of IAS 23 "Borrowing costs" (2007) in accordance with the transitional provisions established in the standard and comparative figures have not been restated. The change in accounting policy does not have a material effect on earnings per share. This revision did not have a significant effect on the financial statements presented by the company or the group.

IAS 16 (Revision) "Property, plant and equipment" (and the relevant revision of IAS 7 "Cash flow statement") (in force as from 1 January 2009). Those companies whose primary activity consists of leasing and subsequently selling assets will present the amount received from those sales as revenues and assets must be reclassified to inventories at the time that the asset becomes held-for-sale. As a result, IAS 7 is amended indicating that cash flows that derive from the acquisition, rental and sale of those assets will be classified as cash flows from operating activities. The application of this standard will not have any effect on the Group's consolidated annual accounts.

IAS 28 (Revised) "Investments in associates" (and the relevant amendments to IAS 32 "Financial instruments: Presentation" and IFRS 7 "Financial instruments: Disclosures") (in force as from 1 January 2009). An investment in an associate is considered to be a separate asset for the purposes of calculating value impairment. Any impairment loss is not attributed to specific assets included under the investment, for example, goodwill. Any reversal of impairment losses are recognized as an adjustment to the investment balance to the extent that the recoverable amount of the investment has increased. When an investment in an associate is accounted for in accordance with IAS 39 "Financial instruments: Recognition and measurement", only certain breakdowns established by IAS 28 must be included, in addition to the requirements of IAS 32 and IFRS 7. This revision will not have any effect on the Group's operations, given that the Group's policy regarding investments in associates is that they are recognized in accordance with the equity method. The prospective application of this revision is allowed.

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IAS 36 (Revised), "Asset impairment" (in force as from 1 January 2009). In cases where fair value, less selling costs, is calculated based on discounted cash flows equivalent breakdowns of value-in-use calculations must be presented. The Group has applied IAS 36 (Revised) and has presented, if appropriate, the breakdowns required for impairment tests as from 1 January 2009.

(b) Standards, interpretations and amendments to published standards that have not yet entered into force and have not been adopted early by the Group.

Some new standards, and amendments and interpretations of existing standards have been published that are mandatory for the Group's accounting periods commencing as from 1 January 2010 or afterwards, but which the Group has not adopted early.

IFRIC 17, "Distribution of non-cash assets to owners" (in force as from 1 July 2009). This interpretation is part of the IASB's annual improvement program that was published in April 2009. This interpretation provides guidelines for recognizing those agreements under which a company distributes non-cash assets to owners, either through the distribution of reserves or dividends. IFRS 5 has also been revised to require that assets be classified as held for distribution if they are only available for distribution in their current state and provided that this action is highly likely. The Group and the Company will apply IFRIC 17 as from 1 January 2010. It is not expected to have a material effect on the group or its financial statements.

IAS 27 (Revised), "Consolidated and separate financial statements" (in force as from 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 no longer have an effect on goodwill and do not lead to any profit or loss. The standard also covers the accounting treatment to be applied when control is lost. Any residual stake held in the company will again be measured at fair value and a profit or loss will 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.

IFRS 3 (Revised) "Business combinations" (in force as from 1 July 2009). The revised standard maintains the acquisition method for business combinations, although significant changes are introduced. For example, all payments are recognized at fair value at the date of acquisition, and the 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 at the business combination level, consisting of measuring minority shareholdings at fair value or the proportional value of the net assets and liabilities recorded by the acquired company. All transaction costs are taken to expenses. The Group will apply IFRS 3 (Revised) on a prospective basis to all business combinations as from 1 January 2010.

IFRS 5 (Revised) "Non-current assets held for sale and discontinued operations" (and relating to the revision of IFRS 1 "First time adoption of IFRS") (in force as from 1 July 2009). This revision is part of the annual IASB improvement project published in 2008 and it clarifies that all assets and liabilities at a subsidiary must be classified as held for sale if control over the subsidiary is lost as a result of a plan for its partial sale. In the event that it meets the conditions to be considered a discontinued operation, the relevant breakdowns regarding the subsidiary must be included. As a result, IFRS 1 has also been adapted to take into account this revision, such that its application is prospective as from the date of transition to IFRS. The Group will adopt IFRS 5 (Revised) on a prospective basis with respect to all partial sales of subsidiaries that take place as from 1 January 2010.

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In addition, at the date these financial statements were prepared, the IASB had published the standards indicated below, which have yet to be adopted by the European Union:

The 2009 Improvement Project, published in April 2009 by the IASB, which amends IFRS 2, 5 and 8 and IAS 1, 7, 17, 18, 36, 38 and 39, as well as IFRIC 9 and 16. The amendments introduced by this improvement project are mandatory in years commencing as from **1 January 2010**, with the exception of the amendments to **IFRS 2** and **IAS 38**, which apply to years commencing as from **1 July 2009**.

IFRS 2 (Revised) "Share based payments settled in cash" (applicable to years commencing as from 1 January 2010).

IAS 24 (Revised) "Related party disclosures" (applicable to years commencing as from 1 January 2011).

IFRS 9, "Financial Instruments" (applicable to years commencing as from 1 January 2013).

IFRIC 19 "Extinguishing financial liabilities with equity instruments" (applicable to years commencing as from 1 July 2010).

(c) Standards adopted early

The Group has not adopted any standard early.

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 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 risk

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).

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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.

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 169 days at 31 December 2009 (170 at 31 December 2008), and commercial discounts, the Company habitually enters into factoring agreements with banks (see Note 4.2 (a)) 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.

Borrowings are structured such that the Group generates sufficient cash flows to satisfy repayment. However, on 30 July 2009 GAM Group has reached an agreement with some banks to refinance part of its liabilities and strengthen its current situation (see Note 18).

(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 US dollar and Mexican peso. 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.

Despite 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, the Group is defining a specific hedge policy for the risks arising in 2010.

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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.

Based on the various scenarios, the Group manages the cash flow interest rate risk through fixed to variable - interest rate swaps. The economic effect of these interest rate swaps is the conversion of variable interest borrowings to fixed interest borrowings. Under interest rate swaps, the Group undertakes with other parties to exchange on a regular basis (generally quarterly) the difference between fixed and variable interest, calculated on the basis of the principal notionals contracted.

At 31 December 2009 the notional amount of contracted derivatives totaled €42 million (€57 million in 2008) and falls due between 2010 and 2015 (between 2009 and 2013 in 2008), 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 €485 million at 31 December 2009 (€527 million in 2008).

The derivatives obtained to hedge borrowings 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 €267 thousand (Note 26) at 31 December 2009 (€1,654 thousand loss in 2008). This impact gave rise to the recognition of a liability under the heading "Derivative financial instruments" totaling €1,697 thousand in the accompanying balance sheet (€1,430 thousand under liabilities in 2008).

The market measurement of the derivatives by independent experts is based on the year-and 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

On 1 January 2009 the Group adopted IFRS 7 (revised) for financial instruments measured at fair value in the balance sheet, which requires the disclosure of fair value measurements by levels using the following hierarchy:

- Listed price (not adjusted) on active markets for identical assets and liabilities.
- Directly (prices) or indirectly (deriving from prices) (tier 2) observable information relating to the asset or liability other than the listed price included under Tier 1.
- Information regarding the asset or liability that is not based on observable market data (non-observable data) (Tier 3).

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For these purposes the Group only recognizes financial derivatives held for trading under liabilities in the consolidated balance sheet whose fair value at 31 December 2009 totals €1,697 thousand (Note 3.2) and are classified under Tier 2.

The fair value of financial instruments that are not traded in an active market is determined by using measurement techniques. The Group uses a variety of methods and develops assumptions that are 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. If the significant inputs that are required to calculate the fair value of an instrument are observable, the instrument is included in Tier 2.

If one or more of the significant inputs are not based on data observable in the market, the financial instrument is included in Tier 3.

It is assumed that the carrying value less the provision for impairment of accounts receivable and payable approximates 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 €2,289 thousand (€2,442 thousand in 2008), offset by a gain in the fair value of the derivatives totaling €298 thousand (€433 thousand in 2008).

If the movement consisted of a rate reduction, the financial cost of debt would fall by the aforementioned amount of €2,289 thousand (€2,442 thousand in 2008) and the market value of the derivatives would fall by €281 thousand (€355 thousand in 2008).

3.5. Equity management and debt 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.

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Due to its current need for financing, the Group has not distributed dividends since it was incorporated. The Group manages its capital needs by controlling debt levels measured as the net debt to equity ratio. 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 ("vendor loan"), guarantees and cash and cash equivalents. All assets and liabilities are considered to make up equity.

Debt ratios at 31 December 2009 and 31 December 2008 were as follows (thousand euro):

	<u>2009</u>	<u>2008</u>
Total borrowings	554,018	652,923
Bonds and other negotiable securities issued (Note 15)	55,927	112,593
Finance leases (non-current) (Note 17)	255,071	284,025
Other financial borrowings (non-current) (Note 18)	158,266	89,385
Finance leases (current) (Note 17)	51,799	116,873
Other financial borrowings (current) (Note 18)	32,955	50,047
Less: Cash and cash equivalents (Note 13)	(10,471)	(41,419)
Less: Vendor loan ⁽¹⁾ (Note 18)	(4,000)	(4,000)
Less: Payable to suppliers of assets ⁽²⁾	(16,906)	(23,441)
Less: Guarantee deposits	(136)	-
Plus: Other off-balance sheet liabilities (guarantees)	4,177	-
Net Financial Debt	526,682	584,063
Total equity	182,097	189,785
Ratio Net financial debt/Equity	2.89	3.08

⁽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.

