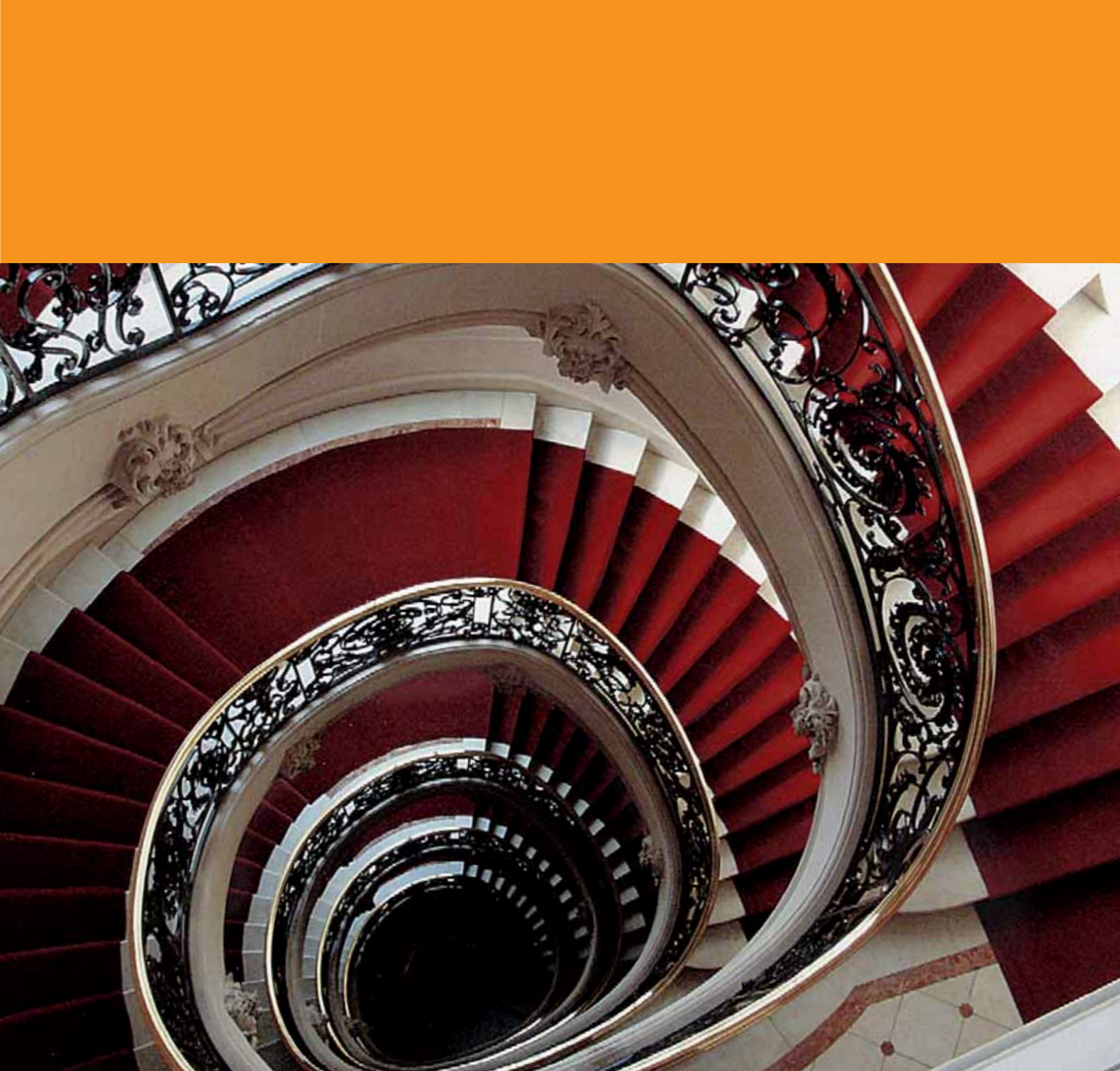




ANNUAL REPORT 04



París

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Dear Shareholders,

It is a great satisfaction for me to tell you about Renta Corporación's progress in 2004, as this was an excellent year for our organisation regarding both its economic results and the landmarks reached in the process of expanding and institutionalising our company.

Our economic performance last year was extremely good, continuing the strong growth trend that Renta Corporación has achieved over the years. The group recorded a net consolidated profit in 2004 of 22.4 million euros, 63% up on 2003.

The company's gross sales margin was 48.2 million euros, compared to 34.7 million in 2003. In percentage terms, the gross sales margin went up from 17% of sales in 2003 to 22% in 2004. From the standpoint of value creation, this improvement in the gross margin reflects the effort made by the company to identify investment opportunities with high value added.

The good performance of the gross sales margin allowed the company to absorb the increased operating costs resulting from the group's functional and geographic expansion, and enabled its operating profit to progress most satisfactorily. To be precise, operating profit in 2004 amounted to 33.7 million euros, substantially up on the 25.6 million euros recorded in 2003.

As an indication of the way our business expanded in 2004, I would like to point out that Renta Corporación invested 284.1 million euros during the year, compared to 188.3 million euros in 2003. These investments included a total of 40 properties, compared to 38 in 2003. These investments in 2004, and those in the future, will enable us to ensure to a large extent the sustained growth of our profits in the medium term.

This excellent result is due to several causes, but I would like to highlight the collective effort of all those who are part of our company. Our organisation is made up of a strong group of highly qualified and skilled people. I want to take advantage of this opportunity to place on record my gratitude to the whole Renta Corporación team, as without their hard work and dedication none of this would have been possible.

As part of the institutionalisation process we are implementing, in December 2004 we carried out an increase in the company's share capital, whereby the British venture capital group 3i, one of the most prestigious in the world, acquired a 10% stake through 3i Group Plc and 3i Spain Private Equity 2004-2006 LP. 3i is represented on our Board of Directors by Carlos Tusquets who, in addition, acquired a 1.5% stake in our company's share capital. I am convinced that these additions to our shareholders and our Board of Directors will be extremely beneficial for Renta Corporación and will make an effective contribution to our expansion.

In 2004, Anna M. Birulés joined the Board of Directors as its Vice-chairman and Pedro Nueno as an Independent Director. In 2005, César Gibernau also joined the Board as an Independent Director, so that at the time this report goes to press, the Renta Corporación Board of Directors is made up of eight people.

In this way we are gradually adopting the international standards of good governance and, among other steps in this direction, the Board of Directors passed a resolution to set up an Audit Committee and an Appointments and Remuneration Committee drawn from its members. At the time of writing, they have both been formed, with two external directors and one internal director sitting on each committee.

With a view to strengthening the company's operating structure, we have taken on eleven new people. In addition to the Vice-presidency, we have put in place two new departments with their respective directors: a Land Development Director and a Technical Director. These two new departments will enable us to consolidate our presence in the land development business, on the one hand, and, on the other, optimise our resources and gain efficiency by centralising all the technical aspects of the different projects in a single department.

In addition to this, at the end of 2004 we opened an office in London, a market we believe offers significant investment opportunities for our company. During 2005, we hope to conclude our first operations in that city. We already have the experience and positive results of our office in Paris where, by the end of 2004, we had acquired seven buildings and where we have good prospects for the future.

In regard to the company's activity, I would like to stress the effort made in buying bigger properties and expanding our main business, while maintaining a quick and efficient decision-making process. This is one of the factors that has enabled us to achieve the results which I mentioned at the beginning of this letter.

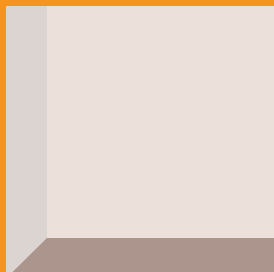
In the sphere of corporate social responsibility, I want to emphasise the role played by the Renta Corporación Foundation, which has been taking on greater and greater importance over the years. At the present time we have two agreements with UNICEF and Intermón OXFAM, and have also collaborated with other NGOs working on problems affecting the most vulnerable sectors in our society, such as children, the ill and battered women. By way of an example, we have worked with Fundación Talita, Fundación Catalana Síndrome de Down, Fundación Carreras, Menudos Corazones and Fundación Nuevo Amanecer, among others.

The Foundation is leading two attractive social projects in Morocco, where we are studying the possibility of building a hotel complex near Tangiers through an enterprise formed by the Foundation itself and the company. We are also looking into the construction of council housing in this area.

I hope that you will find this annual report useful in getting to know our company better and I would like to thank you in advance for the trust you have placed in our management team.

Yours sincerely,

**Luis Hernández de Cabanyes**  
Chairman



Letter from  
the  
Chairman

This chapter summarises the evolution of Renta Corporación's main financial and operating magnitudes since 2001 and highlights the most important developments in 2004.

#### Financial and operating magnitudes

Profit and loss account (000s euros)	2001	2002	2003	2004
Sales	92,782	107,379	207,685	217,892
Other operating income	2,612	3,021	11,223	10,746
Total income	95,394	110,400	218,908	228,638
Gross sales margin	22,660	27,637	34,712	48,233
% growth	215%	22%	26%	39%
Operating Cash flow (EBITDA)	11,503	16,773	25,931	34,464
Operating profit (EBIT)	11,410	16,541	25,588	33,705
Profit before tax (EBT)	9,600	15,052	21,101	29,618
Net profit attributable to the group	6,083	9,924	13,767	22,396
% growth	215%	63%	39%	63%
Total dividend	1,074	1,227	1,916	2,987 <sup>1</sup>
Net profit per share	3,25	5,20	7,16	11,99
Dividend per share	0,56	0,64	0,99	1,57
<b>Balance sheet</b>				
Total assets	68,355	120,408	175,259	269,408
Circulating assets	67,025	118,307	146,981	267,370
Equity	9,567	18,302	30,144	61,221
<b>Ratios in %</b>				
EBITDA / Income	12%	15%	12%	15%
Net profit / Income	6%	9%	6%	10%
Equity / Total assets	14%	15%	17%	23%
ROE	93%	71%	57%	59% <sup>2</sup>
<b>Operational details</b>				
Number of employees	56	63	67	78
Total investment	91,703	118,402	188,281	284,100
Number of properties acquired during the year	32	23	38	40

<sup>1</sup> Against reserves, passed by Extraordinary General Shareholders' Meeting on 03/03/05

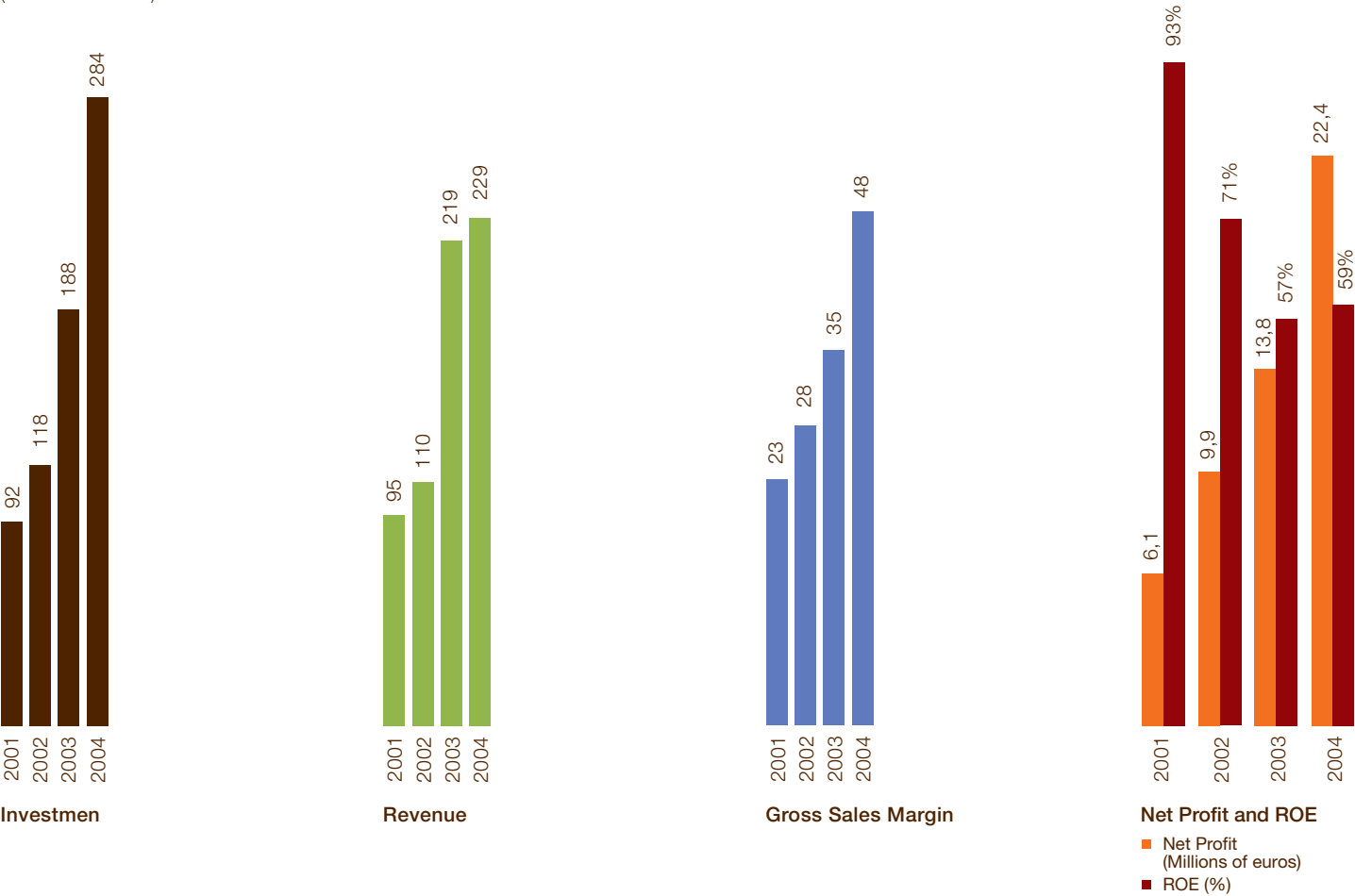
<sup>2</sup> Does not include increase of capital 27/12/04



Barcelona



Evolution of Renta Corporation  
(Millions of euros)



**Growth**  
·Year after year Renta Corporación has been developing its investment capacity and increasing its profits  
·This sustained growth is the result of the company's strong grounding and presence in the market

## Highlights of the year

**A new identity: change of name and corporate image.** At the beginning of 2004, the Group adopted the new name of Renta Corporación in place of its former corporate identity, Corporación Renta Antigua. The new name is better suited to the Group's operations and within a short space of time has become widely accepted in the market.

**Increase in capital and entry of 3i.** In December 2004, Renta Corporación opened up its capital to an international benchmark financial partner. Through 3i Group Plc and 3i Spain Private Equity 2004-2006 LP, British venture capital company 3i paid 20 million euros for 10% of the capital of Renta Corporación. The entry of 3i became effective following a thorough due diligence process covering all the financial, fiscal and legal issues. This stake means that Renta Corporación's equity is valued at 200 million euros, nine times its net profit in 2004.

- Major developments**  
*Achievement of goals:*
- New corporate identity
  - Increase in capital and entry of 3i
  - Strengthening of the organisational structure
  - Development of international expansion
  - Excellent results

**Consolidation of the Board of Directors.** The office of Vice-chairman was created and the decision was taken to bring in Independent External Directors. Thus Anna M. Birulés joined the Board as Vice-chairman and Pedro Nueno was brought in as an Independent External Director. In addition, as a result of the entry of 3i, Carlos Tusquets joined the Renta Corporación Board as an External Nominee Director representing the British group. After the close of the year, the Shareholders' Meeting on 3 March 2005 appointed César Gibernau as an Independent External Director.

**Progress in implementing the highest corporate governance standards.** The Board of Directors set up an Appointments and Remuneration Committee and an Audit Committee drawn from its members. It also decided to introduce an Internal Code of Conduct.

**Strengthening of the organisational structure.** Creation of a Land Transformation Department and a Technical Department under their respective Directors in order to consolidate the company's presence in the land development business, and optimise resources and gain efficiency by centralising all the technical aspects of the different projects in a single department. Francesc Ventura was appointed as Land Director and Tomás Durán as Technical Director.

**Development of international expansion.** The year 2004 witnessed the consolidation of Renta Corporación in Paris as its cumulative investments there (from 2002 to 2004) reached 37 million euros. In 2004, a new office was also opened in London and, as this annual report goes to press, the acquisition of a first building has already been decided involving a total investment of nearly 20 million euros.

**Excellent results.** In 2004, Renta Corporación's revenues reached 229 million euros, of which 218 million euros were from sales. Net profit was 22.4 million euros. At 31 December 2004, the company's equity stood at 61.2 million euros. During 2004, Renta Corporación acquired a total of 40 properties, mainly in Madrid and Barcelona, and it invested 284.1 million euros.



## Most important acquisitions in 2004

### January 2004

**Acquisition of Padre Xifré, 3 and Fuencarral, 133. Madrid.** These two properties were purchased in January 2004. Padre Xifré is a big building containing over 100 dwellings. Renta Corporación has refurbished the flats and started to sell the units off individually. The total investment involved is estimated at 23.6 million euros. In 2004, Renta Corporación went through the process, now completed, of applying for significant changes in the planning and zoning affecting the site of Fuencarral 133, a process initiated by its former owners.

### May 2004

**Acquisition of Passeig de Gràcia, 99. Barcelona.** This huge office building, which had been the headquarters of the chemical company BASF, was purchased in May. Carlos Ferrater was commissioned to draw up a major architectural plan to change the use of the building from commercial to residential with an estimated total investment of 72 million euros.



Barcelona

### June 2004

**Acquisition of Passeig de Gràcia, 103. Barcelona.** This newly built property comprising 3,182 m<sup>2</sup> of offices and 1,324 m<sup>2</sup> of shops and other commercial premises, was acquired in an operation involving a total investment of 27 million euros.

### July 2004

**Acquisition of Montesa, 39. Madrid.** This large property, containing 72 flats, in the Salamanca district of Madrid, was acquired in July. This building, with its own car park on the property, was bought with a view to comprehensively refurbishing it with an estimated total investment of 26.5 million euros.

### October 2004

**Adquisición de Passage des Écoliers, 8-14. París.** This property -Renta Corporación's seventh acquisition in Paris- was purchased in October 2004 with an estimated total investment of 10.4 million euros. The property will be refurbished and the units sold off individually.





Reina Cristina, 8. Barcelona



Boulevard Bourdon, 68. Paris



Atocha, 55. Madrid



Villa Heliu. Barcelona



Passeig de Gràcia, 103. Barcelona



Passeig de Gràcia, 99. Barcelona



Ferran, 24 26. Barcelona



Avda. Rosaleda, 3. Málaga



Numància, 60-62. Barcelona



Ausiàs Marc, 16-18. Barcelona



Donoso Cortés, 5. Madrid



Passage des Ecoles, 8-14. Paris



Juan de Padilla, 11. Málaga



Pedro Roldán, 3. Sevilla



Ptge. Concepció, 13. Barcelona



Bordadores, 11. Madrid



Concepción Arenal, 128. Barcelona



Saint Ouen, 75. Paris



# 3

## Corporate governance

### Commitments regarding good corporate governance

- Transparency
- Business efficiency
- Respect
- Social Responsibility

In 2004, Renta Corporación made major **progress in its process of institutionalisation** by means of corporate and business actions the details of which are given in the corresponding chapters of this annual report. It also set itself the goal of **gradually implementing** the strictest **standards of corporate governance** and committed itself to achieving this.

This commitment has been firmly taken on board by Renta Corporación's shareholders, directors and employees. In virtue of the principle of maximum transparency, which is one of the pillars of good corporate governance, the following sections will provide detailed information on the extent to which progress has been made in this direction.

