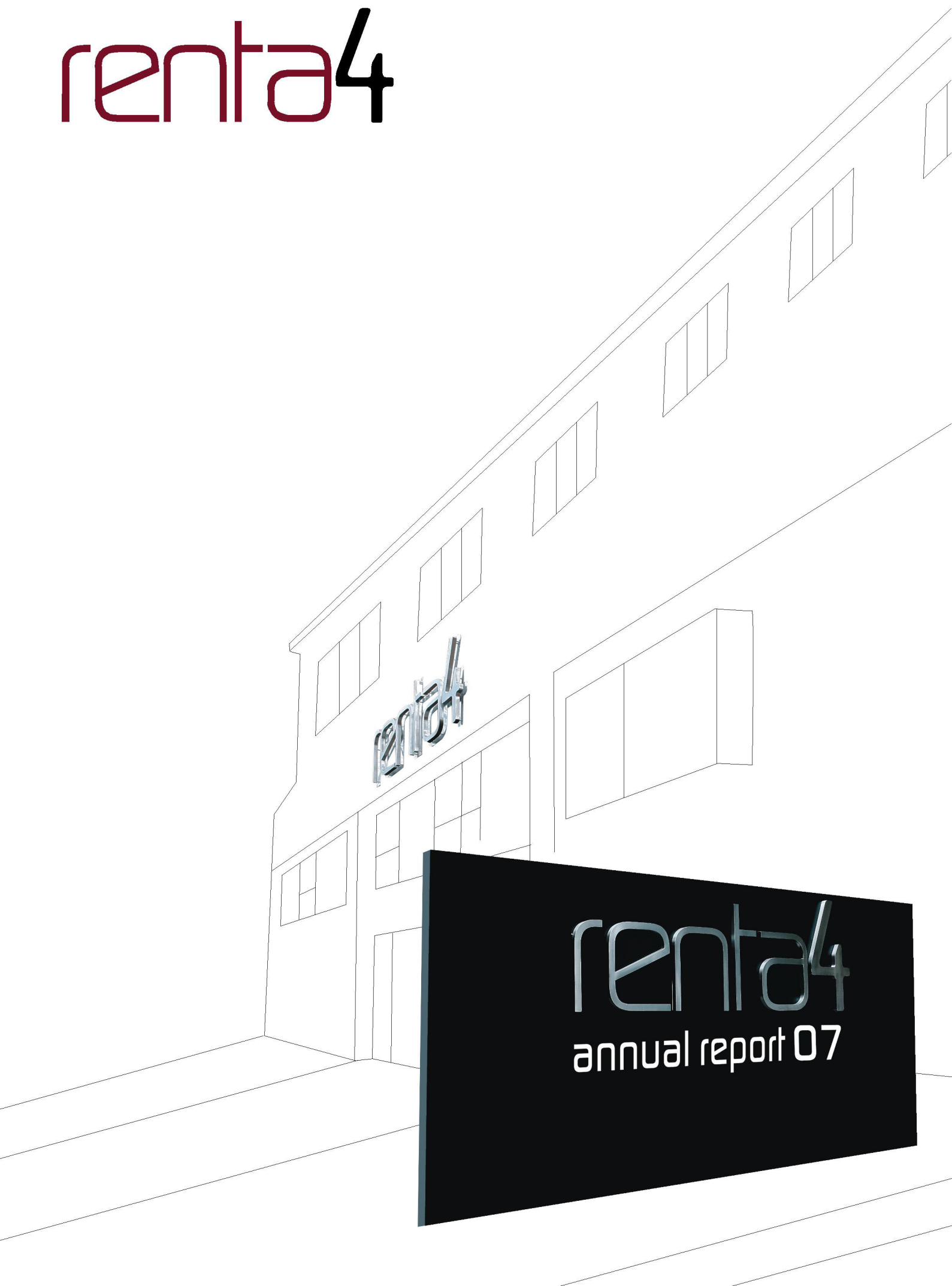


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ANNUAL REPORT 2007



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LETTER FROM THE CHAIRMAN

LETTER FROM THE CHAIRMAN

Dear shareholders:

It is my very great pleasure to present Renta 4 Servicios de Inversión 2007 Financial Statements and Management Report to you.

For various reasons 2007 was a particularly important year for Renta 4. It was also a very intense time for the financial markets which started the year with great optimism only to see the subprime crisis which emerged in the United States in the summer crush these expectations.

If I had to highlight one particular event for Renta 4 in 2007, it would undoubtedly be the company's stock market listing which took place on 14 November 2007.

The decision to float the company came after a great deal of deliberation and represents a decisive step in suitably preparing Renta 4 for a new period of growth. A new phase has begun which I am sure will see us playing an important role in the Spanish investment scene in just a few year's time, and later, on the European stage.

Renta 4 is the first Spanish investment services company to be listed, once again putting us one step ahead of our peers and offering investors a singular and unique business model. I believe that any company in the 21st Century that has just started any company would find it very difficult to play a leading role in its sector if it did not open up its business model, corporate projects or financial results to the markets.

A disciplined management model and a strong balance sheet which are characteristic of listed companies will be key in the future for distinguishing successful business models from those which, even though they may be momentarily successful, are unable to capitalise on this success to consolidate and expand.

Therefore, the company's stock market listing is undoubtedly a significant change for us but also reinforces the principles on which we have based our corporate identity.



As a specialist Spanish investment services provider we are committed to a cutting-edge, competitive long-term business project leveraging our nationwide distribution network which allows us get close to our clients. By using state-of-the-art technology we are able to implement ongoing improvements and control systems and offer our clients valuable tools. We are also committed to maintaining a sound balance sheet and excellent risk control. Above all, we are pledged to our employees, a team of professionals committed to their work and mindful of clients and shareholders' interests. The Stock Market will help us build on all these factors which comprise our singular and successful business model.

The company's stock market listing has also enabled us to improve our Corporate Governance model by including new independent directors on our Board of Directors as well as fully incorporating the latest recommendations.

Another significant event in 2007 was the implementation of the Markets in Financial Instruments Directive (MiFID) in Europe which will have an enormous impact on the way trading activity is carried out, in addition to asset management and investment advice services. Renta 4 has applied all the measures required to adapt to this Directive, which it has rigorously implemented.

Renta 4 once again obtained excellent results in 2007, meeting the targets set at the beginning of the year:

- Consolidated net profit of €15.3 million. All business areas contributed to these results with revenue and profit growth across the board, a sign of a growth model which is compatible with profitability and efficiency.
- Client assets and assets under management totalled €4,243 million at 31 December 2007, 25% higher than the previous year.
- Total revenues were €75.6 million, an increase of 36% from a year earlier.
- In 2007 Renta 4's cost-to-income ratio, which measures the company's costs against its income, improved by 11 percentage points from 65% to 54%.
- These sound results are coupled with the company's strong financial position with Net Equity of some €164.4 million at 31 December 2007.

In line with the Board of Directors' proposal which was submitted at the General Shareholders Meeting, the total 2007 dividend will be €0.20 per share, or a payout of 53% of Group net profit.

New challenges and greater uncertainties face us in 2008. The financial markets have changed and we are facing an economic slowdown caused by the global real estate and financial crises and the investment services sector is not exempt from this.

Faced with this complex scenario, Renta 4 maintains its underlying strength and a clear future strategy, enabling us to remain focused on obtaining our objectives. We view this situation as an opportunity to expand our business model and further consolidate Renta 4 as Spain's benchmark investment services specialist. Our objective of becoming the best Spanish investment services company holds true.

Throughout 2008 we shall continue to advance our growth strategy, implementing the criteria to help uphold our results and the quality of our revenue with an organic growth model based on expanding our distribution network and our excellent technological platform. This does not rule out choice acquisitions which are in line with our strategic business lines and which would give us an appropriate return on our investment.

Turning to Corporate Social Responsibility, Renta 4 pledges to be more methodical in laying the foundation for our future commitment to society. The Board of Directors will determine the fundamental criteria for Renta 4's social actions aimed at providing the less fortunate in our society with education and basic resources. This action is key to promoting equal opportunities based on merit, creativity and innovation which, in turn, are the basis for any successful investment process.

I would like to close by thanking everyone at Renta 4 for their efforts and dedication and also our shareholders and clients for their confidence and support.



D. Juan Carlos Ureta Domingo
Chairman

CONSOLIDATED FINANCIAL
STATEMENTS AND
CONSOLIDATED MANAGEMENT
REPORT FOR THE YEAR ENDED
DECEMBER 31, 2007

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01

CONSOLIDATED BALANCE SHEETS

RENTA 4 SERVICIOS DE INVERSIÓN, S.A. AND SUBSIDIARIES

Consolidated balance sheets at December 31

| ASSET | Note | 2007 | 2006 |
|-------------------------------------|------|---------|---------|
| <i>Thousand of euros</i> | | | |
| Intangible assets | | | |
| Goodwill | | 9,650 | 10,196 |
| Other intangible assets | | 1,085 | 1,147 |
| | 7 | 10,735 | 11,343 |
| Property and equipment | 8 | 30,435 | 25,755 |
| Available-for-sale financial assets | 9 | 107,921 | 52,575 |
| Deferred tax assets | 19 | 1,680 | 469 |
| Loans and receivables | 10 | 2,216 | 3,385 |
| NON-CURRENT ASSETS | | 152,987 | 93,527 |
| Other assets | 13 | 2,266 | 2,300 |
| Current tax assets | 19 | 3,758 | 2,591 |
| Loans and receivables | | | |
| Due from financial institutions | | 330,541 | 224,115 |
| Other receivables | | 29,707 | 20,803 |
| | 10 | 360,248 | 244,918 |
| Financial assets held for trading | 11 | 6,937 | 5,483 |
| Cash and cash equivalents | 12 | 191,786 | 161,115 |
| CURRENT ASSETS | | 564,995 | 416,407 |
| TOTAL ASSETS | | 717,982 | 509,934 |

RENTA 4 SERVICIOS DE INVERSIÓN, S.A. AND SUBSIDIARIES

Consolidated balance sheets at December 31

| EQUITY AND LIABILITIES | Note | 2007 | 2006 |
|--|------|---------|---------|
| <i>Thousand of euros</i> | | | |
| Minority interests | 14 | 1,099 | 1,079 |
| Valuation adjustments | 15 | 40,545 | 20,874 |
| Equity | 16 | 122,851 | 43,967 |
| EQUITY | | 164,495 | 65,920 |
| Financial liabilities | 17 | 77,144 | 57,585 |
| Deferred tax liabilities | 19 | 19,078 | 10,488 |
| NON-CURRENT LIABILITIES | | 96,222 | 68,073 |
| Financial liabilities held for trading | 11 | 486 | 183 |
| Financial liabilities | | | |
| Due to financial institutions | | 271,797 | 176,898 |
| Due to customers | | 180,285 | 192,890 |
| | 17 | 452,082 | 369,788 |
| Provisions | 18 | 120 | 362 |
| Current tax liabilities | | | |
| Income tax payable | | 2,051 | 2,003 |
| Other payables to public bodies | | 1,395 | 1,887 |
| | 19 | 3,446 | 3,890 |
| Accrued expenses and deferred income | 13 | 1,131 | 1,718 |
| CURRENT LIABILITIES | | 457,265 | 375,941 |
| TOTAL EQUITY AND LIABILITIES | | 717,982 | 509,934 |

02

CONSOLIDATED
INCOME
STATEMENTS

RENTA 4 SERVICIOS DE INVERSIÓN, S.A. AND SUBSIDIARIES

Consolidated income statements for the years ended December 31

| | Note | 2007 | 2006 |
|--|---------|----------|----------|
| <i>Thousand of euros</i> | | | |
| Revenue | | | |
| Fee and commission income | | 52,955 | 42,927 |
| Interest and similar income | | 18,529 | 9,963 |
| Return on equity instruments | | 4,135 | 2,641 |
| | 21 | 75,619 | 55,531 |
| Expenses | | | |
| Fee and commission expenses | | (12,661) | (9,573) |
| Interest and similar expense | | (13,662) | (7,901) |
| | 21 | (26,323) | (17,474) |
| Net trading income | | | |
| Financial assets and liabilities held for trading | 22 | 1,605 | 889 |
| Foreign currency translation differences (net) | | 573 | 340 |
| Employee benefits expenses | 23 | (15,337) | (14,771) |
| Other general administrative expenses | 24 | (12,714) | (10,850) |
| Depreciation and amortization | 7 and 8 | (2,118) | (1,649) |
| NET OPERATING INCOME | | 21,305 | 12,016 |
| Gains on sale of available-for-sale financial assets | 22 | 95 | 16,752 |
| Impairment losses (net) | 25 | 812 | (1,749) |
| Provisions | 18 | (120) | (457) |
| Other gains | 26 | 739 | - |
| Other losses | 26 | (1,311) | (1,530) |
| PROFIT BEFORE TAX | | 21,520 | 25,032 |
| Income tax expense | 27 | (6,189) | (7,834) |
| CONSOLIDATED PROFIT FOR THE YEAR | | 15,331 | 17,198 |
| Attributable to minority interests | 14 | 70 | 104 |
| ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT | | 15,261 | 17,094 |
| EARNINGS PER SHARE (euros) | | | |
| Basic earnings per share | 16 | 0.46 | 0.54 |
| Diluted earnings per share | 16 | 0.46 | 0.54 |

CONSOLIDATED
STATEMENTS
OF CHANGES IN EQUITY

RENTA 4 SERVICIOS DE INVERSIÓN, S.A. AND SUBSIDIARIES

Consolidated statements of changes in equity
for the year ended December 31, 2007

| | Issued capital (Note 16) | Share premium (Note 16) | Reserves (Note 16) | Valuation adjustments (Note 15) | Profit for the year | Treasury shares (Note 16) | Other equity instruments (Note 16) | Total | Minority interests (Note 14) | Total equity |
|--|--------------------------------|-------------------------------|-----------------------|---------------------------------------|------------------------|---------------------------------|--|---------|------------------------------------|-----------------|
| <i>Thousand of euros</i> | | | | | | | | | | |
| Balance at January 1, 2007 | 16,248 | 213 | 10,722 | 20,874 | 17,094 | (2,486) | 2,176 | 64,841 | 1,079 | 65,920 |
| Increase in fair value of available-for-sale financial assets (Note 15) | - | - | - | 19,671 | - | - | - | 19,671 | - | 19,671 |
| Total income recognized in equity | - | - | - | 19,671 | - | - | - | 19,671 | | 19,671 |
| Profit for the year | - | - | - | - | 15,261 | - | - | 15,261 | 70 | 15,331 |
| Total recognized income for the year | - | - | - | 19,671 | 15,261 | - | - | 34,932 | 70 | 35,002 |
| Appropriation of 2006 results | - | - | 17,094 | - | (17,094) | - | - | - | - | - |
| Capital decrease | (3,250) | - | - | - | - | - | - | (3,250) | - | (3,250) |
| Share capital increase (IPO) | 3,279 | 72,544 | - | - | - | - | - | 75,823 | - | 75,823 |
| Dividends paid | - | - | (6,500) | - | - | 1,881 | - | (4,619) | - | (4,619) |
| Capital increase expenses | - | - | (3,078) | - | - | - | - | (3,078) | - | (3,078) |
| Transactions with Treasury shares | - | - | 686 | - | - | (1,310) | (900) | (1,524) | - | (1,524) |
| Share-based payments | - | - | - | - | - | - | 664 | 664 | - | 664 |
| Other movements | - | - | (393) | - | - | - | - | (393) | (50) | (443) |
| Total appropriation of results and transactions with shareholders | 29 | 72,544 | 7,809 | - | (17,094) | 571 | (236) | 63,623 | (50) | 63,573 |
| Balance at December 31, 2007 | 16,277 | 72,757 | 18,531 | 40,545 | 15,261 | (1,915) | 1,940 | 163,396 | 1,099 | 164,495 |

RENTA 4 SERVICIOS DE INVERSIÓN, S.A. Y SOCIEDADES DEPENDIENTES
Consolidated statements of changes in equity for the year ended
December 31, 2006

| | Issued capital (Note 16) | Share premium (Note 16) | Reserves (Note 16) | Valuation adjustments (Note 15) | Profit for the year | Treasury shares (Note 16) | Other equity instruments (Note 16) | Total | Minority interests (Note 14) | Total equity |
|--|--------------------------------|-------------------------------|-----------------------|---------------------------------------|------------------------|---------------------------------|--|--------|------------------------------------|-----------------|
| <i>Thousand of euros</i> | | | | | | | | | | |
| Balance at January 1, 2006 | 16,248 | 213 | 6,190 | 9,006 | 3,842 | (3,107) | 1,313 | 33,705 | 976 | 34,681 |
| Increase in fair value of available-for-sale financial assets (Note 15) | - | - | - | 11,868 | - | - | - | 11,868 | - | 11,868 |
| Total income recognized in equity | - | - | - | 11,868 | - | - | - | 11,868 | - | 11,868 |
| Profit for the year | - | - | - | - | 17,094 | - | - | 17,094 | 104 | 17,198 |
| Total income for the year | - | - | - | 11,868 | 17,094 | - | - | 28,962 | 104 | 29,066 |
| Appropriation of 2005 results | - | - | 3,842 | - | (3,842) | - | - | - | - | - |
| Transactions with Treasury shares | - | - | 729 | - | - | 621 | (576) | 774 | - | 774 |
| Share-based payments | - | - | - | - | - | - | 1,439 | 1,439 | - | 1,439 |
| Other movements | - | - | (39) | - | - | - | - | (39) | (1) | (40) |
| Total appropriation of results and transactions with shareholders | - | - | 4,532 | - | (3,842) | 621 | 863 | 2,174 | (1) | 2,173 |
| Balance at December 31, 2006 | 16,248 | 213 | 10,722 | 20,874 | 17,094 | (2,486) | 2,176 | 64,841 | 1,079 | 65,920 |

CONSOLIDATED
CASH FLOW
STATEMENTS

04

RENTA 4 SERVICIOS DE INVERSIÓN, S.A. AND SUBSIDIARIES
Consolidated cash flow statements for the years
ended December 31 (Note 4.r)

| | Notes | 2007 | 2006 |
|--|---------|-----------|----------|
| <i>Thousand of euros</i> | | | |
| Profit before tax | | 21,520 | 25,032 |
| Adjustments to profit | | | |
| Depreciation of property and equipment and amortization of intangible assets | 7 and 8 | 2,118 | 1,649 |
| Loss on sale of available-for-sale financial assets | 22 | (95) | (16,752) |
| Movements in provisions | 18 | 120 | 457 |
| Impairment of goodwill | 7 | - | 500 |
| Impairment losses on available-for-sale financial assets | 9 | 164 | 1,462 |
| Dividend income | | (4,135) | (2,641) |
| Finance costs | | 4,379 | 1,872 |
| Employee benefits expenses (share-based payment plans) | 23 | 664 | 1,439 |
| Working capital adjustments | | | |
| Loans and receivables | | (115,883) | (10,518) |
| Other assets and liabilities (net) | 13 | 553 | (128) |
| Financial assets and liabilities held for trading (net) | 11 | (1,151) | (3,389) |
| Current financial liabilities | | (350) | - |
| Tax assets and liabilities | | 74,977 | 71,312 |
| Other cash flows from operating activities | | (1,611) | 2,001 |
| Income tax paid | 27 | (5,989) | (6,415) |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | | (24,719) | 65,881 |
| Purchase of property and equipment and intangible assets | 7 and 8 | (5,772) | (2,262) |
| Acquisition of subsidiaries | 3 | - | (5,307) |
| Purchase of available-for-sale financial assets | 9 | (28,759) | (17,893) |
| Proceeds from sale of subsidiaries | | - | 232 |
| Proceeds from sale of property and equipment and intangible assets | | 528 | - |
| Non-current loans and receivables | | (1,169) | (739) |
| Proceeds from sale of available-for-sale financial assets | 9 | 1,445 | 20,065 |
| Dividends received | | 4,135 | 2,641 |
| NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES | | (29,592) | (3,263) |
| Payments to shareholders for capital decrease | 16 | (3,250) | - |
| Dividends paid | 16 | (4,619) | - |
| Proceeds from issue of shares (net of transaction costs) | 16 | 71,426 | - |
| Proceeds from new bank borrowings | 17 | 56,400 | 22,500 |
| Repayment of bank borrowings | | (26,088) | (16,305) |
| Payment of finance lease liabilities | | (1,776) | (1,375) |
| Tax liabilities | | (1,051) | (308) |
| Interest paid | | (4,379) | (1,872) |
| Proceeds from transactions with treasury shares | | (1,681) | 726 |
| NET CASH FLOWS FROM FINANCING ACTIVITIES | | 84,982 | 3,366 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | 30,671 | 65,984 |
| Reconciliation: | | | |
| Cash and cash equivalents at January 1 | 12 | 161,115 | 95,131 |
| Cash and cash equivalents at December 31 | 12 | 191,786 | 161,115 |
| Net increase in cash and cash equivalents | | 30,671 | 65,984 |

NOTES TO THE
CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR
ENDED DECEMBER 31, 2007

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01

CORPORATE INFORMATION

Renta 4 Servicios de Inversión, S.A. (Renta 4 Servicios Financieros, S.L. until July 2000) (hereinafter the Company or parent company) was formed on October 28, 1999 as a result of the total split of Sociedad de Inversiones A.R. Santamaría, S.A. (formerly Renta 4 Inversiones, S.L.) into two newly created companies, Renta 4 Servicios Financieros, S.L. and Renta 4 Inversiones, S.L. As a result of the split, the Company received, primarily, shares in entities whose principal activity was the rendering of financing services. In July 2000, the Company was transformed into a joint-stock company, at which time it received its current name. At December 31, 2007, Renta 4 Servicios de Inversión, S.A. was the parent company of the Renta 4 Group (hereinafter the Group).

The Company engages in providing all types of advisory and other economic, financial or stock market services, as well as acquiring, holding, managing and selling securities.

Detailed information on subsidiaries are provided in Appendix I.

On September 29, 2004, the Company moved to its current address at Paseo de la Habana, 74, in Madrid.

The activities carried out by some of the Group companies are regulated by Security Market Law 24/1988, dated July 28, as amended by Law 37/1998, dated November 16, Law 44/2002, dated November 22 and Law 26/2003, dated July 17, Ministry of Economics Order ECO/734/2004, dated March 11 and Royal Decree 867/2001, dated July 20 governing investment services companies. In addition, the management of Collective Investment Schemes (CIS) is regulated by Law 35/2003, dated November 4, and Royal Decree 1309/2005, dated November 4, which approves the regulations of this Law. Pension fund management is regulated by Royal Decree 1/2002, dated November 29, which approves the revised text of the Law on Pension Plans enacted by Royal Decree 304/2004, dated February 20, which approves the regulations of pension plans and pension funds.

The Group is required to meet certain solvency (see Note 31) and minimum liquidity ratios on customer balances (see Note 30).

Shareholders in general meeting held September 29, 2007 agreed to apply for admission to listing of all the shares comprising the Company's share capital on the Madrid, Barcelona, Bilbao and Valencia stock exchanges, as well as their inclusion on the electronic trading platform (Sistema de Interconexión Bursátil Español).

On October 25, 2007 the Executive Committee of the Spanish National Securities Commission (Comisión Nacional del Mercado de Valores or CNMV) included the documentation and prospectus for the public subscription and offering of 9,821,918 shares of the Company (or up to 11,295,205 shares if the global coordinator were to exercise the greenshoe option) in the official registers provided for in article 92 of Securities Market Law 24/1988.

On November 14, 2007, 9,821,918 shares of the Company were admitted to listing on the aforementioned stock exchanges -the greenshoe option was not exercised- and all its outstanding shares (40,693,203 shares) were included on the electronic trading platform.



02

BASIS OF
PRESENTATION OF THE
CONSOLIDATED
ANNUAL FINANCIAL
STATEMENTS**Basis of presentation of the consolidated financial statements**

The accompanying 2007 consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS) in conformity with EU Regulation no. 1606/2002 of the European Parliament and of the Council. These are Group's first statutory consolidated annual financial statements prepared under IFRS.



The Group prepared its statutory consolidated annual accounts for 2006 in accordance with the accounting principles and classification and presentation criteria generally accepted in Spain for investment services companies set forth primarily in Circulars 1/1993 and 5/1990 of the National Securities Market Commission (CNMV). These consolidated annual accounts for 2006 were prepared by the Board of Directors of the parent company at its meeting of March 8, 2007 and approved by the shareholders of the parent company in general meeting on April 28, 2007.

In addition, on August 27, 2007 the Group prepared consolidated financial statements for 2006 with IFRS, which were approved by shareholders at their extraordinary general meeting held on September 29, 2007. These consolidated financial statements established January 1, 2005 as the date it adopted IFRS for the first time and included the disclosures required under IFRS 1 on first-time adoption of IFRS.

Therefore, the Group has taken January 1, 2005 to be the first-time adoption date in accompanying consolidated financial statements. Note 32 includes information on the impact of applying IFRS to consolidated equity and profit at the different dates.

The consolidated annual financial statements have been prepared on a historical cost basis, except for available-for-sale financial assets and financial assets and liabilities held for trading, which have been measured at fair value.

The accompanying 2007 consolidated financial statements of the Renta 4 Group were prepared by the Board of Directors of the parent company on March 13, 2008, and are pending approval by the shareholders at their general meeting.

The Group has elected to early adopt the following IFRS standards and IFRIC interpretations approved by the European Union but not yet effective.

- *IFRS 7 – Financial Instruments: Disclosure*, which requires disclosures that enable users to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments.
- *IAS 1 Amendment – Presentation of Financial Statements*, which requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital.

In addition, the following interpretations became effective for the first time in 2007: IFRIC 7 -Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies, IFRIC 8 Scope of IFRS 2, IFRIC 9 Reassessment of Embedded Derivatives and IFRIC 10 Interim Financial Reporting and Impairment. The adoption of these interpretations has not affected the Group's consolidated annual financial statements.

At the date of the consolidated financial statements, the following standards and interpretations had been issued but were not yet in force: IAS 1 Revised, IAS 23, IFRS 2 Amended, IFRIC 11, IFRIC 12, IFRIC 13 and IFRIC 14. These are not expected to have a significant impact on the Group's consolidated annual financial statements. When early adoption is allowed in some cases, the Group has elected not to do so, although it considers that this would not have had a significant effect on its consolidated accounts.



In addition, IFRS 8 "Operating Segments" has been issued. The Group will adopt this standard on its effective date of January 1, 2009. However, it does not believe that the adoption of this standard will lead it to identify any different operating segments than those included in Note 6.

Finally, revised IFRS 3 "Business Combinations" and revised IAS 27 Consolidated and Separate Financial Statements have been is-

sued. Once adopted by the EU, these will become effective for annual periods beginning on or after July 1, 2009, but may be applied previously to transactions carried out in years beginning on or after June 30, 2007.

Revised IFRS 3 and amendments to IAS 2007 imply significant changes with respect to certain aspects of accounting for business combinations, mainly placing greater emphasis on the use of fair value. Some of the main changes are: acquisition costs, which are expensed rather than capitalized as an increase in the cost of the combination; step acquisitions, where on the date control is being obtained, the acquirer remeasures its interest at fair value; or the option permitting an entity to measure the non-controlling or minority interests in the acquiree at fair value, rather than at its proportionate interest in the fair value of the net assets acquired. As no transactions of this type have been carried out since June 30, 2007, adoption of these standards would have no impact on the consolidated financial statements.



Fair presentation

The consolidated annual financial statements have been prepared from the auxiliary accounting records of the various companies comprising the consolidated Group to present a true and fair view of consolidated equity, the consolidated financial position, the consolidated results and the consolidated cash flows of the Group. Each Group company prepares its annual financial statements in accordance with accounting principles prevailing in Spain. Accordingly, the necessary adjustments and restatements were made upon consolidation to standardize them with IFRS principles and criteria.

The consolidated annual financial statements, which consist of the consolidated balance sheet, the consolidated income statement, the consolidated statement of changes in equity, the consolidated cash flow statement and the notes thereto, are presented in thousands of euros. The euro is the Group's functional currency. All amounts are rounded up to the nearest thousand unless indicated otherwise.

Use of judgments and estimates when preparing the consolidated financial statements.

The parent company's directors are responsible for the information included in the consolidated financial statements. When preparing the consolidated annual financial statements, the Directors have made judgments and estimates based on assumptions that affect the application of accounting principles and criteria, as well as the amounts corresponding to recognized assets, liabilities, income, expenses and commitments. The most significant estimates used to prepare these consolidated annual financial statements relate to:

- Impairment losses of financial assets (Notes 4.h and 9).
- Impairment losses on and the useful lives of property and equipment and intangible assets (Notes 4.f, 4.g and 7).
- The measurement of equity instruments used in share-based payment plans for directors and employees (Note 4.n).
- The measurement of goodwill (Note 4.f and 7).
- The fair value of certain financial assets that are not traded on official OTC markets (Note 9).
- The measurement of financial risks to which the Group is exposed in carrying out its business (Note 30).

The estimates and assumptions used are based on historic experience and other factors which were considered the most reasonable at the time and are reviewed periodically. Any changes to estimates resulting from such reviews or future events would be recognized in the consolidated income statement of the period and subsequent periods, in accordance with IAS 8.

Consolidation methods

The companies included in the consolidation scope have been fully consolidated as of the date they were included in the Group. Companies are eliminated from the consolidation scope when the Group no longer has control. In this circumstance, the consolidated annual financial statements include the results for the portion of the year in which the Group exercised control.

Minority interests

The value of the share of minority interests in equity and results for the year of consolidated subsidiaries is shown in "Minority interests" on the consolidated balance sheet and "Profit attributable to minority interests" in the consolidated income statements.

Acquisitions of minority interests are accounted for using the parent entity extension method, whereby the difference between the consideration and the fair value of the net assets acquired is recognized as goodwill.

Standardization of measurement criteria

The necessary adjustments have been made to adapt the measurement criteria of the subsidiaries to those of the parent company.

Elimination of intercompany transactions

The intercompany balances related to loans, dividends, asset purchases and sales and the provision of services have been eliminated in consolidation.

Stock split

Regarding the information of the Company's share capital, on September 29, 2007 approval was given by shareholders in general meeting to hold a stock split, increasing the number of outstanding shares from 16,248,045 to 32,496,090 shares. However, to facilitate comparison of certain information included in the 2007 consolidated financial statements with that of 2006, information on the number of shares prior to the stock split has been changed (see Notes 4.h and 16) and thus differs from that included in the consolidated annual accounts or consolidated financial statements of prior years.

03

SUBSIDIARIES

A list of subsidiaries of Renta 4 Servicios de Inversión, S.A. at December 31, 2007 and 2006 is provided in Appendix I.

The individual annual financial statements of the companies included in the consolidation scope are those corresponding to December 31, 2007 and 2006, respectively.

The principal changes in the consolidation scope in 2007 and 2006 were as follows:

2007

On July 20, 2007, the deed for the merger and absorption of Gesdinco Gestión, S.G.I.I.C., S.A. by Renta 4 Gestora S.G.I.I.C., S.A. was executed. For accounting purposes, the operations of Gesdinco Gestión, S.G.I.I.C., which was dissolved as a result of the merger, are considered to have been carried out by Renta 4 Gestora S.G.I.I.C., S.A., to which it transferred its equity, as of January 1, 2007. This merger did not affect the consolidation scope or the consolidated equity or results of the Group as both companies were already included in the consolidation scope.

2006

On June 30, 2004, approval was given at the general shareholders meeting of Renta

4, Sociedad de Valores, S.A. for the merger and takeover by Sociedad de Valores, S.A. (subsidiary) of a number of companies whose activity was to represent the company in different cities. For accounting purposes, the merger date is considered to be January 1, 2004.

As a result of the merger process, Renta 4, Sociedad de Valores, S.A. acquired all the shares of the companies involved in the merger.

On February 1, 2006, on the recommendation of the National Securities Market Commission, the Ministry of Economics and Finance authorized the takeover merger of the aforementioned companies following the recommendation of its advisory committee's report. The absorbed companies will be extinguished and all their assets and liabilities will be transferred en bloc to the absorbing company. On August 11, 2006, the merger plan was ratified by public deed and on December 26, 2006 it was filed with the Mercantile Register.

However, the merger process has not affected the consolidation scope or the Group's results, as the absorbed companies were already consolidated in previous years as subsidiaries controlled by the Group.

On December 28, 2006, the Group acquired 10,500 shares of Gesdinco Gestión, S.G.I.I.C., S.A. and 15,000 shares of Padinco Patrimonios, S.G.C., S.A., representing 100% of the companies' respective share capital (see Note 7).

In accordance with the term of the sales contract, the purchase price will be paid as follows:

- 5,364 thousand euros in cash upon acquisition.
- 698 thousand euros on December 28, 2007, 2008 and 2009, respectively.
- 1,397 thousand euros on December 28, 2010.

If prior to November 30, 2010 the assets managed by the acquired companies were to fall by more than 10% (excluding the impact of the markets), the purchase price would be lowered as per the purchase agreement. Any future change in the price based on this scheme would reduce the amount recognized as goodwill.

As of December 31, 2006 the present value of the future payments discounted at a 5% rate is 8,415 thousand euros. This amount is considered acquisition cost.

In 2007, the Group finished accounting for this transaction. The fair value of the identified assets and liabilities and the goodwill arising on the acquisition at the date of acquisition are as follows:

| | Fair value | Carrying amount |
|--|------------|-----------------|
| Thousand of euros | | |
| Financial assets | 2,026 | 2,026 |
| Other financial assets | 179 | 179 |
| Property and equipment | 2 | 2 |
| Cash | 57 | 57 |
| Intangible assets – Customer relationships - | 815 | - |
| Other assets | 7 | 7 |
| | 3,086 | 2,271 |
| | | |
| Tax liabilities | (250) | (250) |
| Other liabilities | (637) | (637) |
| | (887) | (887) |
| | | |
| Net asset | 2,199 | |
| Goodwill | 6,216 | |
| | | |
| Acquisition cost | 8,415 | |

The net cash flow from the acquisition is as follows:

| | |
|-------------------|-------|
| Thousand of euros | |
| Cash acquired | (57) |
| Cash paid | 5,364 |
| | 5,307 |

In accounting for this business combination, the Group identified and allocated a value to intangible assets of 815 thousands euros, which at December 31, 2006 had been recognized as goodwill. Under the requirements of IFRS 3, the figures for 2006 were restated as if the intangible asset had been recognized initially.

On November 28, 2006 the Company sold its investment in Renta 4 Distribución de Productos Financieros, S.L. at no gain or loss.



04

VALUATION PRINCIPLES AND CRITERIA

The valuation principles and criteria applied in the preparation of the consolidated financial statements were as follows:

Principles of going concern and accrual

The information set forth in these consolidated financial statements has been prepared considering that the Group will continue as a going concern in the foreseeable future and, therefore, the directors have not applied the accounting standards used to determine the value of equity for total or partial transfer purposes or a hypothetical liquidation.



Except with respect to the cash flow statement, these consolidated financial statements have been prepared on an accrual basis, that is, transactions have been recorded at the moment the actual goods or services represented by them take place, regardless of when actual payment or collection occurs.

Offsetting balances

Debit and credit balances arising as a result of transactions are offset and therefore presented at the corresponding net amount on the balance sheet only when related contracts or applicable legislation allows the possibility of offsetting them and the entity intends to liquidate them at their net amounts or realize the related assets and simultaneously pay the corresponding liabilities.

Business combinations

A business combination is the bringing together of two or more separate entities or economic units into one single entity or group of entities. As a result of a business combination, which is accounted for using the acquisition accounting method, the Group obtains control over one or several companies.

The acquisition accounting method treats business combinations from the perspec-

tive of the acquirer. The acquirer must recognize the fair value of the assets acquired and the liabilities and contingent liabilities assumed, including previously unrecognized assets and liabilities.

This method involves measuring the cost of the business combination and assigning it, at the date of acquisition, to the identifiable assets, liabilities and contingent liabilities measured at fair value.

Transactions in foreign currency

The euro is considered the functional currency for the purposes of the preparation of these consolidated financial statements. Foreign currency is understood to be any currency other than the euro.

Upon initial recognition, foreign currency receivable and payable balances have been converted to euros using the spot exchange rate. After initial recognition, the following rules are applied when translating foreign currency balances to euros:

- Monetary assets and liabilities denominated in foreign currency are translated at the average spot euro rate published by the European Central Bank at the balance sheet date.
- Income and expenses are translated at the exchange rate on the date of the transactions.

All differences are recognized in the consolidated income statement.

At December 31, 2007 and 2006 the total amount of assets and liabilities denominated in foreign currency was insignificant.

Recognition of revenue and expenses

In general, revenue is measured at the fair value of the consideration received or to be received, excluding discounts, credits and rebates. When delays occur with respect to actual receipt of goods or services, fair value is determined based on discounted future cash flows.