GAM Group has compliance covenants relating to for loans that the Group has obtained from for 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 for loans totals €55,472 thousand (Note 31) (€67,800 in 2008). These covenants must be complied with over the entire life of the loans.

As a result of the refinancing transaction concluded on 24 and 30 July 2009 (Note 18), the Group maintains the same compliance covenants mentioned above with all of the financial institutions that have signed the refinancing agreements for the renewed debt totaling €243,963 thousand.

The ratios to be met at the consolidated group level are as follows:

Net financial debt / EBITDA: The ratio to be met at 31 December 2009 is less than or equal to 6.5x (3.5x at 31 December 2008).

Net Financial Debt / Equity: The ratio to be met at 31 December 2009 is less than or equal to 450% (250% at 31 December 2008).

At 31 December 2009 GAM meets these ratios.

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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 2009 and 2008 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 0.06 acres). 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).

(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. In 2009 there were not changes in useful lives and the residual values of the various types of property, plant and equipment.

(c) Recoverability 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. In their assessment, management take into account the forecast reversal of deferred tax liabilities, projected tax results and tax planning strategies. Deferred tax assets are recorded when their future recovery is probable. Management considers that the recoverability of the deferred tax assets recorded by the Group is probable. Nonetheless, estimates may change in the future as a result of changes in tax legislation or the impact of future transactions on tax balances.

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Although these estimates were made by management using the best information available at the year end, on the basis of their best estimates and market knowledge, possible future events may require that the group change them in subsequent 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.

(e) Classification of 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. Significant 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 €39,407 thousand of such receivables were eliminated from the balance sheet. This figure was €20,330 thousand in 2008. 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 €975 thousand at 31 December 2008 and €5227 in 2008. (Note 18).

5. Segment information

Management has established operating segments based on the reports reviewed by the Strategic Management Committee and used when taking strategic decisions.

The Board of Directors analyzes the business from a geographic point of view. The reported operating segments through which ordinary revenues are obtained mainly consist of rental of machinery and profits on the sale of used machinery.

The Board of Directors analyzes the performance of operating segments based on operating profits. Interest revenues and expenses are not attributed to segments since this type of activity is carried out by the central treasury department that manages the Group's cash position.

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The Group's main operating segments are as follows:

- a) Northwest: It fundamentally includes Asturias, Galicia and Castilla y Leon.
- b) Basque Country and Navarre.
- c) Center: Fundamentally Madrid and surrounding areas (Toledo, Cuenca, 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.
- g) Other segments: This mainly includes the offices located in Aragón, Romania, Bulgaria, Poland and Mexico.

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 segment reporting that is supplied to the Board of Directors for the year ended 31 December 2008 is as follows:

2008	Northwest	Basque Country	Center	South	East	Portugal	Other	Not assigned	Total
Ordinary revenues	75,441	40,985	21,147	42,610	133,444	17,884	40,063	-	371,574
Inter-segment sales	3,212	8,137	6,003	1,463	9,569	40	6,725	4,845	39,994
Total sales	78,653	49,122	27,150	44,073	143,013	17,924	46,788	4,845	411,568
Other revenues	1,168	971	764	462	1,357	82	1,574	269	6,647
Total revenues	79,821	50,093	27,914	44,535	144,370	18,006	48,362	5,114	418,215
Supplies	(12,798)	(4,213)	(2,206)	(4,868)	(13,410)	(2,507)	(5,843)	(341)	(46,186)
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 expenses	(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)
Segment results	13,502	9,144	691	3,550	28,210	1,505	(1,117)	(6,579)	48,906
Financial income									8,072
Financial expense									(40,359)
Profit before taxes									16,619
Income tax									(3,002)
Profit for year									13,617

The assets and liabilities for the segments in the year ended 31 December 2008 and additions to non-current assets (other than financial instruments and deferred tax assets) during the year are as follows:

2008	Northwest	Basque Country	Center	South	East	Portugal	Other	Not assigned	Total
Total assets by segment	145,608	72,727	71,535	106,269	343,856	42,165	107,183	40,871	930,214
Total liabilities by segment	87,170	42,424	41,469	62,840	183,396	25,313	90,744	207,072	740,428
Total additions of non-current assets	22,627	13,389	3,992	10,556	37,165	11,763	32,064	1,825	133,381

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Segment information for the year ended 31 December 2009 is as follows:

2009	Northwest	Basque Country	Center Zone	South Zone	East Zone	Portugal	Other	Not assigned	Total
Ordinary revenues	50,817	28,676	15,419	32,183	93,443	17,793	39,975	(490)	277,816
Inter-segment sales	8,900	6,012	12,922	4,582	15,346	282	13,750	12,745	74,539
Total sales	59,717	34,688	28,341	36,765	108,789	18,075	53,725	12,255	352,355
Other revenues	1,021	552	515	910	855	220	920	675	5,668
Total revenues	60,738	35,240	28,856	37,675	109,644	18,295	54,645	12,930	358,023
Supplies	(8,537)	(5,658)	(2,139)	(2,952)	(11,283)	(2,176)	(5,279)	(43)	(38,067)
Staff costs	(16,704)	(10,958)	(4,372)	(8,277)	(27,983)	(3,473)	(10,935)	(4,811)	(87,513)
Depreciation	(17,791)	(7,233)	(7,411)	(11,679)	(26,715)	(3,868)	(16,031)	(2,577)	(93,305)
Other expenses	(11,036)	(7,199)	(4,701)	(7,249)	(26,597)	(3,668)	(14,916)	(5,554)	(80,920)
Other inter-segment costs	(7,066)	(6,126)	(5,310)	(10,173)	(25,832)	(6,197)	(13,687)	(148)	(74,539)
Segment results	(396)	(1,934)	4,923	(2,655)	(8,766)	(1,087)	(6,203)	(203)	(16,321)
Financial income									29,579
Financial expense									(28,745)
Profit before taxes									(15,487)
Income tax									6,549
Profit for year									(8,938)

The assets and liabilities for the segments in the year ended 31 December 2008 and additions to non-current assets (other than financial instruments and deferred tax assets) during the year are as follows:

2009	Northwest	Basque Country	Center Zone	South Zone	East Zone	Portugal	Other	Not assigned	Total
Total assets by segment	115,079	63,585	50,729	74,960	209,398	35,603	120,557	139,905	809,816
Total liabilities by segment	67,180	35,956	30,511	45,942	148,825	18,176	99,820	181,309	627,719
Total additions of non-current assets	711	3,054	431	459	3,888	636	25,181	1,764	36,124

Segment sales take place on an arm's length basis. The ordinary revenue reported to the Board of Directors is measured in accordance with criteria that match those applied to the income statement.

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.

The amounts that are provided to the Board of Directors regarding total assets are measured in accordance with the same policies as used for the financial statements. These assets are assigned in accordance with the segment activity and the physical location of the asset.

The amounts that are provided to the Board of Directors regarding total liabilities are measured in accordance with the same policies as used for the financial statements. These liabilities are assigned based on the segment activity.

The breakdown of ordinary revenues for all services is indicated under Note 22.

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

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS AT 31 DECEMBER 2009 (Thousand euro)

6. Property, plant and equipment

Set out below is a breakdown of property, plant and equipment showing movements:

Cost	Land and buildings	Plant and machinery	Fixtures, fittings, tools and equipment	Other assets	Prepayments and assets in course of construction	TOTAL
Balances at 1 January 2008	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
Additions from business combinations	-	-	-	-	-	-
Increases	485	32,050	242	972	1,935	35,684
Decreases	(846)	(61,987)	(24)	(904)	(175)	(63,936)
Other movements	574	(17,966)	(111)	19,308	(1,805)	-
Balances at 31 December 2009	16,745	849,975	4,151	42,181	2,070	915,122

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<u>Accumulated depreciation</u>	Land and buildings	Plant and machinery	Fixtures, fittings, tools and equipment	Other assets	Prepayments and assets under construction	TOTAL
Balances at 1 January 2008	(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)
Increases	(529)	(87,479)	(467)	(4,280)	-	(92,755)
Decreases	94	50,344	11	751	-	51,200
Additions from business combinations	-	-	-	-	-	-
Other movements	(1,383)	8,255	(83)	(6,789)	-	-
Balances at 31 December 2009	(3,892)	(364,727)	(3,280)	(30,772)	-	(402,671)
2008 TOTAL	14,458	562,031	1,303	2,351	2,115	582,258
2009 TOTAL	12,853	485,248	871	11,409	2,070	512,451

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The company follows the policy of contracting the insurance policies they consider necessary to cover possible risks that could affect the tangible fixed assets.

At 31 December 2009 the Group records assets with a net value of €359,236 thousand (€430,243 thousand in 2008), 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 2009 was €4,186 thousand (€4,070 thousand in 2008)

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

	<u>2009</u>	<u>2008</u>
Capitalized finance lease cost	548,614	624,443
Accumulated amortization	<u>(189,378)</u>	<u>(194,200)</u>
Net book value	<u>359,236</u>	<u>430,243</u>

The cost of fully depreciated property, plant and equipment at 31 December 2009 totaled €70,939 thousand (€87,466 thousand in 2008).

