

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 apartments 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 acquires 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