Renta Corporación is utterly convinced that observing the standards of good corporate governance will **make a direct and positive contribution to achieving the following objectives:**

- Maximum transparency in the running of the company
- Maximum respect for customers, suppliers and social and economic agents interacting with the company
- Improved business efficiency and competitiveness
- Improved social responsibility in its corporate actions

This section includes information on:

- The ownership structure of Renta Corporación
- The functioning of the General Shareholders' Meeting
- The company's management structure
- The company's Internal Code of Conduct



Barcelona





## a. The company structure

During 2004, Renta Corporación carried out an increase in capital whereby a new benchmark financial partner, the British venture capital group 3i, joined the company through 3i Group Plc and 3i Spain Private Equity 2004-2006 LP.

### Share capital of the company

at 31 december 2004 (euros)

Share capital	8,380,642.20
No. of shares	1,995,391
Par value	4.20

On 18 March 2005, the Board of Directors decided to submit a proposal to the General Shareholders' Meeting to approve an increase in capital to the value of 13,568,658.80 euros by raising the face value of the company's shares by 6.80 euros each, charged to issue premium reserves, while keeping the same number of shares, so that the share capital after the increase was as follows:

### Result of the increase in capital

(euros)

Share capital	21,949,301
No. of shares	1,995,391
Par value	11.00



Madrid

From an economic point of view, increasing the capital and charging it to issue premium reserves does not produce an increase in the company's assets.

Likewise, once the increase in capital had been agreed and effected, the Board decided to propose a stock split, reducing the unit face value to one (1) euro in order to obtain a greater number of shares. In this way, eleven (11) new shares would be given in exchange for each old share, so that the company's share capital and number of shares would be as shown in the table below:

### Results of the stock split

(euros)

Share capital	21,949,301
No. of shares	21,949,301
Par value	1.00

In financial terms, the share capital and net worth remain unchanged, the only change being in the number of shares in circulation.

### Main shareholders in Renta Corporación Real Estate, SA

at 31 december 2004

Shareholders	Percentage of capital
Company Founders	57.2%
Executives and Employees	12.4%
3i Group Plc and 3i Spain Private Equity 2004-2006 LP	9.9%
Fundación Privada Renta Corporación, UNICEF, Intermón OXFAM*	8.4%
D. Carlos Tusquets Trias de Bes	1.5%
Other shareholders	10.6%

\* Without voting rights

### Composition of the grup

Company	% stake
Renta Corporación Real Estate R.A., S.A.U.	100%
Renta Corporación Real Estate G.O., S.L.U.	100%
Renta Corporación Real Estate O.N., S.A.U.	100%
Renta Corporación Real Estate Patrimonio, S.L.	97%
Groupe Immobilier Renta Corporación, S.A.S.	100%
Renta Properties (UK) Limited	100%

The Group is comprised of the parent company Renta Corporación Real Estate, S.A. and its dependent companies, which are as follows:

All the companies have their registered offices and are registered for tax purposes in Barcelona, except Groupe Immobilier Renta Corporación (Paris) and Renta Properties UK (London).



b. The General Shareholders’ Meeting

A General Meeting of Renta Corporación Shareholders was held four times during 2004.

An Ordinary General Shareholders’ Meeting was held in April to receive and pass the Company’s and the consolidated Group’s accounts for the year 2003 and to approve the management report.

Following this, three Extraordinary General Shareholders’ Meetings were held to back and endorse various important measures taken during fiscal 2004:

- The appointment of Ms. Anna M. Birulés Bertran as a Director, and her subsequent appointment as Vice-chairman by the Company’s Board of Directors.
- The appointment of Mr. Pedro Nueno Iniesta as an Independent External Director.
- An increase in share capital allowing the British group 3i to acquire a stake in the Company through 3i Group Plc and 3i Spain Private Equity 2004-2006 LP, and the appointment of Mr. Carlos Tusquets Trias de Bess as an External Nominee Director representing 3i.



c. The company’s management structure

At 31 December 2004, the Board of Directors was made up of the members listed here below:

Renta Corporación		
Board of Directors at 31 december 2004		
Mr. Luis Hernández de Cabanyes Chairman	Mr. Josep-Maria Farré Viader Chief Executive Officer	Mr. Pedro Nueno Iniesta Director
Ms. Anna M. Birulés Bertran Vice-chairman	Ms. Esther Giménez Arribas Director	Mr. Carlos Tusquets Trias de Bes Director
	Ms. Elena Hernández de Cabanyes Director	

Election procedure: General Meeting

Mr. César A. Gibernau Ausió has been the secretary of the Board of Directors since 17 November 2003. He was originally not a member of the Board, but at

the Board's first meeting in 2005 it was decided to make him a member by appointing him as an Independent External Director.

Status of the Members of the Board		
Executive Directors		
Director's Name	Committee Membership	Post in the company's organisational structure
Mr. Luis Hernández de Cabanyes Ms. Anna M. Birulés Bertran	Audit Appointments and Remunerations	Chairman Vice-chairman
Mr. Josep-Maria Farré Viader Ms. Esther Giménez Arribas		Chief Executive Officer Legal Department Director
External Nominee Directors		
Director's Name	Committee Membership	Name of shareholder represented
Mr. Carlos Tusquets Trias de Bes	Audit Appointments and Remunerations	3i Group Plc and 3i Spain Private Equity 2004-2006 LP
Independent External Directors		
Director's Name	Committee Membership	Profile
Mr. Pedro Nueno Iniesta Mr. César A. Gibernau Ausió *	Audit Appointments and Remunerations	Business / academic Business
Other Directors		
Director's Name	Committee Membership	
Ms. Elena Hernández de Cabanyes	General Shareholders' Meeting	

\* Mr. César A. Gibernau Ausió was appointed as an Independent Director at the first meeting of the Board of Directors in 2005



# Profile of the Renta Corporación Directors

## Mr. Luis Hernández de Cabanyes

Chairman

Chairman and founder of Renta Corporación. Promoter and trustee of the Renta Corporación Foundation. In 1989 he joined PriceWaterhouseCoopers. Founded Lueco in 1991 and Second House in 1994, among other companies. Holds a Degree in Economic and Business Sciences from the Autonomous University of Barcelona and completed the Top Business Management Programme (PADE) at IESE.

## Ms. Anna M. Birulés Bertran

Vice-chairman

Vice-chairman of Renta Corporación since 2004. Between 1986 and 1990 she was Vice-chairman and General Manager of the Centre for Innovation and Business Development (CIDEM), General Manager of Commercial Promotion, Chairman of COPCA, of the Capital Risc S.C. and other companies linked to industry and technology, in virtue of her responsibilities at the Department of Industry and Energy in the Catalan Regional Government, the Generalitat de Catalunya. She joined Banco Sabadell (1990-1997) and has been its General Secretary since 1995 and also a Director of several companies in the financial sector on behalf of the bank. From 1997 to 2000 she was a Director and General Manager of Retevisión, a Director of Amena, Hispasat and Quiero TV, and Chairman of EresMas, promoting the setting up of the alternative global telecommunications operator. From April 2000 to July 2002 she was a senior member of the Spanish government, as the senior Minister of Science and Technology. She is currently Chairman of the Business Advisory Council of the Open University of Catalonia. Lecturer in Economic Analysis (on voluntary leave of absence). She holds a doctorate in Economic Sciences from the University of Barcelona and holds a PhD from the University of California at Berkeley.

## Mr. Josep-Maria Farré Viader

Chief Executive Officer

Joined Renta Corporación in 2000 as General Manager. He has been a Director of Renta Corporación since December 2000 and was appointed its Chief Executive Officer in 2003. He worked at PriceWaterhouseCoopers from 1989 to 1991. Based in London, he was International Auditor at PepsiCo Europe from 1993 to 1995 and Financing Planning Manager from 1995 to 1997. He was Planning Manager at PepsiCo / Frito-Lay Spain in the period 1997-1999. He has a Degree in Economic Sciences from the University of Barcelona and an MBA from Indiana University.

## Ms. Esther Giménez Arribas

Director

Founder of Renta Corporación. Trustee of the Renta Corporación Foundation. She is currently Director of the Legal and Human Resources Department of Renta Corporación. She has promoted a large number of business and social initiatives. She has a Law Degree from Barcelona University.

## Ms. Elena Hernández de Cabanyes

Director

Has been a member of the Board of Directors of Renta Corporación since 2000. She is a founder member and currently General Manager of Second House. Holds a Degree in Economic and Business Sciences from the Autonomous University of Barcelona and completed the General Management Programme (PDG) at IESE.

## Mr. Pedro Nueno Iniesta

Independent Director

Director of Renta Corporación since 2004. Holds the Fundación Bertrán de Iniciativa Empresarial Chair at IESE. Vice-Chancellor of the International Academy of Management and Executive Chairman of the China Europe International Business School (CEIBS) in Shanghai. Founder member and Chairman of FINAVES, a venture capital company promoting innovative companies. He is the author of numerous articles and has published ten books. Has a PhD in Business Administration from the University of Harvard and a Degree in Industrial Engineering from the Polytechnic University of Catalonia in Barcelona.

## Mr. Carlos Tusquets Trias de Bes

Director

Director of Renta Corporación since 2004. He is Chairman of Grupo FIBANC and a Director of Banca Mediolanum (Italy). In 1971 he joined the Assets Management Section of Grupo Banca Catalana where he became Deputy General Manager. In 1977 he moved to BANKUNION where he developed the Capitals Market Department. In 1983 he was behind the setting up of Grupo FIBANC, of which he is Chairman. He is currently also a Director on the 3i Advisory Board. Holds a PhD in Economic Sciences from the University of Barcelona.

## Mr. César A. Gibernau Ausió

Independent Director

Joined the Renta Corporación Board of Directors as its Secretary in 2003 and was appointed as a Director in 2005. Founding partner of the Gibernau Plana y Asociados professional advice and consultancy practice since 1980. He has been a Lecturer on Direct Taxes at the Polytechnic University of Catalonia. He has published various articles in professional journals. Holds a Degree in Economic and Business Sciences from the Barcelona University and qualified as an Actuary at the same university. Qualified as an Auditor and Chartered Accountant with the Institute of Chartered Accountants of Spain and completed the Top Business Management Programme (PADE) at IESE.



Palma de Mallorca



Barcelona



## Board Committees

At its meeting on 3 December 2004, the Board of Directors decided, as part of the goal of introducing good corporate governance standards in the company, to set up an **Appointments and Remunerations Committee** and an **Audit Committee**, and in the early part of 2005 it appointed the members of these committees.

As far as Renta Corporación is concerned, compliance with the standards of good corporate governance is a tool for **making sure that the management and ethics of its business activity meet suitable standards** and a stimulus for its managers, who are committed to implementing a policy of maximum transparency, responsibility and efficiency.

### I. Appointments and Remunerations Committee

This committee is formed by the following directors:

Ms. Anna M. Birulés Bertran, Chairman of the committee  
Mr. Carlos Tusquets Trias de Bes, Ordinary Member  
Mr. César A. Gibernau Ausió, Secretary

The Appointments and Remunerations Committee meets at least once a year

and whenever appropriate depending on the needs of the Company. It is convened by the Chairman, at the request of any of its members or the Company's Board of Directors.

Although other duties may be assigned to it by the Board of Directors, the committee has the following **basic responsibilities**:

1. To formulate and review the criteria to be applied regarding the composition of the management team of the Company and its subsidiaries and in selecting candidates.
2. To submit to the Board of Directors proposals for the appointment of managers and executives so that the Board may appoint them.
3. Periodically to analyse, formulate and review the proposed policies for hiring and securing the loyalty of new managers and executives.
4. Periodically to analyse, formulate and review the proposed policies on the remuneration of managers and executives, weighing up their suitability and performance.
5. To ensure the transparency of remunerations.
6. To report on transactions which involve, or may involve, a conflict of interests.

### Board Committees

- Appointments and Remunerations Committee
- Audit Committee

### II. Audit Committee

This committee is comprised of the following directors:

Ms. Anna M. Birulés Bertran, Chairman of the Committee  
Mr. Carlos Tusquets Trias de Bes, Ordinary Member  
Mr. César A. Gibernau Ausió, Secretary

The Audit Committee meets at least once a month and whenever appropriate depending on the needs of the Company. It is convened by the Chairman, at the request of any of its members or the Company's Board of Directors.

Although other duties may be assigned to it by the Board of Directors, the committee has the following **basic responsibilities**:

1. To report to the General Shareholders' Meeting on matters within its competence raised by shareholders at such meetings.
2. To make proposals to the Board of Directors, for the Board to submit to the General Shareholders' Meeting, on the appointment of external auditors as provided for in article 204 of the Amended Limited Companies Act (Texto Refundido de la Ley de Sociedades Anónimas).
3. To supervise the internal auditing systems.
4. To be cognisant of the Company's financial reporting process and internal control systems, and review the appointment or replacement of those responsible for them.
5. To deal with the external auditors in order to receive information about any matters that might jeopardise their independence and any other matters related to the process of carrying out the audit, and other communications as provided in the laws regarding the auditing and technical standards applied to auditing.
6. To review the Company's accounts and to ensure compliance with the legal requirements and correct application of generally accepted accounting principles, with the direct help of the external and internal auditors in performing this task.

Madrid





# d. Code of Conduct

**Internal Code of Conduct**  
Another step towards introducing the highest corporate governance standards

An Internal Code of Conduct was drawn up in 2004 and formally approved in 2005 with a view to introducing the principles of good corporate governance. This Code of Conduct establishes the **operating principles** helping the professionals at Renta Corporación to act in accordance with the values that shape its business culture. It also lays down the **general criteria regarding how to operate** so as to facilitate their day-to-day work.

The principles set out in the Code of Conduct apply **in general**, to all the people who form part of Renta Corporación, either through an employment relationship or because they are members of its governing bodies. They also apply to shareholders, investors, suppliers, customers and external collaborators in any commercial or business operations they engage in with the Company.

The **areas and relationships governed** by the Code of Conduct are as follows:



**Principles affecting the whole organisation**  
The Internal Code of Conduct applies to everyone and sets out operational criteria to facilitate the performance of professional duties

## a. Employees

As far as Renta Corporación is concerned, the people who form part of the Company are its main asset. For this reason, it provides a work environment in which everyone has the chance to develop their professional potential to the full and at the same time contribute to the company's growth and success, in accordance with the following principles:

- Equal opportunities and non-discrimination
- A safe and healthy work environment
- Integrity in professional actions
- Responsibility in the use of material resources and the protection of assets
- Confidentiality of information
- Respect for privacy
- Clearly established internal communication channels reinforcing the open-doors policy for all levels of the organisation, including top management

## b. Shareholders

Renta Corporación is firmly committed to transparency in regard to its shareholders and places all the financial and corporate

information to do with the Company at their disposal.

In this context, Renta Corporación has set up two control committees –an Audit Committee and an Appointments and Remunerations Committee- made up of members of the Board of Directors with a view to achieving maximum efficiency in complying with the standards of good corporate governance. These committees make sure that the Company's business activity meets suitable management and ethical standards, and act as a stimulus for managers, who are committed to a policy of absolute transparency, responsibility and efficiency.

## c. Customers, Suppliers and other Business Relations

Renta Corporación treats all its customers, suppliers and other business relations honestly, fairly and objectively, honouring its commitments and always acting with a high degree of professional responsibility and in compliance with the strictest legal standards.

## d. Competitors

Renta Corporación treats the other companies in the sector, both in Spain and abroad, with respect and professionalism. Renta Corporación competes fairly, for the benefit of its customers, and shuns unfair or deceptive practices in regard to its competitors.





Madrid



#### e. Tenants

Honesty, respect, professional integrity and transparency are the main values on which Renta Corporación bases its relationship with the tenants of its properties. Respect towards them and their families, as well as their freedom of choice, must take precedence over any other consideration. The contracts between the Company and its tenants are truthful and transparent.

Commitments made to tenants are honoured above all else and the Company promotes transparency and integrity in all its professional practice. Information on tenants is treated with absolute confidentiality.

#### f. The law

Renta Corporación honours and complies with the legal obligations to which the Company is subject in every sphere.

In addition to the internal and external legal advice retained by the Company possessed, on 3 December 2004 the Board of Directors appointed Mr. Carlos Valls Martínez as a consultant lawyer.

#### g. Government

The company's relations with the different tiers of government are guided by its respect for such institutions and its strict compliance with their decisions.

#### h. Relations with the media

Transparency of information, truthfulness, respect and non-discrimination are the values on which the Company's relationship with the media are based. The infor-

mation it puts out is truthful and its advertising and promotional campaigns respect the ethical values of society.

#### i. New technologies

Renta Corporación promotes the application and suitable use of new technologies in the different departments within the Company. It also pays special attention to the hazards associated with potentially improper use of such information technologies. The company seeks to ensure the right to privacy and protects the personal details entrusted to it by its employees, customers, suppliers, shareholders and collaborators, and by institutions.

#### j. Corporate social responsibility: Renta Corporación Foundation

For Renta Corporación, exercising social responsibility is a duty inherent in its status as an active member of society.

The company set up the Renta Corporación Foundation in order to **foster better living conditions for the most underprivileged groups in society**, in both Spain and in developing countries. The Foundation seeks to help to alleviate some of the most serious problems affecting the living conditions of the most underprivileged groups, particularly children and people suffering from illness and disease.

The work of improving such conditions is carried out by collaborating with and financing activities and projects of different non-profit entities and non-governmental organisations both in Spain and developing countries.



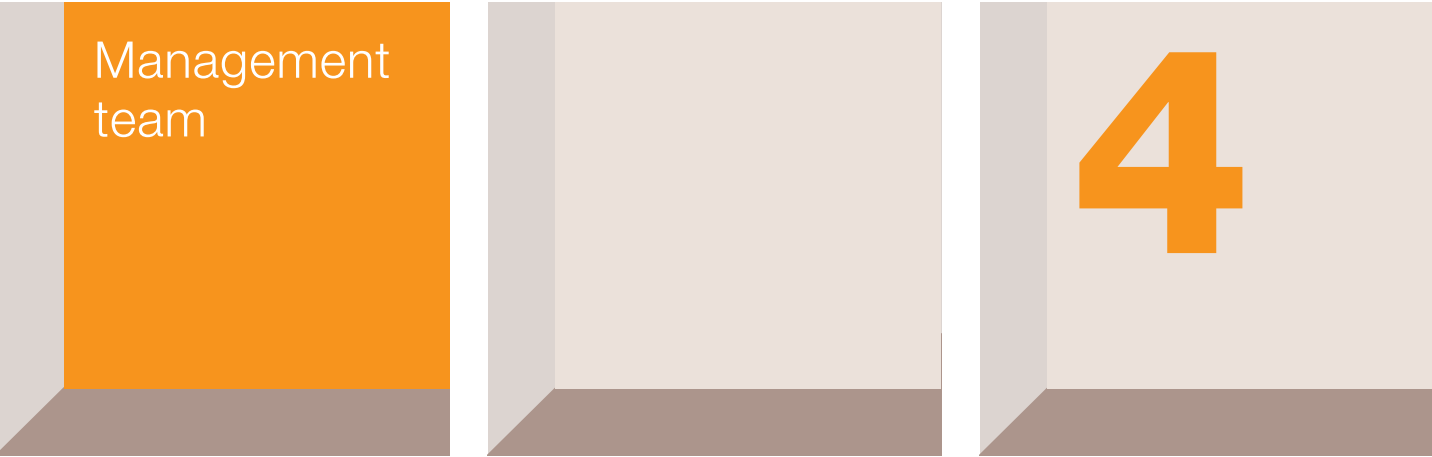
Paris

#### Areas governed by the Internal Code of Conduct

- **Employees**, an essential value
- **Shareholders**, complete transparency
- **Customers, suppliers and business relations**, honesty and objectivity
- **Competitors**, respect and professionalism
- **Tenants**, honesty, respect and transparency

- **The Law**, full compliance
- **Government**, observance and respect
- **Relations with the media**, truthful information
- **New technologies**, proper use and privacy
- **Corporate social responsibility**: the Renta Corporación Foundation





Composition of the management team

- Hernández de Cabanyes, Luis**  
Chairman (1)

**Birulés Bertran, Anna M.**  
Vice-chairman (2)

**Farré Viader, Josep-Maria**  
Chief Executive Officer (3)

**Giménez Arribas, Esther**  
Director, Legal and Human Resources  
Departments (4)

**Arimon Vilageliu, Pere**  
Sales Director (5)

**Carreras Molins, Meritxell**  
Planning Director (6)

**Concejo Bontemps, Tania**  
Director, Groupe Immobilier Renta Corpo-  
ración (Paris) (7)

**Durán Weitkamp, Tomás**  
Technical Director (8)
- Nueno Plana, Christina**  
Operations (Transformation) Director (9)

**Pillinger, David**  
Director, Renta Properties (UK) (Lon-  
don)(10)

**Sánchez Julián, Lola**  
Finance Director (11)

**Sendra Cuesta, María José**  
Operations (Refurbishment) Director (12)

**Serrano-Codina i Tristany, Mireia**  
Controller (13)

**Ventura i Teixidor, Francesc Xavier**  
Land Transformation Director (14)

**Vila Balta, David**  
Acquisitions Director (15)





# Management team profile

**Arimon Vilageliu, Pere**

Sales Director

Founder member of Renta Corporación and Commercial Manager since 1990. Founder member of Lueco (1991) and Second House (1994). Holds a degree in Business Sciences from the Autonomous University of Barcelona.