The income statement includes operating lease expenses totaling €14,351 thousand at 31 December 2009 (€13,994 thousand in 2008) that relate mainly to the rental of buildings and vehicles for the development of the Group's activities (Note 24).

7. Goodwill and other intangible assets

<u>Cost</u>	<u>Goodwill</u>	<u>Other intangible assets</u>	<u>Total</u>
Balances at 1 January 2008	114,948	1,605	116,553
Increases	-	934	934
Additions from business combinations	<u>7,239</u>	<u>14</u>	<u>7,253</u>
Balances at 31 December 2008	<u>122,187</u>	<u>2,553</u>	<u>124,740</u>
Increases	<u>98</u>	<u>342</u>	<u>440</u>
Balances at 31 December 2009	<u>122,285</u>	<u>2,895</u>	<u>125,180</u>

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

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS AT 31 DECEMBER 2009
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<u>Accumulated depreciation</u>	<u>Goodwill</u>	<u>Other intangible assets</u>	<u>Total</u>
Balances at 1 January 2008	-	(859)	(859)
Increases	-	(462)	(462)
Additions from business combinations	-	(12)	(12)
Balances at 31 December 2008	-	(1,333)	(1,333)
Increases	-	(550)	(550)
Balances at 31 December 2009	-	(1,883)	(1,883)
Total 2008	122,187	1,220	123,407
Total 2009	122,285	1,012	123,297

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

The increase in goodwill in 2009 relates to the deferred payment of a former shareholder of a company acquired in 2007 for €98 thousand (The increases in goodwill in 2008 relate to the acquisition of the company Guimerá, S.A. for €18,000 thousand, generating goodwill totaling €7,239 thousand) (Note 30).

Goodwill impairment tests

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

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

		<u>CGUs in 2008</u>						
		<u>Basque Country</u>	<u>Northeast Zone</u>	<u>Center Zone</u>	<u>South Zone</u>	<u>East Zone</u>	<u>Portugal</u>	<u>Total</u>
Total Goodwill		1,722	2,369	11,589	11,284	92,056	3,167	122,187
		<u>CGUs in 2009</u>						
		<u>Basque Country</u>	<u>Northeast Zone</u>	<u>Center Zone</u>	<u>South Zone</u>	<u>East Zone</u>	<u>Portugal</u>	<u>Total</u>
Total Goodwill		1,722	2,467	11,589	11,284	92,056	3,167	122,285

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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>Rate 2009</u>	<u>Rate 2008</u>
Northeast Zone	6.10%	5.52%
Basque Country Zone	7.92%	6.92%
South Zone	7.53%	6.51%
Central Zone	7.28%	6.01%
East Zone	7.15%	6.16%
Portugal	9.08%	5.99%

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>Rate 2009</u>	<u>Rate 2008</u>
Northeast Zone	8.55%	7.25%
Basque Country Zone	9.50%	8.08%
South Zone	7.53%	7.20%
Central Zone	9.17%	7.54%
East Zone	9.10%	7.63%
Portugal	10.10%	7.53%

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8. Financial instruments by category

31.12.09	Loans and receivables	Assets at fair value through profit or loss	Total
Assets on the balance sheet			
Trade and other receivables (Note 10)	140,623	-	140,623
Other financial assets (Note 11)	2,414	-	2,414
Cash and cash equivalents (Note 13)	10,471	-	10,471
	153,508	-	153,508
Liabilities on the balance sheet			
	Other financial liabilities at amortized cost	Liabilities at fair value through changes in profit or loss:	Total
Loans and other financial debts (Note 18)	191,221	-	191,221
Issue of debentures (Note 15)	55,927	-	55,927
Finance leases (Note 17)	306,870	-	306,870
Derivative financial instruments (Note 9)	-	1,697	1,697
Trade and other payables (Note 16)	57,078	-	57,078
	611,096	1,697	612,793
31/12/2008			
Assets on the balance sheet			
Trade and other receivables (Note 10)	165,230	-	165,230
Other financial assets (Note 11)	2,464	-	2,464
Cash and cash equivalents (Note 13)	41,419	-	41,419
	209,113	-	209,113
Liabilities on the balance sheet			
	Other financial liabilities	Liabilities at fair value through changes in profit or loss	Total
Loans and other financial debts (Note 18)	139,432	-	139,432
Issue of debentures (Note 15)	112,593	-	112,593
Finance leases (Note 17)	400,898	-	400,898
Derivative financial instruments (Note 9)	-	1,430	1,430
Trade and other payables (Note 16)	65,660	-	65,660
	718,583	1,430	720,013

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9. Derivative financial instruments

	2009		2008	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps	-	1,697	-	1,430
Total	-	1,697	-	1,430
Less non-current portion				
Interest rate swaps	-	1,697	-	1,430
Current portion	-	-	-	-

The Group has obtained derivatives 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 derivatives as held for trading (Notes 2.9 and 3.2).

The total fair value of a derivative is classified as an a non-current asset or liability if the residual term of the hedged item exceeds 12 months and as a current asset or liability if the residual term of the hedged item is less than 12 months.

10. Trade and other receivables:

This caption breaks down as follows:

	2009	2008
Trade and trade bills receivable	159,708	178,913
Public Institutions	6,761	6,017
Other receivables	330	141
Provision for bad debts	(26,176)	(19,841)
	140,623	165,230

Movement in the provision for insolvencies in 2009 and 2008 is as follows:

	2009	2008
Balance at 1 January	(19,841)	(12,203)
Additions from business combinations	-	(327)
Allocations made during the year	(10,858)	(9,997)
Applications	3,229	1,516
Recovery of provision amounts	1,240	1,142
Other movements	54	28
	(26,176)	(19,841)

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 2009 in the amount of €10,982 thousand (€239 thousand in 2008) (Note 18).

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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 2009 in default and for which no impairment had been applied totaled approximately €31 million (€44 million at 31 December 2008). However, approximately 37% of those balances at 31 December 2009 (44% at 31 December 2008) 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 No 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 €31 million balance mentioned above (€44 million in 2008) to be strictly in default, with respect to all invoices outstanding up to a maximum of 60 days. This amount totaled €19 million at 31 December 2009 (€30 million in 2008).

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

At 31 December 2009 and 2008 the carrying amount of the balance sheet heading "Trade and other receivables" originally denominated in currencies other than the euro and converted in these consolidated annual accounts to euro is:

	<u>2009</u>	<u>2008</u>
Mexican peso	847	111
Brazilian real	24	-
Peruvian new sol	188	-
Polish zloty	1,164	191
Romanian Lei	1,158	906
Panamanian Balboa	74	-
US dollars	3,520	-
Bulgarian Lev	392	93
	<u>7,367</u>	<u>1,301</u>

11. Financial assets

<u>Cost</u>	<u>Other loans</u>	<u>Deposits and guarantees</u>	<u>Other</u>	<u>Total</u>
Balances at 1 January 2008	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	<u>554</u>	<u>1,753</u>	<u>157</u>	<u>2,464</u>
Increases	-	44	30	74
Decreases	(24)	(88)	(12)	(124)
Balances at 31 December 2009	<u>530</u>	<u>1,709</u>	<u>175</u>	<u>2,414</u>

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

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 2009 and 2008.

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

12. Inventories

Inventories breaks down as follows at 31 December 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Spare parts	6,443	6,797
Machinery to be sold	576	672
Pre-payments	454	478
	<u>7,473</u>	<u>7,947</u>

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.

13. 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 Euribor plus a spread of between 0% and 0.5% for 2009 (0% and 1% for 2008).

14. Equity

(a) Capital stock, share premium and treasury stock

	<u>No. shares (thousand)</u>	<u>Share premium</u>	<u>Treasury shares</u>	<u>Total</u>
At 31 January 2008	30,764	90,302	(11,433)	109,633
Acquisition/Disposal of treasury shares	-	-	676	676
Balance at 31.12.08	<u>30,764</u>	<u>90,302</u>	<u>(10,757)</u>	<u>110,309</u>
Acquisition/Disposal of treasury shares	-	-	3,331	3,331
Balance at 31 December 2009	<u>30,764</u>	<u>90,302</u>	<u>(7,426)</u>	<u>113,640</u>

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Capital stock at 31 December 2008 amounted to €30,764 thousand, and was represented by 30,674,121 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 12 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 2009 and 2008 are:

	Percentage interest	
	2009	2008
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.	11.22%	10.43%
Caja de Ahorros y Monte Piedad de Navarra	9.24%	5.00%
Catavi, S.L.	5.2%	5.00%
QMC Development Capital Fund PLC	4.55%	4.55%
Hector Fabian Gómez-Sainz	10.40%	9.75%
Metotec, S.L.	8.65%	8.65%

(b) Share premium

This reserve is freely 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.

(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 at the Groove indexed to the value of GAM shares, at the listed closing price on the dates of entry into the plan. At 31 December 2009 the options that had been granted have grant prices ranging between 5.64 and 23.57 per share (Note 2.19.c) and may be exercised between 2009 and 2012. At the year end, and in compliance with IFRS 2, the Group created a reserve totaling €1,522 thousand to cover the liability accrued at 31 December 2009 deriving from the maintenance of this plan (€1,196 thousand at 31 December 2008).