The recognition of revenue in the consolidated income statement or in equity depends on whether the following conditions are met:

- The amount can be estimated reliably.
- It is probable that economic benefits will flow to the Group.

- The information can be verified.

When there are uncertainties regarding the collection of an amount previously recognized as revenue, the amount whose collectibility is improbable is recognized as an expense and not as a decrease in revenue.

Revenue from dividends is recognized in the consolidated income statement when the shareholders' right to receive the payment is established.

Goodwill and other intangible assets

Goodwill

Goodwill represents the excess of the cost of the acquisition of subsidiaries over the fair value of the net assets acquired at the date of acquisition.

When the acquisition of new investments entails deferred payment, cost includes the present value of the outstanding balance.

Goodwill is not amortized. It is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Any impairment detected is recognized in the consolidated income statement immediately. Impairment losses relating to goodwill cannot be reversed in future periods.

For calculating the impairment loss, goodwill is allocated to the cash generating units and an estimate is made of the recoverable amount of the asset, which is considered to be the higher of fair value less costs to sell and value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount.



In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the assets.

On the sale or disposal of an investment in a Group company or associate, any goodwill allocated to the company is included in the gain or loss recognized from the sale or disposal.

Other intangible assets

The Group recognizes under “Other intangible assets” its computer software and the “Customer Relationships” arising from the acquisitions of Gesdinco Gestión, S.G.I.I.C., S.A. and Padinco Patrimonios, S.G.C., S.A.

This heading includes amounts paid to acquire software and software licenses. Software maintenance costs are recorded directly in the year incurred and amortized on a straight-line basis over a three-year period from the date the software is put to use.

The “Customer Relationships” acquired are amortized on a straight-line basis over eight years (useful life), which is the period of time the Group estimates it will maintain these relationships based on available information.



Property and equipment

This heading includes buildings, land, furniture, vehicles, computer equipment and other installations owned by the Group or acquired under finance leases.

The cost of these assets includes the amounts initially disbursed for acquisition or production, as well as any amounts paid subsequently for expansion, replacement or improvement of assets, when the Group expects to obtain economic benefits from continuing use of the assets. Plant and equipment is stated at cost, less accumulated depreciation and accumulated impairment in value.

The Group has considered that cost at the IFRS transition date (January 1, 2005) was the carrying amount recognized under the generally accepted accounting principles in Spain at January 1, 2005.

The acquisition or production cost of plant and equipment, net of the residual value, is depreciated on a straight-line basis over the useful life of the assets, as follows:

Repairs and maintenance expenses that do not increase the useful lives of assets are taken to the consolidated income statement of the year incurred.

| | Years of useful life | Depreciation rates |
|------------------------------------|----------------------|--------------------|
| Buildings and other construction | 50 | 2% |
| Machinery, installations and tools | 10 - 12.5 | 8% - 10% |
| Furniture and fittings | 10 | 10% |
| Transport equipment | 7 | 14% |
| Data processing equipment | 4 – 7 | 15% - 25% |
| Other property and equipment | 5 | 20% |

The finance costs incurred in the acquisition of property and equipment assets are not recorded as an increase in the acquisition costs, but are taken to the consolidated income statement in the year incurred.

The Group periodically assesses whether there are any internal or external indications that the carrying amounts of property and equipment may be impaired at the consolidated balance sheet date. For identifiable assets, it estimates the recoverable amount, which is considered to be the higher of (i) the asset’s fair value less costs to sell and (ii) its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount in the consolidated income statement.

Leases

The Group classifies leases based on the economic substance of the arrangement regardless of whether they are set up as finance or operating leases.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Financial charges are charged directly to the consolidated income statement. Assets acquired under finance leases are classified on the consolidated balance sheet based on the nature of the asset.

Operating lease payments are recognized as an operating expense as accrued over the term of the lease contracts.

Financial instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Interest, dividends, changes in carrying amounts and gains or losses relating to the repurchase or refinancing of financial liabilities are recorded as a finance cost in the consolidated income statement.

Financial instruments are recognized on the consolidated balance sheet only when the Group is a party to the contractual provisions of the instrument. The Group recognizes debt instruments such as loans and cash deposits as of the effective date on which the legal right to receive and legal obligation to pay arises, and financial derivatives as of related contract dates. Additionally, transactions carried out in foreign currency markets are recorded on the settlement date, and financial assets traded on OTC markets in Spain are recognized on the trade date in the case of equity instruments and on the settlement date in the case of debt securities.



The financial assets and liabilities of the Group generally are:

- Financing granted to and received from other financial institutions and customers regardless of the legal document used to instrument such financing.
- Debt securities (e.g. debentures, bonds, promissory notes) and equity instruments (shares) or units of collective investment schemes (CIS).
- Derivatives: contracts whose value changes in response to the change in any underlying variable (e.g., interest rate, exchange rate or similar), with a minimal or no initial investment and which is settled at a future date. In addition to providing a return (gain or loss), when certain conditions are met derivatives may totally or partially offset the financial risks related to the Group's balances and transactions.



Financial assets

Financial assets are, inter alia, cash balances, deposits at financial institutions, customer loans, debt securities, equity instruments of another entity except those of subsidiaries, joint ventures or associates and derivatives held for trading.

The Group classifies its financial assets into the following portfolios for valuation purposes:

- Financial assets held for trading: financial assets created or acquired that are held for the purpose of selling in the near term or that are part of a portfolio (trading portfolio) of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking. It also includes derivatives that are not designated as hedging instruments. Financial assets held for trading are shown at fair value, which is calculated based on their listed value at the consolidated balance sheet date. Changes in fair value are recognized in the consolidated income statement.
- Loans and receivables: financial assets with fixed or determinable payments that are not quoted in an active market, that may or may not be designated at

fair value and whose total initial investment the Group expects to recover, other than because of credit deterioration. The category primarily includes any type of loan or deposit lent to financial institutions, unlisted debt securities and temporary debit balances (brokerage) of Group customers.

Receivables are recognized in the consolidated balance sheet at amortized cost using the effective interest rate method. The Group makes provisions for bad debts to cover balances of a certain age or if circumstances exist that raise doubts about the solvency of the debtor.

- Available-for-sale financial assets: those financial assets not classified in any of the preceding categories. Available-for-sale financial assets are measured at fair value, which is determined by reference to the listing price, net of tax, at the close of business on the balance sheet date. Fair value changes in available-for-sale assets, net of tax, are recognized with a charge or credit, as appropriate, in equity until these assets are disposed of, at which time the cumulative gain or loss is recognized in the consolidated income statement.

Financial assets which are equity instruments with no reliable fair value measurement and derivatives indexed to such equity instruments, which are settled against each other, are measured at cost.

The fair value of a financial instrument is the price which would be paid for it on a high-volume, transparent organized market ("quoted price" or "market price"). The fair value of a financial instrument for which there is no market price is estimated using the fair value in recent arm's length transactions, or other valuation techniques used by the international financial community bearing in mind the specific features of the instrument and, especially, related factors inherent to the financial instrument.

The fair value of standard financial derivatives included in trading portfolios is considered the daily quoted price which, if unavailable on a given date due to exceptional circumstances, is to be measured using methods similar to those applied when valuing derivatives traded on OTC markets. The fair value of derivatives traded on OTC markets is considered to be the sum of the future cash flows deriving from the instrument discounted at the valuation date ("present value" or "marked-to-market value") by applying va-

uation techniques recognized by financial markets: "net present value" (NPV), option price valuation methods, etc.

Financial assets are derecognized from the Group's consolidated balance sheet when the contractual rights to receive cash flows from the assets have expired or the Group has transferred these rights and either has transferred substantially all the risks and rewards of the assets, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. In the last case, when control of the assets has not been transferred, the asset is recognized to the extent of the Group's continuing involvement in the asset; i.e. at an amount equal to the Group's exposure to changes in the value of the transferred financial asset.

Where there is objective evidence that an impairment loss on a financial asset has been incurred, the carrying amount of the asset is written down with a charge to the consolidated income statement. The amount of the loss is measured as the difference between the asset's carrying amount and the amount expected to be recovered, determined individually for significant assets bearing in mind credit guarantees and applying percentages of loss based on the age of the liability obtained from industry data issued by the CNMV. Given the nature of the Group's credits, historical experience and the positions of customers deposited at the Group, no collective impairment losses have been identified.



Financial liabilities

Deposits from financial institutions, customer deposits and other liabilities are initially measured at fair value less directly attributable transaction costs. After initial measurement, these liabilities are subsequently measured at amortized cost using the effective interest method. Interest is recognized as an expense in the period in which it is accrued in accordance with financial criteria.

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and demand balances at financial intermediaries.

Treasury shares

Parent company shares held by the Group are deducted from equity. No gain or loss is recognized on transactions with treasury shares in the income statement, but directly in equity.

Provisions

Liabilities present at the consolidated balance sheet date, arising as a result of past events regarding which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations, but are uncertain in terms of amount and cancellation date, are recognized in the consolidated balance sheet under provisions at the present value of the amount that the Group deems most likely will have to be paid to settle the obligation. Provisions are quantified taking into consideration the best available evidence on implications of obligating events and are re-estimated at every balance sheet close.

At December 31, 2007 and 2006 provisions recognized in the consolidated balance sheets correspond in their entirety to Renta 4, Sociedad de Valores, S.A. and primarily cover certain risks of third-party claims arising from the performance of its activities.

Income tax

The income tax expense is calculated as tax payable with respect to the tax result for the year, after considering changes during the year relating to temporary differences, tax credits for deductions and rebates, and loss carryforwards.

The tax expense is recognized in the income statement except when the transaction is recognized directly in equity and in business

combinations in which the deferred tax liability is recognized as another equity component of the business combination.

For deductions, rebates and tax credits for loss carryforwards to be effective, they must meet the requirements stipulated in prevailing legislation provided that related recovery is probable given that there are sufficient available deferred taxes or specific events have occurred due to which said recovery is no longer considered likely.

The tax effect of temporary differences is included in the corresponding deferred tax asset or liability headings under "Tax assets" or "Tax liabilities" on the accompanying consolidated balance sheet.

The Group reviews the carrying amounts of deferred tax assets and liabilities recognized, at least at each balance sheet date, and records the corresponding adjustments for deferred taxes which have lapsed or are considered recoverable.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Fee and commission income

This heading includes fees and commissions for brokerage, asset management and custodian services and other income related to the Group's activities (e.g. underwriting, placement). Fee and commission income is recognized in the consolidated income statement as the service is rendered or, in the case of services executed via a single act, upon execution of the act.



Employee benefits expense

Short-term employee benefits

These benefits are measured (and not updated) at the amount which has been paid for services received and are recognized in general as "Employee benefits expense" for the year. The difference between the total expense and the amount already paid is shown under "Accrued expenses and deferred income."

Share-based payments

The Group has a share-based payment plan for management and employees whereby it granted options to them to acquire shares of Renta 4, Servicios de Inversión, S.A. (the parent company of the Group) in 2005 and over the next four financial years.

Management and employees will receive the related shares from the Group's parent company, which will distribute the related cost to each Group company. Based on the terms of the plan, Group management and employees will receive up to 649,922 shares (129,985 shares each year) from 2005-2009 for which they will only pay up to 25% of their fair value for 2005 and 2006 and their listed price less 3.75 euros per share, with a minimum of 1.25 euros per share, for 2007 and thereafter in accordance with the existing terms of the plan. The plan requires the continuation of the working relationship. Employees are entitled to the voting and dividend rights attached to the shares upon their receipt. At each share delivery date, the Remuneration Committee decides the number of shares to distribute and the beneficiaries based on an appraisal of the employee's performance and the degree of achievement of the Group's overall targets.

The Group recognizes the cost of the plan as an employee benefits expense in the consolidated income statement throughout the vesting period, which is considered to be from the grant date of the plan (January 1, 2005) to each delivery date. The cost has been determined as the difference between the amount paid by each employee (25% of the value) and the estimated fair value of the shares to be delivered. The cost of the plan is calculated based on the intrinsic value of the option granted to the employee. This estimate considers the percentage of take-up of the plan, which was 87% as not all beneficiaries exercised their call options. As the shares were not listed in 2005 and 2006, the Group estimated the fair value of the shares to be delivered in those two years at 5 euros per share. This value was the benchmark for other transactions carried out between independent parties (employees and customers). For 2007, it took the share price, considering the 3.75 euros per share limit specified in the terms of the plan.

Futures changes in either the percentage of take-up of the plan or the intrinsic value of the options are recognized in full in the consolidated income statement. However, as the cost for the Group is limited to 3.75 euros per share, the future changes in intrinsic value cannot increase the cost of the plan for the Group beyond this limit.

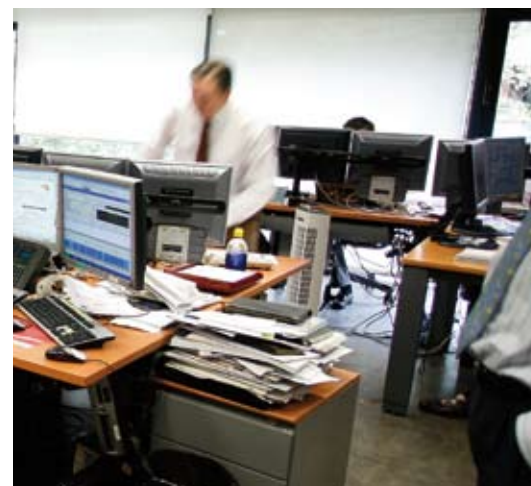
The cost recognized in the consolidated income statement each year calculated in accordance with the criteria indicated above is debited to "Other equity instruments" in equity of the year before delivery of the shares on January 15 of the following year.

The cost incurred for shares delivered in 2007 and 2006 was 664 y 1,439 thousand euros, respectively, recognized in "Employee benefits expense" of the consolidated income statement of each year (see Note 23).

Other employee benefits

In addition, as of December 31, 2007, the Group sold 643,850 shares, along with the related voting and dividend rights, to employees (658,150 as at December 31, 2006). The acquisitions were funded with interest-free loans due 15 years from the transaction date in accordance with the repayment schedule agreed in the contracts. The difference between the present value of the amounts payable by the employee and the sale price is recognized in the consolidated income statement as an employee benefit expense.

The expense recognized for this concept in the 2007 and 2006 consolidated income statements was 173 and 77 thousand euros, respectively (see Note 23). In 2007, the early repayment of some of these loans was credited to the consolidated income statement.



Pension commitments

The Group classifies its pension commitments as defined contribution, whereby it is only required to make defined contributions to a third party, or as defined benefit, where it agrees to pay an amount based on variables such as age, years of service and salary when the contingency arises. The Group's obligations are as follows:

Renta 4, Sociedad de Valores, S.A.

In accordance with the collective labor agreement applicable to Renta 4, Sociedad de Valores, S.A., this company must pay certain long service bonuses to personnel formerly employed by brokerage firms and agencies after 25, 35 or 45 years of service. The Group has not recorded any provision for this concept, as it estimates that the amount accrued at December 31, 2006 and 2007 is not significant.

Also according to this collective labor agreement, this company must provide coverage of early retirement, death and disability contingencies to employees covered by the collective labor agreement applicable to brokerage companies and broker dealers in the Autonomous Community of Madrid. This company is meeting these obligations by setting up a defined benefit pension plan.

In addition, for employees not covered under this agreement, the Group covers the retirement, disability, death, severe or major dependency contingencies through a defined contribution plan since 2006 with an annual contribution of 600 euros per employee.

Renta 4 Servicios de Inversión, S.A., Renta 4 Corporate, S.A., Renta 4 Gestora, S.G.I.I.C., S.A. and Renta 4 Pensiones, E.G.F.P., S.A.

Since 2007, the Group provides employees of these companies' coverage of retirement, disability, death, severe or major dependency contingencies through two defined contribution plans with an annual contribution of 600 euros per employee.

In addition, Renta 4 Guipuzcoa, S.A has a commitment with three of its employees to contribute 8 thousand euros each year.

Defined contribution plan

Defined contributions are measured at fair value unless they are to be paid prior to the twelve months following the date of the consolidated financial statements in which the corresponding employee services were received, in which case the related amount

is not updated. Contributions accrued for this concept during the year are recognized under "Employee benefits expense" in the income statement. The contributions recognized as an expense in the income statement amounted to 188 thousand euros in 2007 and 72 thousand euros in 2006 (see Note 23).

Defined benefit plan

The Group measures the present value of the implicit legal obligations for its defined benefit plan at the consolidated balance sheet date after deducting the cost of past services pending recognition and the fair value of the assets assigned to the plan as stipulated in prevailing legislation. The figure thus obtained is recognized as a provision for defined benefit pension funds.

The Group considers plan assets to be those that meet the following requirements:

- The assets are owned by a legally separate third party that is not a related party.
- The assets are exclusively available to pay or finance commitments with employees.
- The assets may not be returned to the Group unless the commitments with employee have been settled or used to reimburse the Group for benefits previously paid.
- The assets may not be instruments that the Group is entitled to transfer.

The Group recognizes the total net amount of the current service cost, interest cost on benefit obligation, the expected return on plan assets, past service costs and the effect of any reduction or settlement of the plan in the consolidated income statement of the year.

The Group immediately recognizes past service cost as an expense in the income statement unless changes to the plan are contingent on the employee remaining at the Group over a specific period of time, in which case the past service cost is recognized on a straight-line basis over said period.

"Actuarial gains and losses" are gains or losses arising from differences between previous actuarial assumptions and what has actually occurred, and from changes in the actuarial assumptions used. They are recorded entirely on the consolidated in-

come statement for the year in which they occurred.

Expenses incurred by the Group in 2007 and 2006 related to its defined benefit obligations amounted to 94 and 106 thousand euros, respectively.

The main assumptions used to measure these commitments were:

| | 2007 | 2006 |
|--------------------------|------------|------------|
| Mortality tables | PEMF-2000P | PEMF-2000P |
| Interest rate | 4.5% | 4.5% |
| Long-term inflation rate | 2% | 2% |
| Retirement age | 65 | 65 |
| Rotation | No | No |

The table below presents the results of the actuarial valuation made and details on the value of the pension commitments, the fair value of the assets used to cover said commitments, and amounts recognized in assets, liabilities and the consolidated income statement.

The valuation of previous commitments based on the above assumptions was:

| | 2007 | 2006 |
|---|------|------|
| <i>Thousand of euros</i> | | |
| Pension commitments with retired employees | - | - |
| Pension liabilities for active employees | 578 | 571 |
| Accrued | 197 | 180 |
| Unaccrued | 381 | 391 |
| Total commitments | 197 | 180 |
| Fair value of plan assets (Plan position account) | 199 | 180 |
| Asset (Liability) to be recognized on the balance sheet | 2 | - |



Termination benefits

Termination benefits are recognized as a provision and an employee benefit expense only when the Group has a proven commitment to terminate the employment of an employee or group of employees before the normal retirement date, or to provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

Off-balance-sheet customer funds

Funds deposited by third parties for investment in mutual funds and companies, pension funds, savings insurance contracts and discretionary portfolio management contracts are recognized at fair value in memorandum accounts (auxiliary off-book accounting records) (See Note 29.1).

Additionally, assets acquired on behalf of third parties, equity instruments, debt instruments, derivatives and other financial instruments that are held on deposit for which the Group is liable to third parties are recognized in memorandum accounts at fair value or, when fair value cannot be estimated reliably, at cost (See Note 20). When in accordance with the contracts entered into with customers and when (international) market operating procedures dictate, the Group uses global custody accounts (omnibus), where it appears as owner of the positions. It must keep separate internal records with a breakdown by customer.

The fair value of these positions is determined by reference to quoted prices in the various markets, or those supplied by global custodians in the case of units of mutual funds (net asset value).

The positions for customer balances with international derivatives markets through global custody accounts (omnibus) are recorded at their reasonable value in the trading portfolio (see Note 11.3) as positions held by the Group in relation to the (intermediary) market and opposite sign in relation to customers.



Investment guarantee fund

In accordance with the stipulations of Royal Decree 948/2001, dated August 3, on methods for indemnifying investors, amended by Law 53/2002, dated December 30, on tax, administrative and corporate measures, brokerage companies must make annual contributions to the Investment Guarantee Fund. In 2007, Renta 4, Sociedad de Valores, S.A. contributed 477 thousand euros to this fund (2006: 349 thousand euros), recognized under “Other general administrative expenses” (see Note 24) in the accompanying consolidated income statement.

Related parties

The Renta 4 Group regards as related parties the directors of the Group companies, key management personnel and related persons. Transactions with related parties are carried out on an arm's length basis.

Consolidated cash flow statement

The following terms are used in the cash flow statement with the meanings indicated below:

- Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to insignificant risk of changes in value.
- Operating activities: the main activities of Group companies.
- Investing activities: the acquisition, sale and other disposal of long-term assets and other investments not included in cash and cash equivalents.
- Financing activities: activities that alter the equity capital and borrowing structure of the Group and are not included in operating activities.

05

APPROPRIATION OF RESULTS

The appropriation of 2007 and 2006 results was made based on the proposed appropriation of results included in the respective financial statements of the Group companies prepared in accordance with generally accepted accounting principles in Spain.

The appropriation of parent company profit (determined on the basis of generally accepted accounting principles and criteria in Spain) proposed by the directors and pending approval by shareholders in general meeting is as follows:

| | |
|--------------------------|-------|
| <i>Thousand of euros</i> | |
| Dividends | 2,587 |
| Voluntary reserves | 29 |
| | 2,616 |



06

SEGMENT INFORMATION

The Group's primary segment reporting format is determined to be business segments. Secondary information is reported geographically.

Primary segments - Business lines

The business lines described below were determined based on the Group's organizational structure at year-end 2007 and 2006, bearing in mind the nature of the services provided and the customer segments to which they are provided.

The Group's main business lines, which constitute its primary reporting segments, are as follows:

- Brokerage (Spanish and international capital markets and the sale of managed and third-party mutual funds).
- Asset Management.
- Corporate Services: includes primarily support services for the rest of the segments.

Secondary segments - Geographical segments

The Group carries out its entire activity in Spain. Its customers and the products it offers to them are similar throughout the country and therefore information is reported on a single geographical segment.

Basis and methodology for reporting segment information

The Group's financial business focuses mainly on brokerage, asset management, corporate advisory and other services. These activities are carried out through a network of branches, agents and subsidiaries and are offered to individuals and financial intermediaries, and small- and medium-sized enterprises (SMEs). Other services are provided by various Group subsidiaries.

Inter-segment sales relate mainly to commissions on the sale of the managed investment funds paid by the Asset Management segment to the Brokerage segment for marketing them through the network. These fees and commissions are paid in accordance with the agreed terms (75% of the management fee), which the directors deem to be in line with market practices.





The following table presents segment information for 2007 and 2006:

| INCOME STATEMENT | 31.12.07 | | | | | 31.12.06 | | | | |
|--|-----------|------------------|--------------------|-------------|----------|-----------|------------------|--------------------|-------------|----------|
| | Brokerage | Asset Management | Corporate Services | Adjustments | Total | Brokerage | Asset Management | Corporate Services | Adjustments | Total |
| <i>Thousand of euros</i> | | | | | | | | | | |
| Revenue | | | | | | | | | | |
| Fees and commissions received | | | | | | | | | | |
| Internal | 6,838 | - | - | (6,838) | - | 6,424 | - | - | (6,424) | - |
| External | 36,643 | 12,272 | 4,040 | - | 52,955 | 26,564 | 11,810 | 4,553 | - | 42,927 |
| Interest and similar income | | | | | | | | | | |
| Internal | - | 162 | 202 | (364) | - | - | - | 107 | (107) | - |
| External | 18,213 | 18 | 298 | - | 18,529 | 9,859 | - | 104 | - | 9,963 |
| Return on equity instruments (dividends) | - | - | 4,135 | - | 4,135 | - | - | 2,641 | - | 2,641 |
| Expenses | | | | | | | | | | |
| Commissions paid | | | | | | | | | | |
| Internal | - | (6,838) | - | 6,838 | - | - | (6,424) | - | 6,424 | - |
| External | (12,260) | (178) | (223) | - | (12,661) | (9,367) | (206) | - | - | (9,573) |
| Interest and similar expense | | | | | | | | | | |
| Internal | (364) | - | - | 364 | - | (107) | - | - | 107 | - |
| External | (10,880) | - | (2,782) | - | (13,662) | (4,895) | - | (3,006) | - | (7,901) |
| Trading income – financial assets and liabilities held for trading | - | - | 1,605 | - | 1,605 | - | - | 889 | - | 889 |
| Foreign currency translation differences (net) | 573 | - | - | - | 573 | 340 | - | - | - | 340 |
| SEGMENT NET REVENUE | 38,763 | 5,436 | 7,275 | - | 51,474 | 28,818 | 5,180 | 5,288 | - | 39,286 |
| Employee benefits expense | (10,539) | (2,044) | (2,754) | - | (15,337) | (10,769) | (2,761) | (1,241) | - | (14,771) |
| Other general expenses | (8,835) | (681) | (3,198) | - | (12,714) | (7,760) | (1,103) | (1,987) | - | (10,850) |
| Depreciation and amortization | (1,023) | (6) | (1,089) | - | (2,118) | (846) | (6) | (797) | - | (1,649) |
| SEGMENT GROSS PROFIT | 18,366 | 2,705 | 234 | - | 21,305 | 9,443 | 1,310 | 1,263 | - | 12,016 |
| Gains on sale of available-for-sale financial assets (net) | | | | | 95 | | | | | 16,752 |
| Impairment of goodwill | | | | | - | (500) | - | - | - | (500) |
| Impairment of financial assets | 976 | - | (164) | - | 812 | 213 | - | (1,462) | - | (1,249) |
| Provisions and other profit and loss | | | | | (692) | | | | | (1,987) |
| PROFIT BEFORE TAX | | | | | 21,520 | | | | | 25,032 |
| BALANCE SHEET | | | | | | | | | | |
| Total assets | 555,295 | 10,976 | 230,434 | (78,723) | 717,982 | 411,342 | 16,156 | 124,440 | (42,004) | 509,934 |
| Total liabilities | 515,303 | 2,880 | 81,858 | (46,554) | 553,487 | 387,863 | 3,444 | 66,939 | (14,232) | 444,014 |
| Other information | | | | | | | | | | |
| Acquisitions of property and equipment | 2,765 | - | 4,121 | - | 6,886 | | | | | |

07

INTANGIBLE ASSETS

The breakdown of the movement in this consolidated balance sheet heading in 2007 and 2006 is as follows:

| | Companies consolidated using the full consolidation method | Valuation adjustments for impairment of assets | Total |
|--------------------------|--|--|--------|
| <i>Thousand of euros</i> | | | |
| Balances at 12/31/05 | 5,480 | (1,000) | 4,480 |
| Additions | 6,216 | (500) | 5,716 |
| Balances at 12/31/06 | 11,696 | (1,500) | 10,196 |
| Others | (546) | - | (546) |
| Balances at 12/31/07 | 11,150 | (1,500) | 9,650 |

Additions in 2006 related to the acquisitions of Gesdincó Gestión, S.G.I.I.C., S.A. and Padinco Patrimonios, S.G.C., S.A., in December 2006 (see Note 3). The difference between cost and the fair value of the net assets acquired has been provisionally allocated as goodwill (7,031 thousands euros) given the lack of reliable information as to whether it could include intangible assets (e.g., contracts, customer relations).



In 2007, the Group finished accounting for this transaction, having identified an intangible asset (customer relationships) of 815 thousand euros and allocating 6,216 thousand euros to goodwill.

Since Gesdinco Gestión, S.G.I.I.C., S.A. merged with Renta 4, Gestora S.G.I.I.C, S.A. and Padinco Patrimonios, S.G.C.,S.A. in 2007, it ceased its activity as an investment management company, transferring its managed portfolios to Renta 4, Sociedad de Valores, S.A. to perform an impairment test at December 31, 2007.

The Group analyzed the level of permanence of the assets invested by the various investors and shareholders in the collective investment schemes managed by Gesdinco Gestión, S.G.I.I.C., S.A., as well as the assets held by customers managed by Padinco Patrimonios, S.G.C., S.A. This test did not uncover any need to recognize impairment losses.

The breakdown of the rest of goodwill by cash generating unit at December 31, 2007 and 2006, as well as the results of the impairment tests performed, are as follows:

| CASH-GENERATING UNIT | Goodwill | Net asset | Value of investment | DISCOUNT cash flows (enterprise value) | Impairment |
|----------------------|----------|-----------|---------------------|--|------------|
| Thousand of euros | | | | | |
| 2007 | | | | | |
| Renta 4 Burgos, S.A. | 1,163 | 47 | 1,210 | 1,560 | - |
| Renta 4 Aragón, S.A. | 2,231 | 72 | 2,303 | 2,590 | - |
| Renta 4 Huesca, S.A. | 586 | 2 | 588 | 993 | - |
| | 3,980 | 121 | 4,101 | 5,143 | - |
| 2006 | | | | | |
| Renta 4 Burgos, S.A. | 1,504 | 48 | 1,558 | 1,217 | (341) |
| Renta 4 Aragón, S.A. | 2,390 | 72 | 2,456 | 2,297 | (159) |
| Renta 4 Huesca, S.A. | 586 | 5 | 591 | 758 | - |
| | 4,480 | 125 | 4,605 | 4,272 | (500) |

The main assumptions used in determining value in use were as follows:

| CASH-GENERATING UNIT | 2007 | 2006 |
|---|----------|---------|
| Period projected (years) | 3 years | 3 years |
| Discount rate (period projected) | 15 – 16% | 13-15% |
| Discount rate less expected growth rate (final value) | 16% | 15% |

The discount rate and projected cash flows for each cash-generating unit are the assumptions upon which the calculations are most sensitive. Therefore, for a conservative assessment, the directors have applied higher risk premiums the farther out the cash flows from the valuation after initial years of strong expected business growth.



Other intangible assets

The breakdown of the movement in this consolidated balance sheet heading in 2007 and 2006 is as follows:

| CASH-GENERATING UNIT | 2007 | 2006 |
|--------------------------|---------|---------|
| Computer software | | |
| Cost | 1,557 | 1,260 |
| Accumulated amortization | (1,220) | (1,019) |
| Net carrying amount | 337 | 241 |
| Other intangible assets | | |
| Cost | 868 | 914 |
| Accumulated amortization | (120) | (8) |
| Net carrying amount | 748 | 906 |
| Total | 1,085 | 1,147 |

At December 31, 2007 and 2006, the value of intangible assets (computer software) does not include any internal development costs.

nios, S.G.C., S.A., which until the definitive accounting of the business combinations were recognized under “Goodwill.”

Additions in 2006 related mainly to the allocation of the intangible assets identified in the acquisitions of Gesdinco Gestión, S.G.I.I.C., S.A. and Padinco Patrimo-

At December 31, 2007 and 2006, no impairment losses had been recognized for this item in the accompanying consolidated balance sheets.

| | Balance at 01/01/07 | Additions | Disposals | Transfers | Balance at 31/12/07 |
|--------------------------|---------------------|-----------|-----------|-----------|---------------------|
| Thousand of euros | | | | | |
| Cost | | | | | |
| Computer software | 1,260 | 297 | - | - | 1,557 |
| Other intangible assets | 914 | - | (46) | - | 868 |
| | 2,174 | 297 | (46) | - | 2,425 |
| Accumulated amortization | | | | | |
| | (1,027) | (358) | 45 | - | (1,340) |
| Net carrying amount | 1,147 | (61) | (1) | - | 1,085 |

| | Balance at 01/01/06 | Additions (*) | Disposals | Transfers | Balance at 31/12/06 |
|--------------------------|---------------------|---------------|-----------|-----------|---------------------|
| Thousand of euros | | | | | |
| Cost | | | | | |
| Computer software | 1,126 | 191 | (57) | - | 1,260 |
| Other intangible assets | 15 | 902 | (3) | - | 914 |
| | 1,141 | 1,093 | (60) | - | 2,174 |
| Accumulated amortization | | | | | |
| | (816) | (257) | 46 | - | (1,027) |
| Net carrying amount | 325 | 836 | (14) | - | 1,147 |

(*) The Group has recognized as additions to accumulated amortization in 2006, without recognition in the consolidated income statement, the 25 thousand euros of accumulated amortization arising from the inclusion in the consolidation scope of Gesdinco Gestión, S.G.I.I.C., S.A. and Padinco Patrimonios, S.G.C., S.A. (see Note 3).

08

PROPERTY AND EQUIPMENT

The balance of this consolidated balance sheet heading at December 31, 2007 and 2006 relates to assets for own use. The Group does not recognize any items of property or equipment as investment properties.

The breakdown of the movement in this consolidated balance sheet heading at December 31, 2007 and 2006 is as follows:



| | Balance at 31/12/06 | Additions | Disposals | Transfers | Balance at 31/12/07 |
|---|------------------------|-----------|-----------|-----------|------------------------|
| <i>Thousand of euros</i> | | | | | |
| Cost | | | | | |
| Buildings and other construction | 23,246 | 2,093 | (436) | 92 | 24,995 |
| Machinery, installations and tools | 2,504 | 2,165 | (58) | (92) | 4,519 |
| Furniture and fixtures | 2,542 | 733 | (12) | - | 3,263 |
| Transport equipment | 77 | 68 | - | - | 145 |
| Data processing equipment | 2,769 | 1,621 | (227) | - | 4,163 |
| Property and equipment under construction | 554 | 10 | - | - | 564 |
| Other assets | 43 | 196 | - | - | 239 |
| | 31,735 | 6,886 | (733) | - | 37,888 |
| Accumulated depreciation | (5,980) | (1,762) | 289 | - | (7,453) |
| Net carrying amount | 25,755 | 5,124 | (444) | - | 30,435 |

At December 31, 2007 and 2006 the net carrying amount of property and equipment acquired under finance leases was 16.647 and 15.550 thousand euros, respectively.

On February 8, 2007, Renta 4 Servicios de Inversión, S.A. entered into a finance lease arrangement with a credit entity on a building located in Valencia for office use. The total amount of the lease was 1,662 thousand euros. This price includes a purchase option for 11 thousand euros and financial charges of 251 thousand euros, payable in 120 monthly installments. The lease has a fixed nominal interest rate of 4.5% and matures on January 8, 2017.

On July 5, 2001, the Company entered into a finance lease arrangement with a financial institution for the building loca-

ted at Paseo de la Habana no. 74 in Madrid amounting to 18,170 thousand euros, recognized under "Buildings and other construction" in the accompanying consolidated balance sheet. On November 17, 2004, the Company signed the renewal of the lease agreement, which included remodeling work and other improvements made to the building, plus an extension of the term of the lease up to December 5, 2014. The total amount of the lease following the renewal was 18,018 thousand euros. This amount included the 150 thousand euro purchase option and 1,430 thousand euros in financial charges, payable in 120 monthly installments. The interest rate was established as one-year Euribor plus a differential of 0.60%, which is adjusted annually. The renewal was deemed effective as of December 5, 2004.

| | Balance at 01/01/06 | Additions (*) | Disposals | Transfers | Balance at 31/12/06 |
|---|------------------------|---------------|-----------|-----------|------------------------|
| <i>Thousand of euros</i> | | | | | |
| Cost | | | | | |
| Buildings and other construction | 23,024 | 222 | - | - | 23,246 |
| Machinery, installations and tools | 1,840 | 726 | (62) | - | 2,504 |
| Furniture and fixtures | 1,956 | 499 | (98) | 185 | 2,542 |
| Transport equipment | 77 | - | - | - | 77 |
| Data processing equipment | 2,860 | 523 | (614) | - | 2,769 |
| Property and equipment under construction | 554 | - | - | - | 554 |
| Other assets | 218 | 14 | (4) | (185) | 43 |
| | 30,529 | 1,984 | (778) | - | 31,735 |
| Accumulated depreciation | (4,859) | (1,604) | 483 | - | (5,980) |
| Net carrying amount | 25,670 | 380 | (295) | - | 25,755 |

(*) The Group has recognized as additions to accumulated depreciation in 2006, without recognition in the consolidated income statement, the 187 thousand euros of accumulated depreciation arising from the inclusion in the consolidation scope of Gesdinco Gestión, S.G.I.I.C., S.A. and Padinco Patrimonios, S.G.C., S.A. (see Note 3).