**Carreras Molins, Meritxell**

Planning Director

Joined Renta Corporación in 2002. She began her professional career in 1989 at Snack Ventures Europe (PepsiCo), where she worked her way up from Cost Accounting Supervisor to Planning Manager. Holds a degree in Economic and Business Sciences from the University of Barcelona.

**Concejo Bontemps, Tania**

Director, Groupe Immobilier Renta Corporación (Paris)

Joined Renta Corporación in 2003 as the Group's operations manager in Paris. Marketing Consultant at Bull Worldwide Information Systems and Marketing & Business Development Manager at Senko Advanced Components (Boston, USA) in the period 1998-2001. Graduated in Economics and Business Management from the University of Giessen, Germany.

**Durán Weitkamp, Tomás**

Technical Director

Joined the Renta Corporación team in 2004. In 1995 he joined FCC as Works Manager and in 1997 was made Technical Manager of Building Economic Planning of its Catalonia and Andorra office. That same year he joined the Hines Group as Construction Manager of the Diagonal Mar Project. He graduated in Civil Engineering from Kaiserslauten University and has a European Engineering Degree (FEANI EUR ING). He also holds an Executive MBA from the University of Chicago and the Advanced Studies Diploma of the Economics and Business Administration Doctorate from the European University in Madrid.

**Nueno Plana, Christina**

Operations (Transformation) Director

A member of Renta Corporación since 2002. Between 1996 and 1999 she worked for Grupo Continente as Assistant Manager of the Commercial Centre and Private Label and Primer Precio Product Manager. From 1999 to 2001 she was General Manager of APEX, SA (Grupo Borges). Holds a degree in Business Management and Administration from Barcelona University and an MBA from IESE.

**Pillinger, David**

Director, Renta Properties (UK) (Londres)

Joined Renta Corporación in 2004. Between 1983 and 1994 he worked at the KPMG central office in London as an auditor and specialist in financial analysis and due diligence. From 1994 to 2000 he worked at PepsiCo, based in the United Kingdom and France, and held several global management posts in the financial sphere. From 2000 to 2003 he was International Financial Manager at Sapient Corporation Inc, an American company in the technology sector with operations in Europe and India. From 2003 until he joined Renta Corporación, he was Financial Manager for Europe of a division of Thomson Corporation based in Paris. He has a degree in Economics and Econometrics from Manchester University (UK).

**Sánchez Julián, Lola**

Finance Director

Has been a member of Renta Corporación since 2001. She began her professional career in 1990 at PriceWaterhouse-Coopers, where she was a senior auditor. She joined Grupo Chupa Chups as Assistant to the Financial Manager and was later made Marketing Controller. Holds a degree in Economic and Business Sciences from the University of Valencia.

**Sendra Cuesta, María José**

Operations (Refurbishment) Director

Joined the Renta Corporación team in 2001. From 1980 to 1987 she worked as an auditor at Cortés i Cia. Auditors and Bové Montero. She joined Hospital General de Catalunya in 1987 as a Controller and in 1989 went on to become Head of Management Control and General Services Manager. She holds a degree in Economic Sciences from the Autonomous University of Barcelona and a Master's in Financial Management from ESADE.

**Serrano-Codina i Tristany, Mireia**

Controller

A member of Renta Corporación since 1999. Joined MIMICH, S.A. in 1992 where she was responsible for sales management and stock control. In 1996 she joined Banco del Comercio and in 1999 was appointed Accounting Manager at Keller, SCCL. She has an Economics degree and two postgraduate qualifications, one in Accountancy Management and Management Control, the other in Financial Management from Pompeu Fabra University.

**Ventura i Teixidor, Francesc Xavier**

Land Transformation Director

Joined Renta Corporación at the end of 2004. Between 1985 and 1988, he was Head of the Office of the Minister of Regional Development and Public Works of the Catalan Autonomous Government. From 1989 to 1997 he was Director General of Architecture and Housing of the Catalan Autonomous Government. In 1997 he was Operating Manager of the World Trade Center and Advisor to the Minister of Regional Development and Public Works of the Catalan Autonomous Government. In 1998 he was appointed General Manager of the Barcelona Metropolitan Transport Authority. He is currently also Chairman of the International Federation of Town Planning, Housing and Regional Development. He graduated as an architect from the Higher Technical School of Architecture in Barcelona.

**Vila Balta, David**

Acquisitions Director

Joined Renta Corporación in 2000. Between 1994 and 1997, he worked as a Factory Manager with ROCHELIS. From 1997 to 1998 he was Assistant Sales Manager at OUTOKUMPU RAWMET, and between 1998 and 2000, National Sales Manager with LOCSA. He has a degree in Industrial Engineering from the Higher Technical School of Industrial Engineers in Barcelona and completed the General Management Programme (PDG) at IESE.



Barcelona



5

Activity report  
2004



## a. The market

### The housing market in Spain

#### Strong demand, with signs of normalisation

In 2004, the **demand** for housing in Spain continued to be extremely **solid** and, as has happened over the past few years, it was sustained by a favourable macroeconomic, demographic and social environment.

Ever since the 1990s, Spain has seen **sustained economic growth** above that of its main trading partners. Interest rates are also at an all-time low, especially in real terms, and a large number of jobs have been created. Population has increased considerably.

Several demographic and social factors that had already been present for several years continued to exert a favourable influence on the demand for housing. The following are the most important:

- **Strong growth of the immigrant population** (both from developing countries and from other countries in the European Union) with a marked effect on the market for both primary homes and second homes.

- **Sustained growth in the number of households**, with a clear trend towards a reduction in the average number of people per household, in line with other countries in Europe. The Spanish National Statistics Institute does not expect a sudden change in the rate of growth of the number of households in Spain during the next ten years ('Cifras INE' newsletter, June 2004).

Nevertheless, the main economic agents in the sector report a **"normalisation" of the rates of demand growth** following several years which can be described as exceptional.

### The european economic environment

Average growth in the Euro Zone in 2004 was 2.0%, an appreciable improvement on the 0.5% growth achieved in 2003.

#### Growth of Gdp in France, Spain and the Euro Zone (2001-2004)

GDP growth rate (year-on-year variation, %)				
	2001	2002	2003	2004
Spain	2.8	2.2	2.5	2.7
France	2.1	1.2	0.5	2.5
Euro Zone	1.6	0.9	0.5	2.0

Source: Eurostat

A large part of this improvement was due to the economic upturn in France, especially during the first half of 2004. The rate of growth registered by France's GDP over the whole year was 2.5%, as against 0.5% in 2003.

The Spanish economy grew in 2004 at a rate of 2.7%, slightly up on 2003. As in previous years, its growth rate was well above the average for the European Monetary Union.

#### Current situation of the markets in Spain and France

- Growth above the European average
- Strong demand
- Rising prices

#### The Spanish economy: sustained growth

During 2004, it grew at a rate of 2.7%, slightly up from 2003



**The Spanish housing market**  
**Solid demand**

- Low interest rates
- Job creation
- Growth of immigrant population
- Sustained increase in number of households

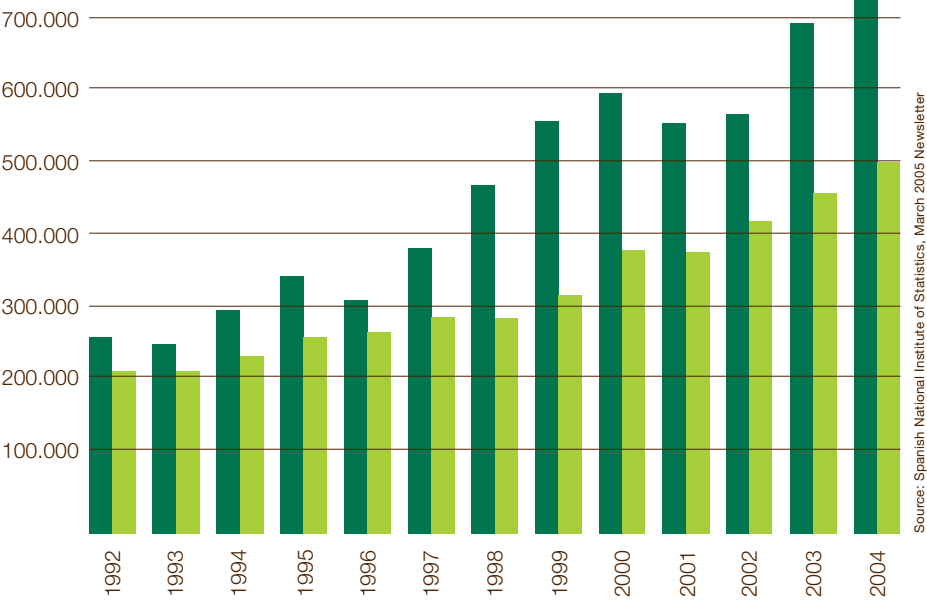


Madrid

**High levels of activity**

Encouraged by strong demand, the production of new housing continued to be extraordinarily high in Spain in 2004. According to the Spanish National Statistics Institute (INE), building licences were granted for 739,658 new dwellings (including refurbishments and extensions) in 2004, practically triple the average for the 1990s. The number of completed housing units approved by the associations of quantity surveyors and assistant architects was 496,785, a new record.

**Evolution of number of building licences and completed housing units in Spain in the period 1992-2004**



**Building licences for housing units\* and completed housing units in Spain**

- Building licenses
- Completed housing units
- \* Including refurbishments and extensions

**Free-market housing in Spain**  
**Selected data**

- Extremely dynamic market
- Persistent demand imbalance
- Prices rising faster where there is greater demand for second homes

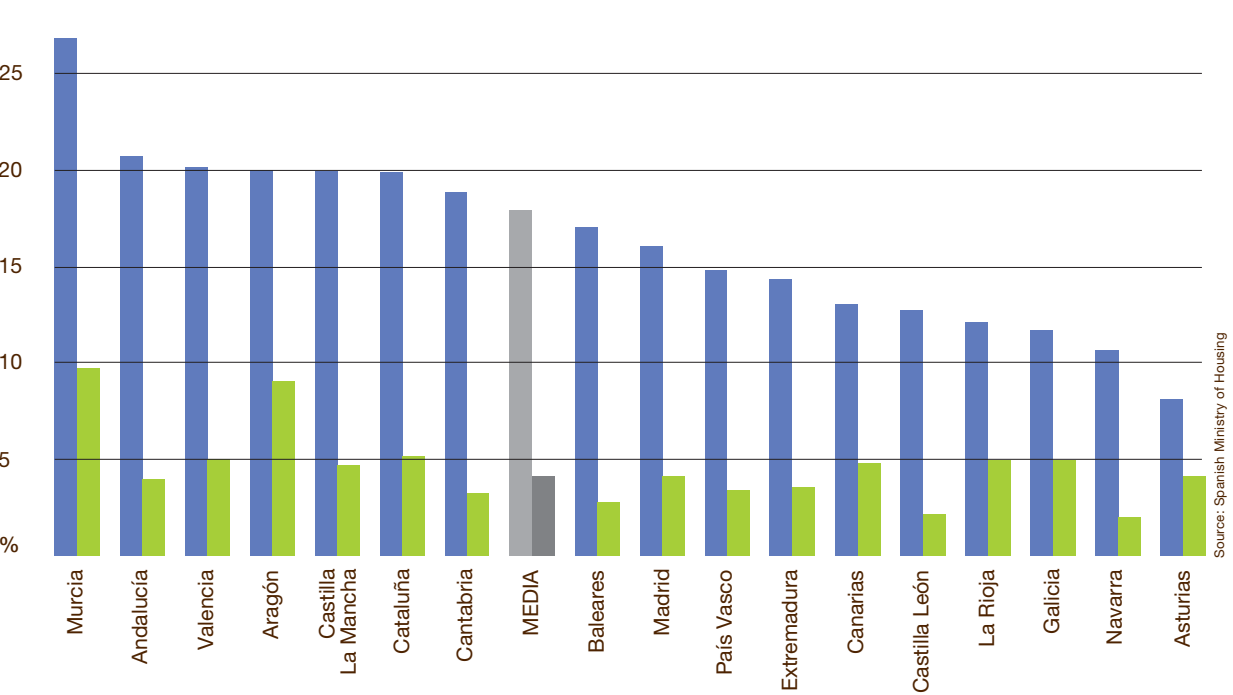
**Evolution of prices: higher rises in the regions where there are more second residences**

In spite of the fact that activity and supply have reached extremely high levels, prices have continued to go up, which shows that there still exists an imbalance between supply and demand. According to the latest figures published by the Ministry of Housing, average free-market prices for flats and houses in Spain rose by 17.5% in 2004 following similar growth rates over a period of several consecutive years.

However, it should be noted that **the rise in prices was not the same throughout the whole of Spain.**

Growth in prices was particularly strong in the Autonomous Communities where demand for second homes was highest (Murcia, Andalusia and Valencia), where rises were around 20%, whereas prices in Autonomous Communities such as Asturias, Navarra, Galicia and La Rioja went up by less than 12% in the same period.

**Evolution of free-market housing prices in Spain**



**Recent evolution of free-market housing prices in Spain**

- Annual variation at Dec. 2004 (%)
- Variation fourth quarter (%)



# The housing market in Paris

## Considerable demand and a big increase in activity throughout France.

Housing demand in France has experienced **sustained growth** since the end of the 1990s. In a similar fashion to Spain, although less intensely, several factors have been at work in supporting demand. These include **favourable financial and tax conditions, and demographic movements and changes.**

New housing construction has displayed considerable dynamism over the past few years, reaching a total of 460,118 authorised housing units and 362,943 units under construction in the whole of France in 2004.

## Paris: strong activity in 2004 Growth in number of transactions (%)

- Completed buildings: +11.9%
- Sites: +9.1%
- New houses: +11.2%
- New flats: +4.1%



Paris

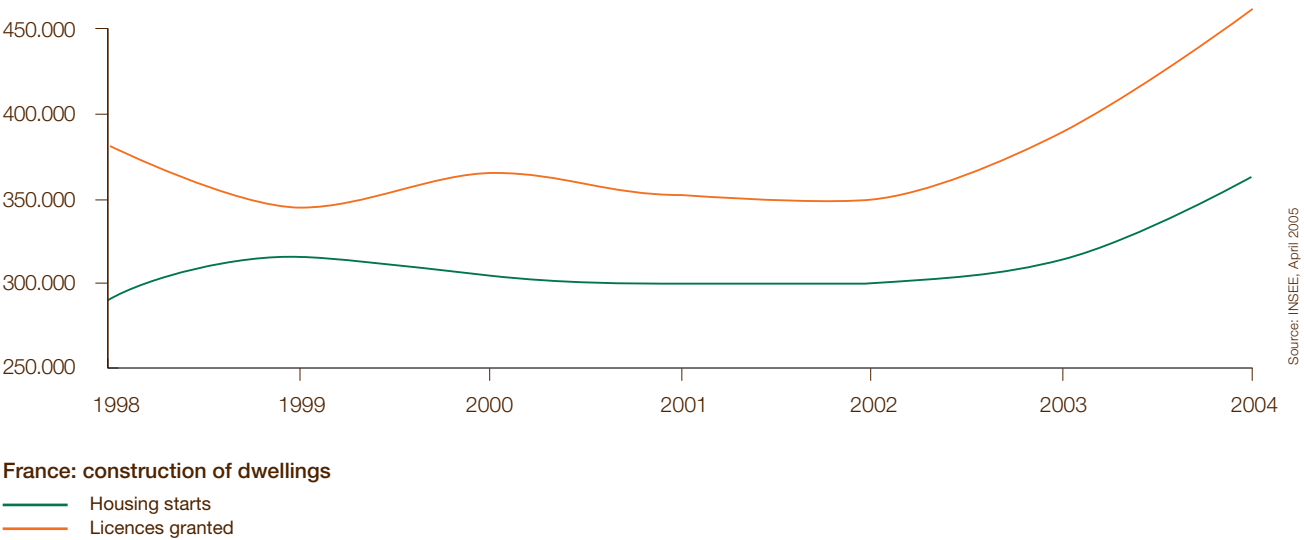
## The market in the Paris region (Île-de-France)

Activity in the sector, as measured by the number of transactions, **developed positively** in 2004. In the Paris region, comprising the municipality of Paris, the closer municipalities ('Petite Couronne') and the more distant municipalities ('Grande Couronne') surrounding it, property transactions reached a record number and affected 241,407 units, 3% up on 2003, according to the Paris Chamber of Notaries Public.

Growth in the number of deals was especially strong in the case of completed buildings (+11.9%, involving 3,462 units at a cost of 11,200 million euros), sites (+9.1%), new houses (+11.2%) and new flats (+4.1%).



Evolution of housing construction in France 1998-2004



France: construction of dwellings

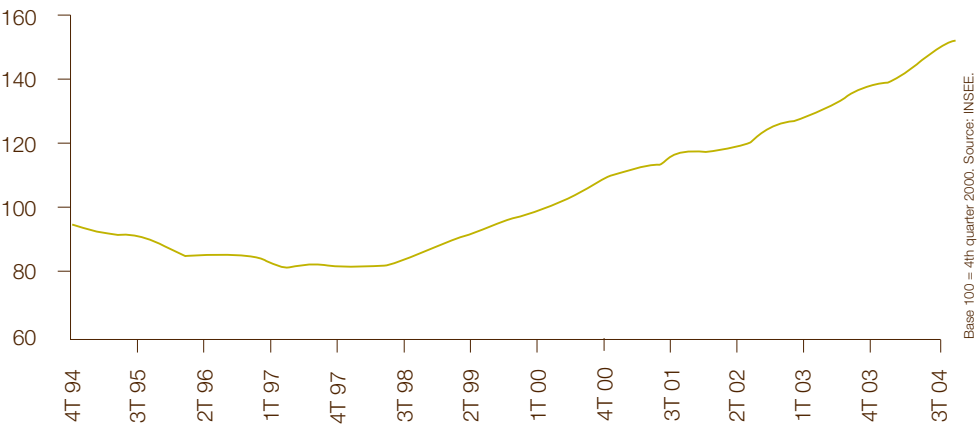
- Housing starts
- Licences granted

## Rising Prices

The price of second-hand homes and apartments in France continued to **rise sharply** in 2004, in line with what has been happening since 1998. By way of an example, the graph below shows the

evolution of the price index for second-hand flats and apartments in the municipality of Paris. This index went up by 14.2% in 2004.

Prices of second-hand flats and apartments in Paris 1994-2004



Paris: price index of second-hand flats and apartments

## Paris region market

- Sustained growth
- Favourable financial and tax conditions
- Favourable demographic changes
- Strong growth in number of transactions
- Rising prices

b. The company

1 Evolution

The results obtained in 2004 once again confirm the **positive evolution of Renta Corporación's property transformation business** since it started in 1990.

The activities of Renta Corporación began with the **acquisition, refurbishment and sale of small buildings**. Ever since then, year after year, Renta Corporación has gradually increased the **average size of its investments**, which has grown tenfold in the past five years.