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The volume of stock options, as well as the exercise prices for the option plan in 2009 and 2008 are set out below.

	<u>Number of options</u>	<u>Average strike price</u>	<u>Grant date</u>	<u>Date year starts</u>
Balance at 01.01.08	352,608	9.54	-	-
Granted during the year	-	-		
Balance at 31.12.08	352,608		-	-
Granted during the year	13,903	10.79	2009	2012
Exits from the plan	(65,575)	8.25	2006	2009
Balance at 31 December 2009	300,936	-	-	-

Of the 300,936 options outstanding (352,608 options in 2008), 257,334 could be exercised at 31 December 2009 (zero options at 31 December 2008). No options were exercised in 2009.

(e) Retained earnings

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

	<u>Legal reserve</u>	<u>Other reserves</u>	<u>Gain for the year</u>	<u>Total</u>
Balance at 01.01.08	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 31.12.08	3,601	62,258	13,617	79,476
Application of 2008 profit	142	13,475	(13,617)	-
Other movements in equity	-	(2,081)	-	(2,081)
Loss for the year (2009)	-	-	(8,938)	(8,938)
Balance at 31 December 2009	3,743	73,652	(8,938)	68,457

This heading includes the legal reserve, which amounts to €3,601 thousand at 31 December 2008 (€2,944 thousand 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 is not available for distribution. Should it be used to offset losses in the event of no other reserves being available, it must be replenished out of future profits.

The heading Other Reserves consists of undistributed prior-year profit, reserves relating to the share-based payment plan (Note 14.d)), profits deriving from transactions involving treasury shares, as well as the equity conversion component of convertible bonds issued (Note 15). Accumulated profits are freely available except for approximately €3.2 million in 2009 (€3.2 million in 2008), which are associated with the respective reserve for Investments in the Canary Islands.

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The proposal for distributing the parent company's 2009 profit and other reserves that will be presented to shareholders at the General Meeting and the approved distribution for 2008 is as follows:

	<u>2009</u>	<u>2008</u>
Available for distribution		
Results for the year	1,507	1,416
Legal reserve	151	142
Prior year losses:	-	1,164
Voluntary reserves	1,356	110
	<u>1,507</u>	<u>1,416</u>

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

<u>Companies</u>	<u>2009</u>	<u>2008</u>
General de Alquiler de Maquinaria, S.A.	16,830	(6,984)
GAM PORTUGAL – Aluguer de Máquinas e Equipamentos, Lda	(2,196)	215
Aldaiturriaga, S.A.U.	(2,356)	6,369
GAM Canarias, S.L.U.	(840)	(295)
GAM Energía Alquiler de Maquinaria, S.L.U.	147	1,547
GAM Este, S.L.U.	(564)	(714)
GAM Levante Alquiler de Maquinaria, S.L.U.	913	119
GAM Centro Alquiler de Maquinaria, S.L.U.	2,435	(1,063)
GAM Noreste, S.L.U.	132	(320)
GAM Islas Baleares, S.L.U.	(2,869)	(1,134)
General de alquiler de maquinaria Industrial, S.L.U.	260	320
GAM Estructuras alquiler de maquinaria, S.L.U.	(2,260)	(2,158)
GAM Verde, S.L.U.	(750)	(358)
GAM Vias, S.L.U.	154	231
GAM Eventos, S.L.U.	(1,179)	90
GAM Puertos, S.L.U.	20	58
GAM Noroeste, S.L.U.	(2,872)	6,117
GAM Norte, S.L.U.	112	38
GAM Renove, S.L.U.	843	(1)
GAM Sureste, S.L.	(869)	(1,538)
GAM Suroeste, S.L.U.	(2,614)	1,591
Servicios Generales de Alquiler de Maquinaria, S.L.U.	(828)	(1,372)
Grupo Internacional de Inversiones en Maquinaria de Alquiler GAM, S.A.U.	685	(302)
Gam Maquinaria Pesada S.L.U.	(385)	173
Vilatel, S.L.U.	(9,699)	12,215
Comercial Marsal, S.A.U.	883	890
GAM Alquiler Rumanía, S.R.L.	159	608
Viasolo España, S.L.	(6)	(108)
New Metal Space, S.A.	-	(63)
GAM Alquiler Bulgaria, E.A.D.	178	(206)
GAM Polska, SP Zoo	(1,099)	(48)
GAM Alquiler México S.A.de C.V.	(95)	(300)
General Alquiler de Maquinaria prestación de servicios, S.A. de C.V.	(601)	-
GAM Brasil – Locacao de maquinaria LTDA.	(239)	-
GAM Alquiler Perú SAC	(247)	-
GAM Panamá, SA	(121)	-
Total	<u>(8,938)</u>	<u>13,617</u>

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15. 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 2009 and 2008 have been calculated as follows:

	Convertible bonds
<u>Liability component at 1 January 2008</u>	<u>121,852</u>
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)
<u>Liability component at 31 December 2008</u>	<u>112,593</u>
Expense accrued at 31 December 2009 ⁽¹⁾	6,250
Payments made at 31 December 2009	(2,368)
Early redemption of convertible bonds at 31 December 2009	(60,548)
<u>Liability component at 31 December 2009</u>	<u>55,927</u>

(1) Accrued expenses include the financial expense relating to the interest on convertible bonds totaling €4,572 thousand and €7,003 thousand for the years ended 31 December 2009 and 2008, respectively (Note 26).

During September 2008 the Group redeemed 270 €50,000 bonds early. The compensation paid for this transaction totaled €10,141 thousand and a profit under financial income in the income statement for 2008 total of €3,613 thousand and they charge totaling €165 thousand was recorded under the heading "Accumulated profits" in the consolidated balance sheet for 2008.

During September 2009 the Group redeemed 1,203 €50,000 bonds early. The consideration paid for this transaction totaled €32,093 thousand, financial income was recognized in the income statement for 2009 in the amount of €28,797 thousand and the charge totaling €342 thousand was recorded under the heading "Accumulated profits" in the consolidated balance sheet at 31 December 2009.

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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16. Trade and other payables

This caption is analyzed below at 31 December 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Trade payables	32,064	31,736
Other payables	25,014	33,924
	<u>57,078</u>	<u>65,660</u>

Under the caption "Other payables" the Group records payables to PPE suppliers that will be refinanced through finance leases totaling €22,496 thousand in 2009 (€52,905 thousand in 2008).

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

17. Finance leases

This caption breaks down as follows:

	<u>2009</u>	<u>2008</u>
Finance lease liabilities (non-current)	255,071	284,025
Finance lease liabilities (current)	51,799	116,873
Total finance lease liabilities	<u>306,870</u>	<u>400,898</u>

At 31 December 2009 and 2008 the payment of finance lease liabilities is projected to take place in accordance with the following schedule:

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014 and subsequent years</u>	<u>Total</u>
Net present value	51,799	96,800	73,846	32,953	51,472	<u>306,870</u>
Financial charges	9,166	6,399	3,164	1,066	509	<u>20,304</u>

<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	<u>400,898</u>
Financial charges	19,115	12,703	7,089	2,519	719	<u>42,145</u>

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

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

Non-current financial lease liabilities includes leases totaling €52,639 thousand that fall due in 2010 and are hedged by a line of financing in the same amount associated to those liabilities that falls due between 2011 and 2015 (Note 18).

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18. Other borrowings

This caption is analyzed below:

Non-current	2009	2008
Borrowings from credit institutions	124,454	75,291
Other borrowings from credit institutions	27,996	8,897
Obligations and other borrowings	2,000	2,000
Other non-current liabilities	3,816	3,197
	158,266	89,385
Current	2009	2008
Borrowings from credit institutions	13,484	23,545
Other borrowings from credit institutions	14,861	17,921
Obligations and other borrowings	2,000	2,000
Other current liabilities	2,610	6,581
	32,955	50,047
	191,221	139,432

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 approximately the amount of €75,800 thousand and the present value of the outstanding debt at 31 December 2009 is €62,320 (€62,905 thousand in 2008). These loans are associated with compliance with the covenants described under No 3.5 and are secured through a pledge of 25% of the shares in the company Vilatel, S.L.

Non-current liabilities records €10,982 thousand for discounting facilities maturing in 2012, for which the Group will maintain the drawn down balance at 31 December 2009 throughout 2010, and therefore considered to be long-term items.

Refinancing process

On 24 July and 30 July 2009, the Company obtained refinancing agreements from 13 financial institutions through which the amount of €124,635 thousand was deferred, with respect to the maturity of operating and finance leases and loans. Subsequent to the signing of these agreement, and up to 31 December 2009, three financial institutions joined the agreements and as a result an additional €10,668 thousand has been deferred. GAM has therefore deferred a total of €135,303 thousand relating to the maturity of operating and finance leases and loans.

As a result of the debt refinancing process, GAM Group companies and the financial institutions that joined the restructuring process include the following financing and maturity date deferrals:

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The following financing was involved in this restructuring: (i) mortgage loans and loans used by GAM Group to acquire companies, of which €25,596 thousand has been deferred; (ii) operating and finance lease contracts (including loan agreements concerning the activities carried out in the Canary Islands) used by GAM Group to acquire machinery, of which €109,707 is deferred; and (iii) the working capital finance agreements for GAM Group, which consist of the loan, revolving credit, factoring, discounting and confirming facilities that have been renewed until June 2012, as follows: credit facilities in the amount of €25,300 thousand, discounting facilities in the amount of €22,100 thousand, factoring facilities in the amount of €62,900 thousand and confirming facilities totaling €3,000 thousand.

