

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

Consolidated Annual Accounts  
and Consolidated Directors' Report at 31 December 2006

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

### Contents of the consolidated annual accounts for GENERAL DE ALQUILER DE MAQUINARIA, S.A. and subsidiaries

#### Note

	<b>Page</b>
Consolidated balance sheet	1
Consolidated income statement	3
Consolidated cash flow statement	4
Consolidated statement of changes in equity	6
Notes to the consolidated annual accounts	
<b>1</b> General information	<b>7</b>
<b>2</b> Summary of the main accounting policies applied	
2.1 Basis of presentation	8
2.2 Basis of consolidation	8
2.3 Segment information	9
2.4. Property, Plant and Equipment	9
2.5. Intangible assets	10
2.6 Interest costs	10
2.7 Impairment of assets	11
2.8. Financial investments	11
2.9. Inventories	12
2.10. Trade and other accounts receivable	12
2.11. Cash and cash equivalents	12
2.12. Share capital	12
2.13. Treasury shares	13
2.14. Government subsidies	13
2.15. Borrowings	13
2.16. Deferred taxes	13
2.17 Employee benefits	14
2.18. Provisions	15
2.19 Revenue recognition	15
2.20. Leases	16
2.21 Dividend distribution	16
2.22 New IFRS and IFRIC interpretations	17
<b>3</b> Financial risk management	
3.1 Financial risk factors	17
3.2 Accounting for derivatives and hedge transactions	18
3.3. Sensitivity to changes in interest rates	18
3.4 Equity management and degree of indebtedness.	19
<b>4</b> Accounting estimates and judgements	
4.1. Significant accounting estimates and assumptions	20
4.2 Significant judgements when applying accounting policies	21
<b>5</b> Segment reporting	21
<b>6</b> Property, plant and equipment	24
<b>7</b> Goodwill and other intangible assets	27
<b>8</b> Trade and other receivables	29
<b>9</b> Financial assets	30
<b>10</b> Inventories	30
<b>11</b> Cash and cash equivalents	30
<b>12</b> Net worth	31
<b>13</b> Trade and other payables	34
<b>14</b> Payables under finance leases	34

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

### Note

	<b>Page</b>
15 Other borrowings	35
16 Deferred income tax	37
17 Subsidies	39
18 Provisions	39
19 Ordinary revenues	40
20 Raw materials and consumables	40
21 Other expenses	41
22 Personnel costs	41
23 Financial income and expense	42
24 Income tax	42
25 Earnings per share	43
26 Contingencies	43
27 Related companies	43
28 Remuneration paid to the members of the Board of Directors and Senior Management	44
29 Post-balance sheet events	44
30 Other information	44
Exhibit I	47

**GENERAL DE ALQUILER DE MAQUINARIA, S.A. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2006**  
**(€000)**

		<u>2006</u>	<u>2005</u>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	Note 6	277.414	197.320
Goodwill	Note 7	26.363	26.323
Other intangible assets	Note 7	557	437
Financial assets	Note 9	1.258	1.562
Deferred tax assets	Note 16	9.840	8.431
<b>Total non-current assets</b>		<b><u>315.432</u></b>	<b><u>234.073</u></b>
<b>Current assets</b>			
Inventories	Note 10	2.147	1.643
Trade and other receivables	Note 8	108.712	81.987
Deferred tax assets on current earnings		602	1.750
Financial assets at fair value through profit or loss		11	11
Other current assets		134	188
Cash and cash equivalents	Note 11	13.476	5.088
<b>Total current assets</b>		<b><u>125.082</u></b>	<b><u>90.667</u></b>
<b>TOTAL ASSETS</b>		<b><u>440.514</u></b>	<b><u>324.740</u></b>

**GENERAL DE ALQUILER DE MAQUINARIA, S.A. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2006**  
**(€000)**

		<u>2006</u>	<u>2005</u>
<b>LIABILITIES</b>			
<b>EQUITY</b>			
<b>Capital and reserves attributable to shareholders of the Company</b>			
Share capital	Note 12	28.500	34.522
Share premium	Note 12	48.566	10
Treasury shares	Note 12	(3.801)	-
Retained earnings	Note 12	40.641	28.533
<b>Total equity</b>		<b><u>113.906</u></b>	<b><u>63.065</u></b>
Provisions	Note 18	592	1.105
Payables under finance leases	Note 14	124.855	100.387
Other borrowings	Note 15	21.913	22.646
Subsidies	Note 17	5.989	4.282
Deferred tax liabilities	Note 16	6.856	5.700
<b>Total non-current liabilities</b>		<b><u>160.205</u></b>	<b><u>134.120</u></b>
Payables under finance leases	Note 14	48.750	37.683
Other current borrowings	Note 15	47.376	55.337
Trade and other payables	Note 13	69.694	31.930
Deferred tax liabilities on current earnings		329	1.118
Derivative financial instruments		166	959
Other current liabilities		88	528
<b>Total current liabilities</b>		<b><u>166.403</u></b>	<b><u>127.555</u></b>
<b>TOTAL LIABILITIES</b>		<b><u>440.514</u></b>	<b><u>324.740</u></b>

**GENERAL DE ALQUILER DE MAQUINARIA, S.A. AND SUBSIDIARIES**  
**CONSOLIDATED INCOME STATEMENT AT 31 DECEMBER 2006**  
**(€000)**

		<u>2006</u>	<u>2005</u>
Ordinary revenues	Note 19	185.597	126.427
Net earnings on the sale of used machinery		1.259	1.167
Other revenues		4.038	2.544
Raw materials and consumables	Note 20	(28.728)	(21.675)
Personnel costs	Note 22	(44.488)	(32.378)
Depreciation		(41.452)	(29.588)
Other expenses	Note 21	(44.110)	(22.791)
<b>Operating profit</b>		<b><u>32.116</u></b>	<b><u>23.706</u></b>
Financial income	Note 23	863	109
Financial expense	Note 23	(9.344)	(5.316)
<b>Profit before taxes</b>		<b><u>23.635</u></b>	<b><u>18.499</u></b>
Income tax	Note 24	<b><u>(6.324)</u></b>	<b><u>(5.557)</u></b>
<b>Profit for the year</b>		<b><u>17.311</u></b>	<b><u>12.942</u></b>
<b>Earnings per share in euro (Note 25):</b>			
Basic		0,56	0,36
Diluted		0,56	0,36

**GENERAL DE ALQUILER DE MAQUINARIA, S.A. AND SUBSIDIARIES**  
**CONSOLIDATED CASH FLOW STATEMENT AT 31 DECEMBER 2006**  
**(€000)**

	<u>2006</u>	<u>2005</u>
<b><u>1) Cash flows from operating activities</u></b>		
<b>Profit before taxes</b>	<b>23.635</b>	<b>18.499</b>
Adjustments:		
+ Amortisation/depreciation (Notes 6 and 7)	41.452	29.588
+ Other revenues	(868)	(1.009)
+ Other expenses	374	-
+ Financial expenses (Note 23)	9.344	5.316
+ Financial income (Note 23)	(863)	(109)
+/- Provisions	(350)	(143)
<b>Adjusted profit</b>	<b>72.724</b>	<b>52.142</b>
Change in inventories (Note 10)	(504)	(84)
Change and trade and other receivables	(26.725)	(27.116)
Change in other current assets	54	353
Change in Trade and other payables	13.121	9.442
Change in other current liabilities	(430)	446
Application of provisions	(162)	(1.551)
<b>Cash generated from operations</b>	<b>58.078</b>	<b>33.632</b>
- Corporate income and tax paid	(2.168)	(2.770)
<b>Net cash flow from operating activities</b>	<b>55.910</b>	<b>30.862</b>
<b><u>2) Cash flows from investing activities</u></b>		
Investments:		
Outflows of net cash due to investments in machinery	(13.718)	(8.511)
Other investments in PPE	(4.140)	(3.626)
Sale of buildings	-	691
Divestment (net book value)	-	(57)
Outflows of cash due to the acquisition of companies	-	(3.878)
+ Financial income (Note 23)	365	109
<b>Cash flow from investing activities</b>	<b>(17.493)</b>	<b>(15.272)</b>

**GENERAL DE ALQUILER DE MAQUINARIA, S.A. AND SUBSIDIARIES**  
**CONSOLIDATED CASH FLOW STATEMENT AT 31 DECEMBER 2006**  
**(€000)**

	<b>2006</b>	<b>2005</b>
<b><u>3) Cash flows from financing activities</u></b>		
+ Capital increases	37.797	-
+ Capital increase expenses	(691)	-
- Purchases of treasury shares	(3.801)	-
+ Lease agreements relating to prior-year acquisitions	7.294	-
+ Bank loans for the acquisition of companies	-	4.160
+ Mortgage loans	630	1.050
+ New financing from suppliers	574	-
+ Change in current financing	(3.910)	26.846
- Loan repayments	(1.860)	(2.630)
- Finance Lease repayments	(44.794)	(27.242)
- Repayment of deferred payments relating to the acquisition of companies	(6.928)	(4.129)
- Repayments made to suppliers	(4.877)	(8.151)
- Financial expense	(9.463)	(4.701)
<b>Changes in cash flows from financing activities</b>	<b><u>(30.029)</u></b>	<b><u>(14.797)</u></b>
<b>Total change in cash flows</b>	<b><u>8.388</u></b>	<b><u>793</u></b>
Cash and cash equivalents at beginning of the year	5.088	4.295
Cash and cash equivalents at end of the year	13.476	5.088
Variation	8.388	793

Investments in machinery totalled €82,606k and €119,453k in 2005 and 2006 (Note 6), of which €74,095k and €80,713k, respectively, were financed through finance leases, loans or deferred payments to suppliers. In addition to the remaining balance €7,294k for 2005 investments have been financed using lease arrangements in 2006, and €25,022k for 2006 investments that will be financed using the same arrangements in 2007.

**GENERAL DE ALQUILER DE MAQUINARIA, S.A. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AT 31 DECEMBER 2006**  
**(€000)**

	Share capital (Note 12)	Share premium	Treasury shares	Retained earnings (Note 12)	Total equity
<b>Balance at 01 January 2005</b>	<b>34.522</b>	<b>10</b>	<b>-</b>	<b>15.591</b>	<b>50.123</b>
Profit for the year	-	-	-	12.942	12.942
<b>Balance at 31 December 2005</b>	<b>34.522</b>	<b>10</b>	<b>-</b>	<b>28.533</b>	<b>63.065</b>
Share capital reduction and write-off of preferred shares	(12.719)	-	-	(4.736)	(17.455)
Share capital increase	6.697	48.556	-	(586)	54.667
Purchases of treasury shares	-	-	(3.801)	-	(3.801)
Stock option plan	-	-	-	225	225
Other movements	-	-	-	(106)	(106)
Profit for the year	-	-	-	17.311	17.311
<b>Balance at 31 December 2006</b>	<b>28.500</b>	<b>48.566</b>	<b>(3.801)</b>	<b>40.641</b>	<b>113.906</b>

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

### 1 General information

General de Alquiler de Maquinaria, S.A., (hereinafter the Company or GAM) is a Company that heads a group (hereinafter the Group) formed by 22 companies at the end of 2006: General de Alquiler de Maquinaria, S.A., parent company and 21 subsidiaries (14 subsidiaries in 2005). Appendix 1 to these notes contains additional information concerning the entities included in the consolidation.