In addition to increasing the average size of its operations, Renta Corporación

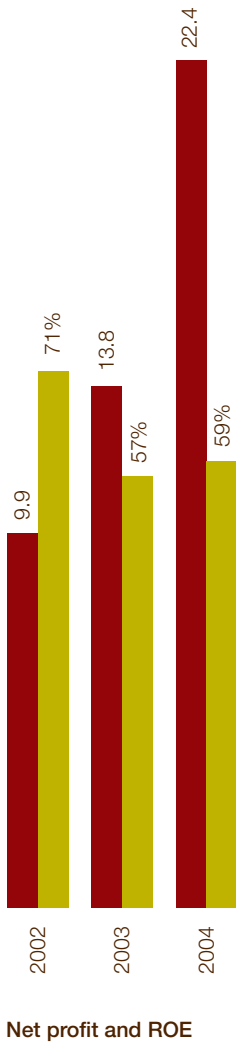
- A solid profit record**
- Strong, sustained growth in turnover and profits
  - Maintenance of very high levels of profitability
  - Growth in the average size of operations
  - Expansion of the business (types and condition of the properties acquired)
  - Expansion of geographical scope

has developed by **expanding its business** of buying, transforming and selling properties in urban environments in two main directions. On the one hand, it has progressively broadened the **types and condition** of the properties it acquires, while on the other, it has extended the **geographical scope** of its operations.

In this connection, for example, it is worth highlighting two years: 2000, the year when the Building Transformation Division began operating, and 2002, when the group's general operations got under way in Paris.

In this way, since it first started out in 1990, Renta Corporación has been moving forward in the process of developing and gradually consolidating its **business model**. This process of gradual, orderly growth has produced a **solid profit record** for the Company, with strong, sustained growth in its turnover and profits while maintaining very high levels of profitability.

Evolution of sales and profits  
2002-2004  
(Millions of euros)



2 Competences and key success factors

Ever since it was first set up, Renta Corporación has achieved strong growth in turnover and profits while maintaining high levels of profitability on its investments. This success in growing the volume and profitability of its business has been based on three key elements: the availability of adequate financial resources, the development of a top-level professional team and an efficient, differentiated business model with key strategic capabilities.

The **availability of financial resources** has played an essential part in the success of Renta Corporación's growth and profits and is a factor that will continue to be fundamental in the process of developing the Company in the future.

Renta Corporación has followed a **clear policy of re-investing profits** during this growth phase (with a plow-back ratio of over 85%). On the other hand, the gradual improvement in the Company's profits, together with an ongoing policy of financial rigor and transparency, has been rewarded with trust and gradual support of the main financial institutions.





Three keys to success

- Availability of financial resources
- Top quality professional team
- Business model and strategic capabilities

Strategic Capabilities

- Identification of investment opportunities
- Efficient structuring and management of investment rights
- Impeccable execution of high value added operations
- Thorough knowledge of and adaptation to the needs of the market

3 Outlook

In addition to this, human resources have been, and will continue to be, a vitally important element in the Renta Corporación's success. Being able to rely on a **top-level professional team** with vast know-how, experience and motivation working in an environment with the culture of a modern, dynamic and flexible Company within an efficient organisational structure, is a clear advantage in the sector.

Lastly, **the Company's business model and the key strategic capabilities** associated with it are, evidently, another crucial element in the Company's development.

In this context, the ability to identify investment opportunities, the efficient structuring and management of investment rights, and the impeccable execution of high value added transformations, all based on a thorough knowledge of the market, are **key competences** for Renta Corporación.

Renta Corporación's **strategic growth**, based on a solid business model and consolidated strategic capabilities, and supported by top-quality human resources and adequate financial capacity, should enable the Company to continue developing in the short and medium term.

Renta Corporación will continue to foster the **development of its strategic capacities** in a context of close contact with the market, while maintaining its ability to anticipate developments and respond quickly and flexibly to changing needs in the segments and markets in which it operates.

The development of such capabilities will have to be carried out in the context of the huge potential of the Spanish market, while still taking advantage of opportunities arising in other very specific markets abroad, such as Paris and London.

At the time of going to press, Renta Corporación has a **highly visible profit record** and good **growth prospects**. At

the end of fiscal 2004, the Company had 227.3 million euros invested in real estate inventories and investment rights worth another 129 million euros, although by the time this report was written their value had already risen to over 500 million euros.

The combination of a market with big potential and a consolidated business model and competences, together with strong pipeline levels and investment rights, points to **excellent prospects** for the Company's development in the short and medium term.



Barcelona

# c. The business units

## 1 Introduction

Renta Corporación divides its activities into **three business areas**: Residential Refurbishment, Building Transformation and Land Transformation with the following focus and objectives:

- **Residential Refurbishment**  
Purchase of residential or mixed-use buildings in order to refurbish them and finally sell them, usually on a fractional basis (i.e., unit by unit).
- **Building Transformation**  
Purchase of large urban buildings, normally offices or industrial buildings, in order to transform them, either by improving and repositioning them in the market, or by changing their use.
- **Land Transformation**  
Design and execution of major planning / zoning changes for large, obsolete property complexes, in order to create or improve building rights, followed by development or outright disposal of the enhanced site.

All three business areas employ the same process consisting in **purchasing property assets to be transformed and then sold**. The main purpose of this transformation process is to create value by adapting the properties to the market and demand requirements.

**Renta Corporación**  
**Three business areas**  
·Residential Refurbishment  
·Building Transformation  
·Land Transformation  
**With a common objective:**  
*to create value by adapting properties to demand requirements*

In the course of these transformation processes, Renta Corporación acts on different elements critical to defining the property assets and their value. Renta Corporación's transformation affects one or several of the following variables: main property use (change of use), physical improvement (refurbishment), lease structure, legal and planning status, and whole-sale / retail nature (fractional sale).

The Residential Refurbishment business was **the initial core of Renta Corporación's activity** and accounted for most of the Group's business until 2002. In 2003, the Residential Refurbishment and Building Transformation units began to have similar weight within the company. In 2004, the contributions of the two units to the Group's gross sales margin were very similar.

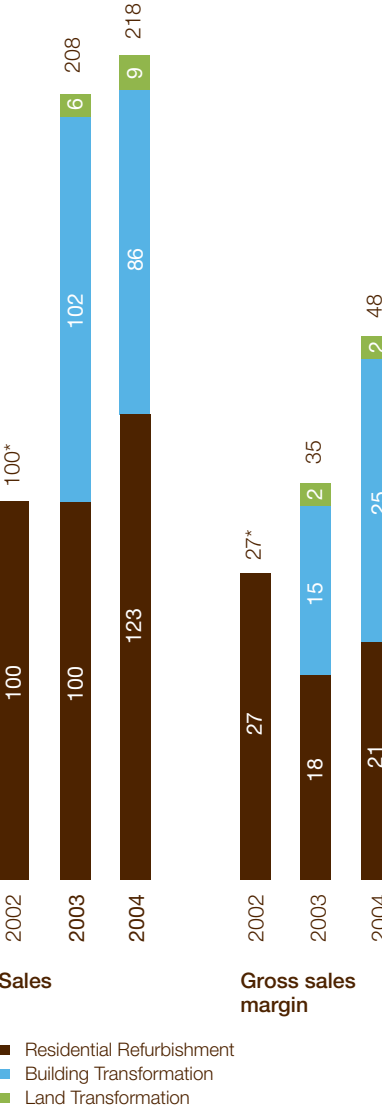
**Positive evolution of sales and gross margin**  
*The positive results in 2004 stem from Renta Corporación's ability to identify high value added investment opportunities*

The Land Development business, which started in 2003, contributed a relatively low share to the Group's profit in 2004. Nevertheless, significant results are expected from it beginning in 2006.

Total income from property sales in 2004 was 218 million euros, as against 208 million euros in 2003, as shown in the table below. This income generated a gross sales margin of 48 million euros, 39% up on the 35 million euros recorded the year before. Measured in percentage terms, gross sales margin on C.O.S. was 22% in 2004, as against 17% in 2003.

From the operating point of view, the evolution of income and gross sales margin in 2004 is a result of the effort made by Renta Corporación to **identify investment opportunities with a high degree of value added**. In 2004 this led to a considerable optimisation of the use of available investment resources by successfully allocating them to operations holding the best profit prospects.

**Total income from property sales 2002-2004**  
(Millions of euros)





The following table lists the **geographical areas** in which Renta Corporación operates.

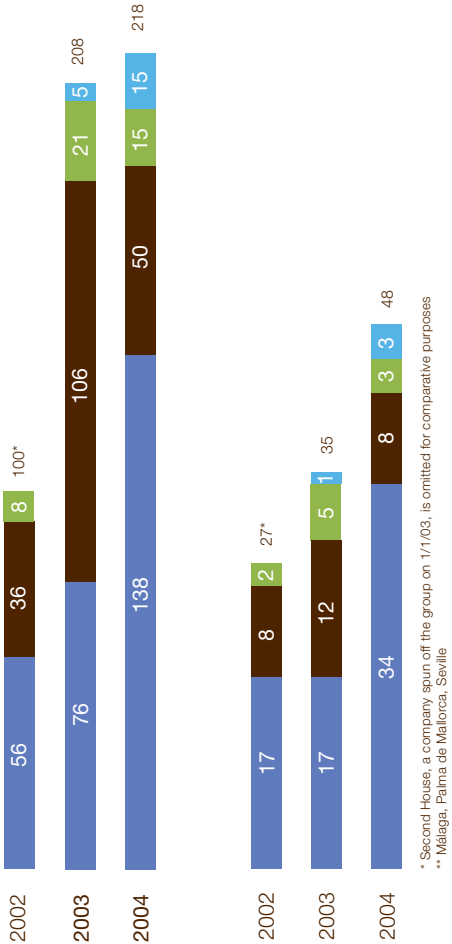
Geographical distribution by business unit			
	Residential Refurbishment	Building Transformation	Land Transformation
Barcelona	√	√	√
Madrid	√	√	√
Paris	√	P	
Londres	P	P	
Málaga	√	√	
Palma de Mallorca	√		
Seville	√	√	

P: Planned 2005-2006

**Business Potential + Geographical Development = Growth**  
·The Company is present in seven markets in three countries  
·Implementing its business model in strategic locations contributes to growth and diversification of the business

Barcelona, the city where Renta Corporación was founded and where it has its headquarters, is also where the Group has its largest proportion of sales, with 63% of the total in 2004. Madrid is the city with the second largest volume of activity, accounting for 23% of total sales in 2004, while the other cities represented 14% of the total.

Sales volume by geographical area 2002-2004  
(Millions of euros)



Sales

- Barcelona
- Madrid
- Regional offices
- International

Gross sales margin

## 2 Residential Refurbishment Division

Renta Corporación's Residential Refurbishment Division is the one with the longest tradition in the Group and is present in Madrid, Barcelona, Málaga, Seville, Palma de Mallorca and Paris.

The **activity** of the Residential Refurbishment Division consists in purchasing residential and mixed-use buildings in order to refurbish them and finally sell them, usually on a fractional basis (i.e., unit by unit).

Over the past five years (2000-2004), Renta Corporación's Residential Refurbishment Division has acquired a total of 138 buildings, with more than 2,365 residential units and commercial premises and a total built area of 216,235 square metres above ground. During this period, the total amount invested was 426 million euros.

In most of these operations, Renta Corporación's **architectural intervention** played a decisive role in adapting the properties to current market demand. That is why the Company focuses its refurbishment work on physically renovating the buildings and generally modernising their installations and fittings.

It should also be pointed out that a large number of the properties acquired for refurbishment are partly or completely occupied, so that in each case Renta Corporación negotiates with the different tenants and users of the property, to whom it normally offers the possibility of buying their respective flats, offices or shops on preferential terms.

The activity consists in purchasing residential and mixed-use buildings in order to refurbish them and finally sell them by individual units

**Residential Refurbishment, a division with a tradition and a future**  
·The architectural intervention enables adaptation to market requirements.  
·138 buildings purchased since 2000 with an investment cost of 426 million euros

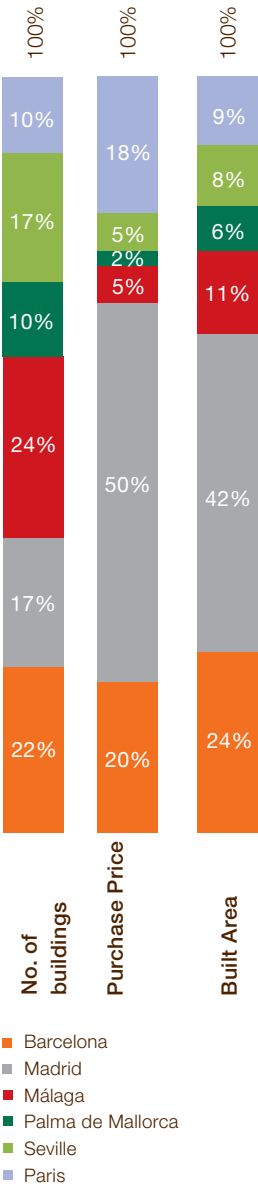
### Purchases

Renta Corporación's Residential Refurbishment Division purchased a total of 29 buildings in 2004 with a total built area of 52,769 square metres above ground. The total acquisition price for the buildings was 108 million euros and the total investment is forecast at 133 million euros.

#### Summary of purchases made in 2004

Residential Refurbishment Division			
City	Buildings	Purchase Price (000s euros)	Built Area (m²)
Barcelona	6	22,551	12,190
Madrid	5	53,416	22,397
Málaga	7	5,619	5,875
Palma de Mallorca	3	2,158	3,424
Seville	5	4,923	4,178
Paris	3	18,918	4,705
Total	29	107,585	52,769

Purchases volume by geographical area 2004



List of buildings purchased in 2004			
Residential Refurbishment Division			
Buildings	City	Month of purchase	Built Area*
Ausiàs Marc 16-18	Barcelona	June	4,381
Doctor Carulla 26-28-30	Barcelona	July	1,288
Ferran 24-26	Barcelona	September	1,126
Concepción Arenal 128	Barcelona	November	2,313
Sant Pere Màrtir 20-22/ Jesús 17	Barcelona	December	1,427
Vila-Vilà 53	Barcelona	December	1,655
Padre Xifré 3	Madrid	January	8,100
Donoso Cortés 5	Madrid	March	2,300
Bordadores 11	Madrid	April	2,101
Montesa 39	Madrid	October	7,298
Atocha 55	Madrid	December	2,598
Avenida Rosaleda 3	Málaga	January	1,233
Juan de Padilla 11	Málaga	March	667
Ollerías 16	Málaga	March	831
San Telmo 8-10-12	Málaga	July	953
Calderón de la Barca 3	Málaga	October	965
Montaño 4	Málaga	October	701
San Juan 32	Málaga	October	525
Archiduque Luís Salvador 30	Palma de Mallorca	May	1,152
Apuntadores 22	Palma de Mallorca	September	765
Ramón y Cajal 3 / Mateo Obrador 4	Palma de Mallorca	December	1,507
Pasaje Valvanera 3A-3B	Seville	January	1,224
Inocentes 21	Seville	March	492
Pedro Roldán 3	Seville	May	676
Arroyo 20	Seville	July	607
Justino Matute 14	Seville	December	1,179
Saint-Ouen 75	Paris	June	792
Boulevard Bourdon / Neully 68	Paris	September	1,640
Passage des Ecoliers 8-14	Paris	October	2,273
Total			52,769

\* Square metres built above ground

Sales 2004 by geographical location

Residential Refurbishment Sales 2004			
City	Units	Sales (000s euros)	Built Area*
Barcelona	152	48,666	18,736
Madrid	91	44,420	11,765
Málaga	43	5,600	3,582
Palma de Mallorca	15	2,440	2,302
Seville	67	6,388	3,410
Paris	70	15,384	5,153
Total	438	122,898	44,948

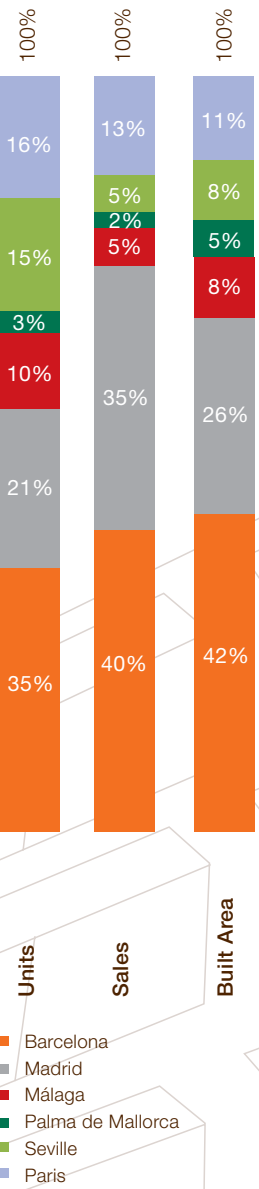
\* Square metres built above ground

2004  
Residential Refurbishment  
·29 buildings purchased  
·Over 50,000 m² built area  
·133 million euros invested

In addition to the purchases made in 2004 mentioned above, which were executed by means of the appropriate deeds of sale, as of 31 December 2004 Renta Corporación had also agreed the future acquisition of a further six properties.

Sales

During 2004, the sale of a total of 434 units by the Residential Refurbishment Division brought in 123 million euros.





Growth

The Renta Corporación Residential Refurbishment Division's business model has been built up over many years. By the end of 2004, the Company had a solid position in the market and a very well established property purchasing network. The robustness of this business model and Renta Corporación's internal capabilities, together with the vast size of the potential refurbishment market, should enable the Company to continue its growth process.

At 31 December 2004, Renta Corporación's Residential Refurbishment Division had real estate inventories valued at 128 million euros, plus purchase rights on other properties for a total of 17 million euros.

A solid business model

- Vast potential market
- Strong internal capabilities
- Solid performance record

Financial and other details of operations			
Residential Refurbishment Division 2003-2004			
Purchases	2004	2003	% var '04 vs '03
No. of buildings purchased	29	29	0%
m <sup>2</sup> built above ground	52,769	57,238	-8%
Investment (000s euros)	133,113	154,860	-14%
Gross sales margin (000s euros)	2004	2003	% var '04 vs '03
Sales	122,898	99,836	23%
Cost of sales	101,763	81,851	24%
Gross sales margin	21,135	17,985	18%
% Margin on C.O.S.	21%	22%	



Barcelona

3 Building Transformation Division

In 2004, sales at the Building Transformation Division were similar to those of the Residential Refurbishment Division.

The activity of the Building Transformation Division consists in purchasing **large urban buildings, normally offices or industrial buildings**, in order to transform them in a short period of time, either by improving and repositioning them in the market, or by changing their use.

Over the past five years (2000-2004), Renta Corporación's Building Transformation Division has acquired a total of 24 buildings, with a total built area of 82,769 square metres above ground. During this period, the total amount invested was 251 million euros.

The essence of the Building Development Division's activity lies in the idea of **revitalising the urban heritage**. Economic activities evolve, mature, change and move on, in a process that stimulates growth and shapes cities and neighbourhoods. The gradual evolution of these activities is naturally reflected in the buildings where they are carried on, which eventually become obsolete and cease to meet current requirements of functionality and use. Through its Building Transformation Division, Renta Corporación reclaims these obsolete buildings for cities, in keeping with the general criteria of **sustainable urban development**: renovating properties as against the alternative of allowing them to deteriorate and putting

up new buildings in greenfield areas, taking up more of the territory.

The main emphasis of the process of transforming and reclaiming properties carried out by Renta Corporación is on **adapting them to demand**. Adapting Renta Corporación's properties to suit demand is the key to the success of its different operations. Users' specific needs, i.e. the needs of potential customers, are the primary consideration in drawing up development plans in the Building Transformation Division.

