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Management Report

1. Evolution of the business

Renta Corporación thanks to its business model and geographic and business unit diversification has generated total ordinary income of Euros 529,107 thousand, which is a remarkable feat given the current difficult context of sales, especially in Spain.

2007 has been marked by the unexpected appearance, in the second half of the year, of a major liquidity crisis in the financial system. In the third and fourth quarters of the year growth has slowed, which has led to the delay in closing certain transactions.

However, and bearing in mind this economic conjuncture, the turnover of the Group in 2007 has been significant.

In 2007 the Group has expanded its field of operations, reinforcing its international expansion in Paris (2002), London (2005), Berlin (2006) and beginning activity in New York, a city in which perfectly fits the business model of Renta Corporación for its size and liquidity.

The conjunctural evolution of the sector has impacted the operating results for the year which have been of Euros 55,958 thousand euros in 2007, while these were 77,014 thousand euros in 2006.

Nevertheless, 2007 has been a significant step in the consolidation of the business model of the Renta Corporación Group in terms of purchasing, transformation and sale of buildings, with the maintenance of significant levels of investment.

2007 has also been relevant in terms of the acquisition of the new corporate head offices in Barcelona.

The increase in average bank borrowings for the expansion of the Group along with the increase in market interest rates has generated net financial costs of Euros 15,513 thousand, an increase against 2006 of 59%, coming to represent 2.9% of turnover.

The shareholding in associates has generated profit of Euros 9,010 thousand, an increase of 145% against last year. This has facilitated an improvement in consolidated profit for the year attributable to shareholders reaching the total of Euros 35,352 thousand. The profit attributable per share has gone from Euros 1.97 in 2006 to Euros 1.42 per share in 2007.

The evolution of shares traded on the stock exchange in 2007 has been highly volatile. After the 2006 year end with a share price of ¤ 34.13, the share's quotation dropped through successive corrections as from the second quarter of the year and stand at ¤ 15.28 per share are the 2007 year end.

The growth in assets generated by the Group is reflected in the main aggregates of the balance sheet, with a total increase in assets of 21% on 2006, due to an initial expansion that has not been accompanied by a proportional increase in sales.

At the 2007 year end, the buildings, land and plots in stock total Euros 858,894 thousand, which reflects the effect of the purchases of buildings throughout 2007, which, at the year end, are in the transformation phase. This account also includes the amounts paid for the acquisition of investment rights on buildings in the amount of Euros 26,447 thousand.

In February 2007 Renta Corporación formalised its first structured financing operation through a syndicated loan of Euros 500 million with 21 financial entities. This operations has allows it to replace a large part of its mortgage-backed borrowings and the balance drawn down in the short term on the credit facilities with short-term borrowing. This is helping to strengthen growth capacity and provided additional stability to the company's business plan.

Other accounts payable include the receipts for sale commitments of Euros 27 million, which will represent turnover of Euros 264,688 thousand in the following months.

The Directors of the Company believe that it is not exposed to any significant risks or uncertainties beyond those of the business itself.

2. Business outlook

The strategy for the next few years is based on the adaptation to a changed market environment. Once repositioned in the new conjuncture, Renta Corporación will face the future with the objective of returning to the growth path that has characterised it historically.

The solidity of the business model, which has been built up over many years, the strengthening of the company in the market and an established network for the acquisition, transformation and sale of buildings are the keys to the continued development of the company and for guiding its international development, prioritising growth in the major cities in which it is currently operating.

Investment will be centred in the purchase, transformation and sale of high turnover residential and office buildings. The land business will be limited to specific opportunities.

3. Main risks and uncertainties of the business

The main financial risks that affect the Group would be: exchange rate risk, interest rate risk, credit risk and liquidity risk. The Group constantly monitors these risks in order to anticipate their effects and implement the necessary corrective measures. The Board also provides global risk management policies and policies for specific areas.

Additionally, the Group also has instruments and to minimise their impact:

- The Group carries out its business in the Euro zone, as well as in the UK and the US. In the latter two countries it has contracted financial derivatives to restrict or minimise exchange rate risk arising from their currencies.
- The Group has established interest rate risk control policies to cover 30% of its total borrowings with fixed rate interest in order to reduce the volatility of its financing costs. Thus, in March 2007 interest rate hedge contracts were executed for a nominal amount of Euros 200 million related to the syndicated loan. After having signed additional contracts for a nominal amount of Euros 21.6 million, at the December 2007 close interest rate hedges total Euros 221.6 million, which is 29% of borrowings.
- Most sales of buildings made by the Group are settled in cash at the time of the transfer of title. In the other sales of buildings, the collection of all or part of the purchase price is made after the transfer of title to the new owner. In these cases, the amount owed to the Group is guaranteed generally by means of a bank guarantee or through a reservation of title agreement or guarantees in rem so that the Group can recover title to the building in the event of default on the payment of the price.
- The quality of the Group's assets are a solid guarantee of the debt.

