1- Market situation

- In the lasts months, the european economy has not change it's trend and still living a slowness in its recovery. The market is characterized by high risk premiums and incertainty in the financial markets.
- The domestic real estate market is still affected by the lack of liquidity, excess of product supply and an economic scenario affected by a major job destruction and the lack of confidence of consumers. Despite of this situation, it's foreseen a slightly positive trend in 2010 due to price stabilitzation and a moderate improvement in the access to credit for final investors. It's need to check if this recovery is coming only by the increase in VAT in 2010 and also for the goverment plans to eliminate housing deductions over acquisition in 2011.
- It is possible to distinguish some differences through the marketplaces where Renta operates, wich is currently focused in the domestic market:
- Related to the d**omestic market,** the **residential market** is focused in the unit by unit sales to final users and investors. The sale of entire buildings is still inactive due to the fact that investors with purchasing capacity to buy a whole building are diversifying its risk by buying unit by unit, looking for city center placed assets and attractive prices.
  - The **office market** shows a stabilization in yields in prime zones, a slight drop in rents and an increase in the number of investors. Despite all this, still few operations are being closed , basically in prime zones, and still being a price competition due to the lack in high quality assets.
  - The **land market i**s still showing practically no demand, except for debt repayment operations. In view of this market stagnation, the most widely accepted strategy is progressing on the urbanistic planning zone projects and adapting the assets to the final users needs, in order to improve the product quality and prepare it for the moment the liquidity will recover.
  - The **international market** is still characterized by a difficult environment, with a low number of transactions and some price inestability. However, Paris and Berlin are showing some signs of improvement basically on the residential market, London in residential and offices, while New York is an uncertain market both in prices as well as in yields and volumes.

2- Business evolution

- Accumulated **revenues** at September 2010 are 38.8 M€, significantly below the 341.6 M€ registered in the same period last year. It must be pointed out that for the same period 2009, this amount was including the sales to financial entities within the refinancing process and this fact is nullifying any comparison to 2010.
- From the total January to September sales amounting to 37.0 M€:
  - **Sales for the portfolio previous to 2009** stood at 24.8 M€. These sales are 100% focused in the building bussines unit and, geographically, 67% are coming from the international market, especially from London.
  - **Ordinary business sales** totalled 12.2 M€. All sales are made up of buildings and mainly coming from the domestic market.

- **Income from rents and others** stood at 1.8 M€, 10.6 M€ in same period last year. The decrease in rents revenues is due to the sale of some assets within the agreements of the refinancing deal, that generated substantial rents until May 2009.
- **Gross margin** on sales is positive of 3.9 M€, improving last year by 7.2 M€, which was negative of -3.3 M€. To interpret this margin properly we must consider :
  - Gross margin of +5.8 M€, made up of +3.3 M€ new ordinary business sales and +2,4 M€ sales for the portfolio previous to 2009, where we must consider two impacts i) 1.1 M€ come from the sale of assets and ii) 1.3 M€ come from some provision reversions related to issues yet solved at the date.
  - "Extraordinary" gross margin of -1.9 M€ due to current portfolio valuation carried in the 1S10.
- **Variable selling** expenses stood at 2.8 M€ compared to 10.3 M€ for the same period 2009. A decrease of more than 70% in absolute terms.
- **G&A expenses** has been reduced by 26%, amounting for the period 3.2 M€ vs 4.3 M€ for same period 2009. The company keeps focused on a strict cost control which was carried out in 2009 and still capturing savings nowadays.
- **Personnel expenses** stood at 5.9 M€ compared to 7.5 M€ for the period January-September 2009, decreasing by 21%. This decrease is mainly due to the staff reduction, which went from an average of 90 in Jan-Sep '09 to 79 people in Jan-Sep '10, and also to the salary policies carried out by the company.
- **Net financial result** was -7.9 M€ versus -10.5 M€ in the same period 2009. This improvement is due to a net average debt lower than 2009, from 429.8 M€ January-September period closing 2009 to 324,1 M€ in 2010, and also to a lower "all in" average interest rate than 2009 (2.76% vs 3.56%).
- The **net profit** for the period January-September 2010 was negative by -11.2 M€ vs -18.3 M€ for the same period last year, improving 7.1 M€.
- **Net debt** totalled 286.3 M€ at September closing, increasing by 8.8 M€ compared to 2009 year end. The leverage ratio stood at 89.8%, increasing by 3.0 p.p. compared to last year closing.

(M €)	**Sep-10**	**dec-09**	**dif.**
Syndicated loan	255.9	250.5	5.4
Operations with mortgage guarantee	36.8	49.3	-12.5
Credit facilities and other financial debt	5.1	2.8	2.3
Cash and short term deposits	-11.4	-24.9	13.5
Total Net Debt	**286.3**	**277.6**	**8.8**
Net debt / (Net debt + Equity)	89.8%	86.8%	+3.0pp

- **Investment rights** amount 102.0 M€. Are made up of: i) 44.8 M€ for the investment rights regarding to portfolio previous to 2009, focused in land and national market, and with a low chance for being finally executed , ii) ordinary business investment rights of 57.2 M€, adapted to new market conditions.

(M €)	**Sep-10**	**dec-09**	**dif.**
Investment rights	**102.0**	**79.4**	**22.6**
Portfolio previous to 2009	44.8	44.8	0.0
Ordinary business portfolio	57.2	34.6	22.6

- **Inventory** was valued at 276.6 M€, being distribute equally between buildings and land. Geographically, the inventory is mainly concentrated in the domestic market.

(M €)	sep-10	dec-09	dif.
Buildings and Land incl. provision	**272.1**	**266.8**	**5.3**
By geography			
National	258.2	238.4	19.8
International	13.9	28.4	-14.5
By business unit			
Buildings	140.3 (*)	158.5	-18.2
Land	131.8	108.3	23.5
Purchase option premiums	4.4	3.5	0.8
Portfolio previous to 2009	2.8	2.8	0.0
Ordinary business portfolio	1.6	0.7	0.8
Work in progress and other	0.2	0.4	-0.2
TOTAL Inventory	**276.6**	**270.7**	**5.9**

(*) It includes 2 assets amounting to 57,5 M€ that could be classified as land depending on the strategy finally carried out by the company

- **Trade debtors & receivables** amount for 1.1 M€ at september 2010, lower by 25.1 M€ vs last year end. That decrease, as it was mentioned in 1S10 Management report, is mainly due to a debt which was guaranteed with an asset. Due to the debt unpayment, the asset has been executed and added back to the company inventory. The debt will yet follow its course and will be judicially claimed.
- The company is still focused on the following **strategic lines**:
  - Old portfolio assets acquired previous 2009 ,refurbishment and sale, always looking for the most appropiate divestment strategy
  - Margin generation through the acquisition, transformation and sale process of assets that meet the new market requirements. The company is focused on well located residential assets in the market places where the company currently operates, mainly in the domestic market, with a 2-5 M€ investment volume, and trying to maximize the asset yield by adding value through the same transformation process that has been historically carried out by the company
  - Intensive overheads cost control
- In the Board of Directors of 27th October 2010, Mrs Esther Elisa Giménez Arribas resigns as Board member due to personal reasons. In the same date, co-opting of Mr.Ignacio Javier López as new member of the Board of Directors.

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