**Acquisition of industrial and office buildings to be transformed and adapted to suit demand**

- Changing the main uses
- Repositioning the properties in the market

**Revitalising the urban heritage**

- One of the contributions made by the Building Transformation Division
- Renta Corporación renovates obsolete buildings, in line with sustainable urban development

**Adapting to demand, the key to success**

Renta Corporación designs its operations by anticipating the needs of potential customers



Barcelona

Building Transformation

Three main strategies

- Relocation of office buildings
- Change of use
- Re-use of the land

Each operation by the Building Transformation Division is unique and, for the most part, highly complex. Nevertheless, these operations can be classified into one of three **main types or strategies**:

1. Relocation
2. Change of use
3. Re-use of the land

The essential characteristics of these three types of operation are:

1. Relocation of office buildings

This consists in purchasing office buildings with different degrees of obsolescence with a view to transforming them and adapting them to modern-day office demand requirements.

2. Changes of use

This consists in purchasing buildings that no longer meet current market demand with a view to changing their use and converting them in accordance with the applicable town planning processes. The uses between which Renta Corporación carries out conversions are mainly the following: industrial, residential, offices, shops, facilities and hotels.

3. Re-use of land

This involves the purchase of buildings in different degrees of disuse, with a view to taking advantage of the land, where the quality, state of conservation or structural layout of the existing buildings prevents their effective re-use.



Barcelona



Purchases

In 2004 Renta Corporación's Building Transformation Division purchased a total of eight buildings with a total area of 22,316 square metres above ground. The total price of these purchases was 110 million euros and the total anticipated investment on them, including conversion works, is 135 million euros.

Summary of purchases made in 2004

Building Transformation Division

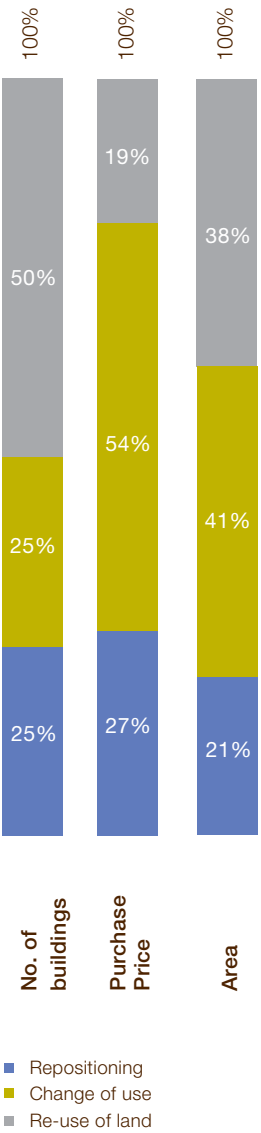
Buildings	8
Purchase price (000s euros)	109,734
Area (m²)	22,316

Summary of purchases made in 2004

Building Transformation Division, by type of operation

Type	Buildings	Purchase Price (000s euros)	Area (m²)
Relocation	2	30,475	4,735
Change of use	2	58,847	9,135
Re-use of land	4	20,412	8,446
Total	8	109,734	22,316

Purchases 2004  
by type of operation







Barcelona

#### Development of Pg. de Gràcia, 99



Original building 1960



1986 refurbishment



Renta Corporación change of use, 2005

#### Year 2004

##### Building Transformation

- 8 buildings purchased
- Area of over 20,000 m<sup>2</sup> above ground
- 135 million euros invested

#### Sales

During 2004, the Building Transformation Division sold a total of 22,198 square metres (above ground), which brought in 86 million euros.

#### Growth

The market experience accumulated by the Building Transformation Division since 2002, the relations it has established and Renta Corporación's general visibility and presence in the market will ensure the continuity and growth of the Company's process of acquiring and transforming buildings.

At 31 December 2004, Renta Corporación's Building Transformation Division had stock valued at 79 million euros, plus purchase rights on other properties for a total of 17 million euros.

#### List of buildings purchased in 2004

Building Transformation Division

Buildings	City	Month of purchase	Area*
Marqués de Mondéjar 35	Madrid	April	1,830
Passeig de Gràcia 99	Barcelona	May	8,360
Major de Sarrià 184	Barcelona	May	655
Villa Heliús	Barcelona	June	1,055
Passeig de Gràcia 103	Barcelona	June	3,680
Reina Cristina 8	Barcelona	June	2,313
Passatge de la Concepció 13	Barcelona	July	775
Numància 60-62	Barcelona	December	3,648
Total			22,316

\* Square metres built above ground

In addition to the above-mentioned purchases made in 2004, as of 31 December 2004 Renta Corporación has also agreed the future purchase of two other properties.

#### Financial and other details of operations

Building Transformation Division.2003-2004

Purchases	2004	2003	% var '04 vs '03
No. of buildings purchased	8	6	33%
m <sup>2</sup> above ground	22,316	23,647	-6%
Investment (000s euros)	134,797	57,312	135%
<b>Gross sales margin</b> (000s euros)			
Sales	85,732	101,749	-16%
Cost of sales	60,998	87,080	-30%
Gross sales margin	24,734	14,669	69%
% Margin on C.O.S.	41%	17%	

# 4 Land Transformation Division

## Land Transformation

The activity carried on by the Renta Corporación Land Transformation Division consists in the design and execution of major / zoning changes for large, obsolete property complexes, in order to create or improve building rights, followed by development or outright disposal of enhanced site.

The procedure followed by the Land Transformation Division comprises **three main phases**: locating land suitable for transformation, establishing investment rights in favour of Renta Corporación and obtaining the relevant planning changes and permissions.

### 1. Locating land

The Renta Corporación Land Transformation Division team follows a strictly defined **process** for locating land and properties suitable for planning development.

One of the most **important criteria** employed in finding and selecting land is that it should be situated in the developing areas of the cities where Renta Corporación operates and has a good knowledge of the market through its other divisions.

Generally speaking, this involves large properties in difficult circumstances, often in run-down industrial areas, where an appropriate planning and development programme can lead to the **creation of value** in the short and medium term.

### 2. Managing land rights

Once the land or property to be developed has been located, the Company enters into a dialogue and negotiation with the owners culminating in the establishment of **investment rights** in favour of Renta Corporación or alternatively its outright purchase by the Company. **Structuring and managing** these investment rights over the land is an efficient way of **limiting**

**the amount of capital invested and risk taken** by Renta Corporación during the process of obtaining planning permission.

### 3. Obtaining planning permission

As happens in all Renta Corporación's other areas of business, the Land Transformation Division seeks to **adapt properties** (large properties, industrial complexes, etc.) to the new realities of market demand.

The tool used by the Land Transformation Division to achieve this objective is modification of the town planning stipulations. The modifications sought by Renta Corporación generally consist in major changes in the use and building rights allowed by the relevant planning regulations.

During this stage of seeking planning changes, it is usually necessary to combine various factors and bring several properties belonging to Renta Corporación into the equation. This makes it possible to speed up the processes involved, as working with projects of an adequate dimension enables the problems affecting large areas of planning to be resolved at the same time and makes it easier to comply with the conditions of general interest required in compensation by the relevant laws and regulations and the different planning authorities that are part of the process.

Once the planning permission process has been completed and building rights have been created, the final stage consisting in building on or selling the land is carried out. If the land is to be built on, Renta Corporación carries out and develops the new work (construction and marketing) directly itself. If it is to be sold, Renta Corporación sells the enhanced site to third parties.

## Land Transformation

### Main stages

- Locating the land
- Managing rights over the land
- Obtaining planning permission

*The Division's main activity consists in designing and obtaining planning changes for large complexes, improving building rights to finally develop or sell the site*



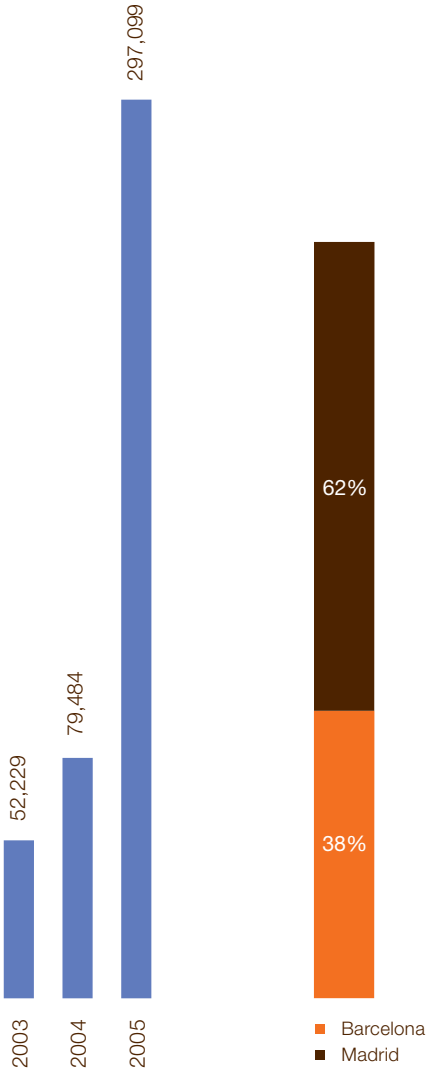
Barcelona





Barcelona

Operations begun and estimates  
Land Transformation Division  
2003-2005



Purchases

The Land Development Division began several major operations in 2004. The graph below summarises the operations (land purchased and land with purchase rights) set in train by Renta Corporación during the year.

Operations begun  
(Expected total buildable floor area in sq. m.)

Graphical distribution  
(Expected total buildable floor area in sq. m.)

Sales

The Land Transformation Division's operations have contributed to the Group's consolidated profit since 2003. The strategy defined by Renta Corporación points to a major development of this division in the medium term which will significantly increase its contribution to the Group's total profit.

**Land Transformation**  
A business division with experience and a bright future

- Experience. Positive contribution to the Group's profit since 2003
- Big medium-term development potential

Gross sales margin			
(000s euros)	2004	2003	% var '04 vs '03
Sales	9,262	6,100	52%
Cost of sales	6,898	4,019	72%
Gross sales margin	2,364	2,081	14%
% Margin on C.O.S.	34%	52%	

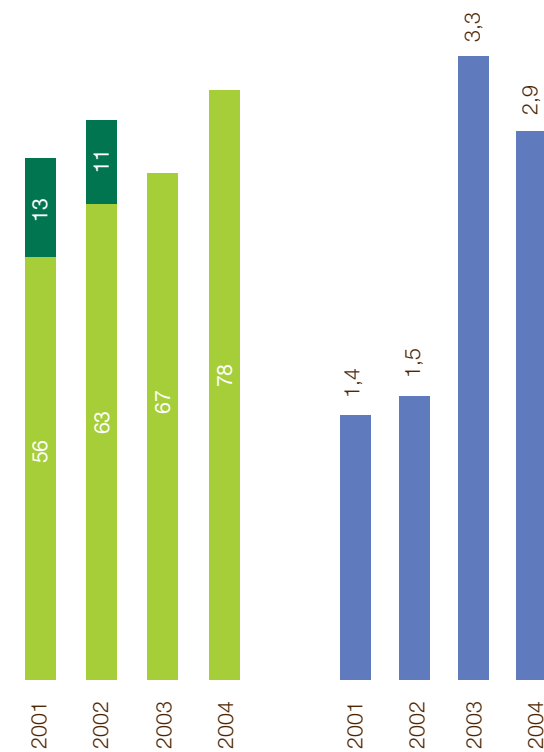


6

Human  
resources

#### Number of employees

In the consolidated group at 31 December



#### Number of employees

■ Staff belonging to Second House, a company spun off the group on 01/01/2003

#### Revenue per employee

(Millions of euros)

#### People, the bedrock of Renta Corporación

The company devotes special attention and constant effort to guaranteeing:

- A fast-responding, flexible organisation
- A fully professional work environment
- Easy access to knowledge and ongoing training
- A motivated and satisfied team

The good progress made by Renta Corporación cannot be understood without an appreciation of the important role played by the professionals and other people working at the Company ever since it was first set up.

As far as Renta Corporación is concerned, people are its main **basis for creating value**. And so the Company pays special attention to them and puts a great deal of effort into making sure that they can rely on an effective, fast-responding, flexible organisation and a fully professional work environment with adequate procedures and systems, as well as easy access to knowledge and ongoing training.

Professionalism, motivation, flexibility, rigour, enthusiastic adaptation to change, personal satisfaction, responsibility, autonomy and teamworking are an essential part of the strong business culture at Renta Corporación.

**The company's human resources policy** is aimed at reinforcing these values, making the **Company more efficient**, increasing **personal satisfaction** and ensuring that the Company is attractive in the job market at all times.

The outcome of this policy has been the creation of a very strong professional team, a sustained growth in the number of employees and the diversity of the fields from which they have come.



**High standards, professionalism responsibility and ethics**  
Values characterising the Renta Corporación team which are reflected in and promoted by the company's Internal Code of Conduct

The Renta Corporación team is made up of skilled professionals who carry out their work within a framework of high standards, professionalism and responsibility, following the strict rules laid down in the Renta Corporación Internal Code of Conduct (see chapter 3, section d).

The group of professionals working at the company is **an extremely broad sample of professional experience and academic training**. Some of the features of this team, which shares Renta Corporación's enthusiasm for the work well done and for the company's expansion and growth project, are as follows:

- 77% of employees are university graduates (64% hold five-year degrees and 13% three-year degrees)
- The average age of employees is 35.
- 69% of the people working at Renta Corporación are women.

Geographical distribution of staff



Geographical distribution of employees

\* Málaga, Palma de Mallorca, Seville

**Profile of Renta Corporación professionals**  
·Highly qualified. 77% are university graduates (64% with five-year and 13% with three-year degrees)  
·Young and enterprising. The average age is 35  
·High proportion of women, who make up 69% of the total



**Training, an investment for the future**  
During 2004, Renta Corporación spent 122,904 euros on training its professionals



**Bespoke training**  
Training is adapted to the needs of each person, whether it is for their personal development or to stay one step ahead of the demands of the market



## Renta Corporación staff training

Renta Corporación pays special attention to the continuous training of its employees and to the access to knowledge. Having the capabilities and skills necessary at any given time, depending on the demands of the market and the business, is one of the Company's permanent goals.

During 2004, Renta Corporación spent 122,904 euros on staff training, which represents an average of 1,576 euros per employee.

Staff training at Renta Corporación is carried out in **the way best suited to each person or team to ensure that it meets their particular needs**. In addition to the general objectives of any company, Renta Corporación's training policy includes training plans drawn up by the managers of each department aimed at specific employees or their respective teams. During 2004, employees had the opportunity to update and complete the knowledge necessary not only for their professional development, but in order to stay one step ahead of new business and market requirements. In every case, Renta Corporación promotes and attaches special value to ongoing knowledge acquisition.

The main areas on which Renta Corporación employees' training focused were: languages, computer skills, financial management, law, marketing, management, sales and the property sector.

7

## The Renta Corporación Foundation

From the very outset, Renta Corporación has paid special attention to its corporate social responsibility which it sees as the Company's ongoing commitment to acting ethically and contributing to economic growth while at the same time helping to improve the quality of life of its workers and their families, the local community and society as a whole.

That is why the **Renta Corporación Foundation** was set up. The main aim of this Foundation is to work with different non-governmental and not-for-profit organisations and bodies to help to alleviate, through various types of aid, some of the most serious social problems affecting the conditions of life of some of the most vulnerable groups.

In 2004, the Renta Corporación Foundation allocated 430,000 euros to finance various activities and projects to improve the material, sanitary and cultural conditions of underprivileged groups. These projects were carried out in developing countries as well as Spain, with children, women and immigrants the main groups

benefiting from them.

The Foundation operates by means of stable agreements with, and one-off grants to, NGOs. The Renta Corporación Foundation has annual agreements with Intermón OXFAM and UNICEF allowing it to collaborate in financing different social and humanitarian projects carried out by these NGOs.

It also regularly collaborates with associations that carry out projects intended to improve the quality of life of children and adults with disabilities or who suffer from certain diseases or illnesses. These organisations include Fundación Talita, Fundación Catalana Síndrome de Down, Fundación Carreras, Fundación de Onco-





logía Infantil Enriqueta Villavechia, Fundación Esclerosis Múltiple, Fundación Afanoc and Menudos Corazones.

The Renta Corporación Foundation is also involved in Caixa Catalunya’s “Un sol Món” project, which consists in making it easier for immigrants to send their remittances in foreign currency to their countries of origin.

Aware of the social problem of domestic violence in Spain, the Renta Corporación Foundation collaborates with Fundación Nuevo Amanecer, whose aim is to help and take care of battered women.

Lastly, the Renta Corporación Foundation also takes part in non-profit-making projects related to the property sector and the refurbishment or adaptation of buildings or spaces. It has made several agreements to provide this kind of help: with Fundación Carreras, to provide leukaemia patients with flats near the hospitals where they receive treatment; with the University of Barcelona, through a scheme that includes adapting spaces for students with disabilities or mobility problems; and it has sponsored a concert the takings from which were used to refurbish a building to house children with problems of social integration.

The table below lists the organisations with which the Renta Corporación Foundation collaborated in 2004

**Renta Corporación Foundation**  
*An ongoing commitment to society*

**Charity Figures**  
*During 2004, the Renta Corporación Foundation allocated 430,000 euros to charity and aid activities*

Renta Corporación Foundation 2004	
List of organisations with which the Renta Corporación Foundation participates	
África Viva	Villavechia
ASGER (Asociación de Geriátricos)	Fundación Sagrado Corazón
Asociación Nuevos Caminos	Fundación Talita
ASPACE (Asociación de Parálisis Cerebral)	Fundación Tot Raval
Asociación Justicia y Paz	Fundación Vicente Ferrer
Asociación Deporte y Cultura Barcelona	FUNDESO (Fundación Desarrollo Sostenido)
Casal dels Infants del Raval	Imed Laiti
CODESPA	Iniciativas de Solidaridad y Promoción
Cooperación Internacional	Intermón OXFAM
Escola Mare de Déu del Roser	Laboratorios Ordesa (Envío de alimentos infantiles a Guinea Ecuatorial)
Fundación Catalana Síndrome de Down	Menudos Corazones (Fundación de ayuda a los niños con problemas de corazón)
Fundación Clarós	Nuevo Amanecer
Fundación de Ciegos Manuel Caragol	Orquesta Sinfónica de Medellín
Fundación Orfeo Català - Palau de la Música Catalana	Patronato L'Arjau
Fundación Privada Cultural Catalana	Por una Sonrisa en África
Fundación ADANA	Radio Estel
Fundación Balía por la Infancia	Solidarios
Fundación de Investigación Cardiovascular	Soñar Despierto
Fundación Deporte y Desafío	Special Olympics
Fundación Esclerosis Múltiple	Templo Expiatorio de la Sagrada Familia
Fundación Familias Unidas	UNICEF
Fundación Internacional Josep Carreras	Universidad de Barcelona. (Proyecto “Fem Via”)
Fundación Johan Cruyff	
Fundación Privada de Oncología Infantil Enriqueta	

**Different Social Problems**  
**Fields in which the Renta Corporación Foundation participates**

- Improved quality of life for children
- Greater opportunities for immigrants
- Greater integration for people with disabilities
- Greater well-being for people with certain diseases
- Elimination of domestic violence



Madrid

Renta Corporación Foundation

Commitments for a more caring society



**Organisation:** Fundació Josep Carreras

**Project:** To contribute to, maintain and manage five flats belonging to this Foundation.

**Period:** 2004-2006

**Aim:** To improve the quality of life of leukaemia patients by adapting flats made available by Fundació Josep Carreras for them to stay in with their relatives during treatment

22 March 2004. Renta Corporación chairman Luis Hernández de Cabanyes and Renta Corporación Foundation trustee Esther Giménez signing the collaboration agreement with Josep Carreras.



**Organisation:** Fundació TALITA. Invest for Children

**Project:** Contribution to 2005 calendar

**Period:** 2004

**Aim:** To raise funds for children and young people with Down's syndrome.

The Renta Corporación Foundation has helped to make the April image come true.



**Organisation:** Escola Mare de Déu del Roser

**Project:** Sponsorship of Monica Green

**Period:** November 2004

**Aim:** To raise funds for refurbishing this home for children with social integration problems.

An urgent project. This is the current state of the facilities at Escola Mare de Déu del Roser.



