c. Directors' Report

1. Evolution of the business

Ordinary income totals Euros 320.8 million, an increase on 2004 of Euros 101.3 million, or 46%, both years under International Financial Reporting Standards (IFRS). Consolidated operating profit has totalled Euros 53.7 million, an increase above 70%, while consolidated profit for the year attributable to shareholders has totalled Euros 32.5 million, an increase of 63% on last year.

The 41% growth in operating expenses as a whole is lower than the increase in income, which has led to an improvement in operating margin. The combination of greater efficiency of investment in terms of size / profitability, and a high level of cost efficiency, in spite of the increase in business volume, has made this improvement possible.

Financial costs have been slightly lower than last year, in spite of the growing investments of the group. The company has been able to offset the cost of the increase in operations by improving the structure and cost of financing. Local taxes in 2005 have increased significantly against the 2004 figure, due to the fact that in 2004 sales of certain buildings benefited from lower tax rates in force at that time.

The increase by Euros 12.6 million in consolidated profit attributable to shareholders, bearing in mind the change in the number of shares due to the capital increase operations against reserves and the split carried out during the year, has led to an increase of 54% against 2004, in comparative terms, of basic earnings per share, which have risen from Euros 0.96 to Euros 1.48 per share.

The growth in assets managed by the group is reflected in the main balance sheet figures, which reflect an increase in total assets of Euros 122.8 million.

Euros 323.5 million in land, buildings in inventories represents 82% of assets, an increase of Euros 96.3 million on 2004. This figure is especially relevant since it is an increase of 42%, and reflects the effect of the purchases of buildings made during 2005 which, at the year end, are now in the transformation phase.

The same account includes the amounts paid for the acquisition of investment options on buildings. These amounts total Euros 16.7 million at 31 December 2005, compared to Euros 8.2 million at the 2004 year end.

Net equity has reached Euros 85 million, an increase of Euros 29.7 million on 2004, which is an increase of 54% and reflects the inclusion of results for the year as well as certain adjustments to reserves as a result of the adoption on 1 January 2005 of International Financial Reporting Standards (IFRS).

Throughout 2005 different operations have been undertaken in order to adjust the par value and number of shares representing share capital to those normally used in the market.

Thus, by virtue of the resolution adopted by the Extraordinary General Meeting of Shareholders of 22 April 2005, capital was increased by Euros 13.6 million against share premium reserves. This increase was carried out through an increase in the unit par value of the shares, which rose to Euros 11. As a result of this operation capital totals Euros 21.9 million, without modifying the net Equity.

In addition and in order to put a larger number of shares into circulation, the same Shareholders Meeting adopted a resolution to split the number of shares by decreasing their unit value to Euro 1. As a result, there are now approximately 21.9 million shares in circulation.

Financial debt, according to the financial section above, represents 55% of net equity and liabilities as a whole. The ratio of debt to net equity is 2.5, a considerable reduction from 3.2 at the 2004 year end, in spite of the increase in activity. This has been due to the earnings reinvestment policy and the generation of a large profit for the year.

Creditors and other payables includes collections received as purchase commitments for building sale operations to be executed in the forthcoming months. This balance totals Euros 11.4 million, Euros 10.3 million more than at the 2004 year end.

2. Business evolution

The results obtained in 2005 confirm the positive development of the business model of Renta Corporación, based on the purchase, transformation and sale of large buildings with high levels of turnover.

Renta Corporación has grown also by expanding its business model, consisting of the acquisition, transformation and sale of urban buildings, in two major ways: expansion of the type of product acquired, types of buildings acquired, and, on the other hand, extending operations of the group geographically.

Thus, since its beginning, Renta Corporación has evolved and advanced in the development and steady consolidation of its business model. At the same time, the Company has maintained in the last few years a stiff growth rate, establishing a solid record of profits - especially strong, sustained increases in turnover and profit - while maintaining high levels of profitability.

The company plans to continue applying these strategies over the next few years in order to favour growth and does not foresee substantial changes being made to its business model.

3. Research and development

Due to the nature of the Group's activity, it does not make any investments in research and development.

4. Treasury shares

During 2005 the company has acquired 1,926 treasury shares (before the split) and has sold 17,659 treasury shares.

At 31 December 2005 the parent company held a total of 28,970 treasury shares, representing 0.13% of share capital. The par value of these shares totals Euros 29 thousand. The parent company has set up the respective treasury share reserve at 31 December 2005.

5. Subsequent events

The Extraordinary General Meeting of Shareholders of Renta Corporación of 9 February 2006 adopted a resolution to float the company on the Madrid and Barcelona Stock Exchanges and register it with the Sistema de Interconexión Bursátil Español (S.I.B.E. or Continuous Market) through which all its shares will be traded.

The Appointments and Remuneration Committee met on 7 February 2006 and proposed submitting to the Board of Directors for their approval the appointment of Carlos Solchaga Catalán and Juan Gallostra Iserna, as independent directors of the Company.

The Committee also proposed submitting to the Board of Directors for their approval the modification of the office of a Director, César A. Gibernau Ausió.

These resolutions were adopted by the Extraordinary General Meeting of Shareholders of 9 February 2006, and, consequently, the new composition of the Board of Directors is as follows:

Board of Directors (13 February 2006)		Audit Committee	Appointments and Remuneration Committee	Office
Chairman	Luis Hernández de Cabanyes			Executive
Vice-chairwoman	Anna M. Birulés Bertran	Director	Director	Executive
Chief Executive Officer	Josep-Maria Farré Viader			Executive
Director	Esther Giménez Arribas			Executive
Director	Elena Hernández de Cabanyes			External
Director	Pedro Nueno Iniesta			Independent
Director	Carlos Tusquets Trias de Bes	Secretary	Secretary	Non-executive
Secretary	César A. Gibernau Ausió	President	President	External
Director	Juan Gallostra Isern			Independent
Director	Carlos Solchaga Catalán			Independent

Note: The Board of Directors meeting of 9 February 2006 appointed Juan Velayos Lluis as legal counsel to the company.

6. Human Resources

The team of Renta Corporación is outstanding in terms of the calibre of its training, professionalism and motivation. People are for Renta Corporación its true basis of value creation. Since its beginnings as a company it has recognised and regarded the contribution of its professionals as a critical success factor. In this context, it devotes special attention to having an effective, agile, flexible organisation and a professional working culture in terms of procedures and systems, with easy access to continuous training and knowledge, forming part of its human resources policy.

The great strides made in terms of its business evolution has also had an impact on the number of employees, which has grown to 95 in 2005. During the year Renta Corpración has hired 17 new employees, which is an increase in staff size of 22% on 2004.

7. Environment

The Company has adopted the measures necessary for the protection and improvement of the environment and the minimisation, as the case may be, of any environmental impact, by complying with current legislation.

The impact of the construction of a building on the environment begins with the manufacture of materials and ends with the management of the waste generated by its demolition, with various phases of construction and use in between. The activity of Renta Corporación is based on the transformation of real estate assets. While it is true that construction generates a large volume of rubble, refurbishing actually minimises it.

In spite of the slight environmental impact involved in these transformations, in comparison with the alternative model of demolition and new construction, all the contracts entered into by Renta Corporación include a specific environmental protection clause that must be signed by the building contractor.