As a result of the restructuring of these debt groups, 100% of the principal due between June and December 2009 was deferred together with 65% of the principal due in 2010, with respect to finance and operating leases, acquisition loans and mortgage loans and no capitalization or interest arose on the deferrals.

The refinancing of working capital, the term of these credit policies have been amended to maintain the current available limits up until 30 June 2012, in accordance with the revolving nature of these facilities. The deferred amounts total €68,101 thousand in 2009 and €67,202 thousand in 2010, with the total deferred debt principal totaling €135,303 thousand. This deferral was structured through the concluding of new loan agreements totaling €102,989 thousand and the renewal of terms and amounts of existing agreements totaling €83,146 thousand. The amount deferred under the latter items equals €32,314 thousand. Therefore the total amount deferred was €135,303 thousand. The new loans totaling €102,989 will be used to refinance the finance leases, given the difficulty that would arise if all of the finance leases had to be restructured due to their high number.

After the restructuring, €299,435 thousand at 31 December 2009 is subject to covenants.

A progressively increasing repayment schedule is established for 2011-2015.

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>Total</u>
% debt repayable	5%	5%	20%	30%	40%	100%
Deferred debt repayable (thousand euro)	<u>6,765</u>	<u>6,765</u>	<u>27,061</u>	<u>40,591</u>	<u>54,121</u>	<u>135,303</u>

In addition, the Company has agreed with the refinancing institutions that the existing credit facilities totaling €25,300 thousand will renew in 3 years, instead of annually as was the case before the agreement was signed and therefore they fall due in June 2012.

As regards the financial conditions of this restructuring, the financial cost of the deferred debt was set at euribor plus 250 basis points (the cost before the new agreement ranged between euribor and 50 basis points and 250 basis points) with a floor of 3.5%, while the credit facilities have a cost of euribor plus 200 basis points (previously euribor and ranging between 50 basis points and 100 basis points).

In addition to compliance with the covenants (Note 3.5), this debt restructuring gives rise to certain restrictions, under which the Company will:

- Not alter its legal structure or amend its by-laws, except with respect to minor changes such as those arising due to legal requirements, increase share capital charging reserves, increases in monetary contributions that do not involve changes in control or share capital reductions required by law.

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- Not grant loans, credit, guarantees or advance payments (outside the normal course of its business and intercompany financing granted to GAM group companies) of any kind or by any means.
- Not fully or partially repurchase the convertible bond, unless this takes place by charging a capital increase subscribed by Company shareholders. As is described in Note 15, the Company has repurchased long-term bonds in 2009 through the payment of €32,093 thousand. In accordance with the refinancing agreements concluded, the Company must increase share capital by €27,800 thousand, which is the amount paid as from the start of the refinancing negotiations.

The rest of the non-deferred debt has not been changed in terms of terms or financial conditions as a result of the refinancing.

There are bank loans secured by land and buildings whose outstanding principal at 31 December 2009 was €1,807 thousand (€2,131 thousand in 2008) (Note6).

The caption "Other borrowings from credit institutions" on the liability side of the balance sheet mainly records the payables totaling €11,311 thousand at 31 December 2007 (€11,076 thousand in 2008) (Note 4.2), structured into "factoring without recourse" instruments in accordance with the agreements concluded with several financial institutions. It also records the €31,791 thousand drawn down at 31 December 2009 (€25,604 thousand 2008) from credit facilities in accordance with the agreements concluded with several financial institutions.

The available limit of credit facilities in force at the yearend amounted to €43,050 thousand (€31,800 thousand in 2008).

The effective interest rate of reference for borrowings from credit institutions is the Euribor rate plus a variable spread ranging between 1.5% and 2.5% (between 0.5% and 1.25% in 2008) for commercial discounting facilities and lines of credit in a margin of up to 2.5% (1.5% in 2008) for bank loans.

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

<u>Current / Non-current</u>	<u>2009</u>	<u>2008</u>
Receivables for discounted bills	10,982	239
Amounts owed to credit institutions under factoring arrangements (Note 4.2)	84	975
Draw downs from credit facilities	31,791	25,604
	<u>42,857</u>	<u>26,818</u>

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

<u>Current / Non-current</u>	<u>2009</u>	<u>2008</u>
Deferred payments for acquisitions of companies (Note 24)	4,000	4,000
Fixed asset suppliers	6,290	9,296
Other non-current liabilities	136	482
	<u>10,426</u>	<u>13,778</u>

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The repayment in 2009 and 2008 of bank borrowings and obligations and other borrowings is expected to take place in accordance with the following schedules:

2009	2010	2011	2012	2013	2014 and subsequent years	Total
Borrowings from credit institutions	13,484	25,859	22,214	24,389	51,992	137,938
Credit facilities	14,861	-	16,930	-	-	31,791
PPE suppliers	2,474	2,009	1,440	341	26	6,290
Other payables	136	-	-	-	-	136
Deferred payments – acquisition of companies	2,000	2,000	-	-	-	4,000
Receivables for discounted bills	-	-	10,982	-	-	10,982
Amounts owed to credit institutions under factoring arrangements	-	-	84	-	-	84
Total	32,955	29,868	51,650	24,730	52,018	191,221

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
Fixed asset suppliers	6,581	1,084	621	647	363	9,296
Other payables	-	482	-	-	-	482
Deferred payments – acquisition of companies	2,000	2,000	-	-	-	4,000
Receivables for 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

In accordance with the provisions of IFRS 7 the estimated financial charge by maturity for the €191,221 thousand and the €139,432 thousand relating to 2009 and 2008, respectively, is set out below.

2008	2009	2010	2011	2012	2013 and subsequent years	Total
Total financial charge	5,053	3,747	2,532	1,385	623	13,340

2009	2010	2011	2012	2013	2014 and subsequent years	Total
Total financial charge	3,478	2,894	2,159	1,569	1,614	11,714

19. Deferred income tax

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

2008

ASSETS	2007	Additions	Applications	2008
New PPE	13,916	496	(2,734)	11,678
Tax loss carryforwards	321	3,322	(17)	3,626
Other	506	354	-	860
	14,743	4,172	(2,751)	16,164

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<u>LIABILITIES</u>	<u>2007</u>	<u>Additions</u>	<u>Applications</u>	<u>2008</u>
Finance lease	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)	-
	<u>18,570</u>	<u>8,051</u>	<u>(4,763)</u>	<u>21,858</u>

2009

<u>ASSETS</u>	<u>2008</u>	<u>Additions</u>	<u>Applications</u>	<u>2009</u>
New PPE	11,678	-	(735)	10,943
Tax loss carryforwards	3,626	11,649	-	15,275
Other	860	1,636	-	2,496
	<u>16,164</u>	<u>13,285</u>	<u>(735)</u>	<u>28,714</u>

<u>LIABILITIES</u>	<u>2008</u>	<u>Additions</u>	<u>Applications</u>	<u>2009</u>
Finance lease	19,184	8,153	(12)	27,325
Fair value for business combinations	862	-	(421)	441
Capitalization of expenses associated with acquisitions	523	-	-	523
Stock option plans	590	-	-	590
Convertible bonds	699	-	-	699
	<u>21,858</u>	<u>8,153</u>	<u>(433)</u>	<u>29,578</u>

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 €20,881 thousand in 2009 and €9,477 thousand in 2008, as follows:

	<u>2009</u>	<u>2008</u>
Deferred tax assets	<u>28,714</u>	<u>16,164</u>
Netted deferred tax liabilities	<u>(20,881)</u>	<u>(9,477)</u>
	<u>7,833</u>	<u>6,687</u>
	<u>2009</u>	<u>2008</u>
Deferred tax liabilities	<u>29,578</u>	<u>21,858</u>
Netted deferred tax liabilities	<u>(20,881)</u>	<u>(9,477)</u>
	<u>8,697</u>	<u>12,381</u>

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The classification of deferred tax assets and liabilities as short and long-term in 2009 and 2008 is set out below:

<u>ASSETS (2009)</u>	<u>2010</u>	<u>2011 and subsequent years</u>	<u>Total</u>
New PPE	1,510	9,433	10,943
Tax loss carryforwards	-	15,275	15,275
Other	-	2,496	2,496
	<u>1,510</u>	<u>27,204</u>	<u>28,714</u>
<u>LIABILITIES (2009)</u>	<u>2010</u>	<u>2011 and subsequent years</u>	<u>Total</u>
Finance lease	3,251	24,074	27,325
Fair value for business combinations	351	90	441
Other	-	1,812	1,812
	<u>3,602</u>	<u>25,976</u>	<u>29,578</u>
<u>ASSETS (2008)</u>	<u>2009</u>	<u>2010 and subsequent years</u>	<u>Total</u>
New PPE	1,408	10,270	11,678
Tax loss carryforwards	3,626	-	3,626
Other	860	-	860
	<u>5,894</u>	<u>10,270</u>	<u>16,164</u>
<u>LIABILITIES (2008)</u>	<u>2009</u>	<u>2010 and subsequent years</u>	<u>Total</u>
Finance lease	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
	<u>3,217</u>	<u>18,641</u>	<u>21,858</u>

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, 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.A, 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. and Comercial Marsal, S.A.U.