During 2006 the following companies that were incorporated during the year have entered into the Group's scope of consolidation:

Company name	Address	Activity
<b>GAM Islas Baleares, S.L.U. (*)</b>	Palma de Mallorca	Machinery rental
<b>General de alquiler de maquinaria Industrial, S.L.U. (*)</b>	Oviedo	Machinery rental
<b>GAM Estructuras alquiler de maquinaria, S.L.U. (*)</b>	Madrid	Machinery rental
<b>GAM Verde, S.L.U. (*)</b>	Madrid	Machinery rental
<b>GAM Vias, S.L.U (*)</b>	Oviedo	Machinery rental
<b>GAM Eventos, S.L.U (*)</b>	Oviedo	Machinery rental
<b>GAM Puertos, S.L.U. (*)</b>	Oviedo	Machinery rental

(\*) Unaudited company

None of the above companies significantly contribute to consolidated equity.

For the purposes of preparing the consolidated annual accounts, the understanding is that there is a Group when the parent company has one or more subsidiaries, which are those companies over which the parent company holds direct or indirect control. The principles applied in the preparation of the Group's consolidated annual accounts, together with the consolidation scope, are described in note 2.2.

General de Alquiler de Maquinaria, S.A., the parent of the Group, was incorporated on 29 October 2002 as a limited liability company. It was entered into the Madrid Mercantile Registry on Page M-314333, Sheet 101, of the Company Registry. The latest adaptation and rewording of its by-laws, deriving from the Company's incorporation, was entered into Volume 18161, Section 8, Sheet 104, Page 314333, Entry 6 on 8 September 2003. On 9 February 2006 Shareholders held a General Meeting and adopted a Resolution to transform the Company from a private limited liability company to a public limited liability company. This Resolution was executed in a public document on 28 March 2006.

The registered domicile of General de Alquiler de Maquinaria, S.A., is located in Madrid at Polígono Las Castellanas, plot 35 in San Fernando de Henares. Its headquarters is domiciled in Llanera, Asturias, at calle Peña Santa, plot 3.

GAM's corporate purposes cover 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**

These consolidated annual accounts were prepared by the Board of Directors on 28 March 2007 and will be submitted for the approval of Shareholders at a General Meeting and are expected to be approved without any modification.

The figures contained in the annual accounts are stated in thousand euros, unless otherwise noted.

### **2. Summary of the main accounting policies applied**

The main accounting policies adopted in the preparation of 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 2006 have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted for use in the European Union and approved by European Commission Regulations and in force at 31 December 2006.

The preparation of consolidated annual accounts under IFRS requires the use of certain critical accounting estimates. It also requires management to make judgements during the process of applying GAM Group accounting policies. Note 4 discloses the areas that require a higher level of judgement or entail greater complexity, and the areas where assumptions and estimates are significant for the consolidated annual accounts.

The Company applied IAS 32/39 as from 1 January 2005 and did not avail itself of the exemption established by IFRS 1 in this respect.

#### **2.2 Basis of consolidation**

##### **(a) Subsidiaries**

Subsidiaries are all those companies where the Group is able to manage the financial and operations 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.

##### **(b) Acquisitions**

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.

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

### **(c) Transactions under joint control**

In business combinations of companies that already pertain to GAM Group pre-existing values are used and no fair value restatement is applied, and therefore no goodwill is generated on these transactions.

### **(d) Consolidation**

Inter-company transactions, balances and unrealised gains between Group companies are eliminated. Unrealised 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.

Appendix I to these notes contains identification data for the 21 subsidiaries included in the scope of consolidation.

## **2.3 Segment information**

The Group operates on the Iberian Peninsula and controls its business based on the different geographic markets within this area. Consequently, information is presented by geographic segments and a geographic segment is one in which products or services are supplied in a specific economic environment subject to risks and yields that are different from those involved with other segments that are in place in other geographic areas.

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

The Group understands that there are no significant differences in the margins that may be obtained from the various sectors of activity or the rental of different types of machinery. For this reason, the Group's results are analysed based on the yield obtained from the various areas in which it operates, not based on the sectors of activity addressed or the different types of machinery rented. As a consequence, the Group considers that it only has one business segment that is presented as a single secondary segment.

## **2.4. Property, Plant and Equipment**

Land and buildings consist mainly of the installations necessary to render the Company's services in Madrid, Granada, Santiago de Compostela, León, Canary Islands, Valencia, Barcelona, Seville, Bilbao and Lisbon. Property, plant and equipment is stated at cost less depreciation and any relevant accumulated impairment losses 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 carrying value of the asset or recognised as a separate asset only when it is probable that the future economic benefits associated with the asset are to flow to the Group and the cost of the asset may be reliably determined. Other repair and maintenance expenses are charged in the income statement in the year in which they are incurred.

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

Depreciation is calculated on a straight-line basis in order to reduce costs to residual values over the estimated useful lives of the assets in question:

Buildings:	16 to 33 years
Machinery:	3 to 10 years
Fixtures, fittings, tools and furnishings:	3 to 10 years
Other fixed assets	4 to 10 years

Assets being acquired under finance leases are depreciated based on the useful lives of the assets associated with each lease agreement, and the useful lives applied are always higher than the term of the finance lease agreements.

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

When the book value of an asset is higher than its estimated recoverable value, it is immediately written down to the recoverable amounts (Note 2.7).

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

### **2.5. Intangible assets**

#### **(a) Goodwill**

Goodwill is the excess of acquisition cost over the fair value of the Group's shareholding in the identifiable net assets of the subsidiary acquired at the acquisition date. Goodwill relating to acquisitions of subsidiaries is included in intangible assets. Impairment loss tests are applied on an annual basis to Goodwill, which is expensed less any accumulated impairments. If any such losses are recorded, 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.

#### **(b) Computer software**

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

Software maintenance and development costs expensed as incurred.

### **2.6 Interest costs**

Interest costs incurred in the construction of any qualified assets are capitalised over the period needed to complete and prepare the asset for the intended use. Other interest costs are taken to expenses. At 31 December 2006 no significant amounts in this respect have been capitalised.

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

### 2.7 Impairment of assets

Assets subject to amortisation/ depreciation are reviewed for impairment provided that some event or change in circumstances indicates that carrying value may not be recoverable. An impairment loss is recognised when the carrying value of the asset exceeds its recoverable value. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of evaluating impairment losses, assets are grouped at the lowest level at which there are cash flows that may be separately identified (units generating cash).

### 2.8. Financial investments

The Group classifies its financial investments at fair value through profit and loss and loans and other receivables. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

#### **(a) Financial assets at fair value through profit or loss**

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

The Group has obtained derivatives to cover borrowings and they do not comply with the requirements of IAS 39 to be considered accounting hedges. As a result, the Group considers them to be trading derivatives for accounting purposes. Their fair value at each date is carried as a current asset or liability charged or credited to profit and loss, respectively. The fair value at each date is provided by independent 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. They are included under current assets, except for those items falling due in more than 12 months after the balance sheet date, which are carried as non-current assets. Loans and receivables are included under Trade and other receivables in the balance sheet (Note 2.10) and non-current items are carried under financial assets.

Acquisitions and disposals of investments are recognised at the trading date, i.e., on the date the Group undertakes to acquire or sell the asset. Investments are recognised initially at fair value plus the transaction costs for all financial assets not carried at fair value through profit or loss. Investments are eliminated from the accounts when the rights to receive cash flows from the investments have expired or have been transferred and the Group has substantially transferred all the risks and advantages deriving from ownership.

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

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 factoring, the change in the amounts concerned and the net cash flow schedule relating to the transfer of the asset. If the Group's exposure at the measurement date 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 carry the asset as a current liability and also records the amount received as a short-term discount from banks.

Financial assets through profit and loss are subsequently carried at their fair value. Loans and receivables are stated at their amortised cost in accordance with the effective interest rate method. Realised and unrealised gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are included in the income statement in the period in which they arise.

The fair value of interests held in investment funds are considered to be the settlement value of the funds concerned at each closing date.

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 done for Trade and other receivables.

### **2.9. Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost is determined by the first-in/first-out method (FIFO). The cost of finished products includes the spare-part inventories necessary to repair the Company's machinery. This cost does not include interest. The net realisable value is the estimated selling price in the ordinary course of business, less applicable variable costs of sales.

### **2.10. Trade and other accounts receivable**

Trade and other receivables are initially stated at their fair value less any provisions 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 amount of the provision is the difference between the carrying value of the asset and the present value of estimated future cash flows. The amount of the provision is recognised in the income statement.

The Group follows the policy of recording any insolvency provisions that allow balances of a certain age to be covered or those affected by circumstances that reasonably allow them to be classified as doubtful.

### **2.11. Cash and cash equivalents**

The entire balance of this account relates to bank accounts and cash on hand.

### **2.12. Share capital**

All of the Company's shares are classified under equity, since none are subject to mandatory surrender.

Incremental costs that are directly attributable to the issue of new shares are carried under equity as a deduction, net of taxes, from revenues received.

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

### **2.13. Treasury shares**

When any Group Company acquires treasury shares, the compensation paid, including any incremental cost directly attributable to the transaction (net of capital gains tax) is deducted from the equity attributable to the Company's shareholders until written-off, issued again or sold. When the shares are sold or are subsequently issued again, any amount received, net of any directly attributable incremental cost for the transaction and the relevant effect of capital gains tax, is included in equity attributable to the Company's shareholders.

### **2.14. Government subsidies**

Government grants are recognised at fair value when there is reasonable assurance that the grant will be collected and the Group will comply with all applicable terms and conditions. Official subsidies relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs they are intended to offset. Official subsidies relating to the acquisition of PPE are carried under non-current liabilities as deferred grants and are taken to the income statement on a straight-line basis over the expected useful lives of the assets concerned.

### **2.15. Borrowings**

Borrowings are recognised initially at fair value, net of any costs incurred on the transaction. Borrowings are subsequently measured at amortised cost. Any differences between the funds obtained (net of necessary costs) and their repayment value are recognised 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.

### **2.16. Deferred taxes**

Deferred taxes are calculated in accordance with the balance-sheet method on the temporary differences between the tax bases of assets and liabilities and their carrying values 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. The deferred tax is determined using tax rates (and laws) approved or about to be approved at the balance sheet date and which are expected to be applied when the corresponding deferred tax asset is realised or the deferred tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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

Deferred taxes deriving from timing differences from investments in subsidiaries are not recognised since for the Group the reversal of corporate income tax does not give rise to additional taxes due to intercompany double taxation deduction legislation.