**Organisation:** Medellín Symphony and Youth Orchestra

**Project:** Sponsorship of concert in the Latinarte Auditorium in Madrid

**Period:** September 2004

**Aim:** To promote unity between Spanish and Colombian culture

The participants in the concert held on 24 October 2004 in the Latinarte Auditorium in Madrid.



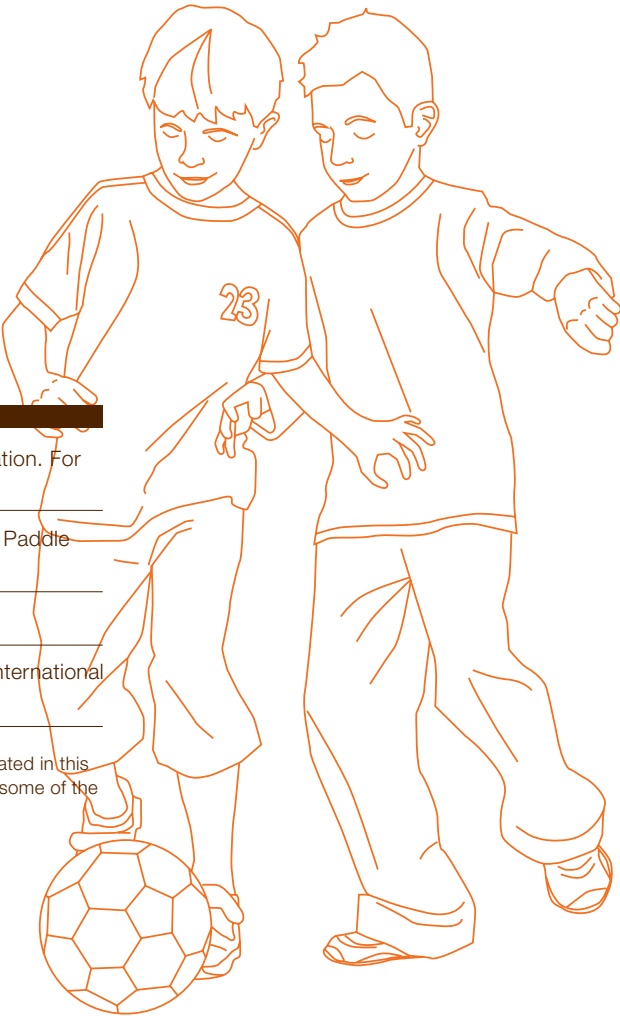
**Organisation:** International co-operation. For caring youth

**Project:** Sponsorship of the Second Paddle Tennis Benefit Tournament

**Period:** July 2004

**Aim:** To raise funds to promote the International Volunteer Scheme

Aimed at companies, 20 of which participated in this second benefit tournament. In the photo, some of the participants.







**Organisation:** ASPACE (Asociación de Parálisis Cerebral – Cerebral Palsy Association)

**Project:**  
"La música ens mou"  
Collaboration with the Manu Guix concert.

**Period:** May 2004

**Aim:** A fund-raising event to improve the quality of life of people suffering from cerebral palsy.

The concert was held on 10 May in the Teatre Nacional de Catalunya.



**Organisation:** Fundació d'Investigació Cardiovascular-Hospital de Sant Pau

**Project:**  
Collaborator with the 12th Golf Tournament

**Period:** November 2004

**Aim:** To encourage research in the field of cardiovascular diseases

The Golf Tournament was held on 11 November 2004 at the Llavaneras Golf Club.







## a. Consolidated audit report



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Fax +34 934 059 032

### AUDIT REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

To the Shareholders of Renta Corporación Real Estate, S.A.

We have audited the consolidated annual accounts of Renta Corporación Real Estate, S.A. and its Group companies, described in Note 1 to the accounts, consisting of the consolidated balance sheet as at December 31, 2004, the consolidated profit and loss account and the related notes to the consolidated annual accounts for the year then ended, the preparation of which is the responsibility of the Directors of the parent Company. Our responsibility is to express an opinion on the consolidated annual accounts taken as a whole, based on the work carried out in accordance with auditing standards generally accepted in Spain, which require the examination, on a test basis, of evidence supporting the consolidated annual accounts and an evaluation of their overall presentation, the accounting principles applied and the estimates made.

In accordance with Spanish Corporate Law, the parent Company's Directors have presented, for comparative purposes only, for each item of the consolidated balance sheet and the consolidated profit and loss account, the corresponding amounts for the previous year as well as the amounts for 2004. Our opinion refers exclusively to the consolidated annual accounts for 2004. On March 22, 2004, we issued our audit report on the 2003 consolidated annual accounts, in which we expressed an unqualified opinion.

In our opinion, the accompanying consolidated annual accounts for the year 2004, appearing on pages 72 to 99, present fairly, in all material respects, the consolidated financial position of Renta Corporación Real Estate, S.A. and its Group companies at December 31, 2004 and the consolidated results of its operations for the year then ended, and contain all the information necessary for their interpretation and comprehension in accordance with generally accepted accounting principles, which, except for the modification, with which agree, resulting from the capitalisation of financial expenses for certain inventories, as described in Note 4i to the accounts, have been applied on a basis consistent with that of the preceding year.

The accompanying consolidated Directors' Report for 2004, appearing on pages 100 to 102 contains the information that the Directors of Renta Corporación Real Estate, S.A. consider relevant to the consolidated Group's position, the evolution of its business and of other matters and does not form an integral part of the consolidated annual accounts. We have verified that the accounting information contained in the aforementioned consolidated Directors' Report coincides with that of the consolidated annual accounts for 2004. Our work as auditors is limited to checking the consolidated Directors' Report within the scope already mentioned in this paragraph and it does not include a review of information other than that obtained from the Group companies' accounting records.

PricewaterhouseCoopers Auditores, S.L.

Miguel Alfocea Martí  
Audit Partner

March 23, 2005

*A free translation of the report on the annual accounts originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain. In the event of a discrepancy, the Spanish language version prevails*

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

PwC-059



b. Consolidated annual accounts

Renta Corporación Real Estate, S.A.  
Consolidated balance sheets at 31 December 2004 and 2003  
(Expressed in euros)

ASSETS	Notes	2004	2003
FIXED ASSETS		1,962,952	27,959,227
Start-up expenses	5	559,199	451,534
Intangible fixed assets	6	238,834	219,151
Industrial property		15,482	11,183
Software		49,709	35,774
Transfer fees		284,167	221,061
Depreciation		(110,524)	(48,867)
Tangible fixed assets	7	840,628	26,771,407
Land and buildings		12,529	12,529
Properties to let		-	26,111,784
Properties for own use		38,219	38,219
Other installations, tools and furniture		708,868	497,502
Other fixed assets		391,378	294,988
Depreciation		(310,366)	(183,615)
Financial fixed assets	8	324,291	517,135
Share in results by equity method		247,338	163,823
Other credits		-	300,000
Long-term deposits and securities		76,953	53,312
CONSOLIDATED GOODWILL	9	75,087	87,553
Of fully consolidated companies		75,087	87,553
DEFERRED EXPENSES		-	231,511
CURRENT ASSETS		267,370,368	146,980,998
Inventories	10	227,323,174	108,881,813
Land and building sites		26,025,890	-
Properties		192,642,342	104,199,819
Current inventories		589,332	616,314
Acquisition options		8,249,503	4,065,680
Advances to suppliers		105,405	-
Provisions		(289,298)	-
Accounts receivable		27,438,686	17,554,053
Customers from sales and provision of services		9,933,512	3,466,244
Accounts receivable from associated companies		-	172,280
Accounts receivable from companies linked through common shareholders		1,102,212	5,101,919
Various accounts receivable		4,790,767	5,958,465
Personnel		9,280	45,328
Public administrations	17	11,602,915	2,809,817
Short-term financial investments	11	9,645,528	1,917,894
Interests in associated companies		-	6,010
Short-term securities portfolio		67,908	60,101
Other credits		9,235,079	1,121,000
Short-term deposits and securities		402,642	790,884
Provisions		(60,101)	(60,101)
Short-term bought-back shares	12	57,282	10,021
Cash		2,233,439	18,528,897
Accrued expenses		672,259	88,320
TOTAL FIXED ASSETS		269,408,407	175,259,289

Renta Corporación Real Estate, S.A.  
Consolidated balance sheets at 31 December 2004 and 2003  
(Expressed in euros)

LIABILITIES	Notes	2004	2003
EQUITY	13	61,220,524	30,143,710
Subscribed capital		8,380,642	8,089,460
Issue premium		14,051,322	632,170
Legal reserve		1,617,892	718,183
Other parent company reserves		13,281,837	7,374,597
Bought-back share reserves		57,282	10,021
Reserves in fully consolidated companies		1,388,244	(429,454)
Reserves in companies consolidated by the equity method		47,722	(18,784)
Profit and loss attributable to the parent company		22,395,583	13,767,517
Consolidated profit and loss		22,842,358	13,790,982
Profit and loss attributed to minority interests		(446,775)	(23,465)
MINORITY INTERESTS	14	470,325	23,550
LONG-TERM ACCOUNTS PAYABLE		677,369	20,909,535
Bank debts	16	-	20,330,000
Other long-term debts	15	677,369	579,535
SHORT-TERM ACCOUNTS PAYABLE		207,040,189	124,182,494
Bank debts	16	178,200,266	91,522,300
Trade accounts payable		15,818,552	19,492,478
Payable to Public Agencies	17	10,119,889	9,555,943
Other non-trade payables	18	2,901,482	3,611,773
TOTAL LIABILITIES		269,408,407	175,259,289

	Notes	2004	2003
<b>OPERATING REVENUE</b>			
<b>Net turnover</b>	19 c	<b>225,591,828</b>	<b>213,370,625</b>
Sales		217,891,820	207,684,931
Service provision		7,700,008	5,685,694
<b>Increase in inventories of works in progress</b>		<b>-</b>	<b>303,416</b>
<b>Other operating revenue</b>		<b>3,046,357</b>	<b>5,537,023</b>
<b>TOTAL</b>		<b>228,638,185</b>	<b>219,211,064</b>
<b>OPERATING EXPENSES</b>			
<b>Reduction of inventories of works in progress</b>	19 d	<b>26,982</b>	<b>-</b>
<b>Supplies</b>	19 d	<b>169,631,715</b>	<b>173,276,340</b>
Consumption of goods		169,631,715	173,276,340
<b>Payroll expenses</b>	19 e	<b>7,431,829</b>	<b>5,399,899</b>
Wages, salaries and the like		6,588,636	4,690,909
Social Security contributions		843,193	708,990
<b>Provisions for depreciation of fixed assets</b>		<b>315,679</b>	<b>256,291</b>
Depreciation of start-up expenses	5	123,925	126,651
Depreciation of intangible fixed assets	6	61,657	41,908
Depreciation of tangible fixed assets	7	130,097	87,732
<b>Variations in provision of current assets</b>		<b>443,442</b>	<b>87,311</b>
Variations in provision for bad debts		154,144	87,311
Variations in provision for inventories		289,298	
<b>Other operating expenses</b>		<b>17,083,885</b>	<b>14,603,093</b>
External services		12,690,939	10,409,262
Taxes		3,495,349	2,488,886
Other current operating expenses: joint ventures remuneration		897,597	1,704,945
<b>TOTAL</b>		<b>194,933,532</b>	<b>193,622,934</b>
<b>OPERATING PROFIT Profit / (Loss)</b>		<b>33,704,653</b>	<b>25,588,130</b>

	Notes	2004	2003
<b>OPERATING PROFIT Profit / (Loss)</b>			
<b>REVENUE FROM SHARES IN CAPITAL</b>		<b>-</b>	<b>-</b>
In non-group companies		-	-
<b>OTHER INTEREST AND SIMILAR REVENUE</b>		<b>598,176</b>	<b>60,241</b>
Other financial revenue		598,176	60,241
<b>OTHER FINANCIAL AND SIMILAR EXPENSES</b>		<b>4,696,128</b>	<b>4,609,848</b>
Financial expenses		4,696,128	4,609,848
<b>FINANCIAL PROFIT Profit / (Loss)</b>		<b>(4,097,952)</b>	<b>(4,549,607)</b>
<b>SHARE IN PROFITS OF COMPANIES ACCOUNTED FOR BY THE EQUITY METHOD Profit / (Loss)</b>		<b>83,515</b>	<b>66,506</b>
<b>DEPRECIATION OF CONSOLIDATION GOODWILL</b>	9	<b>12,466</b>	<b>12,466</b>
<b>PROFIT ON ORDINARY ACTIVITIES Profit / (Loss)</b>		<b>29,677,750</b>	<b>21,092,563</b>
<b>EXTRAORDINARY REVENUE</b>	19 f	<b>116,655</b>	<b>113,064</b>
Profit from fixed assets		514	1,045
Profit from operations with bought-back shares		-	33,641
Extraordinary revenue and profit		51,687	40,511
Revenue and profit from previous years		64,454	37,867
<b>EXTRAORDINARY EXPENSES</b>	19 f	<b>176,464</b>	<b>104,311</b>
Losses from fixed assets		72,077	29,276
Extraordinary expenses and losses		5,649	7,177
Expenses and losses from previous years		98,738	67,858
<b>EXTRAORDINARY PROFIT Profit / (Loss)</b>		<b>(59,809)</b>	<b>8,753</b>
<b>CONSOLIDATED PRE-TAX PROFIT Profit / (Loss)</b>		<b>29,617,941</b>	<b>21,101,316</b>
Company tax	17	6,775,583	7,310,334
<b>CONSOLIDATED PROFIT FOR THE YEAR Profit / (Loss)</b>		<b>22,842,358</b>	<b>13,790,982</b>
Profit attributed to minority interests		446,775	23,465
<b>PROFIT FOR THE YEAR ATTRIBUTED TO THE PARENT COMPANY Profit / (Loss)</b>		<b>22,395,583</b>	<b>13,767,517</b>



1. Dependent and Associated Companies

- 1.1 At 31 December 2004, the Group was comprised of the parent company Renta Corporación Real Estate, S.A. and its dependent companies integrated in the consolidation perimeter described in this Note.
- 1.2 The parent company, Renta Corporación Real Estate, S.A. (from the time it was founded until 2 June 2001, under the name of Suatel XXI, S.L., and for the subsequent period from 2 June 2001 to 5 December 2003, under the name of Corporación Renta Antigua, S.A.), was incorporated as a limited liability company on 27 October 2001, with its registered office for legal and tax purposes at Avda. Diagonal, Barcelona, Spain. The company's object is to carry on all manner of operations involving moveable property (except those governed by special legislation) and real estate.
- 1.3 On 19 December 2002, Corporación Renta Antigua, S.A. (the absorbing company) carried out a merger, by means of a takeover with, Copa de Baco, S.L. (the absorbed company), whereby all the assets and liabilities of the company taken over were transferred en bloc, and this company was consequently dissolved but not liquidated, for accounting purposes, on 1 January 2002. The detailed information as required by law on this merger is given in the individual annual accounts of Corporación Renta Antigua, S.A. at 31 December 2002.
- 1.4 The companies included directly or indirectly in the consolidated perimeter in which the parent company holds an interest are as follows:

Company	Activity	Date incorporated	Holding company	% Interest	Date of closure
Renta Corporación Real Estate R.A., S.A.U.	Property operations	31.7.97	Renta Corporación Real Estate, S.A.	100	31.12.04 (1)
Renta Corporación Real Estate G.O., S.L.U.	Property operations	21.7.01	Renta Corporación Real Estate, S.A.	100	31.12.04 (1)
Renta Corporación Real Estate Patrimonio, S.L.	Property operations	30.11.01	Renta Corporación Real Estate, S.A.	96.97	31.12.04
Renta Corporación Real Estate O.N., S.A.U.	Property operations	18.2.00	Renta Corporación Real Estate, S.A.	100	31.12.04 (1)
Groupe Immobilier Renta Corporación, S.A.S.U.	Property operations	27.03.02	Renta Corporación Real Estate, S.A.	100	31.12.04 (1)
Renta Properties (UK), Limited	Property operations	8.12.04	Renta Corporación Real Estate, S.A.	100	31.12.04
Masella Oeste, S.L.	Property operations	29.9.00	Renta Corporación Real Estate O.N., S.A.U.	40	31.12.04

(1) According to the audited annual accounts at 31 December 2004.

- All the companies in the Group have their registered office for legal and tax purposes in Barcelona, except Groupe Immobilier Renta Corporación, S.A.S.U. and Renta Properties (UK) Limited, which have them in Paris and London, respectively, and none of the Group companies is quoted on the Stock Exchange.
- 1.5 1.5 On 8 December 2004, the company acquired 100% of a British company which changed its name to de Renta Properties (UK) Limited. The share capital of this company was one pound sterling. On 14 December 2004, this company issued 99 shares with a face par value of one pound sterling each which were fully subscribed by Renta Corporación Real Estate, S.A.
- 1.6 Pursuant to Additional Provision 2 of Spanish Law 2/1995 of 23 March, the Limited Liabilities Company Act (Ley de Sociedades de Responsabilidad Limitada), which amended the Amended Text of the Limited Companies Act (Texto Refundido de la Ley de Sociedades Anónimas), Renta Corporación Real Estate R.A., S.A.U, Renta Corporación Real Estate G.O., S.L.U. and Renta Corporación Real Estate O.N., S.L.U. have been registered in the Business Register as sole proprietorships. Groupe Immobilier Renta Corporación, S.A.S.U. and Renta Properties (UK), Ltd. are also sole proprietorships.

Basis of Presentation of the Consolidated Annual Accounts

- a. **True and faithful picture**  
The consolidated annual accounts have been drawn up on the basis of the accounting records of Renta Corporación Real Estate, S.A. and the consolidated companies and include the necessary adjustments and reclassifications to make all the values homogeneous with those of the parent company. These annual accounts are presented in accordance with the provisions of current commercial law and the rules laid down in the General Accounting Plan, adapted to real estate companies, and in Royal Decree 1815/1991, which approved the rules for formulating consolidated annual accounts in order to show a true and faithful picture of the consolidated Group's assets, financial situation and profits.
- b. **Consolidation principles**  
The companies mentioned in Note 1 have been fully consolidated, with the exception of Masella Oeste, S.L., for which the equity method has been used.

In the case of all the companies within the consolidation perimeter, the fiscal and economic year coincides with the calendar year.

The necessary adjustments and reclassifications have been made to homogenise their accounting policies and eliminate significant balances between the companies included in the consolidation, and to show the consolidated annual accounts in accordance with generally accepted accounting principles that are uniform with those of the parent company.

- c. The figures in the documents comprising the consolidated annual accounts, the balance sheet, the profit and loss account and this report are expressed in euros.
- d. d) The auditors had access to the audited annual accounts of the following dependent companies: Renta Corporación Real Estate R.A., S.A.U., Renta Corporación Real Estate O.N., S.A.U., Renta Corporación Real Estate G.O., S.L.U. and Groupe Immobilier Renta Corporación, S.A.S.U.

Proposed Distribution of Profit

The proposal regarding distribution of the parent company’s profit in 2004 to be presented to the Annual General Shareholders’ Meeting is set out here below:

Bases of distribution	
Profit and loss (profit)	1,106,645
Distribution	
To legal reserves	58,236
To voluntary reserves	1,048,409
	1,106,645

Valuation Rules

The most significant accounting criteria employed in drawing up the consolidated annual accounts are described here below:

- a. **Consolidation goodwill**  
The positive difference between the acquisition price of the shares and the value of the proportional part of their assets, at the date of acquisition, attributable to such shares, is recorded in the consolidation process as consolidation goodwill.  
  
This goodwill is depreciated over a period of 10 years, starting in the year in which it is generated.
- b. **Balances between companies included in the consolidation perimeter**  
Balances between companies have been eliminated from the corresponding accounts payable and accounts receivable. In cases where the balances failed to match, they have first been made homogeneous by entering the pending items in the accounts.