The breakdown of these liabilities is as follows:

| | 2007 | | 2006 | |
|---|--------------|---------------|--------------|---------------|
| | Current | Non-current | Current | Non-current |
| <i>Thousand of euros</i> | | | | |
| Value of the commitment –future minimum payments - | 2,075 | 12,727 | 1,875 | 13,119 |
| Interest charges | (577) | (1,734) | (483) | (1,655) |
| Finance lease commitments - Present value (see Note 17) | <u>1,498</u> | <u>10,993</u> | <u>1,392</u> | <u>11,464</u> |

The breakdown of outstanding payments and present value of these leases at December 31, 2007 and 2006 is as follows:

| FUTURE MINIMUM PAYMENTS | Within 1 year | 1 - 5 years | More than 5 years | Total |
|--------------------------------|----------------------|--------------------|--------------------------|--------------|
| <i>Thousand of euros</i> | | | | |
| 2007 | 2,075 | 8,300 | 4,427 | 14,802 |
| 2006 | 1,875 | 7,500 | 5,619 | 14,994 |
| Present value | | | | |
| 2007 | 1,498 | 6,793 | 4,200 | 12,491 |
| 2006 | 1,392 | 6,160 | 5,304 | 12,856 |

At December 31, 2007 and 2006 the Group had not recognized any impairment losses on its property and equipment.

At December 31, 2007 and 2006, the Group had no firm commitments to acquire or sell property and equipment for significant amounts.

The balance of “Property and equipment under construction” corresponds to remodeling carried out by the Company at its prior headquarters, which in 2006 had been halted while awaiting a ruling on a claim. This was admitted and initially approved by the Madrid local government on February 1, 2007.

09 AVAILABLE- FOR-SALE FINANCIAL ASSETS

The breakdown of this asset heading in the accompanying consolidated balance sheet is as follows:

| Non-current | 2007 | 2006 |
|---------------------------------|----------------|---------------|
| <i>Thousand of euros</i> | | |
| Shares in CIS | 7,556 | 5,986 |
| Shares and other participations | 101,991 | 48,051 |
| Impairment losses | (1,626) | (1,462) |
| Total | <u>107,921</u> | <u>52,575</u> |

In 2007 and 2006, none of the financial instruments included in this portfolio was transferred or reclassified.



Impairment losses correspond to losses deemed to be irreversible on investments made in managed funds and therefore taken to the consolidated income statement in 2007 of 164 thousands euros (2006: 1,462 thousands euros).

The movement in this balance sheet heading in 2007 and 2006 is as follows:

| | 2007 | 2006 |
|-----------------------------|---------|---------|
| <i>Thousand of euros</i> | | |
| Balance at January 1 | 52,575 | 23,433 |
| Additions | 28,759 | 17,893 |
| Disposals | (1,350) | (3,313) |
| Valuation adjustments | 28,101 | 16,024 |
| Impairment losses (Note 25) | (164) | (1,462) |
| Balance at December 31 | 107,921 | 52,575 |



The breakdown of “Shares and other participations” at December 31, 2007 and 2006 is as follows:

| | 31/12/07 | 31/12/06 |
|--|----------|----------|
| <i>Thousand of euros</i> | | |
| Quoted | | |
| Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. | 97,412 | 46,939 |
| BBVA | 3,352 | - |
| Adolfo Domínguez | 236 | - |
| Unquoted | | |
| Orisba Internacional, S.A. | 90 | 90 |
| Sociedad Gestora del FGGI, S.A. | 13 | 11 |
| Corporación Multimedia | - | 151 |
| ICESA | 83 | 83 |
| ICN | 440 | 440 |
| Interesa Consultores, S.A. | 245 | 245 |
| Other participations | 120 | 92 |
| | 101,991 | 48,051 |



At December 31, 2007 and 2006, all instruments included under “Shares and other participations” are shown at cost less any impairment losses, as fair value could not be estimated reliably. Quoted equity instruments are shown at fair value, determined based on the quoted price in 2007 and by reference to the price of transactions involving these shares in 2006.

In 2007, the Group acquired 635,144 shares of Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. for 23,808 thousand euros. It also sold 43,064 shares for 1,775 thousand euros, recognizing a gross gain of 8 thousand euros under “Gains on sale of available-for-sale financial assets” in the accompanying consolidated income statement (see Note 22).

In 2006, the following purchases and sales of shares of Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. were recorded:

- Purchases of a total of 430,278 shares for 12,956 thousand euros.

- Sale of 636,364 shares for 19,727 thousand euros. As a result, the Group recognized a gain of 16,560 thousand euros (excluding any tax effect) under “Gains on sale of available-for-sale financial assets” in the accompanying income statement (see Note 22).

At December 31, 2007, the Group held 2,090,389 shares of Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A., representing 2.5% % of its share capital (2006: 1,498,309 shares, 1.792% of share capital).). At December 31, 2007, the Group had 1,786,775 shares pledged (2006: 571,835) in favor of financial institutions in guarantee of certain loans granted to it by them (see Note 17). The value of the shares pledged and the balance and maturity of the loans they guarantee are presented in the following table:

In 2007, the Group received 4,006 thousand euros (2006: 2,605 thousand euros) of dividends from Bolsas y Mercados Españoles Sociedad Holding de Mercados y Sistemas Financieros, S.A.

| | 2007 | 2006 |
|--------------------------------------|-----------|----------|
| <i>Thousand of euros</i> | | |
| Fair value of shares pledged | 83,264 | 17,916 |
| Outstanding loan balance (Note 17) | 47,236 | 13,429 |
| Final maturity of the loan (Note 17) | July 2012 | Dec 2011 |

10

LOANS AND RECEIVABLES

The breakdown of this asset heading in the accompanying consolidated balance sheet is as follows:

| | 2007 | 2006 |
|-----------------------------------|----------------|----------------|
| <i>Thousand of euros</i> | | |
| Non-current | | |
| Other receivables | 2,216 | 3,385 |
| Current | 2,216 | 3,385 |
| Due from financial intermediaries | 330,541 | 224,115 |
| Other receivables | 29,707 | 20,803 |
| | <u>360,248</u> | <u>244,918</u> |



Due from financial institutions

The breakdown of this asset heading in accompanying consolidated balance sheet by type of instrument is as follows:

| Current | 2007 | 2006 |
|---|----------------|----------------|
| <i>Thousand of euros</i> | | |
| Balances for sale of securities on own account pending settlement | 2,444 | 3,248 |
| Term deposits | 6,241 | 1,441 |
| Reverse repos | 310,995 | 209,773 |
| Guarantees of transactions with international derivatives (global accounts) | 3,479 | 5,583 |
| Other accounts | 6,383 | 3,859 |
| Valuation adjustments - Accrued interest pending maturity | 999 | 211 |
| | <u>330,541</u> | <u>224,115</u> |

In 2007 and 2006 none of the financial instruments included in this portfolio was transferred or reclassified.

The breakdown of assets acquired under re-sale agreements (reverse repos) in 2007 and 2006 is as follows:

| PUBLIC DEBT SECURITIES | Final maturity | Interest rates | | Total |
|------------------------|----------------|----------------|---------|---------|
| | | Minimum | Maximum | |
| Thousand of euros | | | | |
| December 31, 2007 | January 2008 | 3.82% | 3.97% | 310,995 |
| December 31, 2006 | October 2007 | 3.37% | 3.49% | 209,773 |

At December 31, 2007 and 2006, part of these assets has been sold under repurchase agreements as follows:

| 31/12/07 | Final maturity | Interest rates | | Total |
|-------------------------------------|----------------|----------------|---------|-----------|
| | | Minimum | Maximum | |
| Thousand of euros | | | | |
| To financial institutions (Note 17) | January 2008 | 3.45% | 3.85% | 232,105 |
| To customers (Note 17) | January 2008 | 3.20% | 3.95% | 23,765(*) |
| 31/12/06 | | | | |
| To financial institutions (Note 17) | February 2007 | 1.15% | 3.41% | 150,983 |
| To customers (Note 17) | February 2007 | 2.50% | 3.32% | 31,063(*) |

(*) At December 31, 2007 "Public debt securities" includes 1,094 thousand euros (2006: 807 thousand euros) pledged to MEFF Renta Variable, S.A. as the initial guarantee for trading in the futures and options market.



Other receivables

The breakdown of this heading in the accompanying consolidated balance sheet at December 31, 2007 and 2006 is as follows:

| Non-current | 2007 | 2006 |
|--|---------------|---------------|
| <i>Thousand of euros</i> | | |
| Other non-current loans and advances | 2,016 | 3,184 |
| Other assets | 200 | 136 |
| Valuation adjustments | | |
| Impairment allowances | - | - |
| Accrued interest | - | 65 |
| | <u>2,216</u> | <u>3,385</u> |
| Current | 2007 | 2006 |
| <i>Thousand of euros</i> | | |
| Loans and advances to customers for transactions with securities | 22,899 | 9,821 |
| Other current loans and advances | 3,579 | 5,568 |
| Impairment of receivables (doubtful debts) | 5,672 | 10,814 |
| Valuation adjustments | | |
| Impairment allowances | (2,761) | (5,400) |
| Accrued interest | 318 | - |
| | <u>29,707</u> | <u>20,803</u> |



“Loans and advances to customers for transactions with securities” corresponds to temporary customer balances for transactions on securities markets.

“Other current loans and advances” and “Other non-current loans and advances” include the following:

| | 2007 | 2006 |
|---|--------------|--------------|
| <i>Thousand of euros</i> | | |
| Amortized cost of loans to employees to acquire shares of the parent company (Note 4.d) | 2,242 | 2,267 |
| Other loans and advances to Group employees | 88 | 935 |
| Loans to shareholders | - | 646 |
| CIS and pension fund management fees and commissions receivable | 2,085 | 2,094 |
| Receivable from advisory services | 156 | 950 |
| Other | 1,024 | 1,860 |
| | <u>5,595</u> | <u>8,752</u> |

The movement in impaired losses on loans and advances to customers at December 31, 2007 and 2006 is as follows:

| | Impaired loans and advances | Valuation adjustments for impairment of assets | Net carrying amount |
|---|-----------------------------|--|---------------------|
| <i>Thousand of euros</i> | | | |
| Balance at December 31, 2005 | 9,020 | (5,903) | 3,117 |
| Increases | 7,676 | (2,133) | 5,543 |
| Decreases | (5,606) | 2,346 | (3,260) |
| Transfers to assets written off (memorandum accounts) | (276) | 276 | - |
| Other | - | 14 | 14 |
| Balance at December 31, 2006 | <u>10,814</u> | <u>(5,400)</u> | <u>5,414</u> |
| Increases | 2,315 | (826) | 1,489 |
| Decreases | (5,689) | 1,802 | (3,887) |
| Transfers to assets written off (memorandum accounts) | (1,704) | 1,663 | (41) |
| Other | (64) | - | (64) |
| Balance at December 31, 2007 | <u>5,672</u> | <u>(2,761)</u> | <u>2,911</u> |

The balance of “Impaired loans and advances” relates to amounts pending collection from customers which are 3 to 60 months past due.

The breakdown of this heading by residual maturity is shown below:

| CURRENT 2007 | Upon demand | Up to 1 month | 1-3 months | Between 3-6 months | Between 6 months and 1 year | Total |
|--------------------------|-------------------|-------------------|------------|--------------------|-----------------------------|---------|
| Thousand of euros | | | | | | |
| Financial institutions | 8,317 | 321,522 | 460 | 242 | - | 330,541 |
| Other loans and advances | 1,850 | 27,410 | 113 | - | 334 | 29,707 |
| | | | | | | |
| NON-CURRENT 2007 | Between 1-5 years | More than 5 years | Total | | | |
| Thousand of euros | | | | | | |
| Other loans and advances | 536 | 1,680 | 2,216 | | | |
| | | | | | | |
| CURRENT 2006 | Upon demand | Up to 1 month | 1-3 months | Between 3-6 months | Between 6 months and 1 year | Total |
| Thousand of euros | | | | | | |
| Financial institutions | 8,831 | 177,341 | 37,481 | 236 | 226 | 224,115 |
| Other loans and advances | 5,414 | 11,550 | 1,725 | 52 | 2,062 | 20,803 |
| | | | | | | |
| NON-CURRENT 2006 | Between 1-5 years | More than 5 years | Total | | | |
| Thousand of euros | | | | | | |
| Other loans and advances | 1,995 | 1,390 | 3,385 | | | |

11

ASSETS AND LIABILITIES HELD FOR TRADING (TRADING PORTFOLIO)

The breakdown of these asset and liability headings of the consolidated balance sheets at December 31, 2007 and 2006 is as follows:

| | ASSETS | | LIABILITIES | |
|--|--------------|--------------|-------------|------------|
| | 2007 | 2006 | 2007 | 2006 |
| <i>Thousand of euros</i> | | | | |
| Shares | 6,602 | 5,326 | - | - |
| Derivatives (customer positions in global accounts) (Note 4.o) | 315 | 151 | 315 | 151 |
| Derivatives held for trading | 20 | 6 | 171 | 32 |
| | <u>6,937</u> | <u>5,483</u> | <u>486</u> | <u>183</u> |

Shares

This heading mainly includes listed shares of Spanish and international issuers. Changes in fair value are recognized in full in the consolidated income statement.

Derivatives held for trading

This heading includes index options and futures and equities traded on organized markets expiring in the first quarter after the end of each financial year. Gains or losses related to changes in the price of futures contracts are settled daily with the corresponding market and taken to the consolidated income statement. In addition, at each balance sheet date the Group recognizes positions in international derivatives markets recorded in global accounts at fair value in accordance with the fair value of positions held with the clearing member and its clients.

12

CASH AND CASH EQUIVALENTS

The breakdown of "Cash and cash equivalents" in the accompanying consolidated balance sheet at December 31, 2007 and 2006 is as follows:

| | 2007 | 2006 |
|--------------------------|----------------|----------------|
| <i>Thousand of euros</i> | | |
| Cash | 102 | 64 |
| Bank of Spain | 84 | 105 |
| Demand deposits | 191,600 | 160,946 |
| | <u>191,786</u> | <u>161,115</u> |



In accordance with Ministry of Economy and Finance order 848/2005, brokerage firms and broker-dealers must invest temporary credit balances on behalf of customers in the following assets:

- Demand deposits at financial institutions: The name of these deposits must expressly state "Customer balances of the Entity." At December 31, 2007 and 2006, the amounts of these deposits were 131,465 and 134,173 thousand euros, respectively.

- Acquisitions of assets under resale agreement (reverse repos) maturing in two days or less with no credit risk weighting. The amounts of these assets are shown in Note 10. The cash amounts of these repos at December 31, 2007 and 2006 were 21,580 and 20,788 thousand euros, respectively.

There are no restrictions on the use of cash and cash equivalent balances. All balances included under this heading are available on demand.

13

OTHER ASSETS AND OTHER LIABILITIES

The breakdown of these headings in the accompanying consolidated balance sheet at December 31, 2007 and 2006 is as follows:

| | 2007 | 2006 |
|--------------------------------------|--------------|--------------|
| <i>Thousand of euros</i> | | |
| Assets: | | |
| Prepayments and accrued income | 2,164 | 2,132 |
| Other assets | 102 | 168 |
| | <u>2,266</u> | <u>2,300</u> |
| Liabilities | | |
| Accrued expenses and deferred income | 40 | 145 |
| Remuneration payable to personnel | 1,091 | 1,573 |
| | <u>1,131</u> | <u>1,718</u> |



The breakdown of “Prepayments and accrued income” and “Accrued expenses and deferred income” is as follows:

| | 2007 | 2006 |
|---|--------------|--------------|
| <i>Thousand of euros</i> | | |
| Assets: | | |
| Prepaid expenses | 616 | 269 |
| Expenses pending collection | 344 | 291 |
| Custody and marketing fees and commissions pending collection | 824 | 1,075 |
| Other | 380 | 497 |
| | <u>2,164</u> | <u>2,132</u> |
| Liabilities: | | |
| MEFF membership fee and levy | 7 | 83 |
| Other | 33 | 62 |
| | <u>40</u> | <u>145</u> |

“Remuneration payable to personnel” mainly relates to the 1,061 thousand and 1,387 thousand euros of estimated variable remuneration for 2007 and 2006, respectively, recognized under “Employee benefits expense” (see Note 23).

The breakdown of this heading by residual maturity is shown below:

| 2007 | Up to 1 month | Between 1- 3 months | Between 3-6 months | Between 6 months and 1 year | Total |
|--------------------------|---------------|---------------------|--------------------|-----------------------------|--------------|
| <i>Thousand of euros</i> | | | | | |
| Other assets | 1,250 | 633 | 292 | 91 | <u>2,266</u> |
| Other liabilities | 22 | 1,109 | - | - | <u>1,131</u> |
| 2007 | | | | | |
| Other assets | 1,646 | 235 | 343 | 76 | <u>2,300</u> |
| Other liabilities | 507 | 1,211 | - | - | <u>1,718</u> |

14

MINORITY INTERESTS

The following table presents the breakdown of the movement in this consolidated balance sheet heading in 2007 and 2006 and the profit or loss attributable to minority interests.

| 2007 | % share at at 31/12/07 | Balance at 31/12/06 | Other | Profit (loss) for the year attributable to minority interests | Balance at 31/12/07 |
|---|---------------------------|------------------------|-------|---|------------------------|
| <i>Thousand of euros</i> | | | | | |
| Carterix, S.A. (previously Renta 4 Marruecos, S.A.) | 0.09 | 1 | - | - | 1 |
| Renta 4 Guipúzcoa, S.A. | 85.00 | 987 | - | 64 | 1,051 |
| Renta 4 Inversiones de Valladolid, S.A. | 1.01 | 8 | - | - | 8 |
| Renta 4 Lérida, S.A. | 18.34 | 17 | - | - | 17 |
| Renta 4, Sociedad de Valores, S.A. | 0.01 | 5 | - | 2 | 7 |
| Renta 4 Corporate, S.A. (antes Renta 4 Planificación Empresarial, S.A.) | - | 50 | (50) | - | - |
| Rentsegur Correduría de Seguros, S.A. | 27.51 | 11 | - | 4 | 15 |
| | | 1,079 | (50) | 70 | 1,099 |

| 2006 | % share at at 31/12/06 | Balance at 31/12/05 | Other | Profit (loss) for the year attributable to minority interests | Balance at 31/12/06 |
|---|---------------------------|------------------------|-------|---|------------------------|
| <i>Thousand of euros</i> | | | | | |
| Carterix, S.A. (previously Renta 4 Marruecos, S.A.) | 0,10 | 1 | - | - | 1 |
| Renta 4 Guipúzcoa, S.A. | 85.00 | 933 | (1) | 55 | 987 |
| Renta 4 Inversiones de Valladolid, S.A. | 1.01 | 8 | - | - | 8 |
| Renta 4 Lérida, S.A. | 18.34 | 17 | - | - | 17 |
| Renta 4, Sociedad de Valores, S.A. | 0.01 | 4 | - | 1 | 5 |
| Renta 4 Corporate, S.A. (antes Renta 4 Planificación Empresarial, S.A.) | 30.00 | 4 | - | 46 | 50 |
| Rentsegur Correduría de Seguros, S.A. | 27.51 | 9 | - | 2 | 11 |
| | | 976 | (1) | 104 | 1,079 |

15

VALUATION ADJUSTMENTS

The breakdown of the movement in this heading of the accompanying consolidated balance sheet at 2007 and 2006 is as follows:

| BREAKDOWN | 2007 | 2006 |
|--------------------------|---------------|---------------|
| <i>Thousand of euros</i> | | |
| Shares in managed funds | (123) | 105 |
| Shares | 40,668 | 20,769 |
| | <u>40,545</u> | <u>20,874</u> |

| MOVEMENT | 2007 | 2006 |
|--|---------|----------|
| <i>Thousand of euros</i> | | |
| Balance at January 1 | 20,874 | 9,006 |
| Changes in fair value of equity instruments | 28,196 | 32,934 |
| Amounts transferred to the consolidated income statement (net) | (95) | (11,201) |
| Income tax (tax effect) | (8,430) | (10,299) |
| Income tax (effect of change in tax rates) | - | 434 |
| Balance at December 31 | 40,545 | 20,874 |



16

EQUITY AND EARNINGS PER SHARE

Issued capital

At December 31, 2007, the Company's share capital comprised 40,693,203 shares with a nominal value of 1 euros each, fully subscribed and paid up. All shares bear the same voting and dividend rights.

The Company's shareholder structure in 2007 and 2006 was as follows:

| | 2007 | | 2006 | |
|---|------------------|------------------|------------------|------------------|
| | Number of shares | Percentage stake | Number of shares | Percentage stake |
| <i>Thousand of euros</i> | | | | |
| Mr. Juan Carlos Ureta Domingo | 13,470,765 | 33.10% | 7,229,111 | 44.49% |
| Cartera de Directivos 2003, S.A. | 3,299,040 | 8.11% | 1,624,804 | 10.00% |
| Vasco Madrileña de Inversiones, S.L. | 1,649,686 | 4.05% | 946,577 | 5.83% |
| Sociedad A.R. Santamaría, S.L. | 1,626,000 | 4.00% | 813,000 | 5.00% |
| Ms. Matilde Estades Seco | 778,534 | 1.91% | 406,090 | 2.50% |
| Others (including treasury shares, Note 16.g) | 19,869,178 | 48.83% | 5,228,463 | 32.18% |
| | 40,693,203 | 100.00% | 16,248,045 | 100.00% |

At December 31, 2007, in addition to the direct holding shown in the preceding table, the Company's main shareholder owns 18.72% indirectly, giving him a total ownership interest in the Company of 51.82%.

On July 24, 2007, the following resolutions were adopted by the shareholders in general meeting:

- To decrease capital by 3,249,609 euros through a reduction in the nominal value of all shares comprising share capital and the repayment of paid-up capital of 0.20 euros per share, bringing the new nominal value per share to 0.80 euros. After this reduction, share capital amounted to 12,998,436 euros and consisted of 16,248,045 ordinary shares with a nominal value of 0.80 euros each, fully subscribed and paid up. The public deed for the capital decrease was ratified on September 4, 2007 and inscribed in the Mercantile Register on September 28, 2007.
- To pay a 0.40 euros per share dividend, for a total of 6,500 thousand euros, charged to unrestricted reserves via the delivery of 243,336 treasury shares (before the stock split) acquired in 2007 valued at 7.727239 euros per share (acquisition) and to pay the remainder in cash up to 0.40 euros per share (4,619 thousand euros).

On September 29, 2007, the following resolutions, inter alia, were adopted by shareholders in general meeting:

- To reduce the nominal value of the shares from 0.80 to 0.40 euros per share and split the number of outstanding shares, from 16,248,045 to 32,496,090 shares. After this reduction, share capital amounted to 12,998,436 euros and consisted of 32,496,090 ordinary shares with a nominal value of 0.40 euros each, fully subscribed and paid up.
- To increase capital for the initial public offering (IPO) for a nominal amount of 3,278,845,20 euros via the issue of 8,197,113 new shares with a nominal value of 0.40 euros each and of the same class as those outstanding, represented by book entries, with a share premium through monetary contributions. The increase envisages the possibility that the shares will be undersubscribed and the disapplication of preemptive rights. Accordingly, share capital after the issue amounts to 16,277,281.20 euros and consists of 40,693,203 ordinary shares with a nominal value of 0.40 euros each, fully subscribed and paid up.

These resolutions were ratified by public deed and inscribed in the Mercantile Register on November 13, 2007.

On November 12, 2007, the Board of Directors agreed to set the IPO price at 9.25 euros per share, of which 8.85 euros corresponds to the share premium (72,544 thousand euros in all) and the remaining 0.40 euros to the nominal value of the shares.

The Company's shares are quoted on the Madrid, Barcelona, Bilbao and Valencia stock exchanges since November 14, 2007 under ISIN code ES0173358310 given by the National Numbering Agency. The listed price of the shares at December 31, 2007 was 8.10 euros.

Share premium

The share premium account has the same restrictions and may only be used for the same purposes as the voluntary reserves of the parent company.

Reserves

The breakdown of this heading at December 31, 2007 and 2006 is as follows:

| | 2007 | 2006 |
|--------------------------|--------|--------|
| <i>Thousand of euros</i> | | |
| Legal reserve | 3,415 | 2,484 |
| Other reserves | 15,116 | 8,238 |
| | 18,531 | 10,722 |

The breakdown of "Other reserves" by Group company is as follows:

| COMPANY | 2007 | 2006 |
|--------------------------------------|---------|---------|
| <i>Thousand of euros</i> | | |
| Renta 4 Servicios de Inversión, S.A. | 20,933 | 19,205 |
| Renta 4, Sociedad de Valores, S.A. | (2,898) | (8,944) |
| Renta 4 Burgos, S.A. | (1,541) | (1,074) |
| Renta 4 Aragón, S.A. | (750) | (599) |
| Renta 4 Vizcaya, S.A. | (361) | (361) |
| Other | (267) | 11 |
| | 15,116 | 8,238 |



Legal reserve

Companies are obliged to transfer 10% of the profit for the year to a legal reserve until such reserve reaches an amount equal to 20% of the share capital. This reserve is not distributable to shareholders and may only be used to offset a debit balance in the income statement provided no other reserves are available. Under certain conditions, this reserve may be used to increase share capital.

Voluntary reserves

The Company's voluntary reserves at December 31, 2007 and 2006 and freely distributable as there were no unused tax losses from prior years.

Other equity instruments: share-based payments

The Group has a share-based payment plan for management and employees by virtue of which, upon achieving certain objectives, they receive shares of Renta 4, Servicios de Inversión, S.A. (the Group's parent company) in 2005 and the next four financial years

Management and employees will receive the related shares from the Group's parent company, which will distribute the related cost to each Group company. Based on this plan, Group management and employees in service both years will receive up to 259,970 (post-split) shares each year, for which they will have to pay the listed price less 3.75 euros per shares, with a minimum price of 1.25 euros per share. In 2005 and 2006 the cost borne by the employee before the Company's shares were listed was 25% of their value. The beneficiaries of these plans are decided each year by the Group's Remuneration Committee.

The estimated cost of the plan is the difference (intrinsic value) between the price (listed price less 3.75 euros per share in 2007 and 25% of the value in previous years) and the estimated fair value of the shares to be granted, determined to be the listed price in 2007 and 5 euros per share in 2006. This cost is recognized under "Employee benefits expense" with a balancing entry in equity as the Group delivers treasury shares to settle the plan. The cost for 2007 and 2006 was 664 and 1,439 thousand euros, respectively (see Note 23).

In 2007, Group employees exercised their rights to acquire 240,100 shares of the 259,972 allocated to the plan (2006: 153,000 of the 259,970 allocated). The remaining shares were sold to Group employees or customers. The shares given were treasury shares (see section e) below). The delivery and issue of these shares increased equity in 2007 by 686 thousand euros (2006: 729 thousand euros) , mainly related to the difference between the market price of the shares (10 euros) and the cost of acquiring the treasury shares, recognized in "Treasury shares" under "Equity."

Treasury shares

The movement in this heading in 2007 and 2006 is as follows:

This heading includes shares deliverable (employee remuneration) at December 31, 2007 and 2006 (779,904 and 1,059,872 shares, respectively) and the 11,570 shares repurchased in 2007.

In 2004, the Group sold shares of Renta 4 Servicios de Inversión, S.A. to Cartera de Directivos 2003, S.A., a company that did not belong to the Renta 4 Group (but was related to its shareholders) at a price of 5 euros per share (considering the stoch split indica-

| | 2007 | 2006 |
|--|---------|---------|
| <i>Thousand of euros</i> | | |
| Balance at January 1 | (2,486) | (3,107) |
| Shares given to employees (share-based payment plan) | 621 | 621 |
| Shares given as dividends (Note 16.a) | 1,881 | - |
| Purchases | (2,295) | - |
| Sales | 364 | - |
| Balance at December 31 | (1,915) | (2,486) |

ted in Note 16.a). Cartera de Directivos 2003, S.A. subsequently sold the shares to Banco Madrid, S.A.

The Company signed an agreement linked to a five-year share-based payment plan with this financial institution (see Note 16.f) as remuneration to Renta 4 Group employees. This agreement, which was ratified by public deed, grants the Company the option to purchase one fifth of the shares at 5 euros per share on January 15 in each of the next five years. The first option expired on January 15, 2006. The counterparty likewise received a put option under the same terms, amounts and maturities as those stipulated

for the Company's call option. The outstanding options (including the stock split indicated in Note 16.a) at December 31, 2007 and 2006 entailed 779,908 and 1,039,878 shares, respectively, of the total 1,299,848 shares included in the agreement (259,970 shares each year).

Since Renta 4 Servicios de Inversión, S.A., the parent company, has a commitment to repurchase these shares, it has not removed the shares from the balance sheet. The shares are recognized with a decrease to Group equity and a corresponding financial liability with the financial intermediary with which it acquired a purchase commitment (see Note 17).

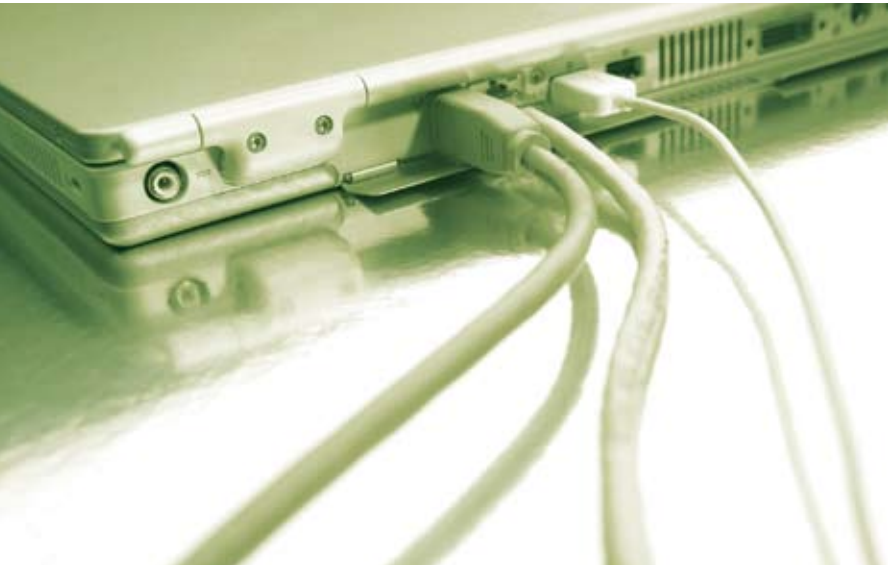


Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to equity holders of the parent by the average number of ordinary shares outstanding during the year. Diluted earnings per share amounts are calculated by dividing the net profit attributable to equity holders of the parent by the average number of ordinary shares outstanding during the year plus the average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The Group has issued equity instruments that may be converted into ordinary shares in the future, but the shares included in the employee share-based payment plan (see Note 16.d) and the shares distributed as dividends (see Note 16.a) are not dilutive as the estimated fair value of the shares is the same as the exercise price in the first case and the amount of the issue is the same as the acquisition price in the second. As a result, diluted and basic earnings per share are the same. The following reflects the data used in the basic and diluted earnings per share computations:

| | 2007 | 2006 |
|---|------------|------------|
| <i>Thousand of euros</i> | | |
| Net profit attributable to equity holders of the parent (in thousands of euros) | 15,261 | 17,094 |
| Weighted average number of ordinary shares for basic and diluted earnings per share | 32,927,145 | 31,456,214 |
| Basic earnings per share (euros) | 0.46 | 0.54 |
| Diluted earnings per share (euros) | 0.46 | 0.54 |



17

FINANCIAL LIABILITIES

The breakdown of these liability headings of the accompanying consolidated balance sheet at December 31, 2007 and 2006 is as follows:



| NON-CURRENT LIABILITIES | 2007 | 2006 |
|---------------------------------------|---------------|---------------|
| <i>Thousand of euros</i> | | |
| Financial institutions | | |
| Loans | 62,017 | 39,789 |
| Implicit interest-liabilities | 2,253 | 3,899 |
| Finance lease agreements (Note 8) | 10,993 | 11,464 |
| | <u>75,263</u> | <u>55,152</u> |
| Other deposits | | |
| Bills of exchange payable (Note 17.2) | <u>1,839</u> | <u>2,386</u> |
| Other financial liabilities | | |
| Guarantees | <u>42</u> | <u>47</u> |
| | <u>77,144</u> | <u>57,585</u> |



| CURRENT LIABILITIES | 2007 | 2006 |
|---|----------------|----------------|
| <i>Thousand of euros</i> | | |
| Financial institutions | | |
| Loans | 27,731 | 18,001 |
| Implicit interest-liabilities | 1,300 | 1,300 |
| Finance lease agreements (Note 8) | 1,498 | 1,392 |
| Purchases pending settlement | 8,036 | 4,090 |
| Repos (Note 10) | 232,105 | 150,983 |
| Other balances | 903 | 1,060 |
| Valuation adjustments | 224 | 72 |
| | <u>271,797</u> | <u>176,898</u> |
| Other deposits | | |
| Repos (Note 10) | 23,765 | 31,063 |
| Temporary balances relating to transactions with securities | 147,111 | 143,839 |
| Guarantees of transactions with international derivatives (in cash) | 7,391 | 15,627 |
| Bills of exchange payable (Note 3) | 665 | 665 |
| Other balances | 1,338 | 1,680 |
| Valuation adjustments | 15 | 16 |
| | <u>180,285</u> | <u>192,890</u> |
| | <u>452,082</u> | <u>369,788</u> |

Financial institutions:

Purchases pending settlement at December 31, 2007 and 2006 were canceled, principally during the first few days of January 2008 and 2007, respectively.

The breakdown of loans and credit facilities signed by Group companies at December 31, 2007 and 2006 is as follows:

| | | | 31/12/07 | | 31/12/06 | |
|---------------------------------|-------------------------|------------|----------|-------------------|----------|-------------------|
| | Final maturity | | Limit | Amount drawn down | Limit | Amount drawn down |
| Thousand of euros | | | | | | |
| BBVA | 3-month Euribor + 0.60% | 30/06/2010 | 3,000 | 1,572 | 3,000 | 2,150 |
| Banco Pastor | 1-year Euribor +1.00% | 30/06/2009 | 6,000 | 1,935 | 6,000 | 3,146 |
| B. Sabadell | 1-year Euribor +0.75% | 31/07/2009 | 3,000 | 1,012 | 3,000 | 1,611Banco de |
| Madrid | 1-year Euribor +0.75% | 31/07/2009 | 10,000 | 4,000 | 10,000 | 6,000 |
| Barclays | 1-year Euribor +0.65% | 15/07/2009 | 1,200 | 403 | 1,200 | 643 |
| B. Sabadell | 1-year Euribor +0.75% | 31/07/2010 | 3,000 | 1,624 | 3,000 | 2,201 |
| Caixa Cataluña (2) | 1-year Euribor +0.32% | 28/02/2014 | 3,000 | 2,390 | 3,000 | 2,722 |
| CajAstur | 6-month Euribor +0.60% | 09/06/2011 | 2,500 | 1,764 | 2,500 | 2,230 |
| Caixa Nostra | 1-year Euribor +1.60% | 31/05/2011 | 3,000 | 2,117 | 3,000 | 2,679 |
| Caixa Geral (1) | 1-year Euribor +0.60% | 05/12/2011 | 10,000 | 8,192 | 10,000 | 10,000 |
| Caixa Cataluña (1), (2) | 1-year Euribor +0.32% | 30/04/2012 | 5,000 | 4,397 | 5,000 | - |
| Caixa Geral (1) | 1-year Euribor +0.60% | 05/07/2012 | 6,500 | 6,019 | 6,500 | - |
| B. Sabadell | 1-year Euribor +1.60% | 11/03/2008 | 1,900 | 1,900 | 1,900 | - |
| Banco Pastor (1) | 3-month Euribor +1.00% | 30/04/2008 | 12,000 | 879 | 12,000 | 3,429 |
| Banco Pastor | 3-month Euribor +1.00% | 30/05/2008 | 10,000 | 914 | 10,000 | 3,031 |
| Banesto | 3-month Euribor +0.75% | 30/06/2007 | 1,000 | - | 1,000 | 132 |
| Caja Cataluña | 3-month Euribor +0.50% | 30/06/2009 | 3,000 | 954 | 3,000 | 1,556 |
| Caja Cantabria | 1-year Euribor +0.75% | 22/02/2010 | 1,000 | 456 | 1,000 | 652 |
| Caja Cataluña | 1-year Euribor + 0.50% | 31/03/2013 | 3,000 | 2,068 | 3,000 | 2,410 |
| BBVA | 3-month Euribor +0.60% | 30/06/2010 | 3,000 | 1,571 | 3,000 | 2,150 |
| Banco Urquijo | 3-month Euribor +0.75% | 01/07/2010 | 3,000 | 1,650 | 3,000 | 2,250 |
| Banco Simeón | 1-year Euribor +0.75% | 28/10/2009 | 4,000 | 1,913 | 4,000 | 2,889 |
| Banco Gallego | 1-year Euribor +0.75% | 18/10/2010 | 1,000 | 590 | 1,000 | 781 |
| Bancaja | 3-month Euribor +0.65% | 10/11/2010 | 2,000 | 1,215 | 2,000 | 1,595 |
| Caixa Galicia | 1-year Euribor +0.5% | 01/08/2011 | 2,000 | 1,505 | 2,000 | 1,879 |
| Cajamar | 1-year Euribor +0.5% | 09/05/2011 | 1,000 | 705 | 1,000 | 893 |
| Banesto | 3-month Euribor +0.65% | 02/03/2009 | 1,000 | 433 | 1,000 | 761 |
| CajAstur | 6-month Euribor +0.75% | 27/03/2012 | 3,000 | 2,595 | 3,000 | - |
| Banco Galicia (1) | 1-year Euribor +0.9% | 02/03/2012 | 15,000 | 12,981 | 15,000 | - |
| Cajamar | 1-year Euribor +0.75% | 16/06/2012 | 1,500 | 1,344 | 1,500 | - |
| Banesto | 3-month Euribor +0.65% | 07/03/2010 | 2,000 | 1,528 | 2,000 | - |
| Bancaja | 3-month Euribor +0.7% | 10/04/2012 | 2,000 | 1,760 | 2,000 | - |
| Barclays | 1-month Euribor +0.8% | 27/03/2012 | 3,000 | 2,594 | 3,000 | - |
| BBVA (1) | 3-month Euribor +0.55% | 30/06/2012 | 8,000 | 7,286 | 8,000 | - |
| Caixa Geral (1) | 1-year Euribor +0.60% | 26/04/2012 | 8,500 | 7,482 | 8,500 | - |
| Subtotal | | | | 89,748 | | 57,790 |
| Other financial liabilities (3) | 3-month Euribor +0.75% | 14/01/2010 | 6,499 | 3,553 | 6,499 | 5,199 |
| | | | | 93,301 | | 62,989 |

(1) Loans secured with BME shares (see Note 9).