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Two of the subsidiaries are taxed under the regional system in Bizkaia. The legislation applicable to the settlement of corporate income tax for 2009 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 Directors of the parent company have made the calculations of the amounts associated with this tax in 2009.

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. Notwithstanding the above, it should be noted that the Group companies that are taxed by the State under the tax consolidation system are undergoing a tax inspection by the Spanish tax authorities.

This inspection action covers corporate income tax, personal income tax withholdings and value added tax for the companies forming part of the consolidated group in 2005 and 2006.

This action started in January 2009 and at the yearend had practically ended, except with respect to corporate income tax. To date no significant impact has arisen, and none is expected to arise, with respect to the Group's annual accounts taken as a whole.

20. Subsidies

The composition of this caption is as follows:

	<u>2009</u>	<u>2008</u>
Subsidies for new property, plant and equipment	5,214	6,245
Other subsidies	41	72
	<u>5,255</u>	<u>6,317</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 2009 totals €5,214 thousand (€6,245 thousand in 2008).

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 €86 thousand as an expense in 2009 (€138 thousand in 2008) (Note 2.16).

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21. Provisions

Movements during 2009 and 2008 are as follows:

	Thousand euro
Balance at 31.12.07	129
Applications	6
Reversals	-
	<hr/>
Balance at 31.12.08	135
Applications	-
Reversals	-
	<hr/>
Balance at 31 December 2009	135

At 31 December 2009 the Group recorded provisions totaling €135 thousand (€135 thousand in 2008) to cover potential contingencies relating to public bodies.

22. Ordinary revenues

The breakdown of this heading at the end of 2009 and 2008 is as follows:

	2009	2008
Machinery rental	221,657	284,088
Revenues for transport and other complementary services	49,835	79,064
Net profit on sale of used machinery	5,417	6,348
Sale of new machinery	907	2,074
	<hr/>	<hr/>
Total ordinary revenues	277,816	371,574

During 2009 the Group's sales for the rental of machinery and revenues from transportation and other services declined by 25%, mainly due to:

- The negative development of the construction sector in Spain, which negatively affected the market for rental machinery.
- A decline in the average machinery rental prices as a result of excess supply.

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23. Supplies

The breakdown of this heading at the end of 2009 and 2008 is as follows:

	<u>2009</u>	<u>2008</u>
Fuel	9,611	13,858
Spare parts	11,898	18,206
Other consumables	6,189	5,698
Machinery re-rentals	10,369	8,424
	<u>38,067</u>	<u>46,186</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.

24. Other expenses

The breakdown of this heading at the end of 2009 and 2008 is as follows:

	<u>2009</u>	<u>2008</u>
Rent and royalties	14,351	13,994
Transportation expenses	17,780	23,443
Repairs and maintenance	8,526	9,487
Other external services	38,776	39,853
Taxes	1,487	1,682
	<u>80,920</u>	<u>88,459</u>

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.

25. Personnel costs

The breakdown of this heading at the end of 2009 and 2008 is as follows:

	<u>2009</u>	<u>2008</u>
Wages, salaries and other personnel costs	69,592	75,287
Stock option plan (Note 14.d)	326	550
Staff welfare expenses	17,595	21,230
	<u>87,513</u>	<u>97,067</u>

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

	2009		2008	
	Men	Women	Men	Women
Board of Directors	12	2	12	1
Management	29	9	24	4
Administration	132	199	169	316
Traffic / transport	201	53	611	45
Workshop	1,255	39	1,131	27
Goods purchased for resale	361	105	323	91
	1,990	407	2,270	484

The average payroll in 2009 consisted of 83% men and 17% women (82% and 18%, respectively, in 2008).

26. Financial income and expense

The breakdown of this heading at the end of 2009 and 2008 is as follows:

	2009	2008
Financial expense:		
Issue of debentures and debt (Note 15)	(4,572)	(7,003)
- Finance leases, discounting facilities and loans	(22,885)	(31,072)
- Discounting of deferred payments	-	(14)
Derivatives (Note 3.2).	(267)	(1,654)
- Other financial expenses	(1,021)	(616)
	(28,745)	(40,359)
Financial income:		
- Interest income	782	1,696
- Revenues deriving from the early redemption of convertible bonds (Note 15)	28,797	3,613
- Derivatives	-	2,763
	29,579	8,072
Net finance cost	834	(32,287)

27. Income tax

	2009	2008
Current income tax	(1,719)	1,135
Deferred taxes	(4,830)	1,867
	(6,549)	3,002

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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:

	<u>2009</u>	<u>2008</u>
Profit before taxes	(15,487)	16,619
Adjustment to book profit	271	-
Excluded items	-	(206)
Tax credits (PPE deductions, Reserves for investments in the Canary Islands)	(1,969)	(701)
Offsetting of tax losses	-	(17)
Adjusted book profit before taxes	(17,185)	15,695
Initial corporate income tax payable	(5,971)	3,947
Deductions from tax payable		
- Reinvestment deduction	(578)	(945)
Accrued corporate income tax	(6,549)	3,002
Effective rate	42%	18%

28. Earnings/(losses) 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 14).

	<u>2009</u>	<u>2008</u>
Profit/(loss) attributable to the parent company's shareholders	(8,938)	13,617
Weighted average number of outstanding ordinary shares (thousand)	29,945	30,140
Basic gains/(losses) per share (€ per share)	(0.30)	0.45

b) Diluted

To calculate the diluted earnings/(losses) per share the potential effects of dilution that would take place in the event that all bonds issued in 2007 yet to mature in 2009 were swapped for the shares into which they may be converted has been taken into account, similarly the profit/(loss) 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 15).

	<u>2009</u>	<u>2008</u>
Profit/(loss) attributable to the parent company's shareholders	(8,938)	13,617
Net expense/(revenues) from convertible debt (net of taxes)	(15,783)	574
Profit used to calculate the diluted earnings-per-share	(24,721)	14,191
Weighted average number of outstanding ordinary shares (thousand)	32,087	33,412
Basic gains/(losses) per share (€ per share)	(0.77)	0.42

29. Contingencies

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

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In the normal course of its business the Group has provided guarantees to third parties totaling €9234 thousand (€7665 thousand in 2008), of which €4000 thousand (€5911 thousand in 2008) 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.

30. Business combinations

Business combinations taking place in 2008

GUIMERA, S.A.

On 13 February 2008 the GAM Group company Energía Alquiler de Maquinaria, S.L. wholly acquired the company Guimera, S.A. 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 €1084 thousand and €102 thousand in addition to the already consolidated figures, respectively. Given that this company was taken over in 2008 by GAM Energía 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 (Note 14).

The net assets acquired and goodwill break down as follows:

<u>Acquisition price</u>	<u>Thousand euro</u>
Cash paid	14,000
Deferred payment (Note 18)	4,000
Purchase costs incurred	231
Total purchase price	18,231
Fair value of the net assets acquired	10,992
Goodwill	7,239

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, de 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:

	<u>Fair value</u>
Other intangible assets	2
Non-current assets	
Property, plant and equipment	8,739
Non-current financial assets	115
NON_CURRENT ASSETS	<u>8,856</u>
Inventories	274
Trade receivables	4,812
Other current assets	83
Cash and other cash equivalents	31
CURRENT ASSETS	<u>5,200</u>
TOTAL ASSETS	<u>14,056</u>
Other non-current liab.	829
NON-CURRENT LIABILITIES	<u>829</u>
Short-term financial payables	268
Trade and other payables:	1,967
CURRENT LIABILITIES	<u>2,235</u>
TOTAL LIABILITIES	<u>3,064</u>
NET ASSETS ACQUIRED	<u>10,992</u>
ASSOCIATED TRANSACTION COSTS	<u>231</u>
	Thousand euro
<u>Cash paid for the acquisition</u>	<u>14,000</u>
Petty cash paid	14,000
Cash held by the acquired company	31
Net cash paid	13,969

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31. Related party transactions

The accounts that Grupo General Alquiler de Maquinaria, S.A. maintains with significant shareholders at the end of 2009 and 2008 break down as follows:

	2009			
	Bilbao Bizkaia Kutxa	Caja de Ahorros de Asturias	Caixanova	Grupo Corporativo empresarial de la Caja de ahorros y Monte de Piedad de Navarra, S.A.
Refinancing loan	(2,299)	(3,605)	-	(1,104)
Acquisition loans	(13,868)	(13,868)	(13,868)	(13,868)
Credit facilities	(942)	(323)	(963)	(526)
Finance leases	(14,104)	(13,405)		(6,465)
Other borrowings	-	(1,266)	-	-
Receivables for discounted bills	-	(2,390)	-	(1,552)
Total debt	(31,213)	(34,857)	(14,831)	(23,515)
Accrued financial charges	1,476	1,577	818	1,056
	2008			
	Bilbao Bizkaia Kutxa	Caja de Ahorros de Asturias	Caixanova	Grupo Corporativo empresarial de la Caja de ahorros y Monte de Piedad de Navarra, S.A.
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)	-	-
Receivables for discounted bills	-	(187)	-	-
Total debt	(32,000)	(37,634)	(14,846)	(23,450)
Accrued financial charges	1,156	1,806	994	1,117

In addition to the above transactions, in 2009 there are operating lease agreements with companies associated with significant shareholders, the sum of which totals €4,754 thousand (€5,022 thousand in 2008) and relate entirely to part of the premises at which the Group carries out its activities.