- c. **Homogenisation of items**  
In order to present the different items comprising the attached consolidated annual accounts in a homogeneous fashion, wherever there were any significant differences the principles and rules employed by the parent company have been applied to the companies in the consolidation perimeter.
- d. **Start-up expenses**  
These are basically incorporation and initial start-up expenses and are valued at their acquisition price.  
  
They are presented net of their depreciation, which is carried out on a straight-line basis over a period of 5 years.  
  
When the circumstances permitting their capitalization have changed, the part pending depreciation is carried over to profit in the year in which the change occurred.
- e. **Intangible fixed assets**  
Intangible fixed assets are stated at their acquisition price or at their production cost. They are depreciated on a straight-line basis over a period of 5 years.  
  
Transfer fees are depreciated in accordance with the duration stated in the corresponding leasing agreement.
- f. **Tangible fixed assets**  
Tangible fixed assets are stated at their acquisition price or production cost.

The cost of renovating, enlarging or improving the goods of tangible fixed assets is included in the assets at the greater value of the good only when it increases their capacity or productivity or prolongs their useful life and provided that it is possible to know or estimate the net book value of the items removed from the inventory as a result of having been replaced. Conservation and maintenance expenses are charged to the profit of the year in which they are incurred.

Depreciation of tangible fixed assets is systematically calculated on a straight-line basis depending on the useful lifetime of the goods in question, bearing in mind the depreciation actually suffered as a result of their operation, use and employment.

The depreciation coefficients used are as set out in the following table:

	Coefficient (%)
Buildings	2%
Installations	10%
Furniture	10%
Information processing equipment	25%
Transport elements	16%
Other fixed assets	10%



- g. **Financial fixed assets**  
The stated value of shares in companies consolidated by the equity method is the theoretical book value.
- Other financial fixed assets are stated at their acquisition price.
- h. **Deferred expenses**  
The expenses incurred in obtaining and taking out mortgages prior to making properties ready for sale are recorded as deferred expenses.
- They are allocated to profit when the property in question is sold.
- i. **Inventories**  
Inventories include properties, land and building plots which are entered at their acquisition price or market value, whichever is the lower.
- The acquisition price includes the amount stated on the invoice plus all additional expenses arising, such as works, improvements, non-recoverable taxes, etc. From this year, the financial expenses involved in the acquisition price are also included, provided that such expenses have been paid prior to the asset having been made fit for profitable use and they have been drawn by the supplier or correspond to loans or some other type of third-party financing intended to finance the particular asset in question. A property is deemed to be fit for profitable use when it is ready for utilisation or sale, irrespective of whether the relevant permits or licences have been obtained or not. Land and building plots are deemed to be fit for profitable use to be made of them when they are ready for the works necessary for constructing the building to begin on them. This change in policy had an effect of 1,752,847 euros in 2004.
- Acquisition options on properties are stated at the amount actually paid.
- In the event of the estimated value of realising inventories being less than the cost entered in the books, the corresponding provisions for depreciation of inventories will be made.
- j. **Accounts payable and receivable for trading operations**  
Debits and credits arising from the company's short- and long-term debit and credit trading operations are recorded at their face value.

- k. **Bought-back shares**  
The value of the company's holding of bought-back shares is stated at the eacquisition price and an unavailable reserve of the same amount is set up for its bought-back shares. This amount is included under the Equity caption in accordance with the currently applicable legislation. The eventual outcome planned for such shares is disposal in the short-term.
- l. **Reserves in consolidated companies**  
Reserves in consolidated companies are the difference between the book value of investments in dependent and associated companies and their theoretical book value at the time of the initial consolidation or entry into the consolidation perimeter, adjusted for the profit or loss generated by these companies after that time.
- m. **Bank debts**  
Although they are actually long-term loans, bank debts corresponding to subrogatable mortgages are classified as short- or long-term loans depending on when they are due for subrogation or cancellation.
- n. **Company Tax**  
For company tax purposes, the parent company comes under the tax regime for groups of companies and pays taxes jointly with its dependent companies Renta Corporación Real Estate R.A., S.A.U., Renta Corporación Real Estate O.N., S.A.U. and Renta Corporación Real Estate G.O., S.L.U.
- However, Group company Renta Corporación Real Estate Patrimonio, S.L. comes under the tax regime for holding companies.
- The consolidated profit and loss account for the year includes the expenditure on Company Tax, which is calculated on the basis of the amount of Company Tax due during the year, the effect of deferring the differences between the taxable amount and the accounting profit before applying the tax deferred to later periods, and the bonuses and deductions from the amount due to which the Group companies are entitled.
- ñ. **Income and expenses**  
Income and expenses are attributed on an accrual basis, i.e. depending on the real flow of goods and services they represent and irrespective of the time at which the monetary or financial flow resulting therefrom actually occurs.

Nevertheless, in accordance with the precautionary principle, the parent company and its subsidiaries record the profits made only at the date on which the fiscal year is closed, whereas risks and foreseeable losses are recorded as soon as they are known, even if they are temporary.

The Group records the premiums received for the transfer of real property rights on acquisition options on properties as income during the year, except where the amount is contractually regarded as payment on account of the total acquisition price of the property. Under no circumstances shall the amount recorded as income during the year exceed the total profit estimated for the property in question.

o. **The environment**

The parent company and its subsidiaries take into account the laws relating to protection of the environment (“environmental laws”) in all their operations. The parent company considers that they substantially comply with such laws and have procedures designed to promote and guarantee compliance therewith.

**5. Start-up Expenditure**

The amounts and variations of the items comprising the start-up expenditure during the year were as follows:

	Balance at 31.12.03	Increase	Depreciation	Balance at 31.12.04
Capital increase costs	50,815	212,600	(13,589)	249,826
Start-up costs	400,719	18,990	(110,336)	309,373
<b>Total</b>	<b>451,534</b>	<b>231,590</b>	<b>(123,925)</b>	<b>559,199</b>

**6. Intangible Fixed Assets**

The amounts and variations of the items comprising the intangible fixed assets during the year were as follows:

Cost	Balance at 31.12.03	Increase	Balance at 31.12.04
Industrial property	11,183	4,299	15,482
Software	35,774	13,935	49,709
Transfer fees	221,061	63,106	284,167
	<b>268,018</b>	<b>81,340</b>	<b>349,358</b>

Accumulated depreciation	Balance at 31.12.03	Provision	Balance at 31.12.04
Industrial property	(216)	-	(216)
Software	(7,033)	(9,822)	(16,855)
Transfer fees	(41,618)	(51,835)	(93,453)
	<b>(48,867)</b>	<b>(61,657)</b>	<b>(110,524)</b>
<b>Net Book value</b>	<b>219,151</b>		<b>238,834</b>



7. Intangible Fixed Assets

The amounts comprising the tangible fixed assets are as follows:

Cost	Balance at 31.12.03	Increase	Decrease	Transfer Fees	Balance at 31.12.04
Land and buildings	12,529	-	-	-	12,529
Properties to let	26,111,784	-	-	(26,111,784)	-
Properties for own use	38,219	-	-	-	38,219
Other installations, tools and furniture	497,502	267,463	(56,097)	-	708,868
Other fixed assets	294,988	102,938	(6,548)	-	391,378
	26,955,022	370,401	(62,645)	(26,111,784)	1,150,994
Accumulated depreciation	Balance at 31.12.03	Increase	Decrease	Transfer Fees	Balance at 31.12.04
Land and buildings	(847)	(281)	-	-	(1,128)
Properties to let	(2,583)	(734)	-	-	(3,317)
Properties for own use	(64,830)	(59,456)	1,889	-	(122,397)
Other fixed assets	(115,355)	(69,626)	1,457	-	(183,524)
	(183,615)	(130,097)	3,346	-	(310,366)
Net Book value	26,771,407				840,628

Bearing in mind the actual nature of the operations carried out, consisting in selling the properties in question (the Group's normal way of operating) and with a view to preserving the principle of providing a true and faithful picture, in 2004 the Directors reclassified the properties under the Properties to let caption to Inventories. The nature of these operations is clear from the existence of an earnest money agreement dated in 2003 for the most significant property, marketing actions for the rest of the properties and the sale of all these properties in the first half of 2004. Similarly, it should be noted that the rents received on these properties were from the previous owner during the period required for relocation (an operation agreed at the time of the sale) and served to offset in part the financial expenses during that period, so they were of a merely accidental nature.

At the close of 2004, the fully depreciated items in the tangible fixed assets amounted to 7,397 euros.

It is the companies' policy to take out all the insurance policies deemed to be necessary to cover possible risks that might affect the items comprising the fixed assets.

8. Financial Fixed Assets

The amounts and variations of the items comprising the financial investments during the year were as follows:

	Balance at 31.12.03	Increase	Decrease	Balance at 31.12.04
Interests accounted for by the equity method	163,823	83,515	-	247,338
Credits to other companies linked by common shareholders	300,000	-	(300,000)	-
Long-term deposits and securities	53,312	24,721	(1,080)	76,953
Total	517,135	108,236	(301,080)	324,291

The composition of the interests in associated companies consolidated by the equity method at 31 December 2004 was as follows:

Company	Registered Office	Percentage interest	Activity	Capital	Reserves	Profit
Masella Oeste, S.L.	Barcelona	40%	Operaciones inmobiliarias	290,213	119,343	208,788

The increase in the balance in the Interests in associated companies consolidated by the equity method caption is due to the profit generated during the year.

The credit agreement made on 23 December 2003 between the Company and Second House, S.L., a company linked to it by common shareholders, was cancelled during the year.

9. Consolidation Goodwill

The changes in the Consolidation goodwill of fully consolidated companies caption were as follows:

	Balance at 31.12.03	Depreciation	Balance at 31.12.04
Renta Corporación Real Estate O.N., S.A.U.	87,553	(12,466)	75,087

10. 10. Inventories

The breakdown of the Inventories caption at 31 December 2004 was as follows:

Land and building sites	26,025,890
Buildings acquired for refurbishment in progress	191,419,719
Buildings constructed	1,222,623
Works in progress	589,332
Acquisition options	8,249,503
Advances to suppliers	105,405
Provision for depreciation of inventories	(289,298)
<b>Total</b>	<b>227,323,174</b>

The Properties caption at 31 December 2004 includes 1,752,847 euros of capitalised interest.

The Inventories caption includes properties and land worth 215,312,119 euros, subject to mortgages, whose balance at 31 December 2004 came to 159,355,721 euros, recorded in the Short-term bank debts caption.

The options recorded at 31 December 2004 correspond to operations to be carried out during 2005.

11. Short-term Financial Investments

The amounts of, and variations experienced by, the items comprising Short-term financial investments in 2004 were as follows:

	Balance at 31.12.03	Increase	Decrease	Balanceat 31.12.04
Interest in other companies	66,111	57,834	(56,037)	67,908
Credits to other companies linked by common shares	1,121,000	11,914,349	(3,800,270)	9,235,079
Short-term deposits	790,884	852,506	(1,240,748)	402,642
Provision for depreciation of short-term negotiable securities	(60,101)	-	-	(60,101)
<b>Total</b>	<b>1,917,894</b>	<b>12,824,689</b>	<b>(5,097,055)</b>	<b>9,645,528</b>

The composition of the interests in other companies at 31 December 2004 was as follows:

	Domicile	Percentage interest	Activities	Net value of interest
Plaza Site, S.A.	Esplugues del Llobregat	4.5%	Internet activities	-
Second House, S.L.	Barcelona	0.4%	Property operations	7,807
<b>Total</b>				<b>7,807</b>

Three credit agreements were made in 2004 between the Company and companies linked by common shareholders. Their initial duration was for 1 year in the case of Lueco S.A and Second House, S.L. and 2 years in the case of Second House Rehabilitación, S.L.U., from the date of the agreements, which may be successively extended for periods of a year by tacit accord.

The amounts disposed of by companies at 31 December 2004 in virtue of these credit agreements and their credit limits are as follows:

	Agreement date	Límit	Amount used	Interest due during payment
Lueco S.A.	1.6.04	5,000,000	4,434,070	153,954
Second House, S.L.	27.9.04	6,000,000	4,500,000	41,472
Second House Rehabilitación, S.L.U.	12.1.04	1,500,000	90,000	15,583
<b>Total</b>		<b>12,500,000</b>	<b>9,024,070</b>	<b>211,009</b>

The interest on these credit agreements is Euribor at three months + 0.75%



12. 12. Short-term bought-back shares

On 27 July 2004, the Company’s Board of Directors passed a resolution authorising the chairman of the board to buy back 578 of the Company’s fully subscribed and paid up shares, numbers 29,604 to 30,181, inclusive, within a maximum of 15 days at a price of 6,005 euros.

An Extraordinary General Shareholders’ Meeting held on 8 September 2004 passed a resolution authorising the acquisition of 58,371 of the Company’s shares at a price of 58.02 euros per share.

An Extraordinary General Shareholders’ Meeting held on 30 November 2004 authorised the acquisition of a maximum of 4,787 of the Company’s shares at a minimum and maximum price of 21 and 50 euros per share, respectively.

The changes in the portfolio of the Company’s own shares during the year were as follows:

	Number	Par value (euros)	Average acquisitionprice (euros)	Acquisition cost (euros)
Balance at 31.12.03	10,021	42,088	-	10,021
Acquisitions	61,253	257,263	56,32	3,449,997
Reduction of capital due to depreciation of bought-back shares	(68,970)	(289,674)	-	(3,402,736)
Balance at 31.12.04	2,304	9,677		57,282

An Extraordinary General Shareholders’ Meeting held on 8 September 2004 passed a resolution to reduce the Company’s share capital by amortising and cancelling 68,970 fully paid up ordinary personal shares with a par value of 4.20 euros each.

The eventual outcome planned for such shares is disposal thereof.

13. Equity

The composition of this caption at 31 December 2004 and the changes in it during the year were as follows:

	Balance at 31.12.03	Distribution of profits 2003	Dividends	Profit 2004	Bought-back shares reserves provision	Reduction in capital	Increase in capital	Balance at 31.12.04
Share capital	8,089,460	-	-	-	-	(289,674)	580,856	8,380,642
Issue premium	632,170	-	-	-	-	-	13,419,152	14,051,322
Legal reserve	718,183	899,709	-	-	-	-	-	1,617,892
Reserve for bought-back shares	10,021	-	-	-	3,449,997	(3,402,736)	-	57,282
Other parent company reserves	7,374,597	(516,396)	9,583,959	-	(3,449,997)	289,674	-	13,281,837
Reserves in fully consolidated companies	(429,454)	13,317,698	(11,500,000)	-	-	-	-	1,388,244
Reserves in companies consolidated by the equity method	(18,784)	66,506	-	-	-	-	-	47,722
Profit and loss attributable to the parent company	13,767,517	(13,767,517)	-	22,395,583	-	-	-	22,395,583
Total	30,143,710	-	(1,916,041)	22,395,583	-	(3,402,736)	14,000,008	61,220,524

The Company's share capital is represented by 1,995,391 indivisible and accumulable fully subscribed and paid up shares each with a par value of 4.20 euros.

An Extraordinary General Shareholders' Meeting held on 8 September 2004 passed a resolution to reduce the Company's share capital by 289,674 euros to 7,799,786 euros by redeeming 68,970 of its own shares with a face vale of 4.20 euros each.

An Extraordinary General Shareholders' Meeting held on 27 December 2004 passed a resolution to increase the Company's share capital by 580,856 euros to 8,380,642 euros by issuing 138,299 personal shares with a par value of 4.20 euros each, with an issue premium of 97.03 euros per share, and they were all subscribed and paid up.

An Extraordinary General Shareholders' Meeting held on 25 March 2004 passed a resolution to amend the share transfer system provided for in the Company's Articles of Association so that voluntary inter vivos transfers for payment may be made freely if they are in favour of the spouse, ascendants or descendants or siblings of the transferring shareholder or another shareholder. In the case of transfers in favour of third parties, a procedure has been set up whereby the Company can exercise its preferential acquisition rights.

The previous system limiting the transferability of shares shall still apply to mortis causa transfers.

The part of the Company's share capital possessed by other companies with a shareholding of 10% or more is as follows:

No. of shares	
Dinomen, S.L.	286,298

The Amended Text of the Limited Companies Act (Texto Refundido de la Ley de Sociedades Anónimas) expressly allows the balance of an issue premium to be used to increase share capital and does not set any specific restrictions on what such balances may be used for.

Due to the fact that the Legal Reserve has not been provided for to the extent laid down in article 214 of the Limited Companies Act (Ley de Sociedades Anónimas), the parent company will have to allocate 10% of its profit thereto until it reaches at least 20% of the share capital. This reserve is not distributable and if it is used to offset losses in the event of there not being any other sufficient reserves available to cover them, it must be replenished from future profits.

The Company has 57,282 euros in its Reserve for own shares charged to Voluntary reserves. This reserve is unavailable as long as the bought-back shares in the assets on the balance sheet are not disposed of.

The breakdown, by companies, of the Reserves in fully consolidated companies is as follows:

Renta Corporación Real Estate R.A., S.A.U.	(50,886)
Renta Corporación Real Estate G.O., S.L.U.	504,337
Renta Corporación Real Estate O.N., S.A.U.	187,411
Groupe Immobilier Renta Corporación, S.A.S.U.	(3,360)
Renta Corporación Real Estate Patrimonio, S.L.	750,742
<b>Total</b>	<b>1,388,244</b>

The changes in all reserves in fully consolidated companies during 2004 were as follows:

	Renta Corporación Real Estate R.A. S.A.U.	Renta Corporación Real Estate G.O., S.L.U.	Renta Corporación Real Estate O.N., S.A.U.	Groupe Immobilier Renta Corporación, S.A.S.U.	Renta Corporación Real Estate Patrimonio, S.L.	Total
Balance at 31.12.2003	(212,644)	84,635	(300,779)	(467)	(199)	(429,454)
Incorporation of profit for 2003	3,161,758	7,419,702	1,988,190	(2,893)	750,941	13,317,698
Reclassification of dividends for 2004	(3,000,000)	(7,000,000)	(1,500,000)	-	-	(11,500,000)
Balance at 31.12.2004	(50,886)	504,337	187,411	(3,360)	750,742	1,388,244

Reserves in companies consolidated by the equity method:

Masella Oeste, S.L.	(47,722)
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The contribution of each of the companies in the consolidation perimeter to the consolidated profit is shown in the table below together with the part corresponding to minority interests:

	Profit for the year attributable to the parent company	Profit attributed to minority interests
Renta Corporación Real Estate, S.A.	(1,705,822)	-
Renta Corporación Real Estate R.A., S.A.U.	4,007,535	-
Renta Corporación Real Estate G.O., S.L.U.	4,236,684	-
Renta Corporación Real Estate O.N., S.A.U.	962,885	-
Groupe Immobilier Renta Corporación, S.A.S.U.	512,514	-
Renta Corporación Real Estate Patrimonio, S.L.	14,298,272	446,775
Masella Oeste, S.L.	83,515	-
<b>Total</b>	<b>22,395,583</b>	<b>446,775</b>

14. Minority Interests

The changes under the Minority Interests caption for each dependent society were as follows:

Company	Balance at 31.12.03	Share in profit	Balance at 31.12.04
Renta Corporación Real Estate Patrimonio, S.L.	23,550	446,775	470,325

15. Long-term Debts

In fulfilment of a guaranteed income agreement concluded on 9 July 2004 between Renta Corporación Real Estate R.A., S.A.U. and a real-estate company, the Company has undertaken to pay a fixed annual amount during the period between 2004 and 2007. The breakdown of these payments according to the year in which they fall due is as follows:

2005	2006	2007
137,312	93,157	48,388

In fulfilment of a guaranteed income agreement concluded between Renta Corporación Real Estate G.O., S.L.U. and another company in 2003, whereby the former undertook to pay a fixed annual amount during the period between 2004 and 2006, the breakdown of the payments according to the year in which they fall due is as follows:

2005	2006
482,884	535,824

Of the balance owed at 31 December 2004, 620,196 euros are short-term and 677,369 euros long-term, and they are recorded in the captions Other short-term debts and Other long-term debts respectively.