(2) At the time of arranging the loans, the Company entered into a swap, a cap and a floor to hedge the related interest-rate risk. The characteristics of these instruments are as follows:

| CONTRACT | NOMINAL AMOUNT | BEGINNING DATE | EXPIRY |
|-----------------|----------------|----------------|------------|
| Swap | 2.514 | 01/03/07 | 01/03/2014 |
| Purchase of cap | 2.514 | 01/03/07 | 01/03/2014 |
| Sale of floor | 2.514 | 01/03/07 | 01/03/2014 |
| Purchase of cap | 4.585 | 17/04/07 | 17/04/2012 |
| Sale of floor | 4.585 | 17/04/07 | 17/04/2012 |

The fair value of these financial contracts of 56 thousand euros is recognized in “Derivatives held for trading” under “Financial liabilities held for trading” on the liability side of the consolidated balance sheet at December 31, 2007 (11 thousand euros at December 31, 2006).

(3) Corresponds to the implicit financial liability payable for the commitment with a financial intermediary to repurchase shares of the parent company (Note 16.g).

Other deposits:

The balance of “Bills of exchange payable” corresponds to the amount pending payment at December 31, 2007 for the acquisitions of Gesdinco Gestión, S.G.I.I.C., S.A. and Padinco Patrimonios, S.G.C., S.A., as shown below.

| | 31/12/07 | | 31/12/06 | |
|------------------------------------|-------------|---------|-------------|---------|
| | Non-current | Current | Non-current | Current |
| Thousand of euros | | | | |
| Nominal value of the debt (Note 3) | 2,094 | 698 | 2,793 | 698 |
| Financial charge | (255) | (33) | (407) | (33) |
| Bills of exchange payable | 1,839 | 665 | 2,386 | 665 |

“Temporary balances relating to transactions with securities” includes demand balances of customers’ liquidity accounts at Renta 4, Sociedad de Valores, S.A. In addition, “Guarantees of transactions with international derivatives” include the cash guarantees received from customers to trade on their behalf in international derivatives markets.



Residual maturity

The breakdown by residual maturity of the main items under this heading in the accompanying consolidated balance sheet at December 31, 2007 and 2006 (in thousands of euros) is as follows:

| 2007 | CURRENT | | | | | | NON-CURRENT | | |
|--------------------------------|-------------|---------------|---------------------|--------------------|---------------------------|---------|-------------------|-------------------|--------|
| | Upon demand | Up to 1 month | Between 1 -3 months | Between 3-6 months | Between 6 months & 1 year | Total | Between 1-5 years | More than 5 years | Total |
| Thousand of euros | | | | | | | | | |
| Liabilities | | | | | | | | | |
| Due to financial institutuions | 4,600 | 240,297 | 6,551 | 6,436 | 13,913 | 271,797 | 70,449 | 4,814 | 75,263 |
| Due to customers | 154,502 | 25,118 | - | - | 665 | 180,285 | 1,839 | - | 1,839 |

| 2006 | CURRENT | | | | | Total | NON-CURRENT | | |
|-------------------------------|-------------|---------------|---------------------|--------------------|---------------------------|---------|--------------------|-------------------|--------|
| | Upon demand | Up to 1 month | Between 1 -3 months | Between 3-6 months | Between 6 months & 1 year | | Between 1- 5 years | More than 5 years | Total |
| Thousand of euros | | | | | | | | | |
| Liabilities | | | | | | | | | |
| Due to financial institutions | 4,090 | 133,746 | 23,334 | 4,359 | 11,369 | 176,898 | 45,778 | 9,374 | 55,152 |
| Due to customers | 159,466 | 16,811 | 15,948 | - | 665 | 192,890 | 2,386 | - | 2,386 |

18

PROVISIONS

The breakdown of the movement in this heading in 2007 and 2006 is as follows:

Balance at December 31, 2005

Thousand of euros

| | |
|------------------------------|-------|
| Balance at December 31, 2005 | - |
| Net allowances | 457 |
| Provisions applied | (95) |
| Balance at December 31, 2006 | 362 |
| Net allowances | 120 |
| Provisions applied | (362) |
| Balance at December 31, 2007 | 120 |

In 2007, Renta 4, Sociedad de Valores, S.A. recorded a 350 thousand euro provision to meet potential liabilities arising from a lawsuit related to the activity of Renta 4, Sociedad de Valores, S.A.

In addition, in 2007 this company recorded a 120 thousand euro provision to cover potential liabilities arising from another lawsuit related to its activity.

Renta 4, Sociedad de Valores, S.A. guarantees the target return of the Renta 4 Índice, F.I. mutual fund managed by Renta 4 Gestora, Sociedad Gestora de Instituciones de Inversión Colectiva, S.A. At December 31, 2007 and 2006, Renta 4 Sociedad de Valores, S.A. estimates that the mutual fund it guarantees will achieve its target return, and therefore it has not recorded any provision for this concept. Upon maturity of this guarantee in January 2008, the company did not have to make any related payment.



19

TAX ASSETS AND LIABILITIES

The breakdown of these headings of the accompanying consolidated balance sheet at December 31, 2007 and 2006 is as follows:

| TAX ASSETS | 2007 | 2006 |
|---|--------|--------|
| <i>Thousand of euros</i> | | |
| Deferred tax assets | | |
| Deferred tax assets (Note 27) | 1,680 | 469 |
| Current tax assets | | |
| VAT receivable from the Treasury | 3,743 | 2,591 |
| Income tax receivable from the Treasury | 15 | - |
| | 3,758 | 2,591 |
| TAX LIABILITIES | 2007 | 2006 |
| <i>Thousand of euros</i> | | |
| Deferred tax liabilities | | |
| Deferred tax (available-for-sale financial assets) | 17,376 | 8,943 |
| Other | 1,702 | 1,545 |
| | 19,078 | 10,488 |
| Current income tax liabilities | | |
| Income tax payable (Note 27) | 2,051 | 2,003 |
| Other tax liabilities (other payables to public bodies) | | |
| Withholdings from managed fund unit holders | | |
| for redemption of investments in managed funds | 283 | 737 |
| Personal income tax withholdings (IRPF) | 652 | 678 |
| Business tax (I.A.E.) | 52 | 50 |
| Value added tax (VAT) | 169 | 233 |
| Social security costs | 239 | 189 |
| | 1,395 | 1,887 |

The breakdown by residual maturity of this heading is as follows:

| TAX ASSETS | Up to 6 months | Between 6 months & 1 year | Between 1-5 years | Total |
|--------------------------|----------------|---------------------------|-------------------|-------|
| <i>Thousand of euros</i> | | | | |
| 2007 | | | | |
| Current | 3,758 | - | - | 3,758 |
| Non-current | - | - | 1,680 | 1,680 |
| 2006 | | | | |
| Current | - | 2,591 | - | 2,591 |
| Non-current | - | - | 469 | 469 |

| TAX LIABILITIES | Up to 1 month | Between 1- 6 months | Between 6 months & 1 year | Between 1-5 years | More than 5 years | Total |
|--------------------------|---------------|---------------------|---------------------------|-------------------|-------------------|--------|
| <i>Thousand of euros</i> | | | | | | |
| 2007 | | | | | | |
| Current | 1,209 | 2,237 | - | - | - | 3,446 |
| Non-current | - | - | - | 17,931 | 1,147 | 19,078 |
| 2006 | | | | | | |
| Current | 1,887 | 2,003 | - | - | - | 3,890 |
| Non-current | - | - | - | 10,488 | - | 10,488 |

20

COMMITMENTS AND CONTINGENT LIABILITIES

The Group provides securities administration and custody services to its customers. Third-party commitments assumed by the Group related to this service at December 31, 2007 and 2006 are as follows:

| SECURITIES ADMINISTRATION AND CUSTODY | 2007 | 2006 |
|--|-----------|-----------|
| <i>Thousand of euros</i> | | |
| Deposited securities (third-party securities) | 4,095,520 | 3,849,207 |
| Of which: | | |
| Recorded in the name of customers | 3,313,675 | 3,256,592 |
| Recorded in global custody accounts | 781,845 | 592,615 |
| Customer investments in mutual funds (global accounts) | 166,437 | 173,847 |
| Guarantees deposited by third parties in other entities in connection with short selling | 2,276 | 3,115 |
| | 4,264,233 | 4,026,169 |
| Risks | | |
| Guarantees and deposits given | 7,411 | 10,173 |
| | 7,411 | 10,173 |

The Group breaks down the fair value of its customers' positions (securities and investments in managed funds) in global custody accounts under "Contingent liabilities and risks". The Group's directors and legal advisors consider the securities recorded in these accounts as restricted assets for Group customers, as they are recorded in specific accounts under the customers' names and customers have been informed of their use, and not part of the assets the Group has to meet its liabilities or commitments. Nonetheless, these assets are exposed to counterparty risk of the global custodian (see Note 30), although the entity has confirmed



with non-EU resident global custodians that according to the legislation of the countries where they are domiciled, the assets in custody are restricted for customers, similar to legislation in Spain.

The breakdown of the (third-party) securities recorded in the global custody accounts at December 31, 2007 and 2006 by domicile of the global custody account is as follows:

| | 2007 | 2006 |
|--------------------------|----------------|----------------|
| <i>Thousand of euros</i> | | |
| United Kingdom | 299,681 | 201,397 |
| Spain | 482,164 | 391,218 |
| | <u>781,845</u> | <u>592,615</u> |

The breakdown of “Securities deposited” by type of instruments at December 31, 2007 and 2006 is as follows:

| | 2007 | 2006 |
|-----------------------------|------------------|------------------|
| <i>Thousand of euros</i> | | |
| Third-party own instruments | | |
| Equity instruments | 3,305,462 | 3,181,470 |
| Debt instruments | 790,058 | 667,737 |
| | <u>4,095,520</u> | <u>3,849,207</u> |

“Guarantees and deposits given” includes the following:

| | 2007 | 2006 |
|---|--------------|---------------|
| <i>Thousand of euros</i> | | |
| Contribution to collective deposits to the market | | |
| MEFF | 3,000 | 3,000 |
| SCLV (Iberclear) | 4,000 | 7,000 |
| Other | 411 | 173 |
| | <u>7,411</u> | <u>10,173</u> |



21

FEES AND COMMISSIONS, INTEREST AND RETURNS ON EQUITY INSTRUMENTS

The breakdown of the balances of these headings in the accompanying income statement for the years ended December 31, 2007 and 2006 is as follows:

| INCOME | 2007 | 2006 |
|---|---------------|---------------|
| <i>Thousand of euros</i> | | |
| Fee and commission income | | |
| Brokerage and order execution fees and commissions | 34,915 | 25,490 |
| CIS and pension fund management, subscription and redemption fees and commissions | 12,984 | 10,213 |
| Portfolio management fees | 1,016 | 1,598 |
| Securities underwriting and placement fees | 668 | 523 |
| Securities deposit and custody service fees and commissions | 2,090 | 1,879 |
| Other fees and commissions received | <u>1,282</u> | <u>3,224</u> |
| | <u>52,955</u> | <u>42,927</u> |
| Interest and similar income | | |
| Other interest income on public debt | 10,230 | 7,780 |
| Other | 8,299 | 2,183 |
| | <u>18,529</u> | <u>9,963</u> |
| Returns on equity instruments | | |
| Dividends | <u>4,135</u> | <u>2,641</u> |
| TOTAL | <u>75,619</u> | <u>55,531</u> |

| EXPENSES | 2007 | 2006 |
|---|--------|--------|
| <i>Thousand of euros</i> | | |
| Fees and commissions paid | | |
| Brokerage and other commissions paid | 12,661 | 9,573 |
| Interest and similar expense | | |
| Interest on liabilities with financial intermediaries | 5,275 | 1,985 |
| Interest on public debt securities (repos) | 8,224 | 5,165 |
| Other | 163 | 751 |
| | 13,662 | 7,901 |
| TOTAL | 26,323 | 17,474 |



22

TRADING INCOME

The breakdown of this heading in the accompanying consolidated income statement for the years ended December 31, 2007 and 2006 is as follows:

| | 2007 | 2006 |
|---|-------|--------|
| <i>Thousand of euros</i> | | |
| Financial assets and liabilities held for trading (net) | 1,605 | 889 |
| Available-for-sale financial assets (1) | 95 | 16,752 |



(1) At December 31, 2006, this mainly includes the income (16,560 thousand euros) obtained on the sale of part of the investment in Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. (see Note 9).

23

EMPLOYEE BENEFITS EXPENSE

The breakdown of the balance of this heading in the accompanying consolidated income statement for the years ended December 31, 2007 and 2006 is as follows:

| | 2007 | 2006 |
|--|--------|--------|
| <i>Thousand of euros</i> | | |
| Wages and bonuses paid to current personnel | 11,759 | 10,634 |
| Employer social security contributions | 2,342 | 1,772 |
| Allocations to defined benefit plans (Note 4.n) | 94 | 108 |
| Allocations to defined contribution plans (Note 4.n) | 188 | 72 |
| Expense of share-based payments (Notes 4.n and 16.d) | 664 | 1,439 |
| Other employee benefits expense | 290 | 746 |
| | 15,337 | 14,771 |

| | 2007 | | 2006 | |
|----------------------|------|-------|------|-------|
| | Men | Women | Men | Women |
| Management personnel | 13 | - | 14 | - |
| Technicians | 91 | 45 | 67 | 35 |
| Administrative staff | 89 | 48 | 79 | 40 |
| | 193 | 93 | 160 | 75 |

“Wages and bonuses paid to current personnel” includes the estimate of the expense of variable remuneration in 2007 and 2006 of 1,061 and 1,387 thousand euros, respectively, pending payment at December 31 (see Note 13).

“Other employee benefits expense” includes the income or expense related to the financial effect of loans extended to employees to purchase shares of the parent company, which amounted to 173 thousand euros (income) and 77 thousand euros (expense) in 2007 and 2006, respectively.

The total number of Group employees, by professional category, was as follows:

24

OTHER GENERAL ADMINISTRATIVE EXPENSES

The breakdown of the balance of this heading in the accompanying consolidated income statement for the years ended December 31, 2007 and 2006 is as follows:

| | 2007 | 2006 |
|---|--------|--------|
| <i>Thousand of euros</i> | | |
| Marketing and advertising | 2,322 | 1,207 |
| Rent paid for commercial premises | 1,246 | 1,188 |
| Data processing, technology and telecommunications expenses | 3,975 | 2,604 |
| Other expenses | 5,171 | 5,851 |
| | 12,714 | 10,850 |

“Other expenses” primarily includes expenses related to professional services, travel and entertainment expenses, office material, mail and other. This heading also includes the expense incurred for contributions to the Investment Guarantee Fund in 2007 and 2006 by Renta 4, Sociedad de Valores, S.A. (subsidiary) of 477 and 349 thousand euros as stipulated in Royal Decree 948/2001, dated August 3, on methods for indemnifying investors, amended by Law 53/2002, dated December 30, on tax, administrative and corporate measures.



25

IMPAIRMENT LOSSES ON ASSETS

The breakdown of the balance of this heading in the accompanying consolidated income statement for the years ended December 31, 2007 and 2006 is as follows:

| | 2007 | 2006 |
|--|---------|---------|
| <i>Thousand of euros</i> | | |
| Loans and advances to customers | | |
| Allowances | 826 | 2,133 |
| Recoveries | (1,802) | (2,346) |
| | (976) | (213) |
| Available-for-sale financial assets (Note 9) | 164 | 1,462 |
| Goodwill (Note 7) | - | 500 |
| | (812) | 1,749 |



26

OTHER LOSSES

The breakdown of the balance of this heading in the accompanying consolidated income statement for the years ended December 31, 2007 and 2006 is as follows:

| | 2007 | 2006 |
|--|-------|-------|
| <i>Thousand of euros</i> | | |
| Other losses | | |
| Losses on disposal of property and equipment | 13 | 1 |
| Losses on disposal of investments | - | 22 |
| Other | 1,298 | 1,507 |
| | 1,311 | 1,530 |

“Other” includes mainly the following items:

- The amount paid in connection with a lawsuit related to the activity of Renta 4, Sociedad de Valores, S.A. of 544 thousand euros.
- The transfer to bad debts of 343 thousand euros arising from a representative of Renta 4, Sociedad de Valores, S.A. which had been pardoned following his death.

| | 2007 | 2006 |
|---|------|------|
| <i>Thousand of euros</i> | | |
| Gains on disposal of property and equipment | 96 | - |
| Other | 643 | - |
| | 739 | - |



27

TAX MATTERS

The Company files a consolidated income tax return with the following companies comprising the tax group:

| SOCIEDAD | HEAD OFFICE |
|--|-------------|
| Renta 4 Aragón, S.A. | Madrid |
| Renta 4 Benidorm, S.A. | Benidorm |
| Renta 4 Burgos, S.A. | Madrid |
| Renta 4 Gestora, S.G.I.I.C., S.A. | Madrid |
| Renta 4 Huesca, S.A. | Madrid |
| Carterix, S.A. (antes Renta 4 Marruecos, S.A.) | Madrid |
| Renta 4 On-Line, S.A. | Madrid |
| Renta 4 Pensiones, E.G.F.P., S.A. | Madrid |
| Renta 4 Sociedad de Valores, S.A. | Madrid |
| Renta 4 Tarragona, S.A. | Tarragona |
| Renta 4 Inversiones de Valladolid, S.A. | Madrid |
| Renta 4 Lérida, S.A. | Madrid |
| Padinco Patrimonios S.G.C., S.A. | Madrid |

In accordance with current Spanish legislation, taxes cannot be considered definitive until they have been inspected by the tax authorities or until the four-year inspection period has elapsed. At December 31, 2007 and 2006, the companies comprising the Group are open to inspection of all taxes levied during the past four years. The Company's directors consider that no additional tax liabilities would arise from a potential tax inspection.



The breakdown of the income tax expense for 2007 and 2006 is as follows:

| | 2007 | 2006 |
|---|---------|---------|
| <i>Thousand of euros</i> | | |
| Consolidated profit before taxes | 21,520 | 25,032 |
| 32.5% tax rate (35% in 2006) | 6,994 | 8,761 |
| Adjustments to prior year income tax expense | (287) | 25 |
| Adjustment of deferred taxes arising from change in tax rates | - | (182) |
| Deductions | (689) | (538) |
| Application of loss carryforwards | - | (607) |
| Effect of non-deductible/taxable items | 171 | 375 |
| Income tax expense | 6,189 | 7,834 |
| Adjustments to prior year income tax expense | 287 | (25) |
| Adjustment of deferred taxes arising from change in tax rates | - | 182 |
| Effect of deferred taxes | (424) | 427 |
| Current tax payable | 6,052 | 8,418 |
| Withholdings and prepayments | (4,001) | (6,415) |
| Tax payable (Note 19) | 2,051 | 2,003 |

At December 31, 2007 and 2006, the Group's consolidated income tax assessment basis includes loss carryforwards of Group companies which file individual tax returns amounting to 30 thousand euros and 1 thousand euros, respectively. At December 31, 2007 and 2006, the Group's consolidated corporation tax assessment basis includes loss carryforwards of Group companies which file individual tax returns amounting to 30 and 1 thousand euros, respectively.

The tax rate applicable at December 31, 2007 is 32.5% (at December 31, 2006 was 35%). Nevertheless, Law 35/2006, dated November 28, reduced the tax rate to 30% for the years beginning on or after January

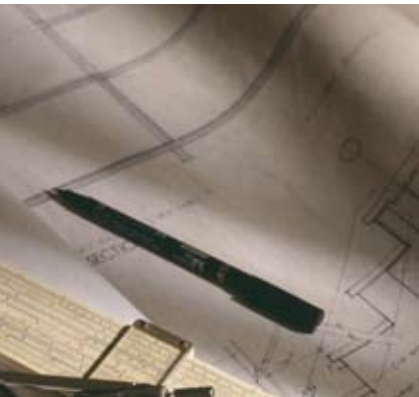
1, 2008. This has been taken into account when adjusting the deferred tax assets and liabilities arising from temporary differences that will reverse in 2008 and beyond.

In addition, taxes have been recognized with a charge to equity, mainly related to the increase in the value of available-for-sale financial assets of 8,433 and 4,104 thousand euros in 2007 and 2006, respectively and to the capital increase expenses amounting to 1,319 thousand euros in 2007.

Based on the tax returns filed by the Group and the estimates of tax payable for 2007 and 2006, the Group has the following loss carryforwards that it may apply against future tax profits:

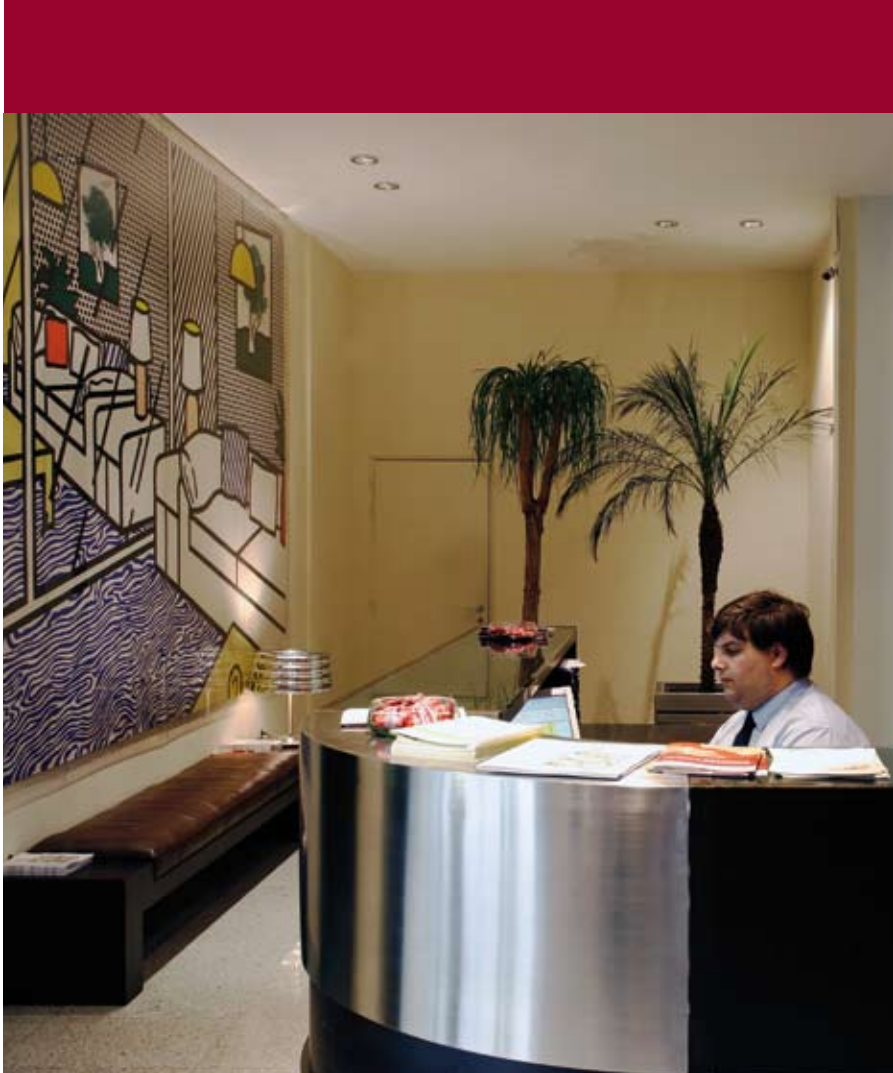
| YEAR GENERATED | 2007 | 2006 | LAST YEAR TO APPLY |
|--------------------------|------|------|--------------------|
| <i>Thousand of euros</i> | | | |
| 2006 | - | - | 2021 |
| 2005 | 1 | 1 | 2020 |
| 2004 | 429 | 444 | 2019 |
| 2003 | - | - | 2018 |
| 2002 | 1 | 1 | 2017 |
| 2001 | 139 | 139 | 2016 |
| 2000 | 66 | 66 | 2015 |
| 1999 | 4 | 4 | 2014 |
| | 640 | 655 | |

These loss carryforwards include those generated by individual companies prior to their inclusion in the tax Group, as well as those generated by companies not belonging to the tax group.



The breakdown of deferred tax assets and liabilities corresponding to temporary differences arising between the carrying amount of certain assets and liabilities and their value for tax purposes is as follows:

| DEFERRED TAX ASSETS | Temporary differences | Tax effect |
|--|-----------------------|------------|
| Thousand of euros | | |
| 2007 | | |
| Capital increase expenses | 4,346 | 1,304 |
| Financial effect of Plan 15 loans | 686 | 206 |
| Deferred tax on ladder option of stock option plan | 568 | 170 |
| | 5,600 | 1,680 |
| 2006 | | |
| Financial effect of Plan 15 loans | 863 | 251 |
| Others | 725 | 218 |
| | 1,588 | 469 |
| DEFERRED TAX LIABILITIES | Temporary differences | Tax effect |
| Thousand of euros | | |
| 2007 | | |
| Valuation adjustments of available-for-sale financial assets | 57,920 | 17,376 |
| Valuation adjustments of financial assets and liabilities are held for trading | 163 | 49 |
| Valuation for tax purposes of assets held under finance leases | 3,119 | 944 |
| Fee and commission income from Renta 4, Sociedad de Valores, S.A. (underwriting) | 756 | 246 |
| Other | 1,540 | 463 |
| | 63,498 | 19,078 |
| 2006 | | |
| Valuation adjustments of available-for-sale financial assets | 29,818 | 8,943 |
| Valuation adjustments of financial assets and liabilities are held for trading | 301 | 98 |
| Valuation for tax purposes of assets held under finance leases | 2,798 | 882 |
| Other | 1,784 | 565 |
| | 34,701 | 10,488 |



The movement in deferred tax assets and liabilities is as follows:

| | 2007 | | 2006 | |
|------------------------|---------------------|--------------------------|---------------------|--------------------------|
| | Deferred tax assets | Deferred tax liabilities | Deferred tax assets | Deferred tax liabilities |
| Thousand of euros | | | | |
| Balance at January 1 | 469 | 10,488 | 413 | 6,776 |
| Increases | 1,319 | 8,815 | 173 | 4,223 |
| Decreases | (108) | (225) | (117) | (511) |
| Balance at December 31 | 1,680 | 19,078 | 469 | 10,488 |

28

RELATED PARTIES



The Group considers as related parties key management personnel; i.e. members of the Board of Directors of the parent company, and members of senior management, which comprises 3 general managers and two members of the Board of Directors of Renta 4 Sociedad de Valores, S.A., and a company owned by a Director of the parent company. The Group does not hold any investments in associates or joint ventures.

Balances and transactions with related parties

Balances with related parties in 2007 and 2006 were as follows:

| | 2007 | 2006 |
|---|--------------|--------------|
| <i>Thousand of euros</i> | | |
| Loans to purchase shares | 1,011 | 889 |
| Client account balances at Renta 4, Sociedad de Valores, S.A. | 330 | 231 |
| | 1,341 | 1,120 |

In addition to the information provided in the following section (Compensation), expenses and income from transactions with related parties were:

| | 2007 | 2006 |
|--|------|------|
| <i>Thousand of euros</i> | | |
| General expenses | (17) | (16) |
| Brokerage, management and deposit fees and managements | 102 | 149 |
| Fee and commission expense | (36) | (36) |

Compensation of key management personnel

Compensation paid to key management personnel includes the directors of the parent company and the senior managers, which comprise 3 general managers who are not members of the Board of Directors of the parent company, as well as contributions to pension plans, are as follows:

| CONCEPT | Directors | Senior managers |
|--------------------------------|------------|-----------------|
| <i>Thousand of euros</i> | | |
| 2007 | | |
| Wages and salaries | 897 | 739 |
| Contributions to pension plans | 5 | 6 |
| Share-based payments | 94 | 34 |
| Total | 996 | 779 |
| 2006 | | |
| Wages and salaries | 867 | 579 |
| Contributions to pension plans | 3 | 11 |
| Share-based payments | 64 | 31 |
| Total | 934 | 621 |



From left to right: Luis Muñoz (Technology Director); Juan Luis López (Renta 4 Gestora President); Juan Carlos Ureta (Renta 4 President); José Ignacio García-Junceda (General Manager); Jesús Sánchez-Quiñones (General Manager)

The Group has a keyman insurance policy to cover its obligations in the event of death and disability of its senior managers. The premiums paid by the Group in both 2007 and 2006 amounted to 3 and 5 thousand euros, respectively.

In addition, the Group has an insurance policy to cover its liabilities with members of the Board of Directors and senior management for potential claims in the discharge of their duties. The premium paid by the Group in 2007 was 67 thousand euros (2006: 61 thousand euros).



Other information on directors

In compliance with the provisions of article 127 ter of the Spanish Companies Law introduced by Law 26/2003, of July 17, to enhance the transparency of companies, the directors have confirmed that they wholly or jointly own the following shares in companies having identical, similar or complementary activities to those of the Company. They have likewise confirmed the positions they hold, as well as the duties and/or functions performed in such companies:

| DIRECTOR | COMPANY | % SHAREHOLDING | POSITION |
|-----------------------------------|--|-----------------|--|
| Juan Carlos Ureta Domingo | Sociedad Rectora de la Bolsa de Valores de Madrid, S.A | - | Director |
| | Grupo Rayet (real estate company, customer of Renta 4) | - | Director |
| Jesús Sánchez – Quiñones González | Amer 2000 SICAV, S.A. | - | Secretary - Board Member |
| | Avilugam SICAV, S.A. | less than 0.01% | Chairman |
| | Blue Note SICAV, S.A. | - | Board member |
| | Beta 4 Inversiones Financieras SICAV, S.A. | less than 0.01% | - |
| | Carmen Inversiones Financieras SICAV, S.A. | less than 0.01% | - |
| | Cartera Alhamar SICAV, S.A. | | Secretary - Board Member |
| | Comermatica Kabakh SICAV, S.A. | less than 0.01% | Secretary - Board Member |
| | Cortigoso Inversiones SICAV, S.A. | less than 0.01% | Secretary - Board Member |
| | Edumone SICAV, S.A. | less than 0.01% | Secretary - Board Member |
| | Euro 21 de Inversiones SICAV, S.A. | less than 0.01% | Secretary - Board Member |
| | Eurofinatel SICAV, S.A. | less than 0.01% | Secretary - Board Member |
| | Global Systematic Investment SICAV, S.A. | less than 0.01% | Board member |
| | Guaten de Inversiones SICAV, S.A. | less than 0.01% | Secretary - Board Member |
| | Help Inversiones SICAV, S.A. | less than 0.01% | Secretary - Board Member |
| | Holdilan SICAV, S.A. | less than 0.01% | Board member |
| | Horizon Retorno SICAV, S.A. | less than 0.01% | - |
| | Inversiones Financieras Islas Occidentales SICAV, S.A. | less than 0.01% | - |
| | Kursaal 2000 SICAV, S.A. | - | Chairman |
| | Mercor Global SICAV, S.A. | - | Secretary - Board Member |
| | Mopani Inversiones SICAV, S.A. | - | Secretary - Board Member |
| | Multiplo Gestión Global SICAV, S.A. | less than 0.01% | Secretary - Board Member |
| | Numide SICAV, S.A. | less than 0.01% | Secretary - Board Member |
| | Obis Inversiones Finacieras SICAV, S.A. | less than 0.01% | - |
| | Otago Inversiones SICAV, S.A. | Less than 0.01% | - |
| | Premium Stock de Valores SICAV, S.A. | less than 0.01% | Secretary - Board Member |
| | Privalia SICAV, S.A. | less than 0.01% | Secretary - Board Member |
| | Qualified Investor SICAV, S.A. | less than 0.01% | Secretary - Board Member |
| | Ravistar SICAV, S.A. | less than 0.01% | Secretary - Board Member |
| Sofía Rodríguez - Sahagún | Renta 4 Gestión de Carteras SICAV, S.A. | less than 0.01% | Chairman |
| | Taupo Inversiones SICAV, S.A. | - | Chairman |
| | Terton Inversiones SICAV, S.A. | less than 0.01% | Secretary - Board Member |
| | Valor XXI SICAV ,S.A. | less than 0.01% | Secretary - Board Member |
| | Yelo Inversiones SICAV, S.A. | less than 0.01% | Chairman |
| | Zanzibar SICAV, S.A. | - | Secretary - Board Member |
| | ING Direct NV Sucursal en España | - | Managing Director of Marketing (member of the Management Committee) |
| | BBVA | less than 0.01% | None |
| | SCH Gestión de Carteras SGIIC, S.A. | - | Director |
| | Pridera | - | Sole Director |

29

ADDITIONAL INFORMATION

Fiduciary activities and investment services

All of the off-balance-sheet customer funds are marketed and managed by the Group of which the Company is the parent. The breakdown at December 31, 2007 and 2006 is as follows:

| | 2007 | 2006 |
|-------------------------------|-----------|-----------|
| Thousand of euros | | |
| Managed portfolios | 381,246 | 263,188 |
| Collective investment schemes | 1,260,726 | 1,113,120 |
| Pension funds | 96,235 | 66,962 |
| Total | 1,738,207 | 1,443,270 |

Fee and commission income and expenses related to the activities referred to above in 2007 and 2006 are broken down in Note 21.

At December 31, 2007 the Group managed 3,493 individual customer portfolios (December 31, 2006: 3,469 portfolios managed).



Customer service

In 2007 and 2006, the Group adopted the appropriate measures to comply with the requirements and duties of Ministry of Economics Order ECO/734/2004 dated March 11 on customer services departments, customer services and the ombudsman of financial institutions.

Article 17 of this order stipulates that customer departments and services, and financial ombudsmen of financial institutions, if any, must present an annual report to the Board of Directors explaining the actions carried out during the preceding year.

The Group received 10 complaints and claims in 2007 and 13 in 2006, all of which were accepted and processed. Of these, 60% and 77%, respectively, were ruled in favor of the Group.

Information of Circular 5/1990

Below is information which Group company Renta 4, Sociedad de Valores, S.A. must provide in accordance with the provisions of Circular 5/1990 of the National Securities Market Commission (CNMV).

- The number of employees at year end, by job category and department:

| | 2007 | 2006 |
|--------------------------|------|------|
| Management personnel | 5 | 4 |
| Technicians | 89 | 61 |
| Administrative personnel | 116 | 106 |
| | 210 | 171 |

- A list of the Company's branches in 2007 and 2006 is provided in Appendix II.
- The Group's shareholders at December 31, 2007 and 2006 were as follows:

| | |
|--------------------------------------|---|
| Chairman and Chief Executive Officer | Juan Carlos Ureta Domingo |
| Managing Director | José Ignacio García- Junceda Fernández Jesús Sánchez – Quiñones González |
| Secretary - Board Member | Pedro Ramón y Cajal Agüeras |
| Board Members: | Jesús Sánchez – Quiñones González Miguel Primo de Rivera y Urquijo D. José Antonio Castro del Val |

- A list of the Company's agents at December 31, 2007 and 2006 is provided in Appendix III.

Environmental impact

The Directors of the Group companies consider that the environmental risks that could arise as a result of its activity are minimal and, in any case, adequately covered and that no additional liabilities will arise with respect to environmental risk. During the years ended December 31, 2007 and 2006, the Group has not incurred environmental-related expenses nor has it received environmental-related subsidies.