On 29 November 2006 Law 35/2006 on Personal Income Tax was published in the Official State Gazette ("BOE") which partially amended the legislation governing corporate income tax, non-resident income tax and wealth tax, including a reduction of the corporate income tax rate from 35% to 32.5% for tax periods commencing as from 1 January 2007 and to 30% for the periods commencing on or after 1 January 2008.

Accordingly, the Company has adjusted deferred tax assets and liabilities based on their estimated time of reversal for all Spanish companies, except for Aldaiturriaga, S.A. which is taxed under the Bizkaia Regional Tax System.

### 2.17 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 current employees' employment in accordance with a formal detailed plan that cannot be withdrawn, or to provide severance indemnities. Benefits that will not be paid within 12 months of the balance sheet date are discounted to their present value. At the year end no severance payments were pending.

#### (b) *Profit share plans and bonuses*

The Group recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the Company's profit for the year after certain adjustments. The Group records a provision when contractually obligated to do so or when past practice has created an implicit obligation and the requirements mentioned in note 2.18 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 Meeting held on 19 May 2006, in accordance with the following basic terms:

- Beneficiaries: 45 directors and executives of GAM Group, which is headed by the Company, who are, for these purposes, the Company's Managing Director, area Directors (HUMAN Resources, Finance, etc.), Regional Managers, and future executives that may be hired by GAM Group.

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

- Purpose and administration: Options are granted for the acquisition of Company shares at a certain price (€8.25 per shares), subject to the executive remaining at GAM Group until the time they are exercised.. The options are non-transferable.
- Volume of shares: 322,909 shares, equal to 1.13% of the Company's share capital after being listed on the stock market.
- Term of the plan: The plan will have a term of six (6) years as from the Grant Date. The options may not be exercised until three (3) years have elapsed as from the Grant Date.

Based on the particular conditions of the grant plan, the transaction is considered to be a stock-option payment plan in accordance with IFRS 2, under which the Company acquires the services of the executives incurring a liability in an amount based on the value of the shares, which is recognised in the Company's equity.

The fair value of the options granted during the year calculated in accordance with the Binomial options pricing model at €225k (Note 12d). The main data entered into the model were the share price (€8.25), with no company estimate of dividends, an expected option life of 6 years, and annual interest rate and a market share volatility (42.54%).

### **(d) Stock discount plan**

On 19 May 2006 the Company's Board of Directors approved an option discount plan, offering certain company employees the possibility of acquiring company's shares at a 20% discount from the offered price prior to being listed on the stock market. The effect of this plan is recorded in the Company's income statement as a personnel expense.

## **2.18. Provisions**

Provisions for litigation are recognised when:

The Group has a present legal or constructive obligation as a result of past events; It is more likely than not that an outflow of resources will be required to settle the obligation; and the amount may be reliably estimated.

The provisions are stated at the present value of the expected payments required to settle the obligation.

## **2.19 Revenue recognition**

Ordinary revenues comprise the fair value for the sale of goods and services, net of value added tax, rebates and discounts and after eliminating sales within the Group. Ordinary revenues are recognised as follows:

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

### ***(a) Services rendered***

Services rendered records the company's revenues deriving from performing its principal machinery rental activity, as well as all those deriving from all auxiliary services (transportation, maintenance, repair, etc.). These revenues are recognised in the accounting year in which the services are rented and in the case of leases, on a straight-line basis over the term of the lease.

### ***(b) Sales of goods***

Sales of goods (sales of new machinery) are recognised when a Group entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

## **2.20. Leases**

### ***(a) Where 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 recognised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. 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 recognised under long or short-term payables, depending on whether or not the payments extend beyond 12 months. 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 contracts are references to a variable interest rate (Euribor) plus a spread. PPE acquired under finance leases is depreciated over the estimated useful life of the asset concerned.

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. At the year end there were no leases that could not be cancelled.

### ***(b) Where 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 at rates consistent with those applied to similar assets used by the Group. Lease revenues are recognised on a straight-line basis over the lease period. At the year end there were no leases that could not be cancelled.

## **2.21 Dividend distribution**

Dividend distribution 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.

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

### **2.22 New IFRS and IFRIC interpretations**

The IASB has recently approved and published certain accounting standards, amendments to current standards and IFRIC Interpretations entering into force after 31 December 2006. At the end of the year, General de Alquiler de Maquinaria had not applied any of these new standards and their application is not expected to have any significant effect on the Group's annual accounts.

Of the new accounting standards (IFRS) and interpretations (IFRIC) issued, which are expected to enter into force in financial years commencing on or after 1 January 2007, IFRS 7 - Financial Instruments - Disclosures is notable. In August 2005 the IASB issued IFRS 7. This IFRS introduces new requirements to improve the information disclosed on financial instruments presented in the financial statements and supersedes IAS 30, Disclosures in the Financial Statements of banks and similar financial institutions and some of the requirements of IAS 32, Financial Instruments: disclosure and presentation. IFRS 7 is applicable to the years commencing on and after 1 January 2007. The Group has chosen not to apply this rule early.

### **3. Financial risk management**

#### **3.1 Financial risk factors**

The Group's activities expose it to a variety of financial risks: interest rate risk, cash flow risk, credit risk, liquidity risk and derivative fair value 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 credit insurance, credit facilities, factoring and derivative arrangements. Their decisions are supervised and approved by the Board of Directors.

##### **(a) Interest rate risk**

The Group financed its sharp growth mainly through deferred payments to the sellers of the businesses acquired, bank loans to acquire the companies and lease agreements to acquire the machinery. Except for the deferred payments, which have an embedded interest rate, all other payables bear interest at Euribor plus a spread, which gives rise to a risk relating to changes in future cash flows and, consequently, financial expenses.

The Group covers these risks financially, to the extent deemed adequate, by obtaining derivatives for which it pays a fixed rate and receives flows indexed to the Euribor rate.

##### **(b) Credit risk**

The Group's credit risk 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 entities of recognised solvency within the construction, wind energy and industrial sectors. Sales to smaller customers or those with lower credit ratings are insured and the insurer is liable for 90% of the possible risk of default.

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

### **(c) *Liquidity risk***

On a monthly basis Financial Management analyses the payment schedule for borrowings and the short and medium-term liquidity needs. To date the flows generated by the business have been sufficient to pay down debts and the Company habitually uses discounting facilities due to the cash flow mismatch caused by its 184-day average collection period, by assigning banks receivables through factoring arrangements and occasional use of the credit facilities that the Company has obtained from several financial institutions.

### **3.2 Accounting for derivatives and hedge transactions**

To cover basically its finance leases and, to a lesser extent, bank loans established at variable rates indexed to the Euribor plus a spread, the Group has obtained derivatives for which it pays a fixed rate and receives 6 or 12-month Euribor.

At 31-12-2006 the notional amount of derivative contracts totals €171 million and their characteristics are as follows:

- Notional amounts of €65 million falling due in 2011 for which a fixed rate is paid and the Euribor 12-month rate is received.
- Notional amount of €30 million falling due in 2011, for which a fixed rate is paid and the Euribor 12-month rate is received, provided it does not exceed a certain limit, in which case the rate payable by the Group increases.
- Notional amount of €70 million falling due in 2011, for which a fixed rate is paid and the Euribor 6-month rate is received, provided it does not exceed a certain limit, in which case the rate payable by the Group increases.
- Several notional amounts of €6 million falling due basically in 2009, for which a fixed rate is paid and the Euribor 6-month rate is received.

The amount of notional amounts that remain without coverage totals €78 million at 31 December 2006.

Although the derivatives have been obtained to cover borrowings, they do not comply with the requirements of IAS 39 to be considered accounting hedges. As a result, the Group considers them to be trading derivatives for accounting purposes. Their fair value at each date is carried as a current asset or liability charged or credited to profit and loss, respectively. The fair value at each date is provided by independent experts.

### **3.3. Sensitivity to changes in interest rates**

As has been explained, almost all debt is referenced to Euribor plus a spread and the derivatives are also affected by movements in the Euribor rate. Based on the information provided by external professionals, the Group has analysed the effect that movements in interest rates would have on profit for the year.

Probable movement during the year in the Euribor 12-month rate is considered to be 50 basis points. Under this scenario:

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

- If the movement involves an increase in rates, the financial cost of debt would increase by approximately €1,128k (€772k in 2005) offset by a gain in the fair value of derivatives totalling €1,701k (€217k in 2005).
- If the movement involves a fall in interest rates, the financial cost of the debt would fall by €1,128k (€772k in 2005) and the market value of the derivatives would decline by €2,338k (€510k in 2005).

### 3.4 Equity management and degree of indebtedness.

The Group is undergoing strong expansion of its activity and therefore it needs large amounts of financing. The Group's objective is to have adequate equity to obtain the necessary borrowings for expansion, without compromising its solvency while maximising the yield that shareholders may obtain from invested equity. The Group does not operate in sectors that have specific capital requirements and it complies with current general legislation regarding minimum capital requirements (Spanish Companies Act)

In general, machinery purchases are financed through finance leases. The acquisitions of companies are financed through the partial deferral of payments, bank loans and, when necessary, share capital increases. The purchase of buildings and land are financed through mortgage loans and working capital is funded by discounting facilities, factoring and credit facilities.

Due to the existing need for financing, the Group has not distributed dividends since it was incorporated. The Group manages its capital needs by controlling debt, measured as the extent to which net debt exceeds equity, understanding that the maximum ratio allowable to obtain external financing at reasonable cost is 4 times equity. Net debt is considered to be finance lease debt, bank debt and deferred payments to the sellers of acquired companies, less cash and cash equivalents. Equity is considered to be all net equity.

Debt ratios at 31 December 2006 and 31 December 2005 were as follows (thousand euros):

	<b>2006</b>	<b>2005</b>
Total debt (Notes 14 and 15)	242.894	214.900
Less: Receivables relating to "vendor loans"	(669)	-
Less: Cash and cash equivalents	(13.476)	(5.088)
Net debt	228.749	209.812
Total equity	113.906	63.065
<b>Debt/equity ratio</b>	<b>2,01</b>	<b>3,33</b>

### 4. Accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

### 4.1. Significant accounting estimates and assumptions

In the consolidated annual accounts for 2006 and 2005 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 significant if the nature of the critical estimates is material and when changes in these estimates may have a significant impact on the GAM Group's Consolidated Annual Accounts and its financial position or operational performance. These refer mainly to the following points:

#### **(a) Measurement of goodwill**

The Group verifies annually whether there is an impairment loss in respect of goodwill, in accordance with the accounting policy in Note 2.5. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. The estimates are based on the best knowledge of Management at each accounting close. Of the estimates made by Management there was no need to recognise any impairment of goodwill. However, the use of other possible estimates could give rise to impairment (Note 7).