16. Bank Debts

The composition of such debts at 31 December 2004 was as follows:

	Long-term
Mortgages guaranteed by inventories	159,355,721
Credit policies	18,474,474
Interest debts	370,071
<b>Total</b>	<b>178,200,266</b>

The amount corresponding to mortgage loans is guaranteed by properties owned by the different companies in the Group recorded in the Inventories caption. The average annual interest rate during the year fluctuated between 3% and 3.5%.

The limit granted for credit policies in force at 31 December 2004 was 55,344,510 euros.

17. Tax Situation

As it met the requirements laid down in the Company Groups Regime set out in Chapter VII, Title VIII of Law 43/1995 of 27 December, the Company Tax Act (Ley del Impuesto sobre Sociedades), in 2002 the Company presented, for the first time, a consolidated tax return as the parent company together with Renta Corporación Real Estate R.A., S.A.U., Renta Corporación Real Estate G.O., S.L.U. and Renta Corporación Real Estate O.N., S.A.U.

Since certain operations are treated differently for the purposes of liability to Company Tax and the drawing up of these annual accounts, the taxable base for the year differs from the book profit.

Reconciliation between the book profit and the taxable base for calculating company tax is as follows:

Consolidated profit	22,842,358
Company tax	6,775,583
Pre-tax profit	29,617,941
Elimination of profit of companies not belonging to the consolidated tax group	
Renta Corporación Real Estate Patrimonio, S.L.	(17,309,661)
Groupe Immobilier Renta Corporación, S.A.S.U.	(683,245)
Share in the profits of Masella Oeste, S.L. (company consolidated by the equity method)	(83,657)
Permanent differences in consolidation adjustments	12,466
Permanent differences of individual companies	
Non-deductible expenses	5,348
Donations to the Renta Corporación Foundation	288,480
<b>Taxable base</b>	<b>11,847,672</b>

The Company Tax charge is made up in the following way:

Current tax payable by the companies that pay taxes as a consolidated group	4,040,239
Current tax payable by Renta Corporación Real Estate Patrimonio, S.L.	2,564,614
Current tax payable by Groupe Immobilier Renta Antigua, S.A.S.U.	170,730
<b>Total</b>	<b>6,775,583</b>

The company tax rate payable is 35% of the taxable base for company tax less 5,528 euros for deductions for professional training and a deduction of 100,968 euros for a contribution to the Renta Corporación Foundation.

During the year ended on 31 December 2004, the parent company and its subsidiaries had company tax deducted at source to the value of 62,816 euros and paid 54,245 euros company tax on account.

At 31 December 2004, neither the parent company or any of its subsidiaries had any deductions at source pending application.

The Group company Renta Corporación Real Estate Patrimonio, S.L. comes under the tax regime for holding companies.

The reconciliation between its accounting profit and the taxable base for calculating company tax is as follows:

Profit of Renta Corporación Real Estate Patrimonio, S.L.	14,745,047
Company Tax	2,564,614
Pre-tax profit	17,309,661
Non-tax-deductible expenses	20,268
<b>Taxable base</b>	<b>17,329,929</b>

The company tax rate is made up of 15% of the taxable base for company tax, which comes to 17,469,428 euros, and 40% of the negative taxable base for company tax, which comes to 139,499 euros. During the year ended on 31 December 2004, Renta Corporación Real Estate Patrimonio, S.L. had company tax deducted at source to the value of 38,797 euros and paid 116,518 euros company tax on account.

The details of its debts in regard to government agencies at 31 December 2004 were as follows:

<b>Balances receivable</b>	
Public Treasury receivable for VAT	11,110,267
Public Treasury receivable for various items	492,648
<b>Total</b>	<b>11,602,915</b>
<b>Balances payable</b>	
Public Treasury payable for Company Tax	6,506,322
Public Treasury payable for VAT	2,573,213
Public Treasury payable for Personal Income Tax (IRPF), Collective Income Tax (IRC) and others	903,756
Social Security agencies payable	136,598
<b>Total</b>	<b>10,119,889</b>



Since 2001, Renta Corporación Real Estate R.A., S.A.U. has been subject to the special pro rata VAT regime. Prior to that, it was subject to the general pro rata VAT regime.

Since 2004, Renta Corporación Real Estate Patrimonio, S.L., Renta Corporación Real Estate G.O., S.L.U. and Renta Corporación Real Estate O.N., S.A.U. have been subject to the special pro rata VAT regime. Prior to that, they were subject to the general pro rata VAT regime.

Masella Oeste, S.L. and Renta Corporación Real Estate, S.A. are subject to the general VAT regime.

All the companies in the consolidation are open tax inspection in regard to all the taxes applying to them since they were incorporated, except Renta Corporación Real Estate R.A., S.A., which has the last four years pending inspection by the tax authorities in regard to the main taxes applying to it.

As a consequence, among other things, of the different possible interpretations of the tax legislation currently in force, additional liabilities might arise as a result of an inspection. At all events, the directors of the parent company are of the view that even if such liabilities were to arise, they would not have a significant effect on these annual accounts.

18. Other non-trade payables

Their composition at 31 December 2004 was as follows:

Remunerations pending payment	1,000,440
Other non-trade receivables	1,730,407
Short-term deposits and securities	170,635
<b>Total</b>	<b>2,901,482</b>

The caption Other non-trade receivables includes the amounts totalling 660,000 euros received from third parties arranged by means of loan agreements falling due in 2005 at an interest rate of 10%. The interest due but not paid at the close of the year amounted to 59,671 euros.

The deposits received caption includes mainly the amount of the deposits received for property letting operations that are held in the Barcelona Chamber of Urban Property.

19. Income and expenses

- a. Consolidated Group transactions with associated and linked companies  
The transactions carried out with these companies during 2004 were as follows:

	Company	Amount
Acquisition options	Second House, S.L.	585,328
Services provided	Lueco, S.A.	12,020
Services provided	Second House, S.L.	1,173,715
Services provided	Second House, S.L	837,140
Services provided	Lueco S.A.	126,988
Financial income	Lueco S.A.	153,954
Financial income	Second House, S.L	48,791
Financial income	Second House Rehabilitación, S.L.U.	15,583

- b. Transactions in foreign currency  
The company did not carry out any operations in foreign currency during the year ended on 31 December 2004.
- c. Distribution of net turnover  
The geographical distribution of net turnover for the activities carried out by the companies belonging to the Renta Corporación Real Estate Group was as follows:

Spain	202,507,926
France	15,383,894
<b>Total</b>	<b>217,891,820</b>

- d. Supplies  
The breakdown of the Supplies caption is as follows:

Property acquisitions and refurbishment costs	257,988,344
Variation in property inventories	(114,468,413)
Transfer from fixed assets to inventories	26,111,784
<b>Total</b>	<b>169,631,715</b>

As a consequence of a third-person exercising his right to reacquisition, this caption was reduced by 8,957,704 euros as it was treated as returned acquisitions.

e. **Staff**  
The number of employees, by categories, at 31 December 2004, was as follows:

Executives	15
Department directors and higher degree holders	15
Salespeople	25
Administrative staff	28
<b>Total</b>	<b>83</b>

f. **Extraordinary expenditure and income**

<b>Extraordinary income</b>	
Profits from fixed assets	514
Extraordinary income and profits	51,687
Income and profits from previous years	64,454
<b>Total</b>	<b>116,655</b>
<b>Extraordinary expenses</b>	
Losses from fixed assets	72,077
Extraordinary expenses and losses	5,649
Expenses and losses from previous years	98,738
<b>Total</b>	<b>176,464</b>

The items Income and profits and Expenses and losses from previous years include mainly the regularisation of operations from the year before.

20. Other Information

The remunerations paid to the management body of the parent company during 2004 came to 1,426,673 euros.

The Group company Renta Corporación Real Estate R.A., S.A.U. has balances amounting to 360,870 euros to be paid by the directors for loans granted.

The fees charged by PricewaterhouseCoopers Auditores, S.L. in 2004 for audit services to the Renta Corporación Real Estate Group came to 76,650 euros.

At 31 December 2004, the parent company was the guarantor of Renta Corporación Real Estate R.A., S.A. as security for a credit policy of 7,400,000 euros.

The parent society is the guarantor of a security of 180,304 euros granted to the Group company Masella Oeste, S.L., lodged with Alp Town Council to guarantee the urban development of the area where the housing development being built by Masella Oeste, S.L. is located.

Pursuant to the provisions contained in article 127.3.4 of the Spanish Limited Companies Act (Ley de Sociedades Anónimas) introduced by Law 26/2003 of 17 July, amending Law 24/1988 of 28 July, the Securities Market Act (Ley de Mercado de Valores), and the Amended Text of the Limited Companies Act (Texto Refundido de la Ley de Sociedades Anónimas), in order to reinforce the transparency of limited companies, the companies with the same, analogous or complementary type of activity as that which constitutes the corporate object of the Company, in whose capital the members of the Board of Directors possess an interest are listed here below together, where applicable, with the posts and offices they hold therein:

	Company in which interest is held	%	Post or Office
Luis Hernández de Cabanyes	Second House, S.L. Lueco, S.A.	6.53 40.00	Joint director Sole director
Josep Mª Farré Viader	Second House, S.L. Lueco, S.A	3.73 7.00	- -
Esther Giménez Arribas	Second House, S.L. Lueco, S.A	4.13 5.00	- -
Elena Hernández de Cabanyes	Second House, S.L. Lueco, S.A	3.66 4.00	Joint director -
Anna M. Birulés Bertran	Second House, S.L.	1.50	-
César A. Gibernau Ausió	Second House, S.L.	1.05	-

The other directors do not possess any interest whatsoever in companies with the same, analogous or complementary type of activity as that which constitutes the corporate object of the company.

21. Events Following Closure

An Extraordinary General Shareholders' Meeting of Renta Corporación Real Estate, S.A. on 3 March 2005 approved the distribution of an extraordinary dividend of 2,986,741 euros charged to voluntary reserves from undistributed profits.

22. The Environment

The parent company and its dependent companies have adopted suitable measures in relation to the protection and improvement of the environment and the minimisation, where appropriate, of any environmental impact, in compliance with the relevant legislation currently in force. During the year the parent company and its dependent companies did not make any investments to do with the environment nor did they incur any expenses for protecting and improving the environment. It was not deemed necessary to make any provision for environmental risks and expenses, as there did not exist any contingencies related to the protection and improvement of the environment, nor any liabilities in regard thereto.



# c. Management report

Renta Corporación Real Estate, S.A.  
Consolidated management report

This Management Report on the year which began on 1 January 2004 and ended on 31 December 2004 is presented in compliance with the regulations currently in force and its contents follow the indications in article 202 of the Amended Limited Company Act (Texto Refundido de la Ley de Sociedades Anónimas).

## 1. Economic and Financial Evolution of the Group Companies

The Spanish economy recorded growth of 2.7% in 2004, higher than the European Monetary Union average, driven, among other factors, by strong internal demand and the good performance of the building industry.

Demand for housing in Spain continued to be extremely solid in 2004 and, as has happened over the past several years, was supported by a favourable macroeconomic environment and by the demographic and social situation. The average price of homes and appartments continued to rise in a sustained fashion, although at different rates in each of Spain's Autonomous Communities. The fastest growth was in the Mediterranean arc, where the second residence market has its greatest effect. According to data published by the Spanish Ministry of Housing, prices rose on average 17.45% in 2004, practically the same as the 17.6% rise recorded in 2003.

The object of Renta Corporación Group is to create value by adapting the properties it acquisitions to the demand requirements in each market segment. The Group carries on its activities in three clearly differentiated areas of business; Refurbishment, Building Transformation and Land Transformation.

The economic result for 2004 was extremely positive. Here are some of the highlights:

- Total business turnover was 228.6 million euros. This figure was made up of 217.9 million euros from sales, 3 million euros from rent and 7.7 million euros from the provision of services.
- The Group's Operating Profit went up by 32% to 33.7 million euros. The Refurbishment and Building Transformation business units made very similar contributions, in absolute terms, to the gross margin. The Land Transformation business, which was set up more recently, still made little impact on the Group's results in 2004.
- Profit after tax was 22.4 million euros, up by 62% on 2003.
- Equity at the end of the year was 61.2 million euros, 103% up on the year before. This increase is due to the excellent results for the year and the increase in capital of 14 million euros carried out almost entirely to allow the British private equity group 3i to join the Group through 3i Group Plc and 3i Spain Private Equity 2004-2006 LP.

Renta Corporación Real Estate, S.A.  
Consolidated management report

## 2. Foreseeable Development of the Businesses

The Group expects that all three of its areas of business will perform well in 2005 in terms of the volume of their activity, turnover and net profit growth.

This development will most probably be the result of the following factors:

- The investments made to strengthen the Group's financial, operating and staff structure both in Spain and abroad.
- The consolidation of the Group as one of the leading companies in the sector, both in Spain and France. Renta Corporación Group believes it has the reputation, business management procedures and a highly motivated and skilled staff and management team necessary to successfully face up to the challenge of continuing its track record of growth.
- The growth potential of the property refurbishment and repositioning sector in the main cities in Spain and the rest of the European economic area.

## 3. Research and Development

Due to the characteristics of the Group, no investment was made in research and development.

## 4. Bought-back Shares

During 2004, the Company acquired a total of 61,253 shares representing 3% of the share capital at 31 December 2004. A General Shareholders' Meeting held on 8 September 2004 passed a resolution to reduce the Company's share capital by redeeming 68,970 shares belonging to its holding of bought-back Company shares.

At 31 December 2004, the parent company held a total of 2,304 of bought-back shares, representing 0.11 of the Company's share capital. The par value of these shares was 9,677 euros. The parent company had set up the corresponding reserve for bought-back shares at 31 December 2004.

## 5. Hechos posteriores

In keeping with the Group's intention to adopt good corporate governance practices so as to guarantee the transparency and reliability of its financial information, the Board of Directors decided on 4 February 2005 to set up a Remunerations and Appointments Committee and an Audit Committee made up of Board members.

An Extraordinary General Shareholders' Meeting of Renta Corporación Real Estate S.A. on 3 March 2005 approved the appointment of Mr. César A. Gibernau Ausió, who has been acting as secretary of the Board of Directors since 17 November 2003, as a new independent external director. As a consequence of this, the Board of Directors is now made up of eight members, four of whom are executive directors and four external directors. Of the latter, two are independent directors and one is an external nominee director.

An Extraordinary General Shareholders' Meeting on 3 March 2005 approved the distribution of an extraordinary dividend of 2.9 million euros charged to reserves as proposed by the Board of Directors on 4 February 2005.

The Board of Directors intends to put a motion to the Renta Corporación Real Estate, S.A. AGM to carry out an increase in the Company's share capital charged to issue premium reserves and to split and increase the number of shares by reducing their par value.

6. Human Resources

The Renta Corporación team is made up of highly skilled professionals who do their job in a framework of professionalism and responsibility.

The workforce has increased significantly over the past few years and at the close of 2004 the Group had 83 employees.

7. The Environment

The Company has adopted suitable measures in relation to the protection and improvement of the environment and the minimisation, where appropriate, of any environmental impact, in compliance with the relevant legislation currently in force

During the year the Company did not make any investments to do with the environment nor did it incur any expenses for protecting and improving the environment. It was not deemed necessary to make any provision for environmental risks and expenses, as there did not exist any contingencies related to the protection and improvement of the environment, nor any liabilities in regard thereto.



The Directors of Renta Corporación Real Estate, S.A., meeting on 18 March 2005, pursuant to the requirements set out in article 171.2 of the Amended Text of the Limited Companies Act (Texto Refundido de la Ley de Sociedades Anónimas) and article 37 of the Commercial Code, hereby draw up the consolidated annual accounts of Renta Corporación Real Estate, S.A. and its subsidiary companies, and the management report for the year between 1 January 2004 and 31 December 2004, comprising the documents preceding this certificate numbered correlatively from 1 to 31 inclusive.

**Luis Rodolfo Hernández de Cabanyes**  
Chairman

**Josep-Maria Farré Viader**  
Chief Executive Officer

**Carlos Tusquets Trias de Bes**  
Member of the Board

**César A. Gibernau Ausió**  
Secretary

**Anna M. Birulés Bertran**  
Vice-chairman

**Esther Giménez Arribas**  
Member of the Board

**Pedro Nueno Iniesta**  
Member of the Board

**Elena Hernández de Cabanyes**  
Member of the Board



9

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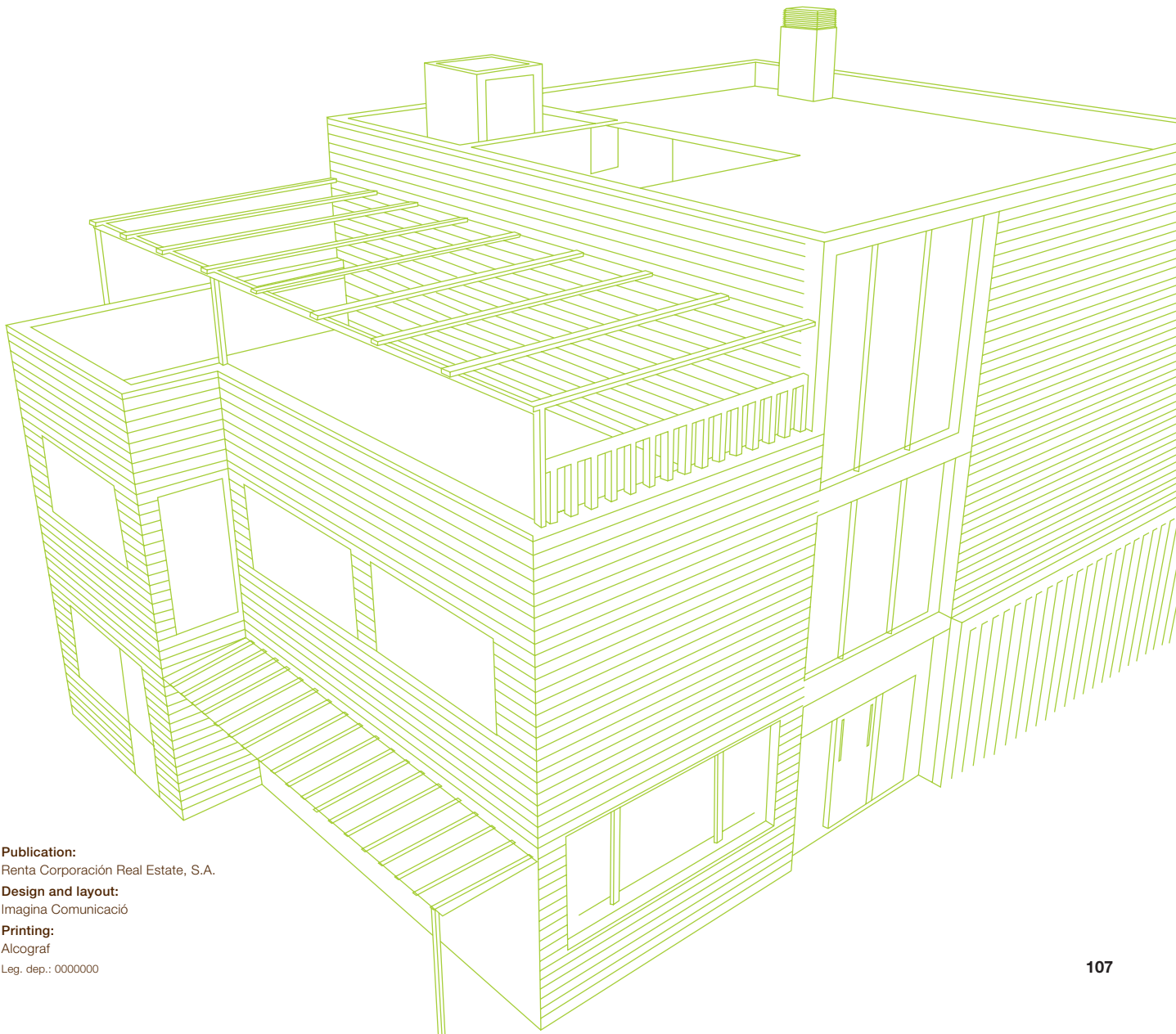
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