Audit fees

The fees paid to the main auditor for the review of the 2007 consolidated annual financial statements amounted to 113 thousand euros (2006: 38 thousand euros).

These external auditors were paid 581 thousand euros in additional fees for performing other types of services (2006: 72 thousand euros), mainly for work performed in relation to the stock market flotation indicated in Note 1.

30 FINANCIAL RISK MANAGEMENT

Risk is inherent in the Group's activities, but it is managed through a process of ongoing identification, measurement and monitoring. This process is critical to the continuity of the Group's activities.

The Group is exposed to credit risk, liquidity risk, market rise and operational risk. Business risks such as changes in the environment, technology and industry are monitored through the strategic planning process.

Risk management structure

The Board of Directors is ultimately responsible for identifying and controlling risks; however, there are other delegated bodies or units responsible for managing and monitoring these risks.

Internal Audit

The Group does not have an Internal Audit Department, but it has a Control Unit in the organizational structure that reports to the Board of Directors of the parent company. The responsibilities of this unit include supervising the representatives and branches of the Group.

In addition, Renta 4 Gestora, SGILC has a controller charged with overseeing the activities of the management company and of the CIS it manages, who reports directly to this company's chairman and the Group's Control Unit.



Control Unit

The Control Unit taxes transactions of customers, representatives and/or agents and transactions with employees, ensures that the Group meets all its legal requirements and oversees relations with supervisory bodies. It also is in charge of internal control at Renta 4 Gestora, Sociedad Gestora de Instituciones de Inversión Colectiva, S.A.

The Group's Control Unit has a staff of four. The reports written by the Control Unit on subsidiaries, representatives and/or issuing agents relate to revisions of transactions with customers and compliance with prevailing legislation. They include an examination of compliance with the Group's internal regulations, which are included in the Group's procedures manual and Internal Rules of Conduct and that of the rest of the Group. There is no established frequency for these reviews; rather, they are conducted based on a schedule of visits drawn up by the Control Unit. The Audit Committee, which is composed of four members of the Board of Directors of Renta 4, Sociedad de Valores, S.A. and Renta 4 Servicios de Inversión, S.A., reviews the performance of the Control Unit at least once a year.

In 2007, the Control Unit carried out a total of 50 actions (2006: 26), with on-site checks that that commercial network's activity is in strict compliance with the Group's established operating procedures and prevailing legislation.

The Group also has a Custodian Control Unit, which is independent of the Group's Control Unit and reports to the Board of Directors of the organization. This unit supervises the activity of Renta 4, S.A., Sociedad de Valores as custodian.

The Custodian Control has a staff of one and one external supervisor. The Custodian Control Unit prepares monthly reports on the collective investment schemes of which Renta 4, Sociedad de Valores, S.A. is custodian and sends them to the National Securities Market Commission (CNMV) and included them in the internal financial statements that the Group's lawyers sends to that body. These reports include an examination of the degree of compliance of the existing information and the Group's internal regulations, which are included in the custodian's procedures manual.

The Renta 4 Group's Control Unit discharges the duties attributed to it under Law 35/2003 and RD 1309/2005 with respect to the degree of compliance with the rules of separation between the management company and the custodian in the CIS which Renta 4 Gestora, S.G.I.I.C., S.A. operated in 2007 as management company and Renta 4, S.V., S.A. as custodian.



Risk exposure

Fair value of financial instruments

Except for assets designated as "Loans and receivables," the rest of the financial assets are measured at fair value by reference to quoted securities or the use of valuation techniques based on observable date in the market (OTC derivatives). The financial liabilities are measured at amortized cost. However, given the characteristics of the financial assets and liabilities that are not measured at fair value, have short-term maturities or floating interest rates with long-term maturities, the Directors consider that the difference between the carrying amounts and the fair values of the instruments would not be significant

Credit risk

The Renta 4 Group has exposure to credit risk; i.e. the risk of loss because its counterparties fail to discharge their obligations. In this respect, it distinguishes between two types of counterparty: customers in general and financial institutions.

The risk control system for credit risk of customers is backed by the development of new individual and collective debtor assessment and classification systems, from which it determines the provisions recorded to cover potential losses.

With respect to the acceptance, monitoring and control of risks with customers in general, the Group's Control Unit ensures that the current system of discretionary management of operating limits, provided based on the guarantee (securities) deposited at the Group, is enforced. Under the terms of the contracts signed with its customers, the Group has access to the securities and units of customers' mutual funds to make up for customer debtor balances if they were not to pay (not replace the funds).

The Group's maximum exposure to credit risk is as follows:

| | Note | 2007 | 2006 |
|---------------------------|------|---------|---------|
| Thousand of euros | | | |
| Loans and receivables | 10 | 362,464 | 248,303 |
| Cash and cash equivalents | 12 | 191,786 | 161,115 |
| | | 554,250 | 409,418 |

With respect to counterparty risk with financial institutions, the Group chooses them based on their prestige and experience and bears in mind solvency ratings assigned by leading ratings agencies (e.g. Standard & Poor's and Moody's). The Control Unit verifies that the counterparty's credit rating is investment grade level, between good and high creditworthiness.

Cash and cash equivalents: the counterparties are mostly Spanish financial institutions (95% and 94% at December 31, 2007 and 2006 respectively) with ratings between A- and AA. The maximum exposure to any counterparty is 20 million euros. The foreign institutions with which the Group conducts business in international markets are Goldman Sachs, Merrill Lynch and BNP Paribas, all of which are AA- rated.

In addition, the Group uses global custody accounts for trading in international markets (see Note 20), with exposure to counterparty risk or the delivery of positions taken on behalf of its customers, but booked under its name in these accounts. The counterparties are all leading international financial groups (Goldman Sachs, Merrill Lynch and BNP Paribas), all of which are AA- rated.

Loans and receivables: the main item of this portfolio are repos with Spanish financial intermediaries with at least an A- rating. The rest are basically receivables from individuals related to trading in securities. There are guarantees for the customer positions deposited with the Group. When the Group classifies these balances as impaired, the impairment losses are determined based on the value of the positions used as guarantees.

Interest rate risk

The Directors consider that the Group’s exposure to interest rate risk is insignificant. Therefore, they do no evaluate or monitor this risk and have not established either exposure limits or procedures for monitoring interest rate risk. As seen in the information provided in the various notes to the consolidated financial statements, the Group’s policy is not to assume interest rate risk. Therefore, the Group’s financial assets and liabilities are at floating rates with short-term maturities, except long-term loans and borrowings with financial institutions (see Note 17) and some non-current loans and advances to employees of small amounts.

The future impact on the consolidated income statement of a 100 basis point increase or decrease in interest rates at December 31, 2007 and 2006 would be:

- An increase or decrease in the financial charge and, therefore, on Group profit before taxes for the finance cost of long-term borrowings (800 and 600 thousand euros on average borrowings of 80,000 and 60,000 thousand euros for 2007 and 2006 respectively) and;
- An increase or decrease in net interest income for the rest of its positions, as part of its liability balances with customers do not bear interest, whereas the realization of these in highly liquid assets does earn interest.



Market risk

The Group has well identified positions. Aside from its position in Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A., which the Group considers to be a long-term investment, these are limited to small units in mutual funds. Nonetheless, the Group applies VaR (Value at risk) methodology to asset the market risk of the positions held. This gives the maximum expected loss over a specified time horizon based on the historical performance of a security or portfolio. The VaR of these portfolios (at 1 day and with a confidence level of 99%) at December 31, 2007 and 2006 was as follows:

| | 2007 | 2006 |
|---|-------|-------|
| <i>Thousand of euros</i> | | |
| Trading portfolio (maximum potential loss) | 408 | 498 |
| Available-for-sale investments (maximum potential loss) | 4,146 | 1,821 |
| VaR (% of the portfolio) | 1.05% | 0.23% |

Operational risk

Operational risk is the risk of loss arising from inappropriate business processes or failures, human error on the part of employees and internal systems failures, or external events. It also includes technological risk.

The Group’s operational risk detection systems are based on creating an operational risk scorecard that identifies factors and analyzes scenarios that reflect the business environment in the internal control systems. For this the Group has a system of regular reporting to the heads of the business lines, senior managers and the Board of Directors.

Riesgo de liquidez

Control over the liquidity position is carried out through a structured model designed in accordance with prevailing legislation (Circular 6/1990 of the National Securities Exchange Commission), which allows for classification of both debtors and creditors.

The Group’s following a policy of protecting itself from liquidity risk, keeping enough cash and other liquid financial instruments available to meet computable liabilities with residual maturity of less than one year.

Renta 4, Sociedad de Valores, S.A. (subsidiary) has to meet a cash adequacy ratio. Therefore, assets that can easily be liquidated and are low risk must amount to least 10% of its computable liabilities with a residual maturity of less than one year. This does not include temporary and instrumental payables (brokerage customer).

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CAPITAL MANAGEMENT

The Group actively manages its capital structure by hedging its main business risks. It monitors its capital adequacy in accordance with the regulations set forth in Royal Decree 1343/1992, dated November 6, which develops Law 13/1992, dated June 1, on equity and supervision of consolidated financial entities, and CNMV Circular 6/1992 on minimum equity requirements

Capital management

The primary objectives of the Group’s capital management are to ensure that the Group complies with its externally imposed capital requirements and that the Group maintains healthy capital ratios in order to support its business and maximize shareholders’ value.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, its own equity securities, distribute reserves, etc. Law 13/1992, dated June 1, and subsequent amendments regulate the minimum capital requirements that individual and consolidated investment services companies must maintain, as well as the calculation method for such minimum capital.

At December 31, 2007 and 2006 the breakdown of consolidated equity suitable for meeting solvency requirements and the minimum equity required is as follows:

At December 31, 2007 and 2006, the equity considered eligible for meeting minimum requirements of the Group for which the company is parent exceeded that required under these regulations.

| | 2007 | 2006 |
|--|---------|---------|
| <i>Thousand of euros</i> | | |
| Capital | 16,277 | 16,248 |
| Capital | 16,277 | 16,248 |
| Accumulated reserves | 98,181 | 22,782 |
| Reserves in consolidated companies | (3,481) | (8,293) |
| Intangible and fictitious assets | (9,908) | (7,850) |
| Prior years’ losses | - | (19) |
| Revaluation reserves | 306 | 306 |
| Loans to third parties to acquire Group shares | (1,304) | (1,365) |
| Instruments eligible for inclusion in suitable equity held by the consolidated group | (45) | - |
| Suitable equity | 100,026 | 21,809 |
| Minimum equity required as per prevailing legislation | 18,063 | 13,366 |
| Surplus | 81,963 | 8,443 |

(*) Information presented in accordance with previous GAAP for the Group (CNMV Circular 5/1990)

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RECONCILIATION OF CONSOLIDATED EQUITY AND PROFIT CALCULATED UNDER CNMV CIRCULAR 5/1990 TO IFRS

As indicated in Note 2.a, this is the first year in which the Group has prepared its consolidated annual financial statements applying IFRS-EU. However, on August 27, 2007 the Group presented consolidated financial statements for 2006 and 2005 prepared in conformity with IFRS-EU, in which it established January 1, 2005 as the first-time adoption date. These statements included all the disclosures required under IFRS 1 regarding first-time adoption of IFRS.

The follow table presents the reconciliation of consolidated equity at December 31, 2006 and 2007 and of consolidated profit for 2007 and 2006 reported using the valuation criteria set forth in Circular 5/1990 of the National Securities Market Commission (CNMV) to equity and profit under IFRS, providing a breakdown of the most significant adjustments made in adopting the new standards.

RECONCILIATION OF CONSOLIDATED EQUITY

AT DECEMBER 31, 2006 AND 2007

Thousand of euros

| | Note | 31/12/07 | 31/12/06 |
|--|------|----------|----------|
| EQUITY REPORTED UNDER CIRCULAR 5/1990 | | 42,781 | 120,855 |
| Minority interests | 1.1 | 1,079 | 1,099 |
| Valuation adjustments for available-for-sale financial assets | 1.2 | 20,874 | 40,545 |
| Reserves | | | |
| Negative goodwill | 1.3 | 2,800 | 2,800 |
| Commitment to repurchase own equity instruments | 1.4 | (3,392) | (3,392) |
| Elimination of charge to profit or loss of frozen profit | 1.4 | 678 | 1,357 |
| Revaluation of trading portfolio | 1.5 | 6 | 184 |
| Cancellation of deferred tax assets | 1.9 | (946) | (682) |
| Gains (losses) on transactions with treasury shares | 1.6 | 729 | 686 |
| Elimination of goodwill amortization | 1.7 | 836 | 3,493 |
| Financial effect on interest-free loans to employees | 1.8 | (511) | (605) |
| Changes in measurement of share-based payment plan | 1.10 | (219) | (998) |
| Other | | (47) | - |
| Capital increase expenses | 1.11 | - | (3,078) |
| Adjustment of liability with Banco de Madrid for dividends and capital decreases | | | 346 |
| | | (66) | 111 |
| Other equity instruments | | | |
| Share-based payments | 1.10 | 2,176 | 1,940 |
| Treasury shares | | | |
| Treasury shares sold under repurchase agreement | 1.4 | (2,486) | (1,865) |
| Treasury shares | | - | (5) |
| Adjustments to the income statement | | 1,562 | 1,815 |
| EQUITY UNDER IFRS | | 65,920 | 164,495 |

RECONCILIATION OF 2007 AND 2006 PROFIT UNDER

CIRCULAR 5/1990 TO PROFIT UNDER IFRS

| | Note | 2006 | 2007 |
|--|------|--------|--------|
| Thousand of euros | | | |
| CONSOLIDATED PROFIT REPORTED UNDER CIRCULAR 5/1990 | | 15,636 | 13,516 |
| Adjustments | | | |
| Increase in fair value of trading portfolio | 1.5 | 172 | 237 |
| Elimination of excess goodwill amortization | 1.7 | 2,657 | 1,786 |
| Elimination of release of frozen profit | 1.4 | (678) | (678) |
| Employee benefits expense (interest on interest-free loans to employees) | 1.8 | (54) | 173 |
| Fair value of derivatives held for trading | | (11) | 11 |
| Elimination of gains (losses) on transactions with treasury shares | 1.6 | (491) | 8 |
| Changes in measurement of share-based payment plan | 1.10 | (480) | 249 |
| Tax effect of other adjustments | | 345 | 101 |
| Amortization of intangible assets (customer relationships) | | - | (102) |
| Cancellation of amortization of capital increase expenses | 1.11 | - | 46 |
| Other | | 102 | (16) |
| Total adjustments | | 1,562 | 1,815 |
| Of which: | | | |
| Attributable to the Group | | 1,562 | 1,815 |
| Attributable to minority interests | | - | - |
| CONSOLIDATED PROFIT UNDER EU-IFRS | | 17,198 | 15,331 |

Following are the explanations of the material adjustments made to the various components of consolidated equity and profit at the dates and for the years indicated arising from the adoption of IFRS:

Minority interests

"Minority interests" has been reclassified as equity.

Valuation adjustments for available-for-sale financial assets

Financial instruments have been distributed among the various categories into which they are classified for valuation purposes. These categories are as follows: "Financial assets held for trading", "Available-for-sale financial assets" and "Loans and receivables." Financial liabilities are classified into: "Financial liabilities held for trading" and "Financial liabilities." As a result of this classification, the adjustments relate mainly to the recognition at fair value of the assets included in the available-for-sale portfolio (as long as this can be measured reliably) less tax, whereas under Circular 5/1990 these were recognized at cost. The following write-down was made with an offsetting entry in assets and specific funds where fair value was lower.

Negative goodwill

Negative goodwill recognized under Circular 5/1990 was reclassified to equity under "Reserves."



Commitment to repurchase treasury shares

In 2004, the Group carried out treasury shares transactions that were derecognized from the balance sheet. These transactions generated gains under previous GAAP of 3,392 thousand euros, which were frozen pursuant to the Group's commitment to repurchase the instruments. The frozen profit was recognized in reserves of the Group. The instruments included in the repurchase commitment are included in the (5-year) share-based payment plan for employees. In accordance with Circular 5/1990, the gains and losses should be taken to the consolidated income statement as the shares are given to the employees. In accordance with IAS 32, the shares included in the repurchase commitment with Banco de Madrid were recognized as treasury shares (2,486 and 1,865 thousand euros in 2006 and 2007 respectively). The balancing entry is a financial liability with Banco de Madrid (see Note 17). The recognition in profit and loss is eliminated as the shares are given to employees.

In accordance with Circular 5/1990, each reporting period the Group recognizes the estimated cost of the shares to be delivered (see 1.10 of this Note) and the portion of frozen profit in 2004 in the income statement, which is considered to be realized as the shares are delivered (678 thousand euros).

Trading portfolio

The adjustments relate mainly to the recognition at fair value of assets held for trading (as long as this can be measured reliably), whereas under Circular 5/1990 these were recognized at cost. The following write-down was made with an offsetting entry in assets and specific funds where fair value was lower. Changes in fair value are recog-

nized in "Reserves" at the January 1, 2005 transition date and subsequently in the consolidated income statement.

Derivative financial instruments included in the trading portfolio are measured at fair value, with any gains recognized in the consolidated income statement.

Gains (losses) on disposal of treasury shares

Gains (losses) on the disposal of treasury shares recognized in accordance with Circular 5/1990 in the consolidated income statement have been reclassified as "Reserves" under IAS 32.

Elimination of goodwill amortization

Under previous standards goodwill was amortized on a straight-line basis over five years, or less if there were indications of impairment. The Group has cancelled at the different dates the amount of amortization charged in accordance with the previous standards that exceeded the impairment losses identified in the impairment tests made (see Note 7)

Interest-free loans to employees. (Plan 15)

The Group has granted employees interest-free loans to acquire shares of the parent company, repayable within a period of 15 years or when the Company obtains a stock market listing. These loans are secured by the treasury shares acquired and deposited at Renta 4, Sociedad de Valores, S.A. and are contingent on the continued employment of the employee. In addition, where the market value of the shares exceeds the amount of the loan granted, the employee is obliged to repay the loan early if the Group asks him/her to.



The Group has adjusted the financial effect of these loans recognized throughout their life. This effect has been adjusted at the date of first application by a decrease Group "Reserves" and subsequently recognizing the amount in the consolidated income statement under "Employee benefits expense."

In 2007, a debit was recognized for the early repayment of some of these loans instead of a credit to "Employee benefits expense."

Cancellation of deferred tax assets

At the transition date the Group cancelled the deferred tax assets related to the frozen profits (see 1.4 of this Note) with a charge to "Reserves" as these were cancelled upon adoption of IFRS in all the accounting related to this transaction carried out under Circular 5/1990.

Share-based payments

The estimated fair value of the options granted to employees in the share-based payment plan of the parent company recognized as a liability under "Remuneration payable" under Circular 5/1990 is reclassified as a component of equity under "Other equity instruments - Other - Share-based payments." In addition, the changes in fair value of the share-based payment plan under the new criteria applicable (see Note 4.n) led to a positive adjustment of 249 thousand euros in 2007 and a negative adjustment of 480 thousand euros in 2006.

This difference, as described in Note 4.n), arose because the accrual period was considered to start at the date the plan was launched and end at the date of delivery, and cost was determined by using a percentage of acceptance. These hypotheses were not used in the accounts recorded in compliance with Circular 5/1990.

Capital increase expenses

Due to the capital increase held in 2007 (see Note 16.a) for the IPO, the Company incurred expenses recognized through a decrease to "Reserves" of the Group. Under Circular 5/1990, these expenses are recognized as an asset on the consolidated balance sheet and amortized on a straight-line basis over a period of 5 years.



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EVENTS AFTER THE BALANCE SHEET DATE

On January 31, 2008, the Board of Directors of the parent company decided to pay an interim dividend of 0.064 euros per share, for a total amount of 2,587 thousand euros, charged against 2007 profit, which complies with its liquidity requirements and the amount distributable, and of 0.086 euros per share, for a total amount of 3,477 thousand euros, charged against reserves. The liquidity statement on which the dividend payment was agreed was as follows:

| | |
|--|--------|
| Thousand of euros | |
| Estimate of distributable profit for the year | |
| Profit after tax at December 31, 2007 | 2,616 |
| Less: legal reserve allowance | - |
| Estimate of distributable profit for the year | 2,616 |
| Interim dividends paid | - |
| Estimate of cash flow for the period between the date of the agreement and one year after: | |
| Cash at the date of the agreement | 52,018 |
| Estimate cash one year after the date of the agreement | 46,018 |



The dividend was paid to partners on February 11, 2008. At the same time, the Board agreed on a plan to reinvest dividends in shares of Renta 4 Servicios de Inversión, S.A. under the following terms:

- The plan grants Company shareholders the possibility or option to reinvest dividends received on February 11, 2008 in shares of Renta 4 Servicios de Inversión, S.A. within the following five trading days (in stock market terms).
- The price of the shares is calculated as the arithmetical average of the weighted average price of the shares on the Spanish electronic trading platform (continuous market) on the dividend payment date and of the five trading days thereafter.

On February 15, 2008 Renta 4 Servicios de Inversión, S.A., filed a relevant event with the CNMV related to the tender offer made for 100% of the capital of some companies of the Gaesco group subject to certain terms and conditions. At the date of preparation of these consolidated annual financial statements, it is still unknown whether the offer has been accepted and, therefore, the potential impact of the transaction on the equity and financial position of the Renta 4 Group.

In addition, on February 17, 2008, the following legislation came into effect:

- RD 216/2008 on capital of financial institutions which enacts Laws 36/2007 and 47/2007 incorporating the Basel II Capital Accord of 2004 into Spanish regulations and advances the transposition of community directives on access to lending activities and capital adequacy of investment firms and credit institutions.
- RD 217/2008 on the legal regime for investment firms and other entities providing investment services, which partially amends the regulations set forth in Law 35/2003 on Collective Investment Schemes aimed at completing the transposition of the Markets in Financial Instruments Directives (MiFID) provisions and the regulatory development of the regime applicable to investment service providers.

The new legislation includes measures aimed at modernizing financial markets, increasing investor protection and ultimately adapting the organizational requirements of firms providing investments services in order

to guarantee that the organization, in general, adapts to the complexity of the range of services provided.

While this set of rules requires additional development on a lower level (circulars) on the part of the Bank of Spain and the National Securities Commission, the Group is assessing their impact on its organization, business and relations with customers, as well as on the measurement of its risks and minimum capital requirements. However, the Directors of the Company consider that adapting to the new legislation will not have a significant impact on the equity and financial position of the Group, although they do envisage modifying the minimum level of capital required to better adapt to the Group's risk. This effect will appear in the capital statements sent to the supervisory bodies in 2008.

From December 31, 2007 up to the approval by the Directors of the parent company of the accompanying consolidated financial statements, no other significant event has taken place that could have an effect on these consolidated financial statements.



I

appendix

Breakdown of equity investments in Group companies at December 31, 2007

This appendix forms an integral part of Note 3 of the Notes to the consolidated financial statements, with which it should be read.

| Company | Head office | Line of business | %shareholding Direct | %shareholding Indirect | %shareholding Total | Capital | Reserves | Profit/(loss) | Interim dividend |
|--|---------------|--------------------------|-------------------------|---------------------------|------------------------|---------|----------|---------------|---------------------|
| Thousand of euros | | | | | | | | | |
| Carterix, S.A. (previously Renta 4 Marruecos, S.A.) | Madrid | Computer and IT services | 5.00 | 94.92 | 99.92 | 782 | (102) | 6 | - |
| Padinco Patrimonios, S.G.C., S.A. | Madrid | Portfolio management | 100.00 | - | 100.00 | 105 | 79 | (13) | - |
| Renta 4 Vizcaya, S.A. | Vizcaya | Financial services | | 99.99 | 99.99 | 391 | (363) | - | - |
| Sociedad de Estudios e Inversiones, S.A: | Alicante | Financial services | | 99.99 | 99.99 | 60 | (19) | - | - |
| Renta 4 Tarragona, S.A. | Tarragona | Financial services | - | 99.89 | 99.89 | 61 | (8) | (5) | - |
| Renta 4 Guipúzcoa, S.A. | San Sebastián | Financial services | - | 15.00 | 15.00 | 60 | 1,103 | 75 | - |
| Renta 4 Aragón, S.A. | Madrid | Financial services | 99.96 | - | 99.96 | 62 | 10 | - | - |
| Renta 4 Burgos, S.A. | Madrid | Financial services | 99.97 | - | 99.97 | 69 | 13 | (1) | - |
| Renta 4 Gestora, S.G.I.I.C., S.A. | Madrid | CIS management company | 99.99 | - | 99.99 | 2,374 | 2,284 | 1,587 | - |
| Renta 4 Huesca, S.A. | Madrid | Financial services | 99.94 | - | 99.94 | 3 | (1) | - | - |
| Renta 4 Inversiones de Valladolid, S.A. | Madrid | Financial services | 85.00 | 14.00 | 99.00 | 60 | 712 | (2) | - |
| Renta 4 Lérida, S.A. | Madrid | Advisory and consulting | 81.66 | - | 81.66 | 90 | - | (1) | - |
| Renta 4 On Line, S.A. | Madrid | Financial services | 99.00 | - | 99.00 | 60 | (25) | - | - |
| Renta 4 Pensiones, E.G.F.P., S.A. | Madrid | Pension fund management | 99.98 | - | 99.98 | 1,515 | 130 | 89 | - |
| Renta 4, Sociedad de Valores, S.A. | Madrid | Stockbroking | 99.99 | - | 99.99 | 6,105 | 13,331 | 16,675 | 3,555 |
| Rentsegur, Correduría de Seguros, S.A. | Madrid | Insurance brokerage | - | 72.49 | 72.49 | 120 | (77) | 15 | - |
| Renta 4 Corporate, S.A. (previously Renta 4 Planificación Empresarial, S.A.) | Madrid | Advisory and consulting | 100.00 | - | 100.00 | 92 | 77 | (95) | - |
| Carterix, S.A. (previously Renta 4 Marruecos, S.A.) | Madrid | Computer and IT services | 5.00 | 94.90 | 99.90 | 782 | (106) | 4 | - |
| Gesdinco Gestión, S.G.I.I.C., S.A. | Madrid | CIS management company | 100.00 | - | 100.00 | 641 | 574 | 533 | - |
| Padinco Patrimonios, S.G.C., S.A. | Madrid | Portfolio management | 100.00 | - | 100.00 | 105 | 66 | 13 | - |
| Renta 4 Aragón, S.A. | Zaragoza | Financial services | 99.96 | - | 99.96 | 62 | 12 | (2) | - |
| Sociedad de estudios e Inversiones, S.A. | Benidorm | Financial services | - | 99.99 | 99.98 | 60 | (19) | - | - |
| Renta 4 Burgos, S.A. | Burgos | Financial services | 99.97 | - | 99.97 | 35 | 14 | (1) | - |
| Renta 4 Gestora, S.G.I.I.C., S.A. | Madrid | CIS management company | 99.99 | - | 99.99 | 2,073 | 832 | 354 | - |
| Renta 4 Huesca, S.A. | Huesca | Financial services | 99.94 | - | 99.94 | 3 | 1 | 1 | - |
| Renta 4 Guipúzcoa, S.A. | San Sebastián | Financial services | - | 15.00 | 15.00 | 60 | 1,038 | 65 | - |
| Renta 4 Inversiones de Valladolid, S.A. | Valladolid | Financial services | 85.00 | 13.99 | 98.99 | 60 | 715 | (3) | - |
| Renta 4 Lérida, S.A. | Lérida | Advisory and consulting | 81.66 | - | 81.66 | 90 | - | (1) | - |
| Renta 4 On Line, S.A. | Madrid | Financial services | 99.00 | - | 99.00 | 60 | (25) | - | - |
| Renta 4 Pensiones, E.G.F.P., S.A. | Madrid | Pension fund management | 99.97 | - | 99.97 | 950 | 52 | 77 | - |
| Renta 4, Sociedad de Valores, S.A. | Madrid | Stockbroking | 99.99 | - | 99.99 | 6,105 | 8,939 | 10,536 | - |
| Renta 4 Tarragona, S.A. | Tarragona | Financial services | - | 99.89 | 99.89 | 61 | (8) | - | - |
| Renta 4 Planificación Empresarial, S.A. (previously Renta 4 Terrasa, S.A.) | Madrid | Advisory and consulting | 70.00 | - | 70.00 | 15 | (8) | - | - |
| Renta 4 Vizcaya, S.A. | Bilbao | Financial services | - | 99.99 | 99.99 | 391 | (363) | - | - |
| Rentsegur, Correduría de Seguros, S.A. | Madrid | Insurance brokerage | - | 72.49 | 72.49 | 120 | (83) | 6 | - |

(*) Information per books before adjustments to adapt to IFRS.

II

appendix

List of the branches of Renta 4, Sociedad de Valores, S.A.

This appendix is an integral part of Note 29 of the notes to the accompanying consolidated financial statements, with which it should be read.

| BRANCHES |
|--|
| AVDA. DEL CID, 1, 1º A-B 09005 - BURGOS |
| AVDA. FEDERICO SOTO, 22, ENTLO. 03001 - ALICANTE |
| AVDA. RAFAEL CABRERA, 1, 1ª PTA. OF 8 35002 - LAS PALMAS DE GRAN CANARIAS (GRAN CANARIA) |
| AVDA. RAFAEL GONZÁLEZ NEGRÍN Nº 17, 1º 35500 - ARRECIFE (LAS PALMAS) |
| AVENIDA FERNÁNDEZ LADREDA, Nº 11, 1º A 40001 - SEGOVIA (SEGOVIA) |
| AVENIDA DE MADRID, 56 B - 1º A 23008 - JAÉN |
| C./ COLÓN, Nº 31, 1º, PTA 3 46004 - VALENCIA |
| C./ MAS DEL RIVERO, 17 45005 - TOLEDO |
| C/ NUMANCIA, Nº1, 1º D 42001 - SORIA |
| C/ SAN CLEMENTE, 24 38003 - SANTA CRUZ DE TENERIFE (TENERIFE) |
| C/ CAVIA, 8, BAJO 22005 - HUESCA |
| C/ COLÓN, EDIFICIO JOEN, Nº45, 1º, 1 46400 46400 - CULLERA (VALENCIA) |
| C/ JUAN HERRERA 2, ENTRESUELO 5 39002 - SANTANDER (CANTABRIA) |
| C/ PELAYO, 4, 2º 33003 - OVIEDO (ASTURIAS) |
| C/ RUA DO PROGRESO, Nº127, LOCAL 2A PB 32003 - OURENSE |
| C/ SAN PEDRO ALCÁNTARA Nº2, 1º, 2 10002 - CÁCERES |
| C/ SAN PRUDENCIO Nº8A, PISO 3º 01005 - VITORIA (ÁLAVA) |
| C/ TERESA HERRERA, Nº 8, BAJO 15004 - A CORUÑA |
| C/IGNACIO MARTÍNEZ DE AZCOITIA, Nº 5 34001 - PALENCIA |
| C/PROGRESO, 38 36202 - VIGO (PONTEVEDRA) |
| C/RAMÓN Y CAJAL Nº5, 1ºA 13001 - CIUDAD REAL |
| CALLE ORDOÑO II, Nº 11, 1º 24001 - LEÓN |
| CALLE VALENCIA, 6 28945 - FUENLABRADA (MADRID) |
| CL. TESIFONTE GALLEGO Nº 16, ENTREPLANTA 02002 - ALBACETE |
| CL. TORO, 76 37002 - SALAMANCA |
| CRTA. BARCELONA, 2 EDIF. VERTEX 3º, 1º 17001 - GIRONA |
| PLAZA DE LA CONSTITUCIÓN, Nº1A, ENTREPLANTA 06004 - BADAJOZ |
| PLAZA DE LA PAZ, Nº 5. ENTRESUELO 12001 - CASTELLÓN |
| PLAZA DE LOS SITIOS, 1, DPTO. 50001 - ZARAGOZA |
| PLAZA DE SANTO DOMINGO, Nº1,1ªPTA,APT.D 19001 - GUADALAJARA |
| PLAZA DUQUE DE LA VICTORIA, 1, 3º, 3 41002 - SEVILLA |
| PZA. DE LA AURORA, 5 30001 - MURCIA |
| PASEO MARQUÉS DEL PUERTO, 6 48009 - BILBAO |
| PASEO SARASATE, 16, ENTREPLANTA 31001 - PAMPLONA (NAVARRA) |
| PASEO DE ALMERÍA, Nº 81, 1º IZQDA 04001 - ALMERÍA |
| PASEO DE MALLORCA, 32 07012 - PALMA DE MALLORCA (BALEARES) |
| PLAZA ISABEL DE CATÓLICA, 1 18009 - GRANADA |
| PLAZA SANTA ANA, 2, 2º B 47001 - VALLADOLID |
| PLAZA DE ESPAÑA, 5 11004 - CÁDIZ |
| PLAZA DE SANTA TERESA, Nº 14, 2º IZQUIERDA Y DERECH 05001 - ÁVILA |

| |
|--|
| PLAZA DE SANTO DOMINGO, 5, 3ª PTA. 27001 - LUGO |
| PLZA. CONSTITUCIÓN, 2, 4º 29005 - MÁLAGA |
| Pº DE GRACIA, 74, 5º 08008 - BARCELONA |
| RAMBLA FERRA, 45 25007 - LLEIDA |
| RAMBLA NOVA, 90 43001 - TARRAGONA |
| RONDA DE TEJARES Nº6, OFICINA 6 14001 - CÓRDOBA |
| VARA DEL REY, 24 26002 - LOGROÑO (LA RIOJA) |
| AVENIDA DE LA INDEPENDENCIA, 2, 20 24001 - LEÓN |
| AVENIDA DEL CID, 1, 10 A-B 09005 - BURGOS |
| AVENIDA FEDERICO SOTO, 22, ENTLO. 03001 - ALICANTE |
| AVENIDA PEDRO BARRIE DE LA MAZA, 31, 10 A 15004 - A CORUÑA |
| AVENIDA RAFAEL CABRERA, 1, 1ª PTA. OF 8 35002 - LAS PALMAS DE GRAN CANARIAS (GRAN CANARIA) |
| AVENIDA RAFAEL GONZÁLEZ NEGRÍN NO 17, 1ª 35500 - ARRECIFE (LAS PALMAS) |
| CALLE COLÓN, 28 46004 - VALENCIA |
| CALLE MAS DEL RIVERO, 17 45005 - TOLEDO |
| CALLE NUMANCIA, 1 10D 42001 - SORIA |
| CALLE SAN CLEMENTE, 24 10A 38003 - SANTA CRUZ DE TENERIFE (TENERIFE) |
| CALLE CAVIA, 8, BAJO 22005 - HUESCA |
| CALLE COLÓN, EDIFICIO JOEN, 45, 10, 1 46400 - CULLERA (VALENCIA) |
| CALLE JUAN HERRERA, 2, ENTRESUELO 5 39002 SANTANDER (CANTABRIA) |
| CALLE RUA DO PROGRESO, 127, LOCAL 2A PB 32003 - OURENSE |
| CALLE SAN PEDRO DE ALCÁNTARA 2, 10, 2 10001 CÁCERES |
| CALLE SAN PRUDENCIO 8A., PISO 30 01005 - VITORIA (ÁLAVA) |
| CALLE TESIFONTE GALLEGO, 16 , ENTREPLANTA 02002 ALBACETE |
| CALLE PROGRESO, 38 36202 - VIGO (PONTEVEDRA) |
| CALLE VARA DEL REY, 24 26002 - LOGROÑO (LA RIOJA) |
| CALLE VALENCIA, 6 28945 - FUENLABRADA (MADRID) |
| CALLE FALCÓ, 8, 10 12002 - CASTELLÓN |
| CALLE TORO, 76 37002 - SALAMANCA |
| CARRETERA BARCELONA, 2 EDIF. VERTEX 30, 10 17001 - GIRONA |
| PASEO DE ALMERÍA, 81 10IZDA 04001 - ALMERÍA |
| PASEO DE MALLORCA, 32 07012 - PALMA DE MALLORCA (BALEARES) |
| PASEO MARQUÉS DEL PUERTO, 6 48009 – BILBAO |
| PLAZA DE ESPAÑA, 5 11004 - CÁDIZ |
| PLAZA DE LA CONSTITUCIÓN, Note, ENTREPLANTA 06004 - BADAJOZ |
| PLAZA DE LOS SITIOS, 1, DPTO. 50001 - ZARAGOZA |
| PLAZA DE SANTO DOMINGO, 5, 3ª PTA. 27001 - LUGO |
| PLAZA DUQUE DE LA VICTORIA, 1, 30, 3 41002 – SEVILLA |
| PLAZA ISABEL DE CATÓLICA, 1 18009 - GRANADA |
| PLAZA SANTA ANA, 2, 2º B 47001 - VALLADOLID |
| PLAZA. CONSTITUCIÓN, 2, 40 29005 - MÁLAGA |
| PASEO DE GRACIA, 74, 50 08008 - BARCELONA |
| PASEO SARASATE, 16, ENTREPLANTA 31001 PAMPLONA |
| PLAZA DE LA AURORA, 5 30001 - MURCIA |
| RAMBLA FERRÁN, 45 25007 - LLEIDA |
| RAMBLA NOVA, 90 43001 – TARRAGONA |
| RONDA DE TEJARES Nº6, OFICINA 6 14001 - CÓRDOBA |

appendix

List of Agents for Renta 4, Sociedad de Valores, S.A. at December 31, 2007

This appendix is an integral part of Note 29 of the notes to the consolidated financial statements for 2006 with which it should be read.