#### **(b) Useful lives of property, plant and equipment**

The Group estimates the useful lives of the various types of property, plant and equipment, considering their expected wear and tear, technical and commercial obsolescence and applying historic experience. With respect to machinery, the machinery lease cycle is considered to be less than the technical useful life, given that the quality policy of both GAM Group and the market requires high yields from the rented machinery and an up-to-date fleet technologically speaking. At each closing management reestimates the useful lives and residual value of the machinery.

As a result of the application of the above factors, and the Group's short life, the result of these reestimates may give rise to modifications of these parameters.

#### **(c) Recoverability of deferred tax assets**

Management assesses the recoverability of deferred tax assets based on estimates of future tax profits, analysing whether they will be sufficient in the periods during which such deferred tax assets may be deducted. 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 recoverability 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.

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 IAS 8, the effects of changes in estimates will be recognised prospectively in the consolidated income statement..

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

### 4.2 Significant judgements when applying accounting policies

#### (a) *Write-off of the financial assets balance*

The Group considers that in all factoring contracts without recourse all risks and benefits relating to receivables have been transferred and therefore at 31 December 2006 it eliminated €16,280k from receivables and in 2005 these items totalled €7,557k. However, there are receivables which the Group believes do not meet the conditions applicable in accordance with current legislation to being written-off. These items at 31 December 2006 totalled €11,076k and in 2005 they totalled €11,311k.

## 5 Segment reporting

Information by geographic segment, in accordance with the location of assets.

The Group controls its business based on the revenues generated in the various geographical markets on the Iberian Peninsula, which is its main segment, and based on the offices at which the machinery it rents is located. Each of the companies forming part of the group operate in a different geographic environment and control certain offices. Group results are controlled based on the profits reported by each company (some have been grouped in segments since they operate in the same economic environment).

For the Group, its main geographic segments are as follows:

- a) Northeast Zone: Mainly consists of Asturias, Galicia and Leon, although it also includes Salamanca, Burgos, Valladolid and Cantabria.
- b) Basque Country and Navarre.
- c) Central Zone: Mainly Madrid and surrounding areas (Toledo, Cuenca, Ávila, Segovia, Guadalajara and Ciudad Real).
- d) South Zone: Andalusia and Murcia.
- e) Other segments: These include activities in Catalonia, Valencia, Canary Islands, Aragon and Portugal.
- f) The Holding company's activities, which renders certain management and control services to the Group, are not assignable to any specific segment and are therefore presented unassigned.

The Group's activity has led it to not consider presenting a secondary segment since the activity it performs is mono-segmental.

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

Segment-level results for the year ended 31 December 2005 are as follows:

2005	Northeast	Basque Country	Central Zone	South Zone	Other	Not assigned	Total
Ordinary revenues	35.837	24.965	24.307	29.155	12.163	-	126.427
Intersegmental sales	672	7.302	1.794	189	1.017	3.136	14.110
<b>Total sales</b>	<b>36.509</b>	<b>32.267</b>	<b>26.101</b>	<b>29.344</b>	<b>13.180</b>	<b>3.136</b>	<b>140.537</b>
Net earnings on the sale of used machinery	33	205	283	592	54	-	1.167
Other revenues	474	690	82	1.167	81	50	2.544
<b>Total income</b>	<b>37.016</b>	<b>33.162</b>	<b>26.466</b>	<b>31.103</b>	<b>13.315</b>	<b>3.186</b>	<b>144.248</b>
Raw materials and consumables	(5.367)	(5.980)	(4.999)	(3.635)	(1.587)	(107)	(21.675)
Personnel costs	(7.364)	(10.949)	(4.966)	(6.350)	(1.680)	(1.069)	(32.378)
Amortisation/depreciation	(8.956)	(6.404)	(7.244)	(5.360)	(1.505)	(119)	(29.588)
Other expenses	(5.365)	(4.628)	(3.128)	(4.505)	(2.160)	(3.005)	(22.791)
Other intersegmental expenses	(2.414)	(431)	(3.495)	(1.939)	(5.440)	(391)	(14.110)
<b>Segment results</b>	<b>7.550</b>	<b>4.770</b>	<b>2.634</b>	<b>9.314</b>	<b>943</b>	<b>(1.505)</b>	<b>23.706</b>
Financial income							109
Financial expense							(5.316)
<b>Profit before taxes</b>							<b>18.499</b>
Income tax							(5.557)
<b>Profit for the year</b>							<b>12.942</b>

Assets and liabilities for the segments in the year ended 31 December 2005 and investments in assets during the year are as follows:

<b>Total segment assets</b>	76.133	57.068	83.590	71.609	22.772	13.568	<b>324.740</b>
<b>Total segment liabilities</b>	10.093	5.165	10.274	5.848	3.862	226.433	<b>261.675</b>
<b>Capital expenditure</b>	22.571	15.549	32.234	20.892	10.736	718	<b>102.700</b>

Segment-level results for the year ended 31 December 2006 are as follows:

2006	Northeast	Basque Country	Central Zone	South Zone	Other	Not assigned	Total
Ordinary revenues	55.902	31.413	30.404	39.221	28.657	-	185.597
Intersegmental sales	695	8.838	2.942	254	2.250	3.198	18.177
<b>Total sales</b>	<b>56.597</b>	<b>40.251</b>	<b>33.346</b>	<b>39.475</b>	<b>30.907</b>	<b>3.198</b>	<b>203.774</b>
Net earnings on the sale of used machinery	31	480	314	467	(24)	(9)	1.259
Other revenues	942	1.312	497	189	450	648	4.038
<b>Total income</b>	<b>57.570</b>	<b>42.043</b>	<b>34.157</b>	<b>40.131</b>	<b>31.333</b>	<b>3.837</b>	<b>209.071</b>
Raw materials and consumables	(10.237)	(4.819)	(3.312)	(5.415)	(4.752)	(193)	(28.728)
Personnel costs	(11.645)	(11.600)	(6.442)	(7.420)	(4.361)	(3.020)	(44.488)
Amortisation/depreciation	(13.732)	(6.294)	(8.582)	(8.154)	(4.452)	(238)	(41.452)
Other expenses	(6.746)	(12.791)	(6.761)	(5.951)	(6.010)	(5.851)	(44.110)
Other intersegmental expenses	(3.753)	(700)	(3.118)	(1.470)	(9.055)	(81)	(18.177)
<b>Segment results</b>	<b>11.457</b>	<b>5.839</b>	<b>5.942</b>	<b>11.721</b>	<b>2.703</b>	<b>(5.546)</b>	<b>32.116</b>
Financial income							863
Financial expense							(9.344)
<b>Profit before taxes</b>							<b>23.635</b>
Income tax							(6.324)
<b>Profit for the year</b>							<b>17.311</b>

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

Assets and liabilities for the segments in the year ended 31 December 2006 and investments in assets during the year are as follows:

<b>Total segment assets</b>	114.743	60.834	89.576	99.750	71.797	3.814	<b>440.514</b>
<b>Total segment liabilities</b>	79.247	46.197	65.496	63.860	55.833	15.975	<b>326.608</b>
<b>Capital expenditure</b>	39.404	5.329	13.442	29.398	40.176	581	<b>128.330</b>

The segment assets are recognised mainly under property, plant and equipment, intangible assets (including goodwill), inventories, receivables and cash. Deferred taxes, investments and derivatives held for sale are excluded.

Segment liabilities consist of operating liabilities and exclude items such as taxes, finance lease debts and other financial liabilities.

Capital expenditure comprises additions to property, plant and equipment (Note 6) and intangible assets (Note 7).

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

### 6 Property, plant and equipment

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

Cost	Land and buildings	Plant and machinery	Fixtures, fittings, tools and equipment	Other non- current assets	Payments on account and assets in course of construction	TOTAL
Balance at 01 January 2005	5.498	192.113	4.954	6.996	849	210.410
Additions due to business combinations	990	5.343	45	192	-	6.570
Increases	1.108	82.606	2.866	1.767	1.343	89.690
Decreases	(1.380)	(11.007)	(534)	(1.595)	(7)	(14.523)
Other movements	-	305	(100)	(205)	-	-
<b>Balance at 31 December 2005</b>	<b>6.216</b>	<b>269.360</b>	<b>7.231</b>	<b>7.155</b>	<b>2.185</b>	<b>292.147</b>
Increases	230	119.453	3.380	3.104	1.837	128.004
Decreases	-	(9.974)	(259)	(1.102)	(75)	(11.410)
Other movements	1.155	(281)	(11)	405	(1.268)	-
<b>Balance at 31 December 2006</b>	<b>7.601</b>	<b>378.558</b>	<b>10.341</b>	<b>9.562</b>	<b>2.679</b>	<b>408.741</b>

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

Accumulated depreciation		Land and buildings	Plant and machinery	Fixtures, fittings, tools and equipment	Other non-current assets	Pre-payments and Fixed assets under construction	TOTAL
		Balance at 01 January 2005	(542)	(68.115)	(2.499)	(4.991)	-
Increases	(213)	(26.983)	(938)	(1.368)	-	(29.502)	
Decreases	338	8.424	519	1.541	-	10.822	
Other movements	0	235	0	(235)	-	0	
<b>Balance at 31 December 2005</b>	<b>(417)</b>	<b>(86.439)</b>	<b>(2.918)</b>	<b>(5.053)</b>	<b>-</b>	<b>(94.827)</b>	
Increases	(141)	(38.529)	(1.588)	(1.026)	-	(41.284)	
Decreases	-	4.733	-	51	-	4.784	
Other movements	-	944	2	(946)	-	-	
<b>Balance at 31 December 2006</b>	<b>(558)</b>	<b>(119.291)</b>	<b>(4.504)</b>	<b>(6.974)</b>	<b>-</b>	<b>(131.327)</b>	
<b>TOTAL</b>	<b>2005</b>	<b>5.799</b>	<b>182.921</b>	<b>4.313</b>	<b>2.102</b>	<b>2.185</b>	<b>197.320</b>
<b>TOTAL</b>	<b>2006</b>	<b>7.043</b>	<b>259.267</b>	<b>5.837</b>	<b>2.588</b>	<b>2.679</b>	<b>277.414</b>

The amounts recognised under "Other Movements" reflect transfers between the various property, plant and equipment accounts.  
Fixed assets not associated with operations are not significant

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

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

The Company carries assets with a net value of €197,907k at 31 December 2006 (€155,172k in 2005), documented through finance lease agreements. These agreements have a clause restricting the sale of the assets covered until the end of the finance lease.

The Company has concluded operating leases that may be cancelled by either party without penalty.

Loans from credit institutions are secured by land and buildings valued at €2,961k (2005: €2,935k) (Note 15).

Machinery includes the following finance leases in which the Group is the lessee

	<u>2006</u>	<u>2005</u>
Capitalised finance lease cost	258.362	195.102
Accumulated depreciation	<u>(60.455)</u>	<u>(39.930)</u>
Net book value	197.907	155.172

The Company has entered into commitments with suppliers to make investments totalling €20,000k.