4. Research and development

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

5. Treasury shares

In 2007 the Company has made acquisitions and sales of 114,714 and 18,433 shares, respectively. Of the total sales, a part has been distributed to employees as part of the Incentive Plan.

The parent company at 31 December 2007 holds a total of 198,755 shares representing 0.79% of its share capital. The par value of these shares totals Euros 199 thousand.

The parent company has set up the respective reserve for treasury shares at 31 December 2007.

6. Subsequent events

Since 31 December 2007 and until the date of formulation of these annual accounts no relevant events or circumstances have occurred that would require disclosure in these accounts.

7. Human Resources

The Renta Corporación team is notable for its level of education, mostly university graduates, its professionalism and motivation. People are the real basis of value creation for Renta Corporación, and constitute the foundation for building company differentiation vis-à-vis the competition. Since its first steps as a company it has acknowledged the contribution of its professional as a critical success factor. Thus, it devotes special attention to having an effective, agile, flexible organisation in a professional work environment in terms of procedures and systems, and provides seamless access to ongoing training and knowledge, through the application of an effective human resources policy.

The staff of Renta Corporación is characterised by its youth. The average age of the team is 37 years old, and there is a major female presence, in relation to the total number of employees in the Group.

The company now has 139 employees, 88.6% of whom work in Spain (91% of whom work at the head office in Barcelona) and the remaining 11% at the branches in Paris, London and Berlin.

8. 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.

Renta Corporación promotes sustainable construction in the buildings it renovates or transforms and in its own head offices.

9. Article 116 b of the Securities Exchange Act

We set out below the information required under article 116 b of the Securities Exchange Act:

a) The share capital of the Company totals Euros twenty-five million twenty-nine thousand three hundred and one (€ 25,029,301), divided into 25,029,301 ordinary shares with a par value of Euros one (1) each, all belonging to a single class and series and numbered correlatively from 1 to 25,029,301, both inclusive. All the shares are fully subscribed and paid.

A free translation of the consolidated annual accounts originally issued in Spanish and prepared in accordance with International Financial Reporting Standards adopted by the European Union (IFRS-EU). In the event of a discrepancy, the Spanish language version prevails.

b) In accordance with the provisions of article 13 of the Articles of Association, there are no statutory restrictions on the transferability of the shares and the economic rights deriving thereof, including preferential subscription, although there are two agreements that regulate the transfer of shares, which are set out below. On the one hand, UIASEF-Comité Español (UCE) and Fundación INTERMON-OXFAM acquired a commitment not to transfer their shares in the company for certain periods of time as from the date that the Company's shares began being trade on the stock Exchange. On the other hand, as part of the listing of the company, certain shareholders signed a shareholders agreement that regulates certain restrictions on the transfer of Company shares. These restrictions materialize in a preferential acquisition right in relation to the transfer of shares between the parties to the agreement.

c) The significant direct and indirect shareholdings in the Company at 31 December 2007 are set out in the table below:

	% number of shares		
Name	**Direct**	**Indirect**	**Total**
Mr. Luis Hernández de Cabanyes	1.081%	34.411%	**35.492%**
Fundación Privada Renta Corporación	5.010%	0.000%	**5.010%**
Durango Different, S.L.	3.995%	2.010%	**6.005%**

d) The Articles of Association do not set down any restrictions on the exercising of voting rights.

e) The only para-corporate agreement is that mentioned above in point b) of this section.

f) The standards for appointing and replacing the members of the governing bodies re set down in articles 39 and 40 of the Articles of Association and in articles 17 to 21 of the Regulations of the Board of Directors and are in accordance with current legislation.

g) Mr. Luis Hernández de Cabanyes (President) has been given all the powers of the Board of Directors except those that cannot be delegated by Law and by virtue of the Articles of Association. Mr. César Bardají Vivancos (Chief Executive Officer) has been given the powers of the Board of Directors with certain economic limitations. The other executive officers have sufficient powers for the daily operations of Renta Corporación. These powers are limited economically, except for those of Mr. Luis Hernández de Cabanyes, who does not have any economic limits whatsoever, all of which notwithstanding those operations whose relevance requires the prior approval of the Board of Directors.

h) Section h) of article 116 b of the Securities Exchange Act does not apply as no contracts of this nature have been entered into.

i) In general the contracts of the executive officers and the odd top manager, except for the President and Vice-President, contain a severance clause stipulating an indemnity of 45 days salary per year of service with a minimum of six monthly pays, taking into account the fixed salary received at the date of termination and the average for the last two years of their variable salary.