AGENTS

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|--|
| AGUIRRE BASSET, ALFONSO |
| ALBAJAR GIMÉNEZ, MANUEL |
| ARETILLO CAÑADA, SUSANA |
| ARCOS BARAZAL S.A. |
| ARTALEJO FERRER, MARTÍ |
| BABALITA, S.L. |
| BORRÁS-VÁZQUEZ-CAMESELLE-ARTAI CORREDURÍA DE SEGUROS, S.A. |
| BOSS ESTUDIO EMPRESARIAL, S.L. |
| CENTENNIAL SERVICIOS COMERCIALES Y ASESORAMIENTO, S.L. |
| DE LA FUENTE ARTEAGA, JORGE |
| DEL VALLE PETERSFELDT, JAVIER |
| DÍAZ PÉREZ, GONZALO |
| ECHEVARRIA BARBERENA, MERCEDES |
| FERNÁNDEZ MARTÍNEZ, CARLOS |
| FERNÁNDEZ ÁLVAREZ-SANTULLANO, ANDRÉS, S.L. |
| FORET USSIA, JOSÉ LUIS |
| GALLO LÓPEZ, FELIZ ALFONSO |
| HORIZÓN CAPITAL, S.L. |
| INTERVAL GESTIÓN S.L. |
| LAJAC S.A. |
| LÉRIDA TURABIAN, JOSÉ ANTONIO |
| LÓPEZ LÓPEZ, ANTONIO CEFERINO |
| LÓPEZ MINGUEZ, ANTONIO |
| MISUIN GESTIÓN, S.L. |
| MORENO PÉREZ, VÍCTOR |
| MUÑOZ SÁNCHEZ, LORENZO PABLO |
| PERIGOT CAMPOS, RICARDO |
| PRIDERA, S.L. |
| PRIMO DE RIVERA & LLANZA, S.L. |
| PRIMO DE RIVERA ORIOL, FERNANDO |
| RENPROA S.L. |
| RENTA 4 GUIPÚZCOA, S.A. |
| SIMO & PRADO ACTIUS, S.L. |
| VALDENEBRO FERNÁNDEZ, ENRIQUE |
| VARGAS ESCOBAR, RAFAEL |
| VEGA-HAZAS PORRUA, JUAN MARÍA |
| YELSEN ASESORES, S.L. |
| YIDOSA, S.A. |
| AGUIRRE BASSET, ALFONSO |
| ALBAJAR GIMÉNEZ, MANUEL |

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| ARCOS BARAZAL SA |
| AREITIO CAÑADA, SUSANA |
| ARTALEJO FERRER, MARTÍ |
| BABALITA, S. L. |
| BIURRUN ECHEVERRI, IZASKUN |
| BORRAS-VÁZQUEZ-CAMESELLE-ARTAI CORREDURÍA DE SEGUROS, S.A. |
| BOSS ESTUDIO EMPRESARIAL, S.L. |
| CAMPUZANO PÉREZ, AURORA |
| CENTENNIAL SERVICIOS COMERCIALES Y ASESORAMIENTO SL |
| DE LA FUENTE ARTEAGA, JORGE |
| DEL VALLE PETERSFELDT, JAVIER |
| DÍAZ PÉREZ, GONZALO |
| FERNÁNDEZ ÁLVAREZ, ANDRÉS, S.L. |
| FERNÁNDEZ MARTÍNEZ, CARLOS |
| FORET USSIA, JOSÉ LUIS |
| GALLO LÓPEZ, FELIZ ALFONSO |
| GARCÍA VILLANUEVA, RAFAEL |
| GÓMEZ IBÁÑEZ, FRANCISCO |
| HILARIO DE LA VEGA, MARCOS |
| INTERVAL GESTIÓN S. L |
| LAJAC S.A. |
| LÉRIDA TURABIAN, JOSÉ ANTONIO |
| LÓPEZ MINGUEZ, ANTONIO |
| MISSIN GESTIÓN, S.L. |
| MORENO PÉREZ, VÍCTOR |
| MUÑOZ SÁNCHEZ, LORENZO PABLO |
| NITA SURI, S.L. |
| OLAZABAL GARCÍA, FERNANDO |
| PERIGOT CAMPOS, RICARDO |
| PRIDERA, S.L. |
| PRIMO DE RIVERA & LLANZA, S.L. |
| PRIMO DE RIVERA ORIOL, FERNANDO |
| RENPROSA, S.L. |
| RENTA 4 GUIPÚZCOA SA |
| RENTSEGUR INTERMEDIADOR FINANCIERO SA |
| ROSSELLO GALMES, JUANA MARÍA |
| SIMO & PRADO ACTIUS, S.L. |
| SIMO GÓMEZ-IGUAL, IGNACIO |
| ULLASTRES ROCHES, ANA MARIA |
| VALDENEBRO FERNÁNDEZ, ENRIQUE |
| VARGAS ESCOBAR, RAFAEL |
| VEGA-HAZAS PORRUA, JUAN MARÍA |
| YELSEN ASESORES, S.L. |

APPROVAL OF THE 2007 CONSOLIDATED FINANCIAL STATEMENTS

The members of the Board of Directors of Renta 4 Servicios de Inversión, S.A. state that to the best of their knowledge the 2007 consolidated annual financial statements approved at the meeting held March 13, 2008 and prepared in accordance with the accounting principles applied, give a true and fair view of the consolidated equi-

ty, financial position and results of Renta 4 Servicios de Inversión, S.A. and subsidiaries, and that the management report includes a fair analysis of the business results and position of Renta 4 Servicios de Inversión, S.A. and subsidiaries, as well as a description of the main risks and uncertainties facing the Group.



D. Juan Carlos Ureta Domingo
Chairman



D. Jesús Sánchez-Quñones
Board member



D. Santiago González Enciso
Board member



D. Miguel Primo de Rivera y Urquijo
Board member



D. Pedro Ángel Navarro Martínez
Board member



D. José María Cuevas Salvador
Board member



D. Juan Perea Sáenz de Bururaga
Board member



Dª. Pedro Ferreras Díez
Board member



D. Pedro Ramón y Cajal
Non Director Secretary



Dª. Sofía Rodríguez-Sahagún Martínez
Board member



D. Eduardo Trueba Cortés
Board member

4

MANAGEMENT REPORT



4

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01

ECONOMIC ENVIRONMENT AND FINANCIAL MARKETS

Global economic growth remain solid in 2007, driven mainly by the boom in activity in emerging markets.

Gross domestic product (GDP) in the US rose 2.2% in the year, slowing sharply in the year's last quarter. This was 7bp lower than in 2006 and marked a five-year low.

Meanwhile, the Japanese economy grew 3.7%. In Latin America, activity indicators in the fourth quarter of 2007 were mixed across countries, but robust in most.

GDP in the euro zone advanced by nearly 2.8%, with Spain posting one of the highest rates, at 3.5%.

On the inflation front, rising commodities prices -including oil- pushed up consumer prices and caused headline inflation in the euro zone to accelerate to slightly over 3% in 2007 from below 2% in 2006.

Threats to the global economic outlook have heightened recently, mostly due to pressures arising in the US sub-prime mortgage market in the summer and in the UK market thereafter. High-risk mortgages, known as sub-prime in US, are generally used to buy homes. Evidence that leading banking institutions and mutual funds held assets secured by sub-prime mortgages led to a sudden credit crunch in the second half of the year and extreme volatility in the US stock markets. This, in turn, caused widespread uncertainty and prompted investors to panic, especially because of the lack of liquidity -although the sub-prime crisis was concentrated in the US, with some knock-on effect on the UK (Spanish banks have scant exposure to this type of asset)- and of the increasing globalization of the economies and financial markets of both developed countries and emerging countries.

This generated a confidence crisis in the credit market, prompting central banks to inject liquidity into the financial system as financial entities' usual sources of fund-raising all but dried up. There is a fear that the impact of the crisis will spread deeper into stock markets as tougher access to financing by companies and banks, coupled with lower earnings, could further dampen economic growth.

There are also risks related to global imbalances, protectionist measures and the possibility of further rises in crude and commodity prices.

Alongside the risks facing the global economy, the Spanish economy has its own uncertainties. Specifically, the IMF has cut its growth forecasts for Spain to 2.7% in 2008 from 3.6% in 2007, citing the negative impact of the country's high level of indebtedness, rises in interest rates (1.8pp since January of 2006) and the downturn in residential real estate development.

However, further progress was made in achieving more balanced growth, with a sharp decline in the contribution by net trade to GDP growth and a change in the domestic spending mix. Lending to businesses and households has begun to taper off, which should help drive a change in the model which the Spanish economy has needed for some time.

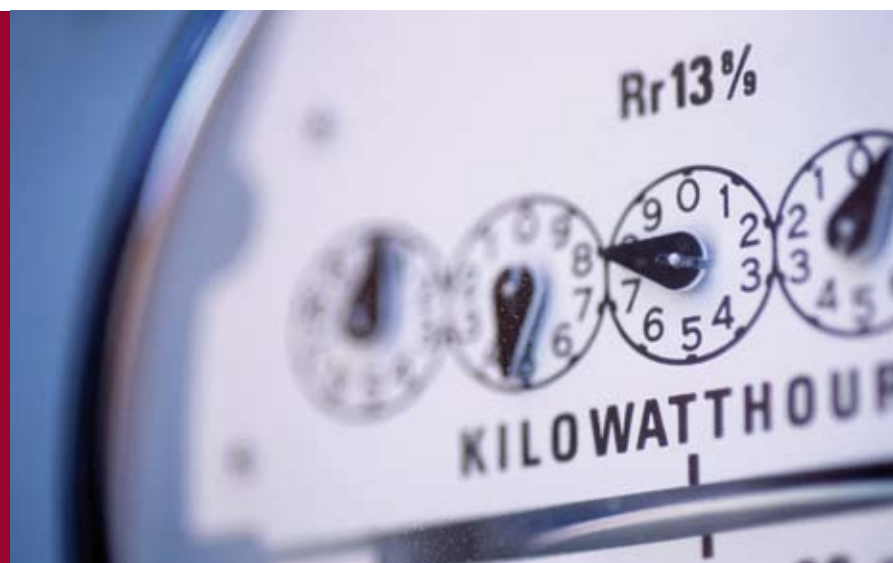
As for the implications of this change in model on stock markets, the likely slowdown of the economy -already being seen in real estate development (fewer housing starts, lower growth in transactions and stagnant prices- could feed through to investors in stocks (as substitute assets). Meanwhile, higher interest rates could benefit bank deposits over financial deposits. In this respect, competition among generalist banks to attract liabilities has heightened, which could boost deposits and undermine trading in marketable securities.

Intense commercial activity is underway to sign up deposits and channel fund flows out of real estate and into the financial sector:

- In the face of these latent risks, the global financial system could come under pressure in 2008, leading to sharp corrections by financial markets. These corrections should be short-lived, however, given the greater balance of global growth, with the euro zone, Asia and emerging markets free from facing as sharp a deceleration as the US economy is likely to face.



In the second half of 2007 the markets already began reflecting the rise in volatility caused by major uncertainties surrounding the world's leading bourses. Although the Ibex 35, the Dow Jones and other indices hit all-time highs, the jump in gold prices, the euro/dollar exchange rate and crude prices, coupled with the financial crisis described above, point to pressure in both credit and equity markets in 2008.



02

INDUSTRY TRENDS



- The Spanish stock market rose in 2007 for the fifth straight year, albeit at a slower pace. The Ibex-35 gained 7.32% after soaring 31.79% in 2006. Trading volume also reached record levels, rising 45% more than in 2006.
- 2007 was another busy year for growth companies, M&A and takeover bids. There were 10 IPOs and public offerings in the year.
- A total of 17 takeover bids were executed for an equivalent amount of over

47,500 million euros. The volume of rights issues surpassed 59,155 million euros, double the year earlier.

- Activity on the Spanish derivatives market (MEFF) was intense in 2007, with new record trading volume. The good performance of spot markets drove volumes to nearly 52 million contracts, 5 million more than in 2006. Meanwhile, the offer of futures and options increased to cover all Ibex 35 stocks. Elsewhere, by the end of the year the alternative equity market (MAB) included most Spanish SICAVs.
- On the fixed-income market, in the year's last quarter the financial crisis hit government bond prices hard, making them a safe haven for investors (and causing US 10-year treasury yields to fall).
- The Spanish private fixed-income market held up well amid the turmoil in the second half of 2007. Trading volume in 2007 totaled 1.11 trillion euros, with private issues generating net financing worth 169 billion euros, slightly higher than in 2006. Fund raising through commercial paper helped companies face the tightening of credit conditions.
- In 2007, like in recent years, the private fixed-income market fared well, with tra-

ding volume reaching 1.11 trillion euros. Net financing from private debt issues rose 16% to 169 billion euros.

- CISs sustained a 2.7% drop in assets under management. Assets managed by CISs (investment companies, mutual funds and REITs) amounted to 314.081 billion euros. The total number of unitholders was over 9.3 million.
- Meanwhile, pension fund assets rose 6.5%. The total number of unitholders topped 10.3 million, 5% more than the year before.
- En cuanto a los Fondos Cotizados en Bolsa (ETFs), que iniciaron su negociación el año anterior, han alcanzado ya 22 productos negociados.

The number of exchange traded funds (ETFs), which started quoting in 2006, reached 22 in 2007.



03

PERFORMANCE OF THE RENTA 4 GROUP. HIGHLIGHTS

Renta 4 Servicios de Inversión and subsidiaries continued to roll out their business model successfully in 2007, culminating in the Group's listing on the Spanish electronic trading market.

- According to the data published by the Madrid Stock Exchange on brokerages and broker-dealers, Renta 4 remained among the top brokers by billing. Specifically, Renta 4 ranked 11th by net profit, 8th by operating profit –up two places from 2006– and 8th by commissions earned.
- Growth in the number of accounts accelerated to 32%, with the total rising from 74,653 to 98,304. Managed funds grew 25% to 4,243 million euros. Renta 4 continued to increase new business from customers in 2007, registering 624 million euros in new funds.

Renta 4 also continued to roll out new information technologies in 2007, reinforcing its “on line” channel and expanding its e-trading systems. This strategy came alongside heavy investment in IT systems to streamline internal processes, achieve greater automation and control over tasks and generate a larger flow of information to customers.

Renta 4 continues to be a pioneer in bringing investors closer to the securities mar-

kets through its strong commitment to technological development, enabling it to offer all available products to its customers while simplifying its own operating processes.

In addition, during the year the Company began adapting to the new requirements of the Markets in Financial Instruments Directive (MiFID), which entailed huge efforts and a large amount of resources.



04

OUTLOOK

Given the great deal of volatility in the early months of 2008, forecasting the trading environment for Renta 4 in the coming months with any degree of finesse is difficult, at best.

With this premise, Renta 4's aim is to continue as it has in previous years, growing its customer base, the assets it manages and operating revenues. The will be the goal regardless of market conditions. The Company will particularly focus on developing its commercial network, enhancing its on-line service offering and penetrating new customer and operating segments.



05

R&D ACTIVITIES

As in previous years, R&D efforts in 2007 focused on technological advances in trade routing, with special emphasis on trading with other brokers, automated decision-making systems and CIS portfolio management applications.

These efforts have enabled Renta 4 to increase its capacities by developing new applications to monitor and control operations.



06

CAPITAL AND OWN INSTRUMENTS

In compliance with Article 116 bis of the Securities Market Law, the following information is included:

- The structure of capital, including securities which are not admitted to trading on a regulated EC market, where appropriate with an indication of the different classes of shares and, for each class of shares, the rights and obligations attaching to it and the percentage of total share capital that it represents:

At December 31, 2007, the Company's share capital amounted to 16,277,281.20 euros and consisted of 40,693,203 shares with a nominal value of 0.40 euros each, fully subscribed and paid up. All shares bear the same voting and dividend rights. There are no shares that do not represent share capital.

The Company's shares are listed on the electronic trading platform of Spain's stock exchanges.

The Company has not issued any convertible and/or exchangeable bonds for shares of Renta 4 Servicios de Inversión S.A.

In their extraordinary general meeting held on July 24, 2007, shareholders agreed to decrease share capital by 3,249,609 euros by reducing the nominal value of the shares by 0.20 euros, from 1 euro to 0.80 euros.

At the extraordinary general meeting held on September 29, 2007 shareholders approved a further reduction in the nominal value of the shares, from 0.80 to 0.40 euros per share, and a split in the number of shares outstanding, from 16,248,045 to 32,496,090 shares.

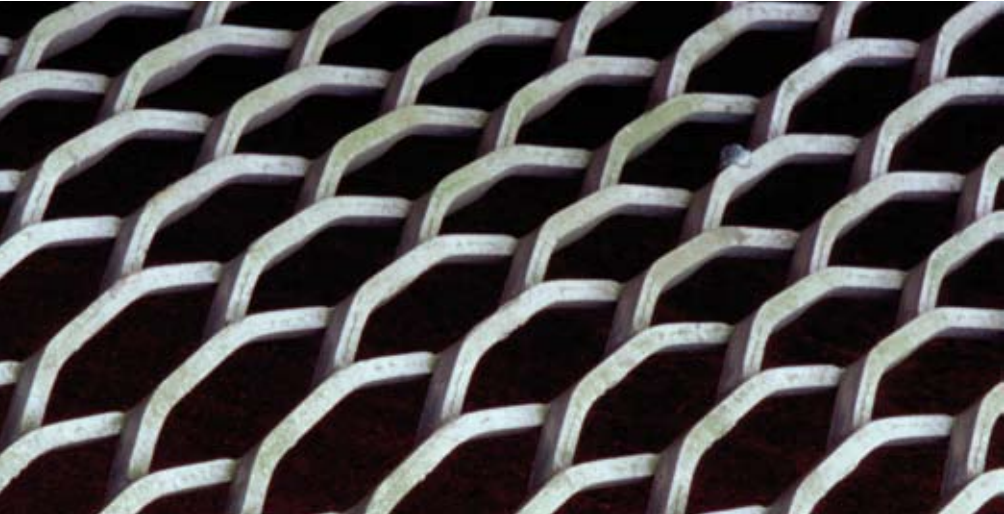
In addition, at the extraordinary general meeting held on September 29, 2007 shareholders agreed to increase capital for the initial public offering (IPO) for a nominal amount of 3,278,845.20 euros via the issue of 8,197,113 new shares with a nominal value of 0.40 euros each, with a share premium through monetary contributions. The increase envisages the possibility that the shares will be undersubscribed and the disapplication of preemptive rights.

Note 16 describes the capital structure and provides information on the Company's main shareholders. The same note includes information on dividends paid in the year, movements in share capital and transactions with treasury shares.

In 2007, Renta 4 Servicios de Inversión and its subsidiaries continued the share-based payment plan for Group managers and employees begun in 2005 involving shares of Renta 4 shares. The Group acquired shares through the agreement with Banco de



Madrid to cover this plan (see Notes 4.n and 16). In addition, shares were bought back and subsequently given as shareholder remuneration (see Note 16).



Any restrictions on the transfer of securities

There are no legal or bylaw restrictions on the transfer of shares comprising share capital.

Significant direct and indirect shareholdings

Chairman and CEO Juan Carlos Ureta Domingo directly owns 13,470,765 shares and indirectly 7,616,606 shares, giving him a total shareholding of 51.821%.

His indirect holdings (18.717%) are through the following companies or individuals:

- Sociedad Vasco Madrileña de Inversiones, S.A, holder of 1,649,686 shares, representing 4.054% of share capital.
- Cartera de Directivos 2003, S.A, holder of 3,299,040 shares, representing 8.107% of share capital.
- A.R. Santamaría, S.L., holder of 1,626,000 shares, representing 3.996% of share capital.
- Recarsa, S.A, holder of 185,742 shares, representing 0.456% of share capital.
- Asecosa, S.A, holder of 77,694 shares, representing 0.191% of share capital.
- Matilde Estades Seco, holder of 7,616,696 shares, representing 1.913% of share capital.

Any restrictions on voting rights

There are no legal or bylaw restrictions on voting rights.

Agreements between shareholders

The Company has received no notification of any agreements between shareholders related to the exercise of voting rights at general meetings or restricting or conditioning the free transfer of their shares.

07

GROUP EQUITY

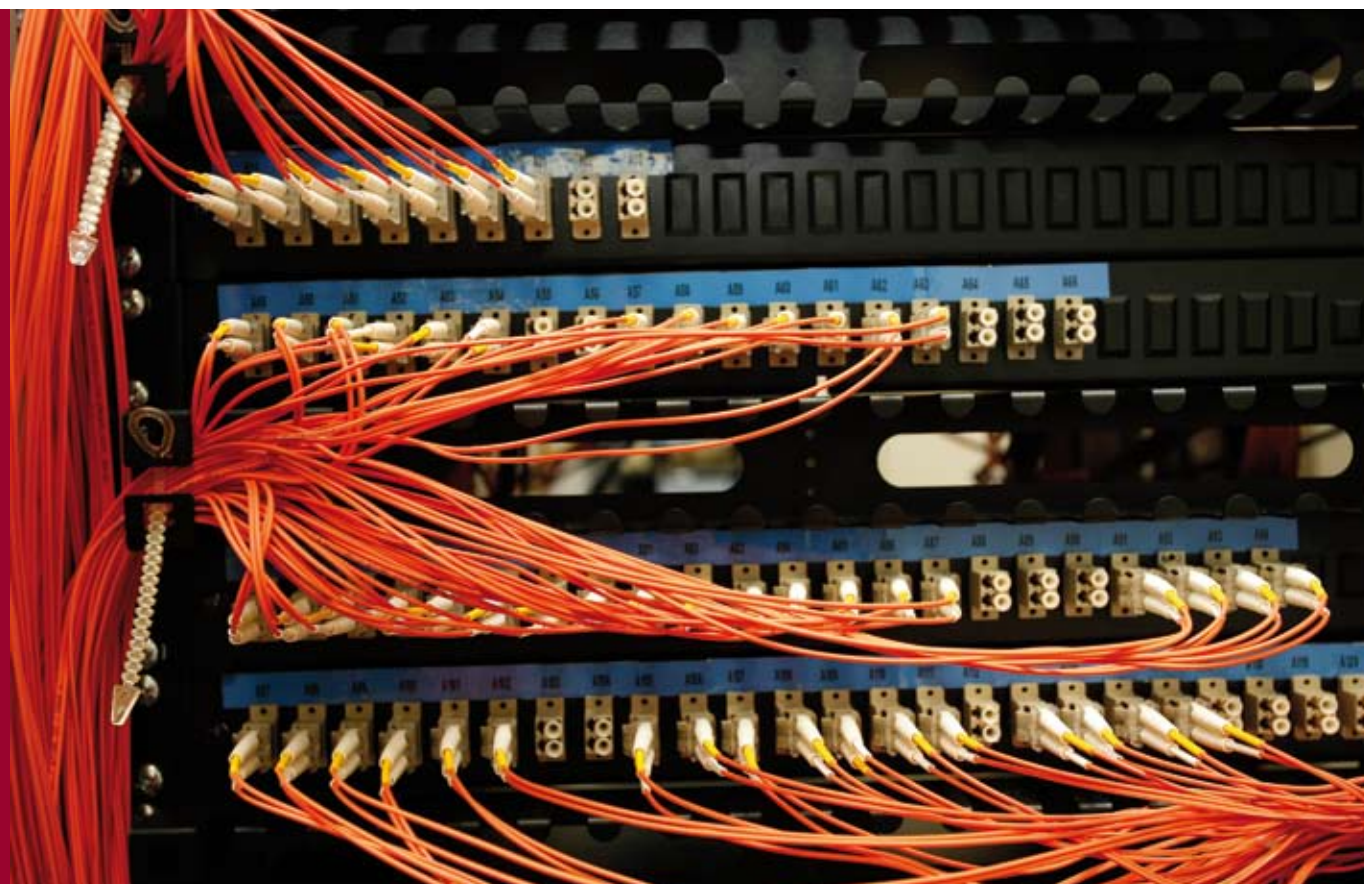
Note 31 provides information on the Group's eligible equity, capital adequacy and the related surplus.



08

RISK MANAGEMENT

Note 30 provides information on the Group's risk management policies and the main risks inherent in its business.



09

CORPORATE GOVERNANCE

Under the provisions of article 116 of the Securities Market Law, introduced by Law 26/2003, dated July 17, the Company has prepared an annual report on corporate governance for 2007 containing the information established in the Ministry of Economics Order 3722/2003, dated December 26, and the CNMV Circular 1/2005, dated March 17.

In addition, all the information required by article 117 of the Securities Market Law, as worded in Law 26/2003, and ECO order 3722/2003, dated December 26, is available on the Renta 4 website at www.renta4.es under Corporate Governance.

In compliance with Article 116 bis of the Securities Market Law, the following information is included:

Appointment and replacement of board members and the amendment of the articles of association

In accordance with article 33 of the corporate bylaws and article 10 of the Regulations of the Board of Directors, board members are appointed at the General Shareholders' Meeting, although provisional appointments by the method of co-option are allowed by the Board in the event of a vacancy. In either case, the individuals proposed to hold directorships must meet the legal requirements,



as well as the requirements set forth in regulations applicable strictly to financial institutions and in the corporate bylaws.

At the proposal of the Appointments and Remuneration Committee, the board submits proposed appointments for approval at the general shareholders meeting, attempting to ensure that a majority of board places are held by external directors and that the number of independent directors represents at least one third of all board members.

The director proposed for reappointment, if present, should withdraw from the meeting room while the board deliberates and votes.

Article 144 et seq of Spanish Corporation Law governs amendments to the corporate bylaws.



Powers of board members

Executive directors have broad powers to manage and represent the company, in line with their characteristics and the duties of their directorships.

In accordance with the provisions of article 75 of the revised Spanish Corporation Law, at their extraordinary general meeting held on July 24, 2007, shareholders agreed to empower the board of directors, or the Company's CEO in its place, to acquire shares of RENTA 4, SERVICIOS DE INVERSIÓN, S.A. at any time provided the nominal value of the shares acquired, added to that of the shares already held by the company and/or its subsidiaries, does not exceed 10% of share capital or 5% of share capital once the shares are listed, in which case the price would be the listing price of the shares acquired on the stock exchange upon acquisition. This authorization is granted for a period of 18 months, i.e. to January 24, 2009. The shares acquired pursuant to this authorization shall not have any voting rights.

Significant agreements upon a change of control of the company following a takeover bid

The Company is unaware of any agreements that could lead to a change of control of the issuer.

Agreements with employees providing for compensation upon a change of control of the company following a takeover bid

Employment contracts of Company directors do not include any clauses giving them the right to receive compensation if they resign.

There are also no provisions for managers to receive compensation if they resign or their employment ceases.

10

REPORT ON THE ACTIVITY OF THE CUSTOMER SERVICE DEPARTMENT AND OMBUDSMEN

The Renta 4 Group in Spain has a Customer Service Department (CSD) to handle complaints and claims.

As provided for in article 17 of the Ministry of Economics Order ECO734/2004, dated March 11, on customer services departments and the ombudsman for financial institutions, the following is a summary of its activities in 2007.

Annual report on the customer service department for 2007

Since 2004, the Renta 4 Group's Customer Service Department (CSD) presents an annual report, as provided for by article 20 of the Regulations of Customer Services of Renta 4, S.V., S.A., Renta 4, S.G.I.I.C., S.A. and Renta 4 Pensiones, S.G.F.P., S.A. to give an account of its activity. The purpose of this report is to provide information on the activity of Renta 4 Group's CSD in 2007.

The CSD is charged with studying and resolving complaints and claims filed before the companies covered, directly or through third parties by Spanish or foreign individuals considered users of the financial services provided by these companies, as long as these complaints or claims refer to their legally recognized interests and rights and regardless of whether they stem from contracts, from rules of transparency and customer protec-

tion or from good practice and financial use, in particular the principle of equality.

In 2007, Renta 4's CSD handled a total of 10 customer complaints. It studied and analyzed each matter in detail before issuing a ruling or report, or reaching an agreement between the parties over the controversies. All claims were accepted for processing.

As the chart below shows, the level of claims filed with the Renta 4 Group's CSD has declined since the department was created in 2004.

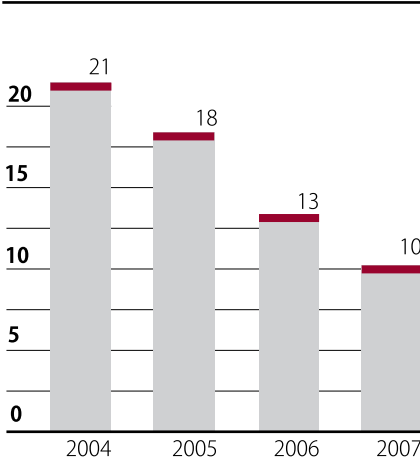
10 claims were accepted for processing in 2007, 23% fewer than the 13 accepted in 2006, 44% fewer than the 18 accepted in 2005 and 52% fewer than the 21 accepted in 2004.

In this respect, the CSD considers that the number of claims processed in 2007 was not significant compared to Renta 4's total of 42,871 customers at December 31, 2007 (excluding the third-party network).

Claims by type of ruling

In 2007, of the claims accepted for processing, in three instances the CSD ruled in favor of the customer (30% of all claims received and resolved), in six it ruled against the customers (60%) and one was filed.

Number of claims evolution CSD 2004-2007



Where the claim was filed, the customer failed to provide a detailed description of the facts in the report as required. Therefore, the claim could not be studied or resolved and the case was filed.

In the three instantes in which the CSD ruled in favor of customers in 2007, Renta 4 reached an economic agreement in all, for a total amount of 4,280.00 euros. This was the same number of agreements reached in 2006, for a total amount of 960.84 euros.

Nevertheless, the CSD estimates that the total cost for Renta 4 had all the claims been resolved in the customer's favor would have been approximately 150,000 euros.

TABLE 1
Claims filed with the CSD in 2007

| Classification by ruling | CLAIMS | | | | | | | |
|--------------------------|--------|------|------|------|------|------|------|------|
| | 2007 | | 2006 | | 2005 | | 2004 | |
| | Nº | % | Nº | % | Nº | % | Nº | % |
| Against the customer | 6 | 60% | 10 | 77% | 17 | 94% | 19 | 90% |
| In favor of the customer | 3 | 30% | 3 | 23% | 0 | 0% | 2 | 10% |
| CSD agreement proposal | 0 | 0% | 0 | 0% | 1 | 6% | 0 | 0% |
| Filed | 1 | 10% | 0 | 0% | | 0% | | 0% |
| TOTAL | 10 | 100% | 13 | 100% | 18 | 100% | 21 | 100% |

TABLE 2
Claims filed with the CSD in 2007 – Classification by content

| Classification by content | CLAIMS | | | | | | | |
|---|--------|------|------|------|------|------|------|------|
| | 2007 | | 2006 | | 2005 | | 2004 | |
| | Nº | % | Nº | % | Nº | % | Nº | % |
| 1.- Transactions with securities, order execution | 6 | 60% | 4 | 31% | 2 | 11% | 2 | 10% |
| 2.- Commissions - Rates | 0 | 0% | 6 | 46% | 4 | 22% | 12 | 57% |
| 3.- Mutual funds | 1 | 10% | 2 | 15% | 5 | 28% | 2 | 10% |
| 4.- Action of representative | 0 | 0% | 0 | 0% | 3 | 17% | 3 | 14% |
| 5.- Other | 3 | 30% | 1 | 8% | 4 | 22% | 2 | 10% |
| TOTAL | 10 | 100% | 13 | 100% | 18 | 100% | 21 | 100% |

Claims classified by content

Table and Chart 2 show the claims handled by the CSD by content.

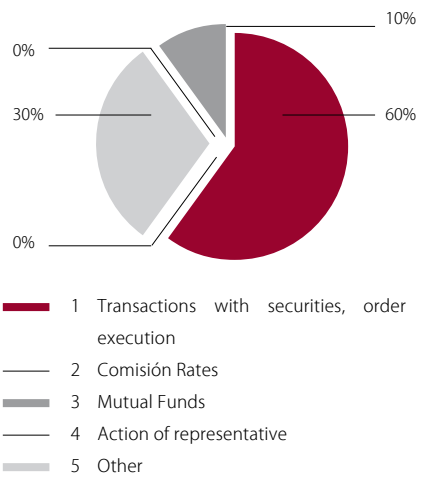
In the content classification, claims related to “Transactions with securities, order execution” accounted for the largest number, amounting to 6 (60% of the total). This was 50% or 2 more than in 2006.

Second, with a total of 3 (30% of the total), were “Other.” This was 2 more than the year before. This category includes claims that cannot be classified into any of the other categories.

No claims related to “Commissions – rates” were filed in 2007, compared to 6 in 2006 and 4 in 2005. This was one of the main claims in both of those years.

In addition, the number of claims related to “Mutual funds” fell to 1 in 2007 from 3 in 2006 and 5 in 2005.

Claims 2007 by content



Main claims in 2007

Following is a summary of the main claims filed in 2007.

“Transactions with securities, order execution” accounted for the largest number of claims in 2007, with a total of 6.

Those filing the claims generally disagreed with several aspects related to operations in the various markets. In this report we highlight two claims related to the operation of the contingent sale or stop-loss order tool.

A stop-loss order is an order placed with a broker to sell securities when the market price is equal to or higher than, or equal to or lower than, a certain price designated by the customer. When the condition is met, an order is sent to the market. However, to prevent short selling, Renta 4's control systems first verifies that the customer owns the number of securities it wishes to sell and that it does not have another outstanding sell order in the market. Once this information is verified, the order is sent to the market for execution under the terms of the order.

Meanwhile, with conventional or non-contingent sell orders, it is when the customer introduces the order that the control of the securities is realized, then the order is sent to the market and the securities are earmarked for this active sell order.

In all cases, the CSD verified that the customer had introduced a traditional sell order for securities. The securities were earmarked for sale on the market and to limit losses a stop-loss order was introduced for the same number of securities and amount. When the terms established by the customer were

met on the market, the order was triggered. However, this is when the CSD uncovered that the securities had already been earmarked for the traditional sell order. Accordingly, the order was deemed erroneous and was not sent to the market.

Therefore, the CSD verified first, that Renta 4's systems worked properly –to avoid short sales- and then that help was available to customers on the webpage warning that traditional sale and stop-loss orders could not be combined and recommending that to avoid this customers should introduce two stop-loss orders if they wanted to hedge potential losses. It also checked that Renta 4 personnel had kept customers informed at all times.

In both cases the claims were rejected as Renta 4's actions were correct and the systems had worked properly.

Moreover, after being rejected by Renta 4's CDS, one of these customers filed an appeal with the CNMV, blaming Renta 4 for the alleged economic damage caused by not selling shares of Astroc. This led to a fall in the customer's investment of 110,000 euros, from the time the stop-loss order was sent, the share price plunged 96%, even though the customer had been advised of the measures to be taken to sell his shares.

The CNMV ruled in favor of Renta 4, citing that the systems had operated properly and that it was the customer's responsibility to know how markets and stop-loss orders worked. It acknowledged that information on the procedure for these orders was available on the webpage and that the customer had been informed at all times, adding that he could have taken the appropriate measures to sell the shares.

CONCLUSIONS



In short, the CSD considers the total number of complaints (10) received in 2007 was insignificant in relation to Renta 4's total number of customers. In addition, there were fewer complaints than in 2006 and there were no major incidents requiring recommendations on the operation and/or procedures followed by Renta 4 Group companies.

Nonetheless, in performing its duties the CSD contacted the heads of the various departments and offices to inform them of the complaints and claims received. It also carried out a thorough review of the procedures and processes followed, to see if any modifications were required in order to maximize the quality of the service provided to customers and avoid any claims in the future.

In this way, in addition to its stated functions, the CSD aims to become a communication link between customers and the various Renta 4 Group companies in order to offer a higher quality service.

As for quantifying potential economic damages, as indicated above, after a detailed claim-by-claim analysis, the CSD objectively considers that the amounts are not significant aside from the main claim. This was the 96% drop in the value of Astroc shares which led to a 110,000 euro loss for a customer. However, as explained above, both the CSD of the Renta 4 Group and the CNMV ruled in favor of Renta 4, concluding that the company had done nothing wrong, that all its systems worked properly and, therefore, that it was not responsible.