The cost of fully depreciated PPE at 31 December 2006 totals €38,695k (€32,571k in 2005).

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

### 7 Goodwill and other intangible assets.

Cost	Goodwill	Other intangible assets	TOTAL
Balance at 01 January 2005	20.196	342	20.538
Additions due to business combinations	6.127	17	6.144
Increases	0	303	303
<b>Balance at 31 December 2005</b>	<b>26.323</b>	<b>662</b>	<b>26.985</b>
Increases	40	288	328
Decreases	-	(98)	(98)
<b>Balance at 31 December 2006</b>	<b>26.363</b>	<b>852</b>	<b>24.215</b>

  

Accumulated depreciation	Goodwill	Other intangible assets	TOTAL
Balance at 01 January 2005	-	(129)	(129)
Additions due to business combinations	-	(10)	(10)
Increases	-	(86)	(86)
<b>Balance at 31 December 2005</b>	<b>-</b>	<b>(225)</b>	<b>(225)</b>
Increases	-	(168)	(168)
Decreases	-	98	98
<b>Balance at 31 December 2006</b>	<b>-</b>	<b>(295)</b>	<b>(295)</b>
<b>Total at 31 December 2005</b>	<b>26.323</b>	<b>437</b>	<b>26.760</b>
<b>Total at 31 December 2006</b>	<b>26.363</b>	<b>557</b>	<b>26.920</b>

Other intangible assets mainly records the cost of implementing and developing management software..

Additions to Goodwill record €40k deriving from the increase in the purchase price relating to the acquisition of GAM Sureste.

#### **Goodwill impairment test**

Goodwill is assigned to cash generating units (CGU) and identified based on the geographical area in which they carry out operations and correspond to the various companies pertaining to the group.

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

A summary of goodwill by segment and CGU is set out below:

Company/UGE	2006 Segments				2005 Segments			
	Basque Country and Navarre.	Northeast	Central Zone	South Zone	Basque Country and Navarre	Northeast	Central Zone	South Zone
GAM Noroeste		1.768				1.768		
Aldaiturriaga	1.722				1.722			
GAM Suroeste				9.873				9.873
GAM Sureste				1.411				1.371
GAM Madrid Norte			5.462				5.462	
GAM Madrid Sur			6.127				6.127	
<b>Total</b>								
<b>Goodwill</b>	<b>1.722</b>	<b>1.768</b>	<b>11.589</b>	<b>11.284</b>	<b>1.722</b>	<b>1.768</b>	<b>11.589</b>	<b>11.244</b>

### *Key events used to calculate value in use*

The recoverable amount is determined based on the relevant value-in-use calculation. These calculations use discounted cash flow projections based on financial budgets approved by the Board of Directors that cover a five year period. The most sensitive matters that are included in the projections used by all CGUs are the machinery occupancy rates, price levels and replacement investments. Cash flows subsequent to the end of the five-year period have been estimated without taking into consideration any growth. The discount rates used reflect the time value of money and the various risks affecting the CGUs. The rates applied were:

CGU	Rate 31.12.06	Rate 31.12.05
Northeast	5,54%	4,95%
Aldaiturriaga	7,78%	7,10%
Suroeste	6,91%	6,47%
Sureste	6,23%	6,20%
Madrid Norte	6,63%	6,36%
Madrid Sur	8,48%	N/A

Based on the tests performed at those two dates there is no impairment. Sensitivity analyses have been performed on the key growth assumptions and discount rates used, and no potential impairment was detected.

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

### 8 Trade and other receivables

This item breaks down as follows:

	Thousand euro	
	2006	2005
Trade bills receivable	114.239	85.667
Short-term portion of loans	335	574
Taxes and social security	1.349	278
Other receivables	452	188
Provision for bad debts	(7.663)	(4.720)
	<b>108.712</b>	<b>81.987</b>

Movements in the provision for insolvency in 2006 are as follows:

	€000
Balance at 01 January 2006	(4.720)
Charge for the year	(4.233)
Applications	435
Recovery of provision balances	855
Balance at 31 December 2006	<b>(/.663)</b>

In general, the Company's customers make payments within one year and therefore these receivables are stated at fair value. (See Note 3.1 b)

Trade receivables and trade bills receivable include bills discounted at banks and pending maturity at 31 December 2006 in the amount of €23,044k (€18,078 in 2005) (Note 15).

Set out below is a breakdown of Taxes refundable at 31 December 2006 and 2005:

	Thousand euro	
	2006	2005
VAT refundable	1.304	172
Other taxes refundable	45	106
	<b>1.349</b>	<b>278</b>

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

### 9 Financial assets

Cost	Other loans	Deposits and guarantees	Other	Total
Balance at 01 January 2005	1.780	168	84	2.032
Additions due to business combinations	-	7	-	7
Increases	-	72	20	92
Decreases	(9)	(11)	-	(20)
Transfers	(549)	-	-	(549)
<b>Balance at 31 December 2005</b>	<b>1.222</b>	<b>236</b>	<b>104</b>	<b>1.562</b>
Additions due to business combinations	-	-	-	-
Increases	69	130	20	219
Decreases	(12)	(14)	(103)	(129)
Transfer to short term	(394)	-	-	(394)
<b>Balance at 31 December 2006</b>	<b>885</b>	<b>352</b>	<b>21</b>	<b>1.258</b>

Under the heading "Other loans" the Company records loans granted to external third parties that fall due in 2008 and 2009.

### 10 Inventories

Inventories breaks down as follows at 31 December 2006 and 2005:

	2006	2005
Finished products	1.684	1.445
Machinery to be sold	192	13
Pre-payments	271	185
	<b>2.147</b>	<b>1.643</b>

The Company's inventories relate mainly to products relating to the repair of the Company's own machinery.

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

### 11 Cash and cash equivalents

The entire balance of this account relates to bank accounts and cash on hand. During 2006 the parent company concluded centralised current account agreements which bore interest at a market rate.

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

### 12 Net worth

#### (a) Capital and share premium

	No. shares (thousand)	Ordinary shares	Share premium	Treasury shares	Total
At 01 January 2005	34.522	34.522	10	-	34.532
Balance at 31 December 2005	34.522	34.522	10	-	34.532
Capital reduction	(12.719)	(12.719)	-	-	(12.719)
Share capital increase	6.697	6.697	48.556	-	55.253
Purchases of treasury shares	-	-	-	(3.801)	(3.801)
Balance at 31 December 2006	28.500	28.500	48.566	(3.801)	73.265

Share capital at 31 December 2006 totals €28,500k, and is made up of 28,500,000 fully subscribed and paid ordinary shares with a par value of €1 each, all are of the same class and series and all bear the same financial and voting rights. All shares are represented by book entries and have been listed on the Stock Markets in Madrid, Barcelona, Valencia and Bilbao since 13 June 2006.

In accordance with the reports received from the Company in compliance with current legislation regarding the obligation to report shareholding percentages, the significant shareholders at 31 December 2006 are:

	<u>% interest</u>
Grupo Bilbao Bizkaia Kutxa	5,00 %
Caja de Ahorros de Asturias	5,00 %
Dinamia Capital Privado, S.A. SCR	10,38 %
Gondaral, S.L.	5,00 %
Gloval Procesos Corporación 2000, S.A.	10,43 %
Fidelity Internacional Limited	9,35 %
Inversiones en Alquiler de Maquinaria I, S.Á.R.L.	8,41 %

On 9 February 2006, Shareholders at a General Meeting held by the Parent Company of the Group General de Alquiler de Maquinaria, adopted a Resolution to change the Company's corporate form from a private limited liability company to a public limited liability company. This Resolution was executed in a public document on 28 March 2006.

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

Shareholders at an extraordinary meeting held by General de Alquiler de Maquinaria, S.A. on 3 May 2006, unanimously decided to:

- To make a public offer to sell shares in the company by any shareholders who wished to do so and reported their intent to the Board of Directors no later than 10 May 2006. A Resolution was also adopted to empower the Board of Directors to take all decisions and steps necessary to carry out the Public Sale Offer.
- To reduce share capital by €12,719,318 by writing off 12,719,318 shares issued. This reduction took place by refunding contributions to all Class A shareholders. The share capital reduction was charged against available reserves and profits.
- To authorize the Board of Directors to acquire the Class A shares and subsequently write them off within the framework of this share capital reduction agreement. Of these shares were acquired at a price of €1.3724 per share.

By virtue of the agreements reached during the Extraordinary Meeting held on 3 May 2006, the Company increased share capital by €6,697k by issuing 6,697,327 ordinary registered shares with a par value of €1 each, payable at the time of subscription. The shares were issued with a share premium that the Board of Directors set at €7.25 per share at the meeting held on 11 June 2006.

### **(b) Share premium**

This reserve is freely available for distribution.

### **(c) Treasury shares**

The reserve for own shares held is not available for distribution and must be maintained until the shares are either sold or redeemed at an amount equal to the net book value of such shares.

Company shareholders at an Extraordinary Meeting held on 19 May 2006 authorized the acquisition of a maximum number of treasury shares, provided that together with those already held by the Company or its subsidiaries, the total amount did not exceed 5% of share capital. The acquisition was authorized at a minimum price of €1 per share and the maximum price was not to exceed 120% of their listed price at the acquisition date. The authorization was granted for an 18 month period as from the time the Resolution was adopted.

### **(d) Stock option plan**

Shareholders at an Extraordinary meeting held on 19 May 2006 approved a remuneration system for Group Directors and executives, based on the value of the Company's shares and consisting of the delivery, for no consideration, of non-transferable options to purchase GAM shares at a price of €8.25 per option (see Note 2.17.c). In compliance with IFRS 2, at the end of the year the Company has recorded a reserve totalling €225k to cover the accrued liability at 31 December 2006 deriving from maintaining this plan.

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

### (e) Retained earnings

Movements in and the breakdown of retained earnings are set out below:

	<u>Legal reserve</u>	<u>Other reserves</u>	<u>Profit for the year</u>	<u>Total</u>
Balance at 31 December 2005	915	14.676	12.942	28.533
Distribution of 2005 profit	1.324	11.618	(12.942)	-
Other movements in equity	-	(5.203)	-	(5.203)
Profit for 2006	-	-	17.311	17.311
Balance at 31 December 2006	<u>2.239</u>	<u>21.091</u>	<u>17.311</u>	<u>40.641</u>

This heading includes the Legal Reserve which at 31 December 2006 totals €2239 (€915 at 31 December 2005) which has been funded 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.

All other retained earnings are freely available.