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Below we present the conditions relating to the loans associated with the acquisition of the company Vilatel, S.L. These loans formed part of the debt being refinanced as described under Note 18 of these Notes to the Annual Accounts, as a result of that refinancing process both the maturity dates for the loans as well as the interest associated with them have been modified to the current level of 6-month euribor plus 250 basis points instead of 100 basis points that had been established at the time the refinancing process started.

Average term:	6 years (half-yearly installments, the first due on 7 June 2010)
Interest rate:	Euribor plus 250 basis points
Update of interest rates:	Half-yearly
Renewals:	Not established
Covenants:	See Note 3.5.

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:	Final installment of the contract
Update of interest rates:	Quarterly, half yearly, and annual
Renewals:	Not established

The finance lease agreements concluded with associated companies have formed part of the debt being refinanced, as described under Note 18 of these Notes to the Annual Accounts.

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

Furthermore, the Group has been provided professional advisory services from associated parties totaling €26 thousand in 2009 (€214 thousand in 2008).

No transactions were carried out in 2009 and 2008 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.

32. 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.

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The compensation accrued by the members of GAM's Board of Directors in 2009 totaled €1,299 thousand (€1,361 thousand in 2008). This amount breaks down as follows:

	Thousand euro	
	2009	2008
Salaries	660	545
Per diems	333	369
Other compensation	80	156
Stock options	226	291
	1,299	1,361

During 2009 the compensation that accrued to the Parent Company's Senior Management, considered to be Area Managers, totaled €734 thousand (€588 thousand in 2008) 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 14.d) The amount paid in 2009 to senior management in this respect in 2009 totaled €81 thousand (€97 thousand in 2008).

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.

33. Commitments

a) Asset acquisition commitments

Committed investments in machinery assets at 31 December 2009, but not recognized in the consolidated annual accounts total €3,474 thousand (€6,497 thousand at 31 December 2008).

(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).

34. Events after the balance sheet date

On 11 February 2010 the Parent Company's Board of Directors approved a share capital increase through a monetary contribution totaling €39,644,031.80 and a subscription price of €2.65 per share.

As a result, share capital will increase by €14,960,012 through the issue and circulation of 14,960,012 ordinary shares with a par value of €1 each, all of the same class and series that GAM currently has outstanding, and a share premium of €1.65 per share, which represents a total of €24,684,031.80.

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In accordance with the provisions of Article 158 of the Spanish Companies Act, the share capital increase will take place through the recognition of the preferential subscription right held by all Company shareholders.

The Company has the commitment of significant shareholders to participate in the share capital increase through the exercising of all or part of the preferential subscription rights they hold, which means the subscription will total approximately €24,895,772, i.e. 62.79% of the total share capital increase.

The share subscription price has been calculated using the average closing price of GAM shares over the fifteen (15) business days immediately preceding the date on which the resolution to execute the share capital increase was adopted by the Board of Directors on 11 February 2010, and applying a 40% discount.

The planned share capital increase has the purpose of:

- strengthening the Company's financial structure and balance sheet, facilitating access to new lines of financing to be used to acquire new machinery to develop existing markets and those into which it plans to expand in order to continue taking advantage of growth opportunities tied to the diversification of non-construction specialized sectors and international expansion.
- complying with the Company's obligation to reimburse the cash outflow used to repurchase convertible bonds for a price of approximately €27,800,000, in accordance with the commitment assumed by GAM in 2009 in the refinancing agreements, and
- obtaining the resources necessary to finance growth and expansion projected by GAM Group, mainly internationally, thereby reducing the Company's current leveraging levels.

Subsequently, on 18 February 2010, the Company publicly registered the appropriate documentation and a memorandum regarding the action to be taken with respect to the share capital increase with the National Stock Market Commission..

35. Other information

(a) Information regarding the environment

In 2009 and 2008, 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.

The Group received no environmental grants in 2009 and 2008.

(b) Auditors' fees

Fees for audit services relating to the individual and consolidated financial statements accrued to the GAM Group's auditor PricewaterhouseCoopers in 2009 totaled €300 thousand (€348 thousand in 2008).

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Fees for other professional services accrued in 2009 by other companies using the PricewaterhouseCoopers trademark totaled €1,358 thousand (€161 thousand in 2008).

c) Shareholdings and positions held by members of the Board of Directors in other similar companies

Article 127 ter, paragraph 4 of the Spanish Companies Act (LSA), as worded in Law 26/2003 (18 July), whereby the Stock Market Act and the Spanish Companies Act were amended to increase transparency in listed companies, obliges Board directors to inform the company of any shareholdings in companies engaged in activities that are the same as or similar or complementary to the company's corporate purpose, any offices or duties performed in such companies, and any activities that are the same as or similar or complementary to the company's objects, carried out for their own account or for the account of third parties.

In accordance with this Article, a list of the companies that have the same, similar or supplementary corporate purpose as the Company and in which the members of the Board of Directors hold an equity stake or in which they hold a post, or is responsible for duties, is set out below:

<u>Director</u>	<u>Company</u>	<u>Position</u>	<u>Interest</u>
Grupo Corporativo Empresarial de la Caja de Ahorros y Monte de Piedad de Navarra. Represented by Mr.Eduardo López Milagro.	Anira Inversiones, S.L.	Director	20%
Grupo Corporativo Empresarial de la Caja de Ahorros y Monte de Piedad de Navarra. Represented by Mr.Eduardo López Milagro.	CCAN 2005 Inversiones Societarias, S.C.R., S.A.	-	100%
Grupo Corporativo Empresarial de la Caja de Ahorros y Monte de Piedad de Navarra. Represented by Mr.Eduardo López Milagro.	CCAN 2007 Inversiones Internacionales ETVE, S.L.U.	-	100%
Grupo Corporativo Empresarial de la Caja de Ahorros y Monte de Piedad de Navarra. Represented by Mr.Eduardo López Milagro.	Eurecan Alto Rendimiento, S.L.U	-	100%
Grupo Corporativo Empresarial de la Caja de Ahorros y Monte de Piedad de Navarra. Represented by Mr.Eduardo López Milagro.	Inversiones Alaris, S.L.	-	33.33%
Grupo Corporativo Empresarial de la Caja de Ahorros y Monte de Piedad de Navarra. Represented by Mr.Eduardo López Milagro.	Investigaciones 2001 Corpcan, S.L.U.	-	100%

Furthermore, and in accordance with the aforementioned text, the Directors have not carried out any activity, either on their own behalf or on the behalf of third parties, that is similar or supplementary to the corporate purpose registered by the Company, except for Grupo Corporativo Empresarial de la Caja de Ahorros y Monte de Piedad de Navarra, represented by Mr. Eduardo López Milagro, as is disclosed in the preceding table.

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APPENDIX I

Name	Address	Interest (%)	Company holding the interest	Consolidation method	Activity	Auditor
GAM Portugal – Aluguer de Máquinas e Equipamentos, Lda	Lisbon (Portugal)	100.00%	General de Alquiler de Maquinaria, S.A.	Full consolidation method	Machinery rental	PWC
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.	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)
Gam Maquinaria Pesada S.L.U	Oviedo (Asturias)	100.00%	General de Alquiler de Maquinaria, S.A.	Full consolidation method	Machinery rental	(1)

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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 Romanía, 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 – Alquiler de Máquinas e Equipamentos, Lda	Full consolidation method	Machinery rental	(1)
GAM Polska, S.P.Z.O.O. General Alquiler de Maquinaria prestación de servicios, S.A. de C.V.	Katowice (Poland)	100.00%	Grupo Internacional de Inversiones Alquiler de Maquinaria, S.A.U.	Full consolidation method	Machinery rental	(1)
GAM Alquiler México, S.A. de C.V.	Mexico DF (Mexico)	100.00%	GAM Noroeste, S.L.U. Grupo Internacional de Inversiones Alquiler de Maquinaria, S.A.U.	Full consolidation method	Machinery rental	(1)
GAM Brasil – Locacao de maquinaria LTDA.	Mexico DF (Mexico)	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 (Brazil)	100.00%	Grupo Internacional de Inversiones Alquiler de Maquinaria, S.A.U.	Full consolidation method	Machinery rental	(1)
Movilidad sostenible MOV-E, S.L. (formerly Kernville, S.L.) (*)	Llanera (Asturias)	50.00%	General de Alquiler de Maquinaria, S.A.	Proportional consolidation method	Development of sustainable energy activities	(1)
GAM Alquiler Perú SAC	Lima (Perú)	100.00%	Grupo Internacional de Inversiones Alquiler de Maquinaria, S.A.U.	Full consolidation method	Machinery rental	(1)
GAM Prestadora de servicios, SAC	Lima (Perú)	100.00%	Grupo Internacional de Inversiones Alquiler de Maquinaria, S.A.U.	Full consolidation method	Machinery rental	(1)
GAM Panamá, SA	Panama (Panama)	100.00%	Grupo Internacional de Inversiones Alquiler de Maquinaria, S.A.U.	Full consolidation method	Machinery rental	(1)

(1) Not audited

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DIRECTORS' REPORT FOR 2009

Development of the Group's activities

In 2009, General de Alquiler de Maquinaria, S.A. (hereinafter GAM) obtained ordinary revenues totaling €278 million, which is a 25% decline compared with last year, due mainly to the negative development of the construction sector in Spain, as well as the development of average rental prices in 2009 compared with 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 2010 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 Group's main income statement figures is as follows:

- At 31 December 2009 ordinary revenues totaled €278 million, which is a 25% decrease over the same period last year.
- The EBITDA (defined as the aggregate of "Operating profit" and "Depreciation/amortization") recorded by the Group totaled €77 million, which is a 47% decline over last year.
- The Group recorded an €8.9 million loss during the year, compared with a €13.6 million profit in 2008.