11

EVENTS AFTER THE BALANCE SHEET DATE

Note 33 describes the main events taking place between the end of 2007 up to these management report was approved.



ANNUAL CORPORATE GOVERNANCE REPORT

LISTED COMPANIES

FINANCIAL YEAR 2007

PARTICULARS OF ISSUER

TAX I.D. CODE (CIF) A- 82473018

Company name:

RENTA 4 SERVICIOS DE INVERSIÓN, S.A.

Paseo de la Habana, 74

28036 Madrid



FORM FOR ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

For a better understanding of this form and the subsequent drafting of the same, please read the instructions for its completion provided at the end of the form. The CIF, NIF or other similar tax code, which shall not be made public, should be furnished whenever necessary to complete the information on natural or legal persons.

| NIF, CIF or similar | Other data |
|---------------------|-------------------------------------|
| A-82473018 | RENTA 4 SERVICIOS DE INVERSIÓN, S.A |

A OWNERSHIP STRUCTURE

A.1 Complete the following table regarding the company's share capital:

| Date last modified | Share capital (€) | Number of shares | Number of voting rights |
|--------------------|-------------------|------------------|-------------------------|
| 29-09-2007 | 16,277,281.20 | 40,693,203 | 40,693,203 |

State whether there are different classes of shares associated with different voting rights:

Yes No ☒

| Class | Number of shares | Nominal unit value | Number of units of voting rights | Other rights |
|-------|------------------|--------------------|----------------------------------|--------------|
| 0 | 0 | 0 | 0 | 0 |

A.2 List the direct and indirect holders of significant stakes in the organisation at the financial year end, excluding members of the board:

| Name or company name of shareholder | Number of voting rights | | % of total voting rights |
|-------------------------------------|-------------------------|--------------|--------------------------|
| | Direct | Indirect (*) | |
| | | | |

(*) Through:

| Name or company name of direct shareholder | Number of direct voting rights | % of total voting rights |
|--|--------------------------------|--------------------------|
| | | |

State the most significant movements in the shareholding structure during the financial year:

| Name or company name of shareholder | Date of transaction | Description of transaction |
|-------------------------------------|---------------------|--|
| JUAN CARLOS URETA DOMINGO | 14.11.2007 | SHAREHOLDING REDUCED FROM 69.89% TO 51.82% FOLLOWING THE INITIAL PUBLIC OFFERING |

A.3 Complete the following tables regarding members of the Board of Directors of the company who hold voting rights on company shares:

| Name or company name of Company Director | Number of voting rights | | % of total voting rights |
|--|-------------------------|--------------|--------------------------|
| | direct | indirect (*) | |
| Mr Juan Carlos Ureta Domingo | 13,470,765 | 7,616,696 | 51.821 |
| Mr Jose Maria Cuevas Salvador | 38,306 | 1,800 | 0.099 |
| Mr Pedro Ángel Navarro Martínez | 76,140 | 68,357 | 0.355 |
| Mr Juan Perea Sáez de Buruaga | 27,410 | 0 | 0.067 |
| Mr Pedro Ferreras Díez | 16,138 | 0 | 0.040 |
| Ms Sofía Rodríguez Sahagún | 1,900 | 0 | 0.005 |
| Mr Eduardo Trueba Cortes | 0 | 0 | 0.000 |
| Mr Jesús Sánchez Quiñónez González | 298,878 | 167,286 | 1.146 |
| Mr Miguel Primo de Rivera y Urquijo | 9,654 | 6,090 | 0.039 |
| Mr Santiago González Enciso | 485,000 | 677,734 | 2.857 |

(*) Through:

| Name or company name of direct shareholder | Number of direct voting rights | % of total voting rights |
|--|--------------------------------|--------------------------|
| | | |

% of total voting rights held by The Board of Directors

Complete the following tables regarding members of the Board of Directors holding company share options:

| Name or company name of company director | Number of option rights | | Number of equivalent shares | % of total voting rights |
|--|-------------------------|--------------|-----------------------------|--------------------------|
| | Direct | Indirect (*) | | |
| | | | | |

A.4 Where applicable, state any family, commercial, contractual or corporate relationships between holders of significant shareholdings which the Company is aware of, except those of little relevance or those derived from ordinary trading or exchange:

| Name or company name of related party | Type of relationship | Brief description |
|---------------------------------------|----------------------|-------------------|
| | | |

A.5 Where applicable, state any commercial, contractual or corporate relationships between holders of significant shareholdings and the company and/or its group, except those of little relevance or those derived from ordinary trading or exchange:

| Name or company name of related party | Type of relationship | Brief description |
|---------------------------------------|----------------------|-------------------|
| | | |

A.6 Indicate any paracorporate agreements reported to the company subject to Article 112 of the Securities Market Act. Where applicable, provide a brief description of the agreement and list the shareholders involved:

| Parties to paracorporate agreement | % of share capital affected | Brief description of the agreement |
|------------------------------------|-----------------------------|------------------------------------|
| | | |

State whether the company is aware of any concerted actions among company shareholders; if so, provide a brief description:

Yes No ✓

| Partied to concerted actions | % of share capital affected | Brief description of the concerted action |
|------------------------------|-----------------------------|---|
| | | |

In the event of any change in or break-up of the concerted actions or agreements during the financial year, provide details:

A.7 State whether there is any natural or legal person exercising, or that may exercise, control over the company pursuant to Article 4 of the Securities Market Act. If so, please specify:

Yes ✓ No

| Name or Company name |
|---------------------------|
| JUAN CARLOS URETA DOMINGO |

| Comments |
|---|
| TOTAL OF DIRECT AND INDIRECT SHARES AS % OF SHARE CAPITAL IS 51.82% |

A.8 Complete the following tables regarding the company's treasury stock:

At financial year end:

| Number of direct shares | Number of indirect shares (*) | Total % of share capital |
|-------------------------|-------------------------------|--------------------------|
| 7,246 | | 0.017 |

(*) A través de:

| Name or company name of direct shareholder | Number of direct shares |
|--|-------------------------|
| Total | |

List any significant variations which have occurred during the financial year, in accordance with Royal Decree 1362/2007:

| Date of notification | Total number of direct shares acquired | Total number of indirect shares acquired | Total % of share capital |
|---|--|--|--------------------------|
| Not communicated as this took place prior to the IPO. | 613,918 | | 1.51 |

| Gain/Losses from sale of treasury stock during the financial year |
|---|
| €14,495.21 |

A.9. Provide details of the conditions and term of authorisation(s) granted by the Company in the General Meeting to the Board of Directors for the acquisition and/or transfer of treasury stock.

At the General Meeting held on 24 July 2007 the following resolution was passed in the terms transcribed below:

“To authorise the Board of Directors, with express power to substitute the same for the Managing Director of the Company – even if by doing so the latter could fall within self-dealing or in a situation of conflict of interests – in order that, pursuant to Article 75 of the Revised Listed Companies Act, the Company may, at any time, acquire the shares of RENTA 4 SERVICIOS DE INVERSIÓN, S.A., provided that the par value of the shares acquired, when added to those already held by the Company and/or its Subsidiaries, does not exceed 10% of the share capital of RENTA 4 SERVICIOS DE INVERSIÓN, S.A.

Furthermore, to authorise the Subsidiaries and the other companies of the Group so that, in accordance with Article 75 of the Listed Companies Act, such companies may at any time acquire, shares of RENTA 4 SERVICIOS DE INVERSIÓN, S.A., provided that the par value of the shares acquired, when added to those already held by the Company and/or its Subsidiaries, does not exceed 10% of the share capital of RENTA 4 SERVICIOS DE INVERSIÓN, S.A.

Such acquisitions may be carried out by way of purchase, exchange, donation, allocation, or payment in kind, and in general, by any other form of acquisition for valuable consideration. The shares to be acquired must be outstanding and fully paid up.

The Board of Directors may acquire treasury stock for any purpose and, amongst others, to exchange, for specific consideration, or gratuitously, to its employees, directors or managers of the participated companies of the Renta 4 Group, whether directly, or through the prior exercise of option rights they may hold.

The Board of Directors of RENTA 4 SERVICIOS DE INVERSIÓN, S.A. or the person authorised for such purpose, the executive body of the Subsidiaries, or the Participated Companies of the Renta 4 Group, may permit the acquisition of the shares once or various times at the minimum price of Euro 5 and the maximum price of Euro 15 per share.

In the moment in which the shares of RENTA 4 SERVICIOS DE INVERSIÓN, S.A. are listed on the Stock Exchange, the minimum price or consideration of acquisition shall be the equivalent of the par value of the treasury stock acquired, and the maximum acquisition price or consideration shall be the equivalent of the trading price of the treasury stock acquired on the Stock Exchange in the moment of acquisition. The transactions of acquisition of treasury stock shall be carried out pursuant to the regulations and practice of the securities market and, specifically, in accordance with paragraph 2 of Additional Provision 1 of the Listed Companies Act, the limit of treasury stock acquisition shall be 5% of the share capital.

This authorisation is granted for a term of eighteen months commencing 24 July 2007, that is, until 24 January 2009.

The shares acquired under this authorisation shall neither bear any non-economic rights, nor voting rights and the corresponding economic rights shall be proportionately allocated to the rest of the shares pursuant to Article 79 of the Listed Companies Act.

Once the Board of Directors has made use of the authorisation it must comply with the information requirements of Article 79.4 of the Listed Companies Act.

3.2- To authorise the Board of Directors to establish a restricted reserve in the liabilities side of the Balance Sheet of the acquiring Company equivalent to the amount of the treasury stock of the controlling Company calculated in the assets, in accordance with Regulation 3, Article 79 of the Listed Companies Act.

3.3- To authorise the Chairman Mr Juan Carlos Ureta Domingo and the Secretary Mr Pedro Ramón y Cajal Agüeras, of the Board of Directors of the Company, with the express power of substitution so that either party, jointly and indistinctly, may grant the necessary public and private deeds required for executing the above agreements, including Noterial records and filing, even partially at the Mercantile Registry, with all necessary Deeds of ratification, rectification, clarification or amendment.

A.10 State whether there are any restrictions under law or company Bylaws regarding the exercise of voting rights and any legal restrictions on the acquisition and/or transfer of company shares.

Yes No ✓

Maximum percentage of voting rights a shareholder may exercise pursuant to legal restrictions

State whether there are any restrictions in the Company Bylaws regarding the exercise of voting rights:

Yes No ✓

Maximum percentage of voting rights a shareholder may exercise in accordance with Company Bylaws

Description of legal and Company Bylaw restrictions on the exercise of voting rights

State whether there are any legal restrictions regarding the acquisition or transfer of company shares:

Yes No ✓

Description of legal restrictions on the acquisition or transfer of company shares

A.11 State whether the General Meeting has agreed to adopt measures to neutralise a takeover bid pursuant to Law 6/2007.

Yes No ✓

If so, explain the measures approved and the terms in which the inefficiency of the restrictions would occur:

B STRUCTURE OF COMPANY MANAGEMENT

B.1 BOARD OF DIRECTORS

B.1.1 State the maximum and minimum number of directors established in the Bylaws:

| | |
|-----------------------------|----|
| Maximum number of directors | 15 |
| Minimum number of directors | 5 |

B.1.2 Complete the following table of the Board members:

| Name or company name of director | Represented by | Position on the Board | Date of first appointment | Date of last appointment | Election Procedure |
|-------------------------------------|----------------|--------------------------------|---------------------------|--------------------------|--------------------|
| Mr Juan Carlos Ureta Domingo | | Chairman and Managing Director | 20/08/1999 | 29/09/2007 | General Meeting |
| Mr José María Cuevas Salvador | | Vice President | 06/10/2000 | 29/09/2007 | General Meeting |
| Mr Pedro Ángel Navarro Martínez | | Member | 20/08/2000 | 29/09/2007 | General Meeting |
| Mr Juan Perea Sáez de Buruaga | | Member | 06/10/2000 | 29/09/2007 | General Meeting |
| Mr Miguel Primo de Rivera y Urquijo | | Member | 20/08/2000 | 29/09/2007 | General Meeting |
| Mr Pedro Ferreras Díez | | Member | 18/07/2005 | 29/09/2007 | General Meeting |
| Mr Eduardo Trueba Cortés | | Member | 29/09/2007 | 29/09/2007 | General Meeting |
| Ms Sofía Rodríguez Sahagún | | Member | 29/09/2007 | 29/09/2007 | General Meeting |
| Mr Jesús Sánchez-Quñones González | | Member | 26/05/2000 | 29/09/2007 | General Meeting |
| Mr Santiago González Enciso | | Member | 20/08/1999 | 29/09/2007 | General Meeting |

| | |
|---------------------------|----|
| Total number of Directors | 10 |
|---------------------------|----|

Indicate any Board Members who ceased to act in this capacity during the period:

| Name or company name of director | Type of directorship at time of leaving | Date of leaving office |
|----------------------------------|---|------------------------|
| Pedro Ramón y Cajal Agüeras | Member | 09.07.2007 |

B.1.3 Complete the following tables on the different types of Board members:

EXECUTIVE DIRECTORS

| Name or company name of director | Committee proposing appointment | Position within the company organisation |
|------------------------------------|---------------------------------|--|
| Mr Juan Carlos Ureta Domingo | None | Chairman and Managing Director |
| Mr Jesús Sánchez-Quiñones González | None | General Manager |
| Mr Santiago González Enciso | None | Regional Manager |

| | |
|-------------------------------------|----|
| Total number of executive directors | 3 |
| % of total number of Board Members | 30 |

EXTERNAL PROPRIETARY DIRECTORS

| Name or company name of director | Committee proposing appointment | Name or company name of significant shareholder represented or who proposed the appointment |
|-------------------------------------|---------------------------------|--|
| | | |

| | |
|---------------------------------------|---|
| Total number of proprietary directors | 0 |
| % of total number of Board Members | 0 |

EXTERNAL INDEPENDENT DIRECTORS

| Name or company name of director | Profile |
|----------------------------------|---|
| D. JOSÉ MARÍA CUEVAS SALVADOR | <p>Graduate in Law, Complutense University of Madrid. Diploma in Executive Management, Institute of Business Management (IESE) of the University of Navarra.</p> <p>Promoter and Founder in 1977 of the Spanish Confederation of Business Organisations (CEOE). Appointed member of the Board of the latter Confederation.</p> <p>In 1978 the Committee of Labour Relations of the CEOE was established, to which he was appointed Chairman. In the same year he was elected General Secretary of the CEOE.</p> <p>From 1979 he has devoted his activity to the role of General Secretary of the CEOE, and in 1984 was elected Chairman of the same. Since then, he has been re-elected six times, the last time in 2006.</p> |
| D. PEDRO ÁNGEL NAVARRO MARTÍNEZ | <p>Industrial Engineer, the Politécnica University of Barcelona and has two Masters degrees in Business Administration (MBA), one from ESADE in Barcelona and the other in Finance from Texas Tech University (USA).</p> <p>After working for Texas Instruments, first in Dallas and then in and in France for two and a half years as an engineer, he spent another year in Honeywell Information Systems, also as an engineer. In 1972 he joined Arthur Andersen in Barcelona with the mission of setting up the Consultancy division.</p> <p>In 1978 he was appointed Partner of Arthur Andersen, beginning a stage of projects in financial entities such as La Caixa.</p> <p>In 1980 he took over the leadership of the Arthur Andersen office in Barcelona commencing a period of expansion by opening offices under his responsibility in Valencia, Zaragoza and Palma de Mallorca.</p> <p>In 1990 Andersen Consulting was set up and he was appointed Chairman for Spain, later, in 1993 he became responsible for Southern Europe.</p> <p>When Andersen Consulting abandoned its country model in 1996 and was re-organised by industrial sector, he was appointed head of the Sector of Banking and Insurance in Europe, Latin America and Africa, this being considered the largest Business Unit in the world.</p> <p>From 1990 to 2000 he was member of the worldwide Board of Directors and during these years was Chairman of the Committee of Expansion and Acquisitions.</p> |
| D. JUAN PERERA SÁEZ DE BURUAGA | <p>Graduate in Economics and Business Studies, Commercial University of Deusto in Bilbao, and has a Masters in Business Administration (MBA) from Columbia University in New York, 1989.</p> <p>After seven years of professional experience in Investment Banking (SG Warburg – London / Madrid, Credit Suisse First Boston – London / Madrid and Bankers Trust – Madrid) he joined the Telefónica Group in July 1996, where he carried out various duties. Until November 1997 he was General Manager of Strategic Planning and Management Control of Telefónica de España, S.A., and in November 1998 was appointed Managing Director of Telefónica Internacional, S.A. (TISA). From this date until February 2000 he was Chairman and Managing Director of Terra (responsible for its creation, start-up, international expansion, IPO).</p> <p>Furthermore, from March 1997 until 1999 he was member of the Board of the Telefónica Group, as well as the different subsidiaries and participated companies of the Group (TISA, TPI, Telefónica Sistemas, South American subsidiaries and Telefónica Media) and Chairman of the Board of Telefónica I+D (1996-1997) and of Amper (1997-1998).</p> |

D. PEDRO FERRERAS DÍEZ

Graduate in Law, Universidad de Oviedo (with Award of Outstanding Merit). In 1984 he passed the entrance exam to be admitted as a State Lawyer.

He was Professor of Administrative Law at the Universidad de León from 1978 to 1982.

In 1996 he was appointed Undersecretary of the Ministry of Industry and Energy, with the mission of de-regulating the energy sectors and modernising the public sector business of the State. Positions held include Chairman of the Spanish Office of Patents and Trademarks (Oficina Española de Patentes y Marcas), Chairman of the Centre for Development of Industrial Technology (Centro para el Desarrollo Tecnológico Industrial - CDTI) and of the Consortium for the Harmonisation of the Domestic Market (Consortio para la Oficina de Armonización del Mercado Interior - OAMI), amongst others.

From 1996 to 2001 he served as Chairman of the Sociedad Estatal de Participaciones industriales - SEPI), a holding which groups together the State's participations in industrial companies, and he was in charge of the mission to develop a Modernisation Programme of Public Sector Business.

He has been Director of Repsol, Argentaria, Telefónica, Sociedad Estatal de Participaciones Patrimoniales (SEPPA), Consorcio de la Zona Franca de Barcelona, and European Aeronautic Defence and Space Company (EADS). He has been Chairman of Uniland, S.A., Uniland Cementera, S.A. and Aluminios de Catalunya, S.A.

| | |
|--------------------------|---|
| D. EDUARDO TRUEBA CORTÉS | <p>Graduate in Law and Business Management, ICADE.</p> <p>He worked as Financial Advisor at Merrill Lynch in 1986 and 1987. Following his stay at Merrill Lynch he became Director of Inversión, S.A. for two years before spending 3 years at Urquijo Gestión in the post of Investment Manager, managing Collective Investment Entities.</p> <p>From 1992 he has managed the Family Office of the Pino Family. He is in charge of Asset Allocation and the decision-making process for Simcav Chart, Allocation and Beeper.</p> |
|--------------------------|---|

| | |
|---------------------------------------|----|
| Total number of independent directors | 5 |
| % of total number of Board members | 50 |

OTHER EXTERNAL DIRECTORS

| Name or company name of director | Committee proposing appointment |
|-------------------------------------|---------------------------------|
| D. MIGUEL PRIMO DE RIVERA Y URQUIJO | NOMBRAMIENTOS Y RETRIBUCIONES |
| Dª SOFÍA RODRÍGUEZ-SAHAGÚN MARTÍNEZ | |

| | |
|--|----|
| Total number of other external directors | 2 |
| % of total number of Board members | 20 |

Provide details of why they cannot be considered proprietary or independent and their relationship with the company, Board members or shareholders:

| Name or company name of director | Reasons | Company, director or shareholder with whom the director has a relationship. |
|-------------------------------------|---|--|
| D. MIGUEL PRIMO DE RIVERA Y URQUIJO | He cannot be classed as a proprietary director as he has not been appointed as a result of being a shareholder, or on the proposal of other shareholders of the company. Neither can he be considered independent director, as during the last year he has been a shareholder in the company Pridera, S.L., commercial agent of Renta 4 S.V., S.A. | Currently, he has no other relationship with the Company, director or shareholder, other than being a Board member and his position as company shareholder pursuant to section A.3 of this report. |
| Dª SOFÍA RODRÍGUEZ-SAHAGÚN MARTÍNEZ | She cannot be classed as a proprietary director as she has not been appointed as a result of being a shareholder, or on the proposal of other shareholders of the company. Neither can she be considered independent director, as she holds the position of Manager of the Cuenta Naranja of ING Direct España, Branch of ING Direct N.V., to which the RENTA 4 Group provides services of securities brokerage and securities depositories for its clients, as well as managing collective investment funds and Pension Funds. | Currently, she has no other relationship with the Company, director or shareholder, other than being a Member of the Board and company shareholder pursuant to section A.3 of this report. |

State any variations which have taken place during the period in the type of directors-hip of each director:

| Name or company name of director | Date of change | Previous type | Present type |
|----------------------------------|----------------|---------------|--------------|
| | | | |
| | | | |

B.1.4 Where applicable, explain the reasons why proprietary directors have been appointed at the request of shareholders whose stake is inferior to 5% of the share capital:

| Name or company name of shareholder | Reason |
|-------------------------------------|--------|
| | |
| | |

Indicate, and where applicable, provide details of the dismissal of any formal requests to sit on the Board from other shareholders having a stake of the same amount or superior to the others at whose requests proprietary directors have been appointed. If so, explain the reasons for dismissing such requests:

Yes No

| Name or company name of shareholder | Reason |
|-------------------------------------|--------|
| | |
| | |

| Name or company name of the director | Company name of the group entity | Position |
|--------------------------------------|----------------------------------|--------------------------------|
| MR JUAN CARLOS URETA DOMINGO | RENTA 4, S.V., S.A. | CHAIRMAN AND MANAGING DIRECTOR |
| MR JUAN CARLOS URETA DOMINGO. | RENTA 4 CORPORATE, S.A. | CHAIRMAN AND MANAGING DIRECTOR |
| MR JESÚS SÁNCHEZ.-QUINÓNEZ GONZÁLEZ | RENTA 4, S.V., S.A. | DIRECTOR |
| MR JOSÉ MARIA CUEVAS SALVADOR | RENTA 4 GESTORA, SGIIC, S.A. | DIRECTOR |
| MR JOSE MARIA CUEVAS SALVADOR | RENTA 4 PENSIONES, S.A. | DIRECTOR |
| MS SOFIA RODRIGUEZ SAHAGÚN | RENTA 4 GESTORA, SGIIC, S.A. | DIRECTOR |
| MS SOFIA RODRÍGUEZ SAHAGÚN | RENTA4 PENSIONES, S.A. | DIRECTOR |
| MR EDUARDO TRUEBA CORTÉS | RENTA 4 GESTORA, SGIIC, S.A. | DIRECTOR |
| MR EDUARDO TRUEBA CORTÉS | RENTA 4 PENSIONES, S.A. | DIRECTOR |
| MR MIGUEL PRIMO DE RIVERA Y URQUIJO | RENTA 4, S.V., S.A. | DIRECTOR |
| MR PEDRO ANGEL NAVARRO MARTÍNEZ | RENTA 4, S.V., S.A. | DIRECTOR |
| MR JUAN PEREA SÁEZ DE BURUAGA | RENTA 4, S.V., S.A. | DIRECTOR |
| MR PEDRO FERRERAS DÍEZ | RENTA, S.V., S.A. | DIRECTOR |

B.1.5 State whether any director left their position on the Board prior to the end of the mandate, whether such director explained their reasons to the Board and the means of doing so, and if such explanation was given in writing to all the Board, explain below the reasons given by the director:

| Name of director | Reason for leaving |
|-----------------------------|----------------------------------|
| Pedro Ramón y Cajal Agüeras | Incompatibility for the position |

B.1.6 State, where applicable, any powers delegated to the Managing Director (s):

| Name or company name of director | Brief description |
|----------------------------------|--|
| D. JUAN CARLOS URETA DOMINGO | All those pertaining to the Board, except the non-delegable ones |

B.1.7 Indicate below any Board Members having senior management or directive positions in other companies which form part of the listed company group:

B.1.8 Where applicable, and as far as the company is aware of such information, list any Board members who are also members of the board(s) in other companies listed on official securities markets in Spain, other than the group itself:

| Name or company name of director | Company name of listed company | Position |
|----------------------------------|--|----------|
| MR JUAN CARLOS URETA DOMINGO | SOCIEDAD RECTORA DE LA BOLSA DE MADRID, S.A. | DIRECTOR |
| | | |
| | | |
| | | |

B.1.9 State whether the company has established rules regarding the number of Boards its directors may belong to. If so, explain the rules:

Yes✓ No

Explanation of rules

The Directors may not form part of more than five Boards of Directors, without including for these purposes, the companies of the RENTA 4 Group (Art. 21.2 a) of the Board Regulations).

B.1.10 In relation with Recommendation 8 of the Unified Code, state the general policies and strategies of the company which must be approved by the Board in full:

| | Si | No |
|--|----|----|
| The investment and financing policy | ✓ | |
| The definition of the structure of the group of companies | ✓ | |
| The corporate governance policy | ✓ | |
| The corporate social responsibility policy | ✓ | |
| The strategic or business Plan, as well as management objectives and annual budgets | ✓ | |
| The remuneration policy and performance evaluation of senior management | ✓ | |
| The policy of risk management and control, as well as the periodic monitoring of systems of internal information and control | ✓ | |
| The policy of dividends, as well as that of treasury stock and in particular, any applicable limits | ✓ | |

B.1.11 Complete the following tables regarding the accrued aggregate remuneration of Directors during the financial year:

a) In the company subject of this report:

| Remuneration item | Data in thousand euro |
|--|-----------------------|
| Fixed remuneration | 508 |
| Variable remuneration | 0 |
| Allowances | 0 |
| Allocations pursuant to the Bylaws | 0 |
| Share options and/or other financial instruments | 77 |
| Other | 0 |
| TOTAL | 585 |

| Other benefits | Data in thousand euro |
|--|-----------------------|
| Advances | 0 |
| Loans granted | 115 |
| Pension Plans and Funds: Contributions | 1 |
| Pension Plans and Funds: Commitments | 0 |
| Life assurance premiums | 3 |
| Guarantees constituted by the company in favour of the directors | 0 |

b) For serving as directors on other Boards and/or senior management of companies in the group:

| Remuneration item | Data in thousand euro |
|--|-----------------------|
| Fixed remuneration | 265 |
| Variable remuneration | 108 |
| Allowances | 0 |
| Allocations pursuant to the Bylaws | 0 |
| Share options and/or other financial instruments | 17 |
| Other | 0 |
| TOTAL: | 390 |

| Other benefits | Data in thousand euro |
|--|-----------------------|
| Advances | 0 |
| Loans granted | 0 |
| Pension Plans and Funds: Contributions | 3 |
| Pension Plans and Funds: Commitments | 0 |
| Life assurance premiums | 0 |
| Guarantees constituted by the company in favour of the directors | 0 |

c) Total remuneration by type of directorship:

| Type of director | By company | By group |
|----------------------|------------|----------|
| Executives | 366 | 390 |
| External Proprietary | 0 | 0 |
| External Independent | 199 | 0 |
| Other External | 20 | 0 |
| Total | 585 | 390 |

d) With regard to the profit attributed to the controlling company:

| | |
|---|-------|
| Total director remuneration (in thousand euro) | 975 |
| Total director remuneration/benefits attributed to the controlling company (as a %) | 6.39% |

B.1.12 List the members of senior management who are not also executive directors and indicate total remuneration accruing to them during the period:

| Name or company name | Position |
|--------------------------------|--|
| MR JUAN LUIS LÓPEZ GARCÍA | GENERAL MANAGER OF ADMINISTRATION AND FINANCES |
| MR JOSÉ IGNACIO GARCÍA JUNCEDA | GENERAL MANAGER |
| MR LUIS MUÑOZ SECO | DIRECTOR |

| | |
|---|-----|
| Total remuneration of senior management (thousand euro) | 772 |
|---|-----|

B.1.13 State in aggregate terms whether there are any guarantee or golden parachute clauses in the event of dismissal or changes in control benefiting senior management, including executive directors of the company or its group. Indicate whether these contracts have to be reported to, and/or approved by the governing bodies of the company or its group:

| | |
|-------------------------|---|
| Number of beneficiaries | 0 |
|-------------------------|---|

| | Board of Directors | General Meeting |
|------------------------------|--------------------|-----------------|
| Body authorising the clauses | | |

YES NO

Is the General Meeting informed of these clauses?

B.1.14 Describe the process of establishing the remuneration of members of the Board of Directors and the relevant clauses in the Bylaws for such purpose:

Process for establishing remuneration of members of the Board of Directors and the relevant clauses in the Bylaws

Pursuant to Article 35 of the Bylaws, the General Shareholders' Meeting shall set an annual fixed amount each year for the Board of Directors, an amount which shall be maintained in successive years except by agreement to the contrary in the General Meeting.

In turn, the Board shall distribute amongst its members the fixed annual amount agreed by the General Meeting, taking into account the duties and responsibilities performed by each of the directors within the Board itself or its Committees, on the proposal of the Nomination and Remuneration Committee in accordance with Article 32.3, e), of the Board Regulations.

Likewise, pursuant to Article 35 of the Bylaws, the General Meeting may establish an amount for attendance allowances at Board and/or Committee meetings, for civil liability insurance and social security, as well as the granting of shares or option rights over the same or a remuneration which has as its reference the value of the Company shares.

State whether the Board in full has reserved the right to approve the following:

| | Yes | No |
|--|-----|----|
| At the proposal of the Chief Executive of the company, the appointment and possible termination of senior managers, as well as their compensation clauses | ✓ | |
| The remuneration of directors, and, in the case of executives, the additional remuneration for their executive duties and other contractual conditions which must be respected | ✓ | |

B.1.15 Indicate whether the Board of Directors approves a detailed remuneration policy and specify the matters on which it issues an opinion:

Yes ✓ No

| | Yes | No |
|---|-----|----|
| Amount of fixed remuneration items, with a breakdown, where applicable, of allowances for serving as members of the Board and its Committees and an estimate of the resulting fixed annual remuneration | ✓ | |
| Variable remuneration items | | ✓ |
| Main characteristics of the benefits system, with an estimate of their amount or equivalent annual cost | | ✓ |
| Conditions that must be respected in contracts of those exercising senior management functions as executive directors | ✓ | |

B.1.16 Indicate whether the Board submits a report on the directors' remuneration policy for approval at the General Meeting, as a separate point on the agenda, and for consultation purposes. If applicable, explain the aspects of the report regarding the remuneration policy approved by the Board for future years, the most significant changes of such policies in relation to the policy applied during this financial year, and a global summary of the application of the remuneration policy during the financial year. Provide details of the role performed by the Remuneration Committee and whether the external advice was sought, and if so, the identity of the external consultants providing such advice:

Yes No ✓

Matters covered in the report regarding remuneration policy

Role played by the Remuneration Committee

| | Yes | No |
|----------------------------------|-----|----|
| Was external advice sought? | | |
| Identity of external consultants | | |

B.1.17 State the identity of any Board Members sitting on Board(s) or holding senior management positions in companies with significant shareholdings in the listed company and/or its group companies:

| Name or company name of director | Company name of significant shareholder | Position |
|--|---|-----------------------------|
| <p>Where applicable, provide details of any relevant relationships, other than those set forth in the above paragraph, of members of the Board of Directors related to significant shareholders and/or companies of the group:</p> | | |
| Name or company name of director | Name or company name of significant shareholder with relationship | Description of relationship |

B.1.18 State whether there have been any modifications to the Board regulations during the financial year:

Yes ☒ No ☐

Description of modifications

1. In its meeting of 27 August 2007, the Board of Director approved a new Board Regulation of Renta 4 Servicios de Inversión, S.A.
2. On 18 December 2007, the Board of Directors approved an amendment to Article 30 of the Board Regulations, the maximum number of directors able to form part of the Executive Committee being increased from six to eight.

B.1.19 State any procedures for appointment, re-election, evaluation and removal of directors. Set out the competent bodies, the steps to be followed and the criteria to be applied in each of the procedures.

1. APPOINTMENT AND RE-ELECTION OF DIRECTORS

The proposals for appointment, ratification or re-election of Directors submitted by the Board of Directors to the General Meeting and the decisions of appointment adopted by said body by cooptation must be taken by persons of recognised honour, good standing and technical competence and experience, and such decisions shall be approved by the Board following the proposal of the Nomination and Remuneration Committee, in the case of independent Directors, and after a report of the Nomination and Remuneration Committee in the case of other Directors. The proposal or report of the Nomination and Remuneration Committee must appoint the new Director within one of the classes of Director set forth in Article 9 of the Board Regulations.

In this respect, when the Board does not take part in the proposals of the Nomination and Remuneration Committee, the motives for such must be explained and set forth in the Minutes.

In turn, the General Meeting has the power to appoint and freely dismiss the members of the Board of Directors, as well as to ratify or revoke the provisional appointment of one of the members by the Board of Directors by virtue of the powers of cooptation attributed by law, all of which in accordance with Article 33 of the Bylaws and 10.1 of the Board Regulations.

From the moment of the notice of the calling of the General Meeting in which the appointment, ratification or re-election of Directors is to take place, the Board of Directors shall disclose, through its web-site, the following information regarding the proposed persons: (i) the professional profile and background; (ii) other Boards of Directors to which the person belongs, whether or not these are listed companies iii) indication of the director type of the person, stating in the case of proprietary directors, the shareholder at whose request the appointment, re-election or ratification took place, or the shareholder with whom the person has a relationship; (iv) date of first appointment as Company director, as well as the later ones; (v) Company shares and financial derivatives instruments based on the Company shares, of which the holder is either the director whose position is to be re-elected, or ratified, or the candidate who is to occupy the position as director for the first time.

Those persons holding positions or duties of representation or management in companies which are competitors, or those holding a significant stake in their share capital, may not be appointed Company Directors, except with the prior express authorisation of the Board of Directors.

2. EVALUATION OF THE DIRECTORS

Pursuant to Article 28 of the Board Regulations, said Board, under the direction of the Chairman in co-ordination with the Chairmen of the Committees, must evaluate on an annual basis: (i) the performance and quality of the work, (ii) the performance of the duties by the Chairman of the Board and, where applicable by the Managing Director of the Company, taking as point of origin the report submitted by the Nomination and Remuneration Committee and (iii) the performance of its Committees, taking as the point of origin the report submitted by the Committees.

With regard to the matter at hand, that is, the issue of the Directors, the Nomination and Remuneration Committee is responsible for issuing and submitting the corresponding Report to the Board on the quality and efficiency of the performance of the Board of Directors.

Thus, once the different Reports of the Committees have been submitted to the Board of Directors, the latter is in charge of evaluating the quality and efficiency of the performance of the Board of Directors itself, as well as its Committees, the Chairman of the Board and the Managing Director.

3. REMOVAL OF DIRECTORS

In accordance with Article 34 of the Bylaws and 11 of the Board Regulations, the Directors shall hold their position for a term of five years, provided that in the General Meeting there is no resolution to dismiss them or no resignation from the Directors. The Directors may be re-elected one or various times for terms of five years, without taking into account the fact that those Directors holding the position for an uninterrupted period of twelve years may not be classed as independent.

Therefore, the Directors shall vacate their position when the term of their appointment has run out, and when the General Meeting so decides, pursuant to the attributions legally conferred and those provided in the Bylaws, in accordance with Article 12 of the Board Regulations.

Furthermore, the Directors must tender their resignation to the Board of Directors and formalize, if required, their resignation in the following cases:

- a) When they reach the age of 70.
- b) When they leave their positions, posts or duties to which their appointment as executive directors was associated.
- c) In the case of proprietary directors, when the shareholder, on whose proposal the former was appointed, transfers the entirety of the shares in the Company, or where the shares are reduced to a level requiring a reduction in the number of proprietary directors.
- d) When they fall within one of the cases of incompatibility or prohibition provided by Law, Bylaws or in the Board Regulations.
- e) When the Board so requests by a majority of at least two thirds of its members, in the event the director is considered to have acted in breach of his/her obligations as director, following the proposal or report of the Nomination and Remuneration Committee, or when remaining on the Board could put at risk the standing and reputation of the Company.

In relation to independent Directors, the Board may not propose the removal of any Director of said category prior to the end of the term of appointment as set forth in the Bylaws, except where there is a justifiable reason, accepted by the Board following the report of the Nomination and Remuneration Committee. In particular, it will be understood that there exists a justifiable reason when the director has not complied with the duties inherent to the position or when the director falls within one of the circumstances set out in Article 9.2 a) of the Board Regulations which make it impossible to fulfil the requirements of the condition of independent Director of the Company.