The proposal for distributing the parent company's 2006 profit and other reserves that will be presented to shareholders at the General Meeting and the approved distribution for 2005 are as follows:

	<u>2006</u>	<u>2005</u>
<b>Available for distribution</b>		
Result for the year	<u>17.311</u>	<u>12.942</u>
Legal reserve	1.731	1.324
Voluntary reserves	<u>15.580</u>	<u>11.618</u>
	<u>17.311</u>	<u>12.942</u>

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

### 13 Trade and other accounts payable.

This caption is analysed below at 31 December 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Trade creditors	29.390	20.082
Other payables	40.304	11.848
	<b><u>69.694</u></b>	<b><u>31.930</u></b>

Under the heading "Other payables" the Company records amounts owed to suppliers that will be refinanced through finance lease agreements totalling €25,022k in 2006 (€7,115k in 2005).

### 14 Payables under finance leases

This heading is analysed below:

<b>Non-current</b>	<u>2006</u>	<u>2005</u>
Finance lease liabilities (non-current)	124.855	100.387
Finance lease liabilities (current)	48.750	37.683
<b>Total Finance lease liabilities</b>	<b><u>173.605</u></b>	<b><u>138.070</u></b>

At 31 December 2006, the repayment of finance lease liabilities is scheduled as follows:

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011 and subsequent</u>	<u>Total</u>
Present net value	48.750	47.339	39.070	26.561	11.885	<b>173.605</b>
Financial Charge	5.486	2.908	2.400	1.632	730	<b>13.156</b>

The interest rate applicable to finance lease liabilities is Euribor plus a 0.5% spread.

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

### 15 Other borrowings

Set out below are details of these borrowings:

<b>Non-current</b>	<b>2006</b>	<b>2005</b>
Bank borrowings	16.389	11.813
Other amounts payable to banks	1.577	-
Bonds and other liabilities	3.264	10.833
Other non-current payables	683	-
	<b>21.913</b>	<b>22.646</b>
<b>Current</b>	<b>2006</b>	<b>2005</b>
Bank borrowings	4.801	2.929
Other amounts payable to banks	36.430	41.918
Bonds and other liabilities	5.293	6.779
Other current liabilities	852	3.711
	<b>47.376</b>	<b>55.337</b>
	<b>69.289</b>	<b>77.983</b>

The heading "Bank borrowings" records the financing that was necessary to acquire the installations needed to carry out the Company's business.

The heading "Other amounts payable to banks" on the liability side of the balance sheet mainly records the payables at 31 December 2006 totalling €11,076k (€11,311k in 2005) see Note 4.2, structured under "Factoring with resource" arrangements in accordance with the agreements concluded with several financial institutions. This heading also records €3,887k drawn down at 31 December (€12,529k in 2005) structured under credit facilities in accordance with the agreements concluded with several financial institutions.

The available limit on credit facilities in force at the yearend totals €21,800.

The effective interest rates of reference on payables to credit institutions is the Euribor plus a margin that range is between 0.5%/0.75% for discounting and credit facilities and 1% for bank loans. If payables deriving from the acquisition of companies are secured they have been discounted at a rate ranging between 2.4%/2.9%, depending on the year of origin and unsecured deferred payments are subject to a rate ranging between 2.8%/3.7%, depending on the year of origin.

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

The composition of the heading "Other amounts payable to banks" is as follows:

<b>Current/non-current</b>	<b>2006</b>	<b>2005</b>
Discounted bills (Note 8)	23.044	18.078
Payables to banks under factoring agreements (Note 4.2)	11.076	11.311
Payables to banks under credit facilities	3.887	12.529
	<b>38.007</b>	<b>41.918</b>

Amounts totalling €1,577k are payable under credit facilities that fall due in the long-term.

The composition of "Bonds and other payables" and "Other current liabilities" is as follows:

<b>Current/non-current</b>	<b>2006</b>	<b>2005</b>
Deferred payments on the acquisition of companies	8.557	15.486
Fixed asset creditors	1.535	5.837
	<b>10.092</b>	<b>21.323</b>

The repayment of "bank loans" and "bonds and other liabilities" is scheduled as follows:

	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011 and subsequent</b>	<b>Total</b>
Bank borrowings	4.801	5.021	4.565	4.274	2.529	<b>21.190</b>
Payable to banks under credit facilities	2.310	1.577	-	-	-	<b>3.887</b>
Other liabilities	852	683	-	-	-	<b>1.535</b>
Deferred payments on the acquisition of companies	5.293	3.264	-	-	-	<b>8.557</b>
Discounted bills	23.044	-	-	-	-	<b>23.044</b>
Payables to banks under factoring agreements	11.076	-	-	-	-	<b>11.076</b>

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

### 16 Deferred income tax

The gross movement in deferred income tax assets and liabilities is shown below:

2006

<b>ASSETS</b>	<b>2005</b>	<b>Additions</b>	<b>Applications</b>	<b>Tax rate adjustment</b>	<b>2006</b>
New PPE	10.817	2.682		-	13.499
Tax-loss carry forwards	117	2	(29)	-	90
Other	109	13	63	34	219
	<b>11.043</b>	<b>2.697</b>	<b>34</b>	<b>34</b>	<b>13.808</b>

<b>LIABILITIES</b>	<b>2005</b>	<b>Additions</b>	<b>Applications</b>	<b>Tax rate adjustment</b>	<b>2006</b>
Finance lease	7.516	4.644	(1.150)	(966)	10.044
Fair value for business combinations	430	-	-	(77)	353
Capitalized expenses associated with acquisitions	366	113	-	(52)	427
	<b>8.312</b>	<b>4.757</b>	<b>(1.150)</b>	<b>(1.095)</b>	<b>10.824</b>

2005:

<b>ASSETS</b>	<b>2004</b>	<b>Additions</b>	<b>Applications</b>	<b>2005</b>
New PPE	10.065	880	(128)	10.817
Tax-loss carry forwards	2.500	-	(2.383)	117
Other	108	5	(4)	109
	<b>12.673</b>	<b>885</b>	<b>(2.515)</b>	<b>11.043</b>

<b>LIABILITIES</b>	<b>2004</b>	<b>Additions</b>	<b>Applications</b>	<b>2005</b>
Finance lease	5.531	2.953	(968)	7.516
Reversal of the general provision	-	539	(109)	430
Capitalized expenses associated with acquisitions	88	278	-	366
	<b>5.619</b>	<b>3.770</b>	<b>(1.077)</b>	<b>8.312</b>

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

The effect of certain deferred tax liabilities is offset against deferred tax assets in the balance sheet when involving the same tax authority. The offset amounts totalled €3,968k in 2006 and €2,612k in 2005, as follows:

	<u>2005</u>	<u>2006</u>
Capitalized deferred tax assets	11.043	13.808
Net deferred tax liabilities	<u>(2.612)</u>	<u>(3.968)</u>
	<u>8.431</u>	<u>9.840</u>
	<u>2005</u>	<u>2006</u>
Deferred tax liabilities	8.312	10.824
Net deferred tax liabilities	<u>(2.612)</u>	<u>(3.968)</u>
	<u>5.700</u>	<u>6.856</u>

The classification of deferred tax assets and liabilities between short and long-term is set out below:

### ASSETS

	<u>2007</u>	<u>2008 and subsequent</u>
New PPE	800	12.699
Tax-loss carry forwards	-	90
Other	<u>82</u>	<u>137</u>
	<u>882</u>	<u>12.926</u>

### LIABILITIES

	<u>2007</u>	<u>2008 and subsequent</u>
Finance lease	1.391	8.654
Fair value for business combinations	-	353
Capitalized expenses associated with acquisitions	<u>-</u>	<u>426</u>
	<u>1.391</u>	<u>9.433</u>

Since 2005 the Parent Company is authorized to file consolidated tax returns for corporate income tax purposes and at 31 December 2006 the tax consolidation group is formed by the following companies:

Gam Madrid, S.L.U, Gam Este, S.L.U., Gam Levante, S.L.U., Gam Canarias, S.L.U., Gam Sureste, S.L., Gam Noroeste, S.L.U., Gam Madrid Sur S.A.U., Gam Energia alquiler de maquinaria, S.L.U., Gam Renove, S.A.U, Gam Noreste, S.L.U. and Gam Suroeste, S.L.U.

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

On 29 November 2006 Law 35/2006 on Personal Income Tax was published in the Official State Gazette ("BOE") which partially amended the legislation governing corporate income tax, non-resident income tax and wealth tax, including a reduction of the corporate income tax rate from 35% to 32.5% for tax periods commencing as from 1 January 2007 and to 30% for the periods commencing on or after 1 January 2008.

Accordingly, the Company has adjusted to further tax assets and liabilities based on the estimated time of reversal, except for those companies that are taxed under regional systems, for which this modification had not been approved at the closing date.

During 2005 part of the tax legislation applicable to corporate income tax in Bizkaia, Regional Decree 1/2005 (30 December) was suspended by the courts, an appeal has been filed and it has not been published in the Official Gazette for Bizkaia.

### 17 Subsidies

This heading breaks down as follows:

	<u>2006</u>	<u>2005</u>
Subsidy for New PPE	5.932	4.212
Other subsidies	57	70
	<u><b>5.989</b></u>	<u><b>4.282</b></u>

Group companies benefit from subsidies provided by various Public Administrations for investment in new PPE. These subsidies cover 10%-25% of investments in new equipment. The amount pending application at 31 December 2006 totals €5,932k (€4,212k in 2005).

In order to benefit from this subsidy, the Company must maintain these assets on its balance sheet for a minimum of five years. As the Company has failed to comply with this requirement with respect to some of the assets linked to these subsidies, the Company has recognized €100k and €150k as an expense and income during the year, respectively. The remaining amount was cancelled since it had not been capitalized in the accounts.

### 18 Provisions

Movements during 2006 are as follows:

	<u>Thousand euro</u>
<b>Balance at 31.12.05</b>	<b>1.105</b>
Appropriations	-
Reversals	(513)
<b>Balance at 31.12.06</b>	<u><b>592</b></u>

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

At 31 December 2005 the Company had recorded provisions for the various amounts associated with certain risks, among which the following are considered to be significant:

Assessments raised by the National Inspectorate Office at the request of the Labour Inspectorate in Andalusia, as a result of the absence of safety measures at a project with which the Company was involved, and the Company has been named a party to a lawsuit together with other subcontractors involved with this work.

The Tax Authorities raised settlement assessments relating to the special tax on hydrocarbons for the unjustified use or application of subsidized diesel fuel between 1997 and 1999. This Decision has been appealed against by the Company before the courts and the issue is currently being heard by the Superior Court of Justice in Asturias, which has ordered the precautionary suspension of the payment of the amounts concerned.

In addition, as a result of certain risks deriving from an occupational accident affecting a Company employee, a provision totalling €191k has been recorded.

The application of provisions made in 2006 totalling €513k, relate mainly to payments made by the Company to cover the claims made against the Company by an employee (€162k) as well as the Company's re-estimate of the covered risks.

The company's Directors and legal advisers understand that no additional amounts will arise for these claims that could represent financial harm for the Company's equity.