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

- Net financial debt at 31 December 2009 totals €527 million.
- Approximately 58% of this debt associated with finance lease agreements maturing in an average of 5 years.
- Bonds convertible into shares represent 11% 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.

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

DIRECTORS' REPORT FOR 2009

- Investments in 2009 totalled €36 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 60,000 machines of very diverse types.

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

Unfavorable national economic situation and dependence of the construction sector

The general and national economic situation underwent a significant slowdown during the second half of 2008 and all of 2009, which has manifested itself in the negative development of the main economic indexes provided by organizations and the government, as well as a reduction of private consumption and limitations to access to financing sources for companies and individuals. This unfavorable development has caused a slowdown of construction rates in general terms in Spain, which has affected the machinery rental sector. There has been a further increase in the competitiveness of the machinery rental sector due to downward pressure on average prices for renting in Spain by operators and favored by the atomization of suppliers in order to maintain revenue figures for 2009 and to obtain liquidity that is necessary to satisfy payment obligations.

The poor economic environment and the decline in the activity in the Spanish market has affected the Company's ordinary revenues with a 25% decline compared with 2008. This reduction in revenues is due partly to a reduction of rental prices and lower activity levels and demand for machinery in the market.

Despite this, the decline in sales stabilized during the third quarter of the year and did not fall further. However, the continuation or the worsening of the adverse economic cycle trends in Spain could negatively affect the business, the results or the financial, economic or equity situation of GAM.

Despite the deceleration that is currently affecting the economy in general and Spain in particular, GAM Group has finished its sixth consecutive year as 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.

As regards the perspectives of the construction market:

- The civil works sector is expected to maintain reasonable activity in accordance with the PEIT data published by the government for the next few years, the Plan E launched by the government, etc.

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 transport.

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

DIRECTORS' REPORT FOR 2009

High number of competitors

The machinery rental sector in Spain is very fragmented, with an estimated number of operators exceeding 1000 and where approximately 3 of them, in addition to GAM, have a average national market share exceeding 1% and in which the great majority are small companies held by families and with limited service capacity within a small coverage area, and generally specializing in a certain category of machines.¹

These small companies, with reduced machinery fleets that are fully depreciated or about to be fully depreciated, may be very aggressive in terms of prices, although this strategy will impede the future renewal of their machinery fleet. GAM also competes against regional companies that operate on a local level and the sellers of machinery that sell and rent machines directly to customers. This high level of market fragmentation adversely affects the capacity to negotiate with customers.

In the future, GAM may see competition with its current competitors increase, or new companies may enter the market as may the equipment manufacturers and there may be further fragmentation in the market with a higher impact on GAM's capacity negotiate with customers, especially with respect to payment conditions.

The competitive pressures may negatively affect the business, the results or the financial, economic or equity situation recorded by GAM due to the reduction of its market share or pressure to lower prices.

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.

Given the type of PAM's customers and their association with the construction sector, there is the risk that a part of PAM's customers may have liquidity problems and their average payment period may be extended (approximately 120 days on average for the industrial sector and 180 days on average for the construction sector) or they may enter into bankruptcy, which would give rise to further delays, and even a significant uncertainty regarding compliance with their payment obligations.

At 31 December 2009 GAM Group recorded outstanding receivables (exceeding the maturity date without having received compensation from the debtor) for which no asset impairment has been recognized (as GAM does not strictly consider the amount of those invoices to be outstanding until at least 60 days have elapsed as from the maturity date, taking into account the Company's experience and the operations of customers that are very associated with the construction sector,) totaling approximately €31 million.

However, approximately 37% of those balances are covered by insurance policies from leading companies, which guarantees payment of 85-90%.

Nonetheless, GAM is adopting a conservative position with respect to the accounting policies applied to allocating provisions for insolvencies in order to maintain its receivable portfolio accurate at all times, although the situation of customers could negatively affect the business, the results obtained or the financial, economic or equity situation of GAM.

¹ Source: *International Rental News, Amadeus (international coverage database negotiated by Bureau van Dijk Electronic Publishing), Consolidated Annual accounts in VAT of 2008, web pages of competitor companies and personal compilation data.*

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

DIRECTORS' REPORT FOR 2009

Financial instruments

The group's activities are exposed to several financial risks: cash flow interest rate risk, credit risk, liquidity 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.

(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 169 days at 31 December 2008 (170 at 31 December 2008), and commercial discounts, the Group habitually enters into factoring agreements with banks (see Notes 4.2 (a) and 16) 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 4 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.

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

DIRECTORS' REPORT FOR 2009

Borrowings are structured such that the Group generates sufficient cash flows to satisfy repayment. However, on 30 July 2009 GAM Group reached an agreement with some banks to refinance part of its liabilities and strengthen its current situation.

(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 US dollar and Mexican peso. 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.

Despite 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, the Group is defining a specific hedge policy for the risks arising in 2010.

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 2009 no significant investments were made in this area.

Trading in 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. At 31 December 2009 GAM Group reduced equity by €7.4 million in this respect.

Human resources

GAM Group has approximately 2,383 employees at 31 December 2009 (2,574 at 31 December 2008), which is a 7% decline compared with December 2008.

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 2009

(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.

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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.

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.

During 2009 the Company purchased one thousand two hundred and three (1,203) bonds with a total nominal value of sixty million one hundred and fifty thousand euro(€60,150,000) to be subsequently written off.

At 31 December 2009 the Company had 822,813 treasury shares, representing 2.67% of share capital.

(b) Restrictions to the transfer of stock.

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

Nonetheless, and as a listed company, the acquisition of significant holdings must be reported to the issuer and National Securities Market Commission, in accordance with Article 53 of Law 24/1988 governing the Securities Market, contained in Royal Decree 1362/2007, of 19 October 2007 and National Securities Market Circular 2/2007, of 19 December 2007, under which 3% of capital or voting rights is envisaged as the first notification ceiling.

Finally, as 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 2009, 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:

	<u>2009</u>
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.	11.22%
Caja de Ahorros y Monte Piedad de Navarra	9.24%
Catavi, S.L.	5.2%
QMC Development Capital Fund PLC	4.55%
Hector Fabian Gómez-Sainz	10.40%
Metotec, S.L.	8.65%

(d) Restrictions on voting rights

There are no restrictions to voting rights.

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

DIRECTORS' REPORT FOR 2009

(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 the 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 experience and background;*
 - (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 whom they represent or to whom they are associated.*
 - (iv) The date of their first and subsequent appointments as a company director, and;*
 - (v) Shares held in the company and any options on the same.*
- 4. (...) “*

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

DIRECTORS' REPORT FOR 2009

- 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. Domanial directors shall resign when the shareholder whom they represent sells his shareholding in full. 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.*
- 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 they are involved in a legal conflict of interest.*
 - 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.*

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

DIRECTORS' REPORT FOR 2009

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.

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 2009 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 shall not apply when the Company is legally required to disclose this information

There are no significant agreements concluded by the Company that may come into effect, may be amended or terminated in the event of a change in control in the Company as a result of takeover bid.

i) Agreements between the Company and its administrative and management personnel or employees that provide for indemnities in the event of resignation or unfair dismissal or if the employer/ employee relation ends as a result of takeover bid.

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DIRECTORS' REPORT FOR 2009

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.

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

PREPARATION OF THE CONSOLIDATED ANNUAL ACCOUNTS AND CONSOLIDATED DIRECTORS' REPORT FOR 2009

On 24 February 2010, 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 Annual Accounts and Consolidated Directors' Report (pages 1 to 79) for the year ended 31 December 2009, together with the Corporate Governance Report, which are set out in the preceding attached documents.

Mr Pedro Luis Fernández
Director (Chairman)

Mr. Lorenzo Martínez
Director

Mr. Angel López Corona
Director

Mr. Jorge Morral
Director

Mr. Carlos Puente
Director

Mr. Carlos Fernández de Aroz
Director

Asturiana de Administración de Valores Mobiliarios S.L.
Represented by:
Mr. Jesús Ruano
Director

Catavi, S.L.
Represented by:
Mrs. Carolina Tejuca
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. Jacobo Llanza
Director

Grupo Corporativo empresarial de la Caja de Ahorros y Monte de Piedad de Navarra, S.A.
Represented by:
Mr. Eduardo López Milagro
Director

Mr. Héctor Fabián Gómez-Sainz García
Director

Mr. Francisco J. Martínez
Non-voting Secretary:

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

DECLARATION OF RESPONSIBILITY FOR THE CONTENT OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2009 FOR GENERAL DE ALQUILER DE MAQUINARIA, S.A.:

Company management presents the annual financial report for the year ended 31 December 2009 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.

Mr Pedro Luis Fernández
Director (Chairman)

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Director

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Director

Mr. Jorge Morral
Director

Mr. Carlos Puente
Director

Mr. Carlos Fernández de Aroz
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