### 19 Ordinary revenues

	<u>2006</u>	<u>2005</u>
Machinery rental	151.428	108.016
Revenues from transportation and other supplementary services	32.497	16.998
Sale of new machinery	1.672	1.413
Total ordinary revenues	<u>185.597</u>	<u>126.427</u>

### 20 Raw materials and consumables

	<u>2006</u>	<u>2005</u>
Fuel	4.988	4.557
Spare parts	8.990	8.602
Other consumables	3.740	3.782
Machinery re-rental	11.010	4.734
	<u>28.728</u>	<u>21.675</u>

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

### 21 Other expenses

	<u>2006</u>	<u>2005</u>
Rent and royalties	3.051	2.261
Transportation expenses	14.586	8.016
Repairs and maintenance	5.280	3.053
Other external services	20.588	8.939
Taxes	605	522
	<u><b>44.110</b></u>	<u><b>22.791</b></u>

At 31 December 2006, other external services include €3.5 million relating to the cost of listing the Company's shares on the stock market.

### 22 Personnel expenses

The breakdown of Personnel expenses at the end of 2005 and 2006 is as follows:

	<u>2006</u>	<u>2005</u>
Wages and salaries	34.765	25.367
Staff welfare expenses	9.723	7.011
	<u><b>44.488</b></u>	<u><b>32.378</b></u>

Under the heading Staff welfare expenses, the Company has recorded the financial effects of the discounted stock option plan, which is mentioned in No 2.17.d). The cost deriving from this plan for the Company totalled €381k in 2006.

The average number of employees by category is:

	<u>2006</u>	<u>2005</u>
Address	31	17
Administration	193	109
Traffic / transport	413	355
Workshop	443	314
Goods purchased for resale	124	103
	<u><b>1.204</b></u>	<u><b>898</b></u>

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

### 23 Financial income and expense

	<u>2006</u>	<u>2005</u>
Financial expense		
– Lease agreements, discounting facilities and loans	(9.007)	(4.701)
– Discounting of deferred payments	(314)	(437)
- Other finance expenses	(23)	(178)
	<b><u>(9.344)</u></b>	<b><u>(5.316)</u></b>
Financial income		
– Loan interest revenues	331	109
- Derivatives	532	-
	<b><u>(8.481)</u></b>	<b><u>(5.207)</u></b>

### 24 Income tax

	<u>2006</u>	<u>2005</u>
Current income tax	3.796	980
Deferred taxes: Change in the tax rate.	(1.129)	-
Deferred tax liability	3.657	4.577
	<b><u>6.324</u></b>	<b><u>5.557</u></b>

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>2006</u>	<u>2005</u>
Profit before taxes	23.635	18.499
Adjustment to book results	471	286
Ineligible items	(117)	(286)
Tax credits (deduction for fixed assets)	(904)	(915)
Tax credits (Reserve for investments made in the Canary Islands and reinvestment exemptions)	(1.656)	(203)
<b>Book profit before adjusted income tax</b>	<b>21.429</b>	<b>17.381</b>
Corporate income tax payable	7.371	6.151
Tax deductions		
- Reinvestment exemptions	(277)	(594)
- Environmental deductions	(235)	-
- Other tax deductions	369	-
<b>Accrued corporate income tax</b>	<b>7.228</b>	<b>5.557</b>
Income from the change in the tax rate	(1.129)	-
Consolidation adjustments	225	-
<b>Accrued corporate income tax</b>	<b>6.324</b>	<b>5.557</b>
<b>Effective rate</b>	<b>26,76%</b>	<b>30,04%</b>

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

### 25 Earnings per share

#### a) Basic

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

	<u>2006</u>	<u>2005</u>
Profit attributable to the company's shareholders (thousand euros)	17.311	12.492
Weighted average number of outstanding ordinary shares (thousand)	31.084	34.522
Basic earnings per share (€ per share)	0,56	0,36

There is no dilution factor and therefore the diluted profit per share coincides with the basic figure. The only potentially diluting factor relates to the stock options mentioned in Note 12, although the effect is already taken into account in the calculation of the basic earnings per share, in accordance with IAS 33.

### 26 Contingencies

The Group provides guarantees relating to the normal course of business and it does not consider that any significant liability will arise in this respect.

During the normal course of these activities, the Group has provided guarantees to third parties totalling €10,308k (€14,046k in 2005), of which €8,821k (€11,732k in 2005) consist of guarantees relating to the acquisition of investee companies and the rest relates to third-party guarantees provided to public entities and several creditors in order to secure the services of the companies as well as the acquisition of machinery.

### 27 Related companies

The accounts that Grupo General Alquiler de Maquinaria, S.A. maintains with major shareholders at the end of 2006 and 2005 are as follows:

	<b>2006</b>	
	<u>Bilbao Bizkaia Kutxa</u>	<u>Caja de Ahorros de Asturias</u>
<b>Cash Balances</b>	<b>(4)</b>	<b>1.661</b>
Acquisition Loans	-	(5.437)
Mortgage loans	-	(900)
Credit facilities	-	(443)
Finance leases	(5.433)	(9.353)
Discounted bills	(676)	(6.448)
<b>Total debt</b>	<b>(6.109)</b>	<b>(22.581)</b>

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

In addition, as is mentioned in Note 12, at an Extraordinary Meeting of shareholders of General de Alquiler de Maquinaria, S.A. held on 3 May 2006, eight Resolutions were unanimously adopted to authorize the Board of Directors to acquire Class A shares and subsequently write them off within the framework of this share capital reduction agreement. These shares were acquired at a price of €1.3724 per share, generating a dividend totalling €4,736k.

No other significant transactions were carried out in 2006 with major shareholders.

### **28. Remuneration paid to the members of the Board of Directors and Senior Management**

The position of Director is remunerated in accordance with Article 9 of GAM's By-laws. The amount may consist of a fixed quantity agreed by shareholders at a General meeting and it is not necessary for this payment to be equal for all Directors.

The remuneration accrued by members of the Board of Directors of GAM in 2006 totalled €746k (€478k in 2005).

During 2006 the remuneration accrued by the Company's Senior Management, who are considered to be the Area Directors, totalled €482k for fixed and variable items (€437k in 2005).

In addition, during 2006 the Company established a compensation plan for Senior Management and the Managing Director, in his capacity as an executive, as is mentioned in Note 12 d).

No advance payments or loans have been granted to any member of the Board of Directors or Senior Management, and the Company has not assumed any obligations relating to guarantees in this respect.

The members of the Board of Directors and Senior Management did not accrue any amount whatsoever for present or future pension commitments.

### **29. Post balance sheet events.**

After the year end no events took place that could significantly affect the information reflected in the Annual Accounts prepared by the Directors at that same date or which should be noted as having particular importance for the Group.

### **30 Other information**

#### **(a) Environmental information**

In 2006, the 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 that the Group carries out.

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

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 2006.

### **(b) Auditors' remuneration**

Fees for audit services relating to the individual and consolidated annual accounts accrued to the GAM Group's auditor in 2006 totalled €190k (€200k in 2005).

Fees for other professional audit services accrued to the Group's main auditor in 2006 totalled €121k. In 2005 the main auditor invoiced €215k for other audit services.

### **(c) Art. 127 ter. 4**

In accordance with the provisions of Article 127 ter of the Spanish Companies Act, the following information relating to 31 December 2006 is hereby provided:

- a) Companies with the same, similar or complementary corporate purpose as General de Alquiler de Maquinaria, S.A., in which members of the Board of Directors hold an interest and any positions held are as follows:

None

- b) Apart from the above, companies with the same, similar or complementary corporate purpose as General de Alquiler de Maquinaria, S.A., in which members of the Board of Directors hold positions in the governing body and their duties, are set out below:

Board member	Company	Duties
Pedro Luís Fernández	Gam Madrid, S.L.U.	Sole Administrator
Pedro Luís Fernández	Gam Madrid Sur, S.A.U.	Sole Administrator
Pedro Luís Fernández	Gam Noroeste, S.L.U.	Sole Administrator
Pedro Luís Fernández	Gam Norte, S.L.U.	Sole Administrator
Pedro Luís Fernández	Gam Noreste, S.L.U.	Sole Administrator
Pedro Luís Fernández	Gam Este, S.L.U.	Sole Administrator
Pedro Luís Fernández	Gam Levante, S.L.U.	Sole Administrator
Pedro Luís Fernández	Gam Sureste, S.L.U.	Sole Administrator
Pedro Luís Fernández	Gam Suroeste, S.L.U.	Sole Administrator
Pedro Luís Fernández	Gam Canarias, S.L.U.	Sole Administrator
Pedro Luís Fernández	Gam Energía Alquiler de Maquinaria, S.L.U.	Sole Administrator
Pedro Luís Fernández	Gam Renove, S.A.U.	Sole Administrator
Pedro Luís Fernández	Gam Verde, S.L.U.	Sole Administrator
Pedro Luís Fernández	General de alquiler de maquinaria Industrial, S.L.U.	Sole Administrator

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

<b>Board member</b>	<b>Company</b>	<b>Duties</b>
Pedro Luís Fernández	Gam Islas Baleares, S.L.U.	Sole Administrator
Pedro Luís Fernández	Gam Eventos, S.L.U.	Sole Administrator
Pedro Luís Fernández	Gam Vías, S.L.U.	Sole Administrator
Pedro Luís Fernández	Gam Puertos, S.L.U.	Sole Administrator
Pedro Luís Fernández	Gam Estructuras alquiler de maquinaria, S.L.U.	Sole Administrator
Pedro Luís Fernández	General de Alquiler de Maquinaria, S.A.	Chairman of the Board of Directors and Managing Director

- c) Apart from the above, activities that are the same, similar or complementary to the corporate purpose of General de Alquiler de Maquinaria, S.A., and are exercised by members of the Board of Directors on their own behalf or on the behalf of others are as follows:

None

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

CONSOLIDATED ANNUAL ACCOUNTS FOR GENERAL DE ALQUILER DE MAQUINARIA, S.A. AND SUBSIDIARIES AT 31 DECEMBER 2006								
APPENDIX I								
Company name	Address	interest		Company holding the interest	Note	Consolidation method	Activity	Auditor
		Cost in €'000	% par value					
Aldaiturriaga Portugal aluguer de equipamentos de elevação e transporte LDA.	Lisbon (Portugal)	4.514,92	100,00%	General de Alquiler de Maquinaria, S.A.		Full consolidation	Machinery rental	(1)
Aldaiturriaga, S.A.U.	Baracaldo (Vizcaya)	15.405,00	100,00%	General de Alquiler de Maquinaria, S.A.		Full consolidation	Machinery rental	PWC
GAM Canarias, S.L.U.	Fuerteventura, Canary Islands	30,00	100,00%	General de Alquiler de Maquinaria, S.A.		Full consolidation	Machinery rental	(1)
GAM Energía Alquiler de Maquinaria, S.L.U	San Fernando de Henares (Madrid)	60,00	100,00%	General de Alquiler de Maquinaria, S.A.		Full consolidation	Machinery rental	(1)
GAM Este, S.L.U	Castellbisbal (Barcelona)	60,00	100,00%	General de Alquiler de Maquinaria, S.A.		Full consolidation	Machinery rental	(1)
GAM Levante Alquiler de Maquinaria, S.L.U.	Massalfassar (Valencia)	4.460,00	100,00%	General de Alquiler de Maquinaria, S.A.		Full consolidation	Machinery rental	(1)
GAM Madrid, S.L.U.	San Fernando de Henares (Madrid)	15.879,87	100,00%	General de Alquiler de Maquinaria, S.A.		Full consolidation	Machinery rental	PWC
GAM Noreste, S.L.U.	Zaragoza (Aragón)	63,10	100,00%	General de Alquiler de Maquinaria, S.A.		Full consolidation	Machinery rental	(1)
GAM Islas Baleares, S.L.U.	Benissalem (Palma de Mallorca)	60,00	100,00%	General de Alquiler de Maquinaria, S.A.		Full consolidation	Machinery rental	(1)
General de alquiler de maquinaria Industrial, S.L.U	Llanera (Asturias)	60,00	100,00%	General de Alquiler de Maquinaria, S.A.		Full consolidation	Machinery rental	(1)
GAM Estructuras alquiler de maquinaria, S.L.U	San Fernando de Henares (Madrid)	60,00	100,00%	General de Alquiler de Maquinaria, S.A.		Full consolidation	Machinery rental	(1)
GAM Verde, S.L.U.	San Fernando de Henares (Madrid)	60,00	100,00%	General de Alquiler de Maquinaria, S.A.		Full consolidation	Machinery rental	(1)
GAM Vías, S.L.U	Llanera (Asturias)	3,10	100,00%	General de Alquiler de Maquinaria, S.A.		Full consolidation	Machinery rental	(1)
GAM Eventos, S.L.U.	Llanera (Asturias)	3,10	100,00%	General de Alquiler de Maquinaria, S.A.		Full consolidation	Machinery rental	(1)
GAM Puertos, S.L.U.	Llanera (Asturias)	3,10	100,00%	General de Alquiler de Maquinaria, S.A.		Full consolidation	Machinery rental	(1)
GAM Noroeste, S.L.U.	Llanera (Asturias)	15.028,00	100,00%	General de Alquiler de Maquinaria, S.A.		Full consolidation	Machinery rental	PWC
GAM Norte, S.L.U.	Baracaldo (Vizcaya)	60,00	100,00%	General de Alquiler de Maquinaria, S.A.		Full consolidation	Machinery rental	(1)
GAM Renove, S.A.U.	Llanera (Asturias)	60,20	100,00%	General de Alquiler de Maquinaria, S.A.		Full consolidation	Machinery rental	(1)
GAM Sureste, S.L.	Granada (Andalucía)	2.250,00	100,00%	General de Alquiler de Maquinaria, S.A.		Full consolidation	Machinery rental	PWC
GAM Suroeste, S.L.U.	Seville (Andalusia)	19.960,60	100,00%	General de Alquiler de Maquinaria, S.A.		Full consolidation	Machinery rental	PWC
GAM Madrid Sur, S.A.U.	Fuenlabrada (Madrid)	12.119,00	100,00%	GAM Madrid, S.L.U.		Full consolidation	Machinery rental	PWC

(1) Not audited

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

### ***DIRECTORS' REPORT***

#### Development of the Group's activities

During 2006 General de Alquiler de Maquinaria Group (hereinafter GAM) has continued with its strategy of growth and expansion throughout Spain as well as with its strategy for diversifying into new sectors in which there has not been a rental culture (forestry, waste management, lighting equipment, events, roadways, ports,. etc.).

Through organic growth, in 2006 GAM opened 17 offices, 4 of which were specialists as a result of its diversification strategy and the rest were general offices: Some were opened in the Mediterranean coast area and in Catalonia in order to strengthen the growth in these areas in which GAM maintains less of a presence than in the rest of Spain in order to guarantee an efficient and uniform service for all customers.

2006 was undoubtedly marked by a milestone, which was GAM's entry into the stock market, which was a historic moment for the Company. From the point of view of the operating accounts, GAM group has recorded expenses associated with this transaction totalling €3,933k.

The development of revenues in 2006 compared with last year reflected a 47% increase from €126,427k in 2005 to €185,597k in 2006. The development of the Group's results was also positive and GAM Group has achieved revenue increases of close to 50% without any negative effect on margins. Profits rose from €12,942k in 2005 to €19,868k in 2006 (excluding transaction costs), which is a 53.5% increase. The effect of adjustments to deferred taxes to bring them into line with the reduction in corporate income tax rates also had a positive influence totalling €1,129k. Without this effect net profit would have totalled 10.1% of sales.

In the financial area, net financial expense for 2006 totalled €8,481, compared with the 2005 figure of €5,207. This increase is explained by the higher average financial expense borne by the Group. Net debt in December 2006 totalled €228,748k and the average cost for this debt was 3.77%. This cost was positively influenced by the interest rate hedges that the Group has obtained.

GAM has invested €119,453k in the fleet of machinery compared with €82,606k in 2005, as part of its policy to own the best and most modern equipment available in the market and to provide a unique and consistent service at all offices. The fleet currently comprises over 38,656 machines. This Group investment policy will be adapted to meet new needs for market growth in 2007 and subsequent years.

During the year a share capital increase took place totalling €55.3 million, of which €17.5 million were used to write off Class A shares.

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

In 2006 the Group has continued with the policy implemented in 2005 for growth and to strengthen the brand with the objective of obtaining a single strong brand recognition for our entire network. The investments made and the efforts of our employees have consolidated the image of the brand and it is currently the point of reference in the machinery rental market in Spain.

### Future perspectives for the Group

In the area of budgets and business plans, in 2006 we met and exceeded expectations both in terms of revenues and profits, and the consolidated revenues and profits obtained by the group increased. As a result of the intense market demand and supported by the opening of offices in 2007 in order to continue with our capillary growth, next year we expect strong organic growth. We expect margins to be stable.

As regards the Group's future development and the management of the risks that may affect the Group in the future, the Board of Directors considers that although a very high percentage of sales take place in Spain and sales are very concentrated in the construction sector at around 65%, the development of investments in public works over the coming years that was announced by the Government in 2005 (PEIT set at 250,000k between 2005 - 2020), will allow the order portfolio to be maintained in the future. Growth perspectives in the construction industry are similar to those in prior years and they are expected to remain stable in coming years at a position higher than the average in other sectors in Spain.

The Group also considers that the penetration rate of the rental market with respect to the acquisition of machinery will continue to gain ground over the next few years, as has been the case in the European Union, until levels similar to those obtained on average in continental Europe are reached in the coming years.

The investments made by the group with respect to specializing in various markets and the diversification that is taking place (through products and/or activity sectors), ensures that it will continue to be the point of reference in the machinery rental market. It should be taken into account that most of the main customers, such as construction companies, are also involved with diversification processes that will favour the Group.

The Group considers that the return on investment will continue to be high and there will be no problems associated with the volume of debt in terms of meeting its obligations, given the high margins that are obtained and will be maintained by the Group.

### Environment

The Company has adopted the measures that it considers necessary to protect the environment and minimize any potential environmental impacts that the Group's activity could have, in accordance with the requirements established by current legislation.

### Research & Development

In 2006 no significant investments were made in this area.

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

### Transactions involving Treasury shares

Company shareholders at an Extraordinary Meeting held on 19 May 2006 authorized the acquisition of a maximum number of treasury shares, provided that together with those already held by the Company or its subsidiaries, the total amount did not exceed 5% of share capital. The acquisition was authorized at a minimum price of €1 per share and the maximum price was not to exceed 120% of their listed price at the acquisition date. GAM Group, in application of the Resolution adopted by shareholders at a General Meeting, has acquired treasury shares in order to implement the stock option plan. At the end of 2006, GAM Group recorded €3,801 on its 2006 balance sheet in this respect.

### Human resources

At 31 December 2006 GAM Group Had 1204 employees, which is a 34% increase over last year. This increase in the payroll is due to the needs generated by the increase in the Group's business in 2006.

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

### Post-balance sheet events

Not applicable.

### Financial instruments

The Group's activities are exposed to diverse financial risks such as, interest rate risk, cash flow risk, credit risk, liquidity risk and derivative fair value 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 credit insurance, credit facilities, factoring and derivative arrangements. Their decisions are supervised and approved by the Board of Directors.

The diverse risks and their management are as follows:

#### (a) Cash flow interest rate risk

The Group financed its sharp growth mainly through deferred payments, bank loans to acquire the companies and lease agreements to acquire the machinery. Except for the deferred payments, which have an embedded interest rate, all other payables bear interest at Euribor plus a spread, which gives rise to a risk relating to changes in future cash flows and, consequently, financial expenses.

The Group covers these risks financially, to the extent deemed adequate, by obtaining derivatives for which it pays a fixed rate and receives flows indexed to the Euribor rate.

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

### **(b) Credit risk**

The Group's credit risk 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 entities of recognised solvency within the construction, wind energy and industrial sectors. Sales to smaller customers or those with lower credit ratings are insured and the insurer is liable for 90% of the possible risk of default.

### **(c) Liquidity risk**

On a monthly basis Financial Management analyses the payment schedule for borrowings and the short and medium-term liquidity needs. To date the flows generated by the business have been sufficient to pay down debts and the Company habitually uses discounting facilities due to the cash flow mismatch caused by its 184-day average collection period, by assigning banks receivables through factoring arrangements and occasional use of the credit facilities that the Company has obtained from several financial institutions.

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

### PREPARATION OF THE CONSOLIDATED ANNUAL ACCOUNTS AND CONSOLIDATED DIRECTORS' REPORT FOR 2006

On 28 March 2007, and in compliance with Article 171 of the Spanish Companies Act and Article 37 of the Code of Commerce, the Board of Directors of the company General Alquiler de Maquinaria, S.A. prepared the Consolidated Financial Statements and Consolidated Directors' Report for the year ended 31 December 2006, which are set out in the preceding attached documents.

<b>Mr Pedro Luis Fernández</b>  Director (Chairman)	<b>Mr. Lorenzo Martínez</b>  Director
<b>Mr. Jorge Mataix</b>  Director	<b>Mr. Jorge Morral</b>  Director
<b>Mr. Carlos Puente</b>  Director	<b>Mr. Carlos Fernández</b>  Director
<b>Mr. Graciano García</b>  Director	<b>Mr. Jose Manuel Campa</b>  Director
<b>Ms. Alicia Vivanco</b>  Director	<b>Mr. Gonzalo Hinojosa</b>  Director
<b>Mr. Francisco J. Martínez</b> Non-voting Secretary:	