Finally, in the event that a Director leaves office prior to the end of his mandate, whether by resignation or for other reasons, the Director shall explain the reasons for leaving office in a letter to be sent to all Board members, regardless of the fact that the event is communicated as a relevant event and must therefore appear in the Annual Corporate Governance Report. Furthermore, in the event that the resignation of the Director is due to the Board adopting significant or reiterated decisions about which the Director has expressly made serious reservations, and as a consequence of such, the Director decides to resign, the latter shall expressly state this circumstance in the letter of resignation addressed to the Board members, pursuant to Article 12.5 of the Board Regulations.

B.1.20 Indicate the cases in which directors are obliged to tender their resignation.

The cases in which directors are obliged to tender their resignation to the Board of Directors and formalize, if deemed appropriate, the corresponding resignation pursuant to Article 12 of the Board Regulations are the following:

- a) When they reach the age of 70.
- b) When they leave their positions, posts or duties to which their appointment as executive directors was associated.
- c) In the case of proprietary directors, when the shareholder, on whose proposal the former were appointed, transfers the entirety of the shares they had in the Company or the shares are reduced to a level requiring a reduction in the number of proprietary directors.
- d) When they fall within one of the cases of incompatibility or prohibition provided by Law, Bylaws or in the Board Regulations.
- e) When the Board so requests by a majority of at least two thirds of its members, in the event the director is considered to have acted in breach of his/her obligations as director, following the proposal or report of the Nomination and Remuneration Committee, or when remaining on the Board could put at risk the standing and reputation of the Company.

Likewise in the event that a natural person representing the legal person of a Director falls within one of the above circumstances, the natural person must be immediately replaced by the legal person of the Director, pursuant to Article 12.3 of the Board Regulations.

B.1.21 Explain whether the duties of the Chief Executive fall upon the Chairman of the Board. If so, state the measures adopted to limit the risk of accumulation of powers in a single person:

Yes ✓ No

Although the Bylaws do not recognise the figure of Chief Executive Officer, the figure of the Chairman coincides with that of the Managing Director.

Measures to limit risks

An alternative mechanism of counter-balance has been provided for the figure of the Chief Executive Officer such as that of the Vice-President or, in the case of various, one of the Vice-Presidents, who must be independent directors and may, together with an additional two directors, request that the Chairman call the Board meeting or include new items on the agenda. In addition the evaluation of the Chairman is carried out by the Board (Art. 25.4 of the Board Regulations).

State, and if applicable, explain, whether regulations have been established to empower one of the independent directors to request the convening of a Board meeting or to request the inclusion of new items on the agenda in order to co-ordinate and reflect the concerns of external directors and direct the evaluation by the Board of Directors.

Yes No ✓

Explanation of the rules

The Vice-President or, in the case of various, one of the Vice-Presidents, who must be independent directors and may, together with an additional two directors, request that the Chairman convene the Board meeting or include new items on the agenda. (Art. 25.4 of the Board Regulations).

B.1.22 Are reinforced majorities required, other than those established by law, for certain types of decisions?

Yes No ✓

Explain how the Board of Directors adopts resolutions, including at least the minimum quorum of attendees and the types of majorities required to pass resolutions:

Adoption of resolutions

| Description of resolution | Quorum | Type of Majority |
|---------------------------|--------|------------------|
|---------------------------|--------|------------------|

B.1.23 State whether there are any specific requirements, for being appointed Chairman other than those relating to the Directors.

Yes No ✓

Description of requirements

B.1.24 State whether the Chairman has the casting vote:

Yes No ✓

Matters on which there is a casting vote

B.1.25 Indicate whether the Company Bylaws or the Board Regulations provide an age limit for Directors:

Yes ✓ No

| | |
|---------------------------------|----------|
| Age limit for Chairman | |
| Age limit for Managing Director | |
| Age limit for director | 70 years |

B.1.26 State whether the Company Bylaws or the Board Regulations establish a limit on the mandate of independent directors:

Yes ✓ No

| | |
|-------------------------|----------|
| Maximum term of mandate | 12 years |
|-------------------------|----------|

B.1.27 If the number of female directors is low or zero, explain the reasons and the measures taken to correct the situation.

Explanation of reasons and measures

The Board of Directors has put the Nomination and Remuneration Committee in charge of ensuring that when new vacancies arise or when appointing new Directors, the selection process is not implicitly biased against the selection of female directors in any manner whatsoever, in accordance with Article 32.3, f), of the Board Regulations.

In particular, indicate whether the Nomination and Remuneration Committee has established a procedure to ensure that selection processes are not implicitly biased against the selection of female directors and, that they deliberately seek female candidates meeting the required profile:

Yes ✓ No

Description of the main procedures

In accordance with Article 32 of the Board Regulations, the Nomination and Remuneration Committee has the duty to carry out the following actions so that the selection processes are not implicitly biased against the selection of female Directors:

- To evaluate the competences, knowledge and experience necessary for the Board, defining the necessary functions and aptitudes in the candidates to cover the position vacant and evaluating the necessary time and dedication for carrying out the duties adequately.
- To communicate the proposals of appointment, removal and re-election of directors submitted to the General Meeting, as well as the proposals of appointment by cooptation.
- To ensure that selection procedures for directors are not gender-biased.

B.1.28 Indicate whether there are formal processes for proxy voting in the Board of Directors. If so, provide a brief description.

Paragraph 2, Article 38 of the Company Bylaws states:

“All Directors may be represented through another director. The representation is granted specifically for the Board of Directors meeting and may be communicated through any means provided in paragraph 2 of the preceding Article.”

B.1.29 Indicate the number of meetings held by the Board of Directors during the financial year. Likewise, specify the number of times, if any, that the Board has met in the absence of the Chairman:

| | |
|--|----|
| Number of Board meetings | 12 |
| Number of Board meetings held in the absence of its Chairman | 0 |

Indicate the number of meetings held by the different Board Committees during the financial year:

| | |
|--|---|
| Number of Executive Committee meetings | 1 |
| Number of Audit and Control Committee meetings | 4 |
| Number of Nomination and Remuneration Committee meetings | 4 |
| Number of Nomination Committee meetings | |
| Number of Remuneration Committee meetings | |

B.1.30 State number of Board meetings held during the financial year without full attendance. Representatives without specific instructions are to be included in the calculation:

| | |
|--|---|
| Number of absences of Board members during the financial year | 4 |
| % of absences in relation to the total number of votes during the financial year | - |

B.1.31 State whether the individual and consolidated accounts are certified prior to their presentation to the Board of Directors for approval:

Yes No ✓

Identify, where applicable, the person(s) certifying the Company's individual and consolidated annual accounts for presentation to the Board:

| Name | Position |
|------|----------|
| | |

B.1.32 Explain any mechanisms established by the Board to avoid presenting to the General Meeting the individual and consolidated accounts with qualified opinion in the auditor's report.

The Audit and Control Committee analyzes quarterly, biannual and annual financial statements and holds periodic meetings with the External Auditor, revising if appropriate, any change in accounting criteria which will affect the financial statements and ensuring that this does not give rise to qualified opinion by the Auditor and that the financial the Board of Directors presents the accounts with no qualified opinion whatsoever.

B.1.33 Is the Secretary of the Board a director?

Yes No ✓

B.1.34 Explain the appointment and removal procedures of the Secretary of the Board, stating whether their appointment and removal have been reported to the Nomination Committee and approved by the Board in full.

Procedure of appointment and removal

Article 27, paragraph 1 of the Regulations of the Board of Directors provides:
“The Board of Directors, at the proposal of the Chairman, and subsequent to a prior report of the Nomination and Remuneration Committee, shall appoint a Secretary and, where appropriate, a Vice-Secretary. These do not have to be Directors. The same procedure shall be followed to agree on the removal of the Secretary and if applicable, the Vice-Secretary.”

| | Yes | No |
|--|-----|----|
| Does the Nomination Committee provide notification of the appointment? | ✓ | |
| Does the Nomination Committee provide notification of the removal? | ✓ | |
| Does the Board in full approve the appointment? | ✓ | |
| Does the Board in full approve the removal? | ✓ | |

Is the Secretary of the Board responsible for ensuring compliance with the recommendations of good governance?

Yes ✓ No

Comments

B.1.35 Specify the mechanisms, if any, established by the Company to maintain the independence of the auditor, financial analysts, investment banks and rating agencies.

The independence of the External Auditors is protected under Article 31, 3 b) of the Regulations of the Board of Directors and is the competence of the Audit and Control Committee.

B.1.36 State whether the Company has changed the external auditor during the financial year. If so, indicate the incoming and outgoing auditors:

Yes No ✓

| Outgoing Auditor | Incoming Auditor |
|---|------------------|
| In the event there were discrepancies with the outgoing auditor, explain their content: | |
| Yes | No |

Explanation of the discrepancies

B.1.37 Indicate whether the auditing firm carries out other non-audit work for the company and/or its group. If so, state the fees the auditing firm receives for such work and the percentage these fees represent of the total fees invoiced by the company and/or its group:

Yes No ✓

| | Company | Group | Total |
|--|---------|-------|-------|
| Amount from non-audit work (thousand euro) | 0 | 0 | 0 |
| Amount from non-audit work / total amount invoiced by the auditing firm (as a %) | 0 | 0 | 0 |

B.1.38 State whether the Annual Accounts audit report of the previous financial year is qualified or with reservations. If so, set out the reasons given by the Chairman of the Audit Committee to explain the content and scope of such qualified opinion or reservations.

Yes No ✓

Explanation of reasons

B.1.39 Specify the number of consecutive years the current auditing firm has been auditing the Company's annual accounts and/or those of its group. In addition, indicate the number of years the current audit firm has been auditing the Company's annual accounts as a percentage of the total number of years over which the annual accounts have been audited:

| | Company | Group |
|--|----------------|----------------|
| Number of consecutive years | 3 | 3 |
| Number of years audited by current auditing firm / number of years the company accounts have been audited (as a %) | 3 / 7 (42.85%) | 3 / 7 (42.85%) |

B.1.40 List the shareholdings of the members of the Board in other companies having the same, similar or complementary types of activities as the Company and/or those of its group, which have been reported to the company. In addition, specify the positions or duties they hold in such companies:

| Name or company name of Director | Corporate name of the company | % share | Position or Duties |
|----------------------------------|---|---------|--------------------|
| Juan Carlos Ureta Domingo | Sociedad Rectora de la Bolsa de Valores de Madrid, S.A. | | Director |
| Juan Carlos Ureta Domingo | Grupo Rayet | | Director |

B.1.41 State whether a procedure exists to enable Directors to receive external advice. If so, provide an explanation of such procedure:

Yes ✓ No

Details of procedure

These are provided in Article 23 of the Board Regulations as set forth below:

- “1. For the purposes of being aided in the performance of their duties, the external directors are entitled to obtain the necessary advice for carrying out their duties, and the fees for legal, accounting, financial or other experts shall be borne by the Company, provided that the matters in question present problems of certain importance and complexity arising within the course of carrying out the duties corresponding to their position.
2. The request to engage external consultants or experts must be made to the Board Chairman and shall be authorised by the Board in full if, in its opinion:
- a) it is necessary for the proper performance of the directors’ duties;
 - b) the cost is reasonable, taking into account the magnitude of the problem and the assets and revenues of the Company;
 - c) the technical assistance received cannot be properly provided by Company experts and technicians; and
 - d) Confidential information which must be provided to the expert is not put at risk.
3. In the event that the request for expert assistance is made by any of the Committees of the Board, it may not be refused, except when the Board decides by majority that the circumstances set forth in Paragraph 2 do not exist”.

B.1.42 Indicate, and where appropriate explain, whether a procedure exists, to ensure directors receive the necessary information in sufficient time to prepare for the meetings of the governing bodies:

Yes  No

Details of procedure

The procedure is set forth in Article 22 of the Board Regulations, which provides:

1. In the fulfilment of their duties, any director may inform themselves about any matters of the Company and its participated companies. For these purposes they are entitled to examine books, registers, documents and other records of company transactions, being able to inspect its installations and communicate with Company senior management.
2. In order not to disturb the ordinary management of the Company, the exercise of the right to information shall be channelled through the Board Chairman who shall attend the director’s requests by providing the information directly, or by way of the relevant person at the appropriate level of the organisation”.
- In turn, Article 28.4 of the Board Regulations adds that the calling of the Board meeting shall be accompanied by the necessary information for the same.

B.1.43 State, and where applicable, give details of whether the company has established regulations obliging directors to report, and if appropriate, resign, in cases which may harm the good standing and reputation of the company:

Yes  No

Explain the rules

Article 21.2, c), of the Board Regulations establishes that:

“The director must also notify the Company:

(…)

- c) *Of legal, administrative or other proceedings of any nature which are brought against the director and which, due to their importance or characteristics, could seriously damage the reputation of the Company. In particular, all directors must notify, through the Board Chairman, when a case is brought against them, or when they are committed for trial for any of the offences set forth in Article 124 of the Listed Companies Act. In this case the Board shall examine the case as soon as possible and shall adopt the decisions considered most appropriate for the interests of the Company”.*


In turn, Article 21.2, e), of the Board Regulations provides:

““ Directors must tender their resignation to the Board of Directors in the following cases:

(…)

- e) *When the Board calls for the resignation by a majority of two thirds of the members due to the Director having breached their obligations as Director, following the report of the Nomination and Remuneration Committee, or when their remaining on the Board may put at risk the standing and reputation of the Company”.*

B.1.44 State whether any member of the Board has notified the company that they have been prosecuted or committed for trial for any of the offences set forth in Article 124 of the Listed Companies Act:

Yes No 

Name of Director Criminal Proceedings Comments

State whether the Board has analysed the case. If the answer is affirmative, provide an explanation of the decision made regarding the continuance or removal of the director from their position.

Yes No

Decision taken Explanation

Able to continue / Not able to continue

B.2 BOARD OF DIRECTORS COMMITTEES

B.2.1 List the Board Committees and their members:

EXECUTIVE OR MANAGEMENT COMMITTEE

| Name | Position | Type |
|----------------------------------|----------|----------------------|
| JUAN CARLOS URETA DOMINGO | CHAIRMAN | EXECUTIVE |
| JOSÉ MARÍA CUEVAS SALVADOR | MEMBER | INDEPENDENT DIRECTOR |
| PEDRO ÁNGEL NAVARRO MARTÍNEZ | MEMBER | INDEPENDENT DIRECTOR |
| JUAN PEREA SÁEZ DE BURUAGA | MEMBER | INDEPENDENT DIRECTOR |
| PEDRO FERRERAS DÍEZ | MEMBER | INDEPENDENT DIRECTOR |
| EDUARDO TRUEBA CORTÉS | MEMBER | INDEPENDENT DIRECTOR |
| SOFÍA RODRÍGUEZ-SAHAGÚN MARTÍNEZ | MEMBER | OTHER DIRECTOR |

AUDIT COMMITTEE

| Name | Position | Type |
|----------------------------|----------|----------------------|
| JUAN PEREA SÁEZ DE BURUAGA | CHAIRMAN | INDEPENDENT DIRECTOR |
| PEDRO FERRERAS DÍEZ | MEMBER | INDEPENDENT DIRECTOR |
| EDUARDO TRUEBA CORTÉS | MEMBER | INDEPENDENT DIRECTOR |

NOMINATION AND REMUNERATION COMMITTEE

| Name | Position | Type |
|----------------------------------|----------|----------------------|
| PEDRO ÁNGEL NAVARRO MARTÍNEZ | CHAIRMAN | INDEPENDENT DIRECTOR |
| JOSÉ MARÍA CUEVAS SALVADOR | MEMBER | INDEPENDENT DIRECTOR |
| SOFÍA RODRÍGUEZ-SAHAGÚN MARTÍNEZ | MEMBER | OTHER DIRECTOR |
| | | |

B.2.2 State whether any of the following duties are the responsibility of the Audit Committee:

| | Yes | No |
|--|-----|----|
| To supervise the process of preparation and the integrity of the financial information concerning the company and, if applicable, the group, checking compliance with regulatory requisites, the proper delimitation of the scope of consolidation and the correct application of the accounting criteria | ✓ | |
| To check the internal control and risk management systems periodically so that the main risks are duly identified, managed and notified | ✓ | |
| To ensure the independence and efficiency of the internal auditing function; to propose the selection, appointment, re-election and removal of the head of internal auditing; to propose the budget for that service; to receive periodic information regarding its activities; and to verify that senior management takes into account the conclusions and recommendations of its reports | ✓ | |
| To establish and supervise a mechanism permitting the employees to notify, in a confidential manner, and anonymously if appropriate, any potentially significant irregularities, particularly those of a financial or accounting nature, detected in the company | ✓ | |
| To submit to the Board the proposals of selection, appointment, re-election and replacement of the external auditor, as well as the conditions of the corresponding engagement | ✓ | |
| To receive information from the external auditor on a regular basis regarding the auditing plan and results of its execution, and to verify that senior management takes its recommendations into account | ✓ | |
| To ensure the independence of the external auditor | ✓ | |
| In the case of groups, to encourage the auditor of the group to assume the responsibility for the audits of the companies of the group | ✓ | |
| | | |

B.2.3 Describe the organisational and operational rules and responsibilities attributed to each of the Board Committees.

Articles 40 and 41 of the Company Bylaws and Article 29 of the Board Regulations provide that the Board must set up and permanently maintain an Audit and Control Committee and a Nomination and Remuneration Committee, further being authorised to set up an Executive Committee and as many other Committees as deemed appropriate.

1. EXECUTIVE COMMITTEE

Pursuant to Article 40 of the Bylaws and Article 30 of the Board Regulations, the Executive Committee shall consist of a minimum of three and a maximum number of eight members.

The Board of Directors shall appoint the directors who are to form the Executive Committee, ensuring that the qualitative composition based on the different types of Directors is similar to that of the Board itself, the Chairman of the Board acting as Chairman of the Executive Committee and its Secretary shall be the Secretary of the Board, the latter may be assisted by the Vice Secretary. In the absence of the Chairman of the Executive Committee, the duties shall be carried out by the member chosen for such purpose by the other members.

The members of the Executive Committee shall vacate their position when they do so in their capacity as Directors, or when it is so agreed by the Board.

The Executive Committee shall hold its meetings at least once a month, with the possibility of calling an extraordinary meeting when company interests so dictate. In addition to the calling of each meeting, the Executive Committee members shall receive the relevant documentation in order to form an opinion and vote on the matter.

The Executive Committee shall be duly constituted when there are at least half of the members plus one, taking into account members present and represented. The Board of Directors, through the Chairman, shall be notified of the matters dealt with and the resolutions of the Committee, a copy of the minutes shall be sent to all Directors.

This Committee performs the duties of day-to-day Company management delegated by the Board, in addition to the preparation of the proposal or report regarding strategic decisions and those of investments and disinvestments which may be of relevance to the Company or to the Renta 4 Group.

The Executive Committee shall be governed by the Bylaws and the Board Regulations of the Company, provided that this is not incompatible with its nature.

2. AUDIT AND CONTROL COMMITTEE

In accordance with Articles 42 of the Bylaws and 31 of the Board Regulations, the Audit and Control Committee shall be constituted by a minimum of three Directors, who shall be appointed by the Board on the basis of their knowledge and experience in accounting, auditing or risk management, all the members being external directors and the Board shall appoint the Chairman from amongst these. The Chairman must be an independent director and shall remain in the position for no longer than four years, not taking into account re-election or continuity as member of the Committee. A Vice-president may also be appointed.

The mandate of the Committee members may not exceed that of their mandate as Directors, not taking into account that they may be re-elected indefinitely as long as they are Directors.

Members who have held the position of Committee Chairman may not resume the position unless at least one year has passed since leaving office.

The Board shall appoint a Secretary, and if applicable, a Vice Secretary, who may not be a member of the Board. The Vice Secretary shall assist the Chairman and must try to ensure the good performance of the Committee, being responsible for duly preparing the minutes, the development of the meetings, the content of the items discussed and the resolutions adopted, drawing up the minutes for such purposes.

This Committee is duly constituted when there are at least half of the members plus one, taking into account members present and represented. Resolutions shall be adopted by a majority of members present or represented, the Chairman having the casting vote in the event of a tie.

The Committee shall meet as many times as the Chairman deems necessary for the proper performance of its duties and, as a minimum, once per quarter.

The Audit and Control Committee shall have the primary mission of assisting the Board of Directors in carrying out its supervisory duties through periodic revision of the process of preparing economic-financial information, internal controls and the independence of the external auditor.

The Audit and Control Committee shall prepare an Action Plan for the financial year and inform the Board of Directors of the same.

Finally, with regard to the Committee, where there is no express provision and the nature and duties make it possible, the provisions relating to the functioning of the Board in the Bylaws and Board Regulations shall be of supplementary application.

3. NOMINATIONAND REMUNERATION COMMITTEE

Pursuant to Articles 42 of the Bylaws and Article 32 of the Board Regulations, the Nomination and Remuneration Committee shall be constituted by a minimum of three members appointed by the Board from amongst its non-executive members, the majority of its members being independent directors and the Chairman of the Board being chosen from the latter.

Likewise, the Board of Directors shall appoint a Secretary, who may not be a member of the same, and who shall assist the Chairman and must try to ensure the good performance of the Committee, being responsible for duly preparing the minutes, the development of the meetings, the content of the items discussed and the resolutions adopted, drawing up the minutes for such purposes.

The mandate of the Nomination and Remuneration Committee members may not exceed that of their mandate as Directors, without prejudice to their being re-elected indefinitely as long as they are Directors.

This Committee shall be duly constituted when there are at least half of the members plus one, taking into account members present and represented. Resolutions shall be adopted by a majority of members present or represented, the Chairman having the casting vote in the event of a tie.

The Committee shall meet as many times as the Chairman deems necessary for the proper performance of its duties and, as a minimum, once per quarter.

The Nomination and Remuneration Committee shall focus its activities on the support and assistance of the Board of Directors, particularly in relation to the proposals of appointment, re-election, ratification and removal of Company Directors and Senior Management, the control of directors' compliance with duties, especially in relation to situations of conflicts of interest and related transactions, and the supervision of compliance with Internal Codes of Conduct and the Rules of Corporate Governance.

As with the Audit and Control Committee, the Nomination and Remuneration Committee shall prepare an Action Plan for the financial year and shall inform the Board of Directors of the same.

Finally, with regard to the Committee, where there is no express provision and the nature and duties make it possible, the provisions relating to the functioning of the Board in the Bylaws and Board Regulations shall be of supplementary application.

B.2.4 State any advisory and consulting powers and, where applicable, the powers delegated to each of the committees:

| Committee Name | Brief description |
|---------------------------------------|---|
| EXECUTIVE COMMITTEE | The Executive Committee has all the powers of the Board of Directors delegated to it, except those which may not be delegated by law or by the Bylaws. |
| AUDIT AND CONTROL COMMITTEE | <div><div>a) It informs the General shareholders' meeting about matter proposed by shareholders which are of its competence.</div><div>b)With regard to the external auditor: (i) submitting to the Board of Directors the proposals of selection, appointment, re-election and replacement of the external auditor, as well as the conditions of engagement; (ii) regularly receiving information from the external auditor regarding the auditing plan and the results of its execution, and verifying that senior management takes the recommendations into account; (iii) ensuring the independence of the external auditor and, for such purpose the Company shall notify the CNMV about the change of auditor as a relevant event and shall accompany this with a declaration regarding the possible existence of disagreements with the outgoing auditor and if so, the content of such disagreement, and in the event of the resignation of the external auditor, it shall examine the circumstances leading to such; (iv) encouraging the auditor of the Company to assume responsibility for the auditing of the companies which, if applicable, form part of the group.</div><div>c) The supervision of the management of Company internal auditing services to ensure the proper performance of internal information and control systems, particularly in relation processes affecting the integrity of financial information regarding the Company, and where applicable, its group, the head of internal auditing being obliged to present its annual work plan to the Committee, and to directly report to the same any incidents which may arise in carrying out the plan, as well as submitting a report on its activities at the end of each financial year.</div><div>d) Knowledge of the financial information procedures and the control and management of internal risks systems associated with the relevant risks of the Company, so that these may be identified, managed and properly reported, ensuring the independence and efficiency of the internal auditing function, proposing the selection, appointment, re-election and removal of the head of internal auditing, as well as the budget for said service, receiving periodic information on its activities and verifying that senior management take into account the conclusions and recommendations of its reports.</div><div>e) Informing the Board of Directors previously about: (i) financial information which, due to its status as a listed company, the Company is periodically obliged to disclose, ensuring that interim accounts are prepared with the same accounting criteria as annual accounts, and for this purpose, if shall consider the appropriateness of a limited revision of the external company auditor; (ii) the creation or acquisition of shares in special purpose vehicles or those domiciled in countries or territories considered tax havens, as well as any transactions or operations of similar nature which, due to their complexity, may impair the transparency of the group to which the Company belongs; (iii) and related operations.</div><div>f) Receiving written communications from employees confidentially, but not anonymously, regarding possible irregularities of potential importance, especially those of finance and accounting, detected within the Company or in the group companies.</div><div>g) Ensuring compliance with the Internal Codes of Conduct and the Rules of Corporate Governance, as well as the regulations of the financial instruments markets.</div><div>h) Supervising the performance of functions attributed to the area responsible for the prevention of money laundering, and being aware of the reports and proposals presented in this respect.</div><div>i) Issuing the reports and proposals set forth in the Bylaws and in the Board Regulations and any others requested by the Chairman of the Board.</div></div> |
| NOMINATION AND REMUNERATION COMMITTEE | <div><div>a) Evaluating the competences, knowledge and experience necessary in the Board, defining the functions and aptitudes necessary in candidates for each vacancy, and evaluating the time and dedication needed to perform the charge well.</div><div>b) Examining or organising in the manner deemed proper, the succession of the Chairman and of the managing director and, when applicable, making proposals to the Board, so that the succession make proceed in an orderly or well-planned manner.</div><div>c) Reporting the proposals of appointment, removal and re-election of directors submitted to the General Meeting, as well as the proposals for appointment by cooption .</div><div>d) Reporting the appointments and removals of senior managers which the Managing Director submits to the Board.</div><div>e) Ensuring the observance of the remuneration policy established by the Company and, in particular, submitting to the Board the remuneration policy of directors and senior management, the individual remuneration of managing directors and other conditions of their contracts, and the basic conditions of the contracts of senior managers.</div><div>f) Ensuring that selection processes of directors do not discriminate on the grounds of gender.</div></div> |

B.2.5 Indicate, if applicable, any regulations governing the Board committees, where these are available for consultation, and any amendments made during the financial year. State whether any annual report has been voluntarily drawn up in relation to the activities of each Committee.

The Bylaws, and specifically, Articles 30, 31 y 32 of the Board Regulations set forth the composition and functions of the Executive Committee, the Audit and Control Committee and the Nomination and Remuneration Committee. Likewise, the Board Regulations provide for the possibility of the Committees regulating their own functioning, provided that this is in accordance with the Bylaws and Board Regulations. In addition, the Board Committees have carried out a process of self-evaluation within the general framework of evaluating the performance of the Board.

B.2.6 State whether the composition of the Executive Committee reflects the participation on the Board of the different directorships based on their type:

Yes  No

If not, describe the composition of the Executive Committee.

C RELATED OPERATIONS

C.1 Indicate whether the Board in full has reserved the right to approve, after receiving a favourable report from the Audit Committee, or any other Committee entrusted with doing so, the operations which the company carries out with directors, significant shareholders or shareholders represented on the Board, or with persons related to them:

Yes  No

C.2 List any relevant operations involving a transfer of resources or obligations between the company or group companies and the significant shareholders of the company:

| Name or company name of significant shareholder | Name or company name of the company or entity of its group | Type of relationship | Type of operation | Amount (Thousand of euros) |
|---|--|----------------------|---|----------------------------|
| Mr Juan Carlos Ureta Domingo | Renta 4 S.V., S.A. | Contractual | Commission, brokerage, handling and deposit | 3 |
| Mr Juan Carlos Ureta Domingo | Renta 4 Servicios de Inversión, S.A. | Corporate | Dividends and other benefits distributed | 3,020 |


C.3 List any relevant operations involving a transfer of resources or obligations between the company or group companies and the Company's managers or Directors:

| Name or company name of significant shareholder | Name or company name of the company or entity of its group | Type of relationship | Type of operation | Amount (Thousand of euros) |
|---|--|----------------------|---|----------------------------|
| Mr Jesús Sánchez Quiñones | Renta 4 Servicios de Inversión, S.A. | Contractual | Loan for share purchase | 115 |
| Mr Juan Luis López García | Renta 4 Servicios de Inversión, S.A. | Contractual | Loan for share purchase | 419 |
| Mr José Ignacio García-Junceda Fernández | Renta 4 Servicios de Inversión, S.A. | Contractual | Loan for share purchase | 122 |
| Mr Luis Muñoz Seco | Renta 4 Servicios de Inversión, S.A. | Contractual | Loan for share purchase | 355 |
| Mr Santiago González Enciso | Renta 4 S.V., S.A. | Contractual | Operating lease | 17 |
| Mr Francisco de Asís García Molina | Renta 4 S.V., S.A. | Contractual | Commission, brokerage, handling and deposit | 7 |
| Mr José María Cuevas Salvador | Renta 4 S.V., S.A. | Contractual | Commission, brokerage, handling and deposit | 21 |
| Mr Pedro Ángel Navarro Martínez | Renta 4 S.V., S.A. | Contractual | Commission, brokerage, handling and deposit | 46 |
| Mr Pedro Ferreras Díez | Renta 4 S.V., S.A. | Contractual | Commission, brokerage, handling and deposit | 1 |
| Mr Santiago González Enciso | Renta 4 S.V., S.A. | Contractual | Commission, brokerage, handling and deposit | 16 |
| Mr Juan Luis López García | Renta 4 S.V., S.A. | Contractual | Commission, brokerage, handling and deposit | 3 |
| Directors and Senior Management | Renta 4 Servicios de Inversión, S.A. | Corporate | Dividends and other benefits distributed | 3,346 |
| Directors | Renta 4 Servicios de Inversión, S.A. | Contractual | Remuneration | 585 |
| Directors | Renta 4 S.V., S.A. | Contractual | Remuneration | 390 |
| Senior Management | Renta 4 Servicios de Inversión, S.A. | Contractual | Remuneration | 772 |

C.4 List any relevant operations between the Company and group other companies which are not eliminated in the process of preparing the consolidated financial statements and which do not form part of the Company's normal trading in relation to their subject and conditions:

| Company name of the group company | Brief description of operation | Amount (Thousand of euros) |
|-----------------------------------|--------------------------------|----------------------------|
|-----------------------------------|--------------------------------|----------------------------|

C.5 State whether any conflicts of interest involving any members of the Board, pursuant to Article 127 of the Listed Companies Act, have arisen during the financial year.

Yes No 

| Name or company name of director | Description of situation of conflict of interest |
|----------------------------------|--|
|----------------------------------|--|

C.6 List the mechanisms provided for detecting, determining and resolving any possible conflicts of interest between the company and/or its group and its directors, managers or significant shareholders.

The Board Regulations and the Internal Code of Conduct regulate the possible conflicts of interest between the company and/or its group and its directors and senior managers.

Article 17 of the Board Regulations states:

“Article 17. Conflicts of interest

1. *A conflict of interest exists in those situations where, directly or indirectly, the interests of the Company or of the group companies collide. A personal interest of the director is deemed to exist when the matter affects the same or a person related to the same.*

For the purposes of the Regulations, Persons Related to the director are the following:

- a) *The director's partner or the persons having a similar relationship of affection.*

- b) *The ascendants, descendants and siblings of the director or of the directors' partner (or person having a similar relationship of affection).*
- c) *The partners of the ascendants, descendants and siblings of the director.*
- d) *The companies in which the director, on his/her own behalf or through a representative, falls within one of the situations set forth in Article 4 of Law 24/1988, 28 July of the Securities Market.*

As regards the legal person of the director, a Related Person shall be understood to mean the following:

- a) *Partners who, as regards the legal person of the director, fall within the situations set forth in Article 4 of Law 24/1988, 28 July of the Securities Market.*
- b) *Companies, and their partners, forming part of the same group as defined in Article 4 of Law 24/1988, 28 July of the Securities Market.*
- c) *Representatives of the physical person, receivers in fact or in law, liquidators and legal representatives having general powers of the legal person of the director.*
- d) *Persons who, in relation to the representative of the legal person of the director, are considered Related Persons pursuant to the above paragraph for the physical person of the director.*

2. *The situations of conflict of interest shall be governed by the following:*

- a) *Communication: the director shall notify the Board of Directors, through the Chairman or Secretary, of their involvement in any situation of conflict of interest.*
- b) *Abstention: the director may not carry out, directly or indirectly, professional or commercial operations with the Company, unless he/she previously reports the situation of conflict of interests to the Board for approval of the operation. The director must abstain from attending the meetings and from intervening in the deliberation and voting stages regarding those matters in which a conflict of interest has arisen. In the case of proprietary directors, they must abstain from voting on the matters which could involve a conflict of interests between shareholders proposing their appointment and the Company.*
- c) *Transparency: any situation of conflict of interests of directors shall be reported by the affected party, or by any other means, in the Company's Annual Corporate Governance Report.*
- d) *The provisions of this Article could be developed through any corresponding rules which the Board may issue".*

Paragraph VI of the Internal Code of Conduct provides:

"Definition and general principles.

- 6.1 *It is the policy of the RENTA 4 Group that when performing these duties, employees provide their professional service with the maximum level of confidentiality, honour and efficiency. Therefore, employees are not permitted to be involved in private activities or in external interests which may endanger the integrity or reputation of the Group.*
- 6.2 *A conflict may arise when the activity or interest of a director or employee is incoherent with the interests of the RENTA 4 Group and/or its client.*
- 6.3 *The companies which make up the RENTA 4 Group are obliged to obtain information regarding its directors and employees in relation to the possible conflicts of interest in which they are involved, due to their family relationships, personal wealth, or for any other reason, as well as maintaining this information up-to-date.*

This activity is governed by two general principles:

- a) *Independence. The directors and employees shall act at all times with freedom of judgement, loyalty to the RENTA 4 Group and to its shareholders, independently of their own or outside interests.*
- b) *Abstention. The directors and employees must abstain from intervening or influencing in the adoption of decisions which may affect persons or entities with which a conflict exists, or from gaining access to confidential information affecting said conflict.*

Interests, activities and employment outside the Group.

6.4 *The executives and employees of RENTA 4 may not be involved in private activities, nor have interests outside the Group which could give rise to conflicts of interest or which may potentially put at risk the reputation of the companies in the Group.*

6.5 *The directors and employees of the group may not work for another company, except when the Managing Director of the corresponding area and the Committee of Regulatory supervision grant the necessary authorisation.*

Financial relationships with clients.

6.6 *The directors and employees, in order to avoid possible conflicts of interests, may not maintain financial relationships with clients.*

6.7 *It is prohibited, as a form of example, but without limitation:*

- *To make private agreements between the director or employee and the client.*
- *To borrow or lend money from a client, an exception being made for operations carried out with credit entities on a personal level and unrelated to the professional activity.*

Information regarding potential and real conflicts of interest.

6.8 *The directors and employees of the RENTA 4 Group shall have an updated and permanent written statement containing:*

- *Economic or family relationships, or those of other types of clients of the RENTA 4 Group.*
- *Relationships due to services related to the securities market.*
- *Relationships with professional investors, such as managers of collective investment funds, pension funds.*
- *Relationships with significant suppliers, including those providing legal or auditing services.*
- *Relationships with companies listed on the Stock Exchange or other markets, as well as those entities included within the scope of operation of Royal Decree 629/1993.*

6.9 *Relationships include the direct or indirect holder of a stake exceeding 5% of the capital in client companies of the RENTA 4 Group, or 1% in companies listed on the Stock Exchange or other markets, as well as those entities included within the scope of Royal Decree 629/1993.*

6.10 *Relationships include relatives or family members up to the second degree, by blood or affinity (ascendants, descendants, siblings or their partners) with clients or with persons who perform duties of management or direction in the client companies or listed companies. In the event of a reasonable doubt in this respect, the directors or employees are obliged to consult the Committee of Regulatory Supervision.*

Likewise, the statement may include relationships other than those set forth hereinabove which in the opinion of an impartial observer could lead to a potential conflict of interest.

C.7 Is more than one of the Group companies listed in Spain?

Yes No ✓

Identify the subsidiary companies listed in Spain:

Subsidiary companies listed

State whether the area of activity and business relationships between them have been clearly and publicly defined, as well as the listed dependent company in relation to the other group companies;

Yes ✓ No

Define the possible business relationships between the parent company and the listed subsidiary, and between the latter and other group companies

Identify the mechanisms in place to resolve possible conflicts of interest between the listed subsidiary and the other group companies:

Mechanisms to resolve possible conflicts of interest

D RISK CONTROL SYSTEMS

D.1 Provide a general description of the risk policy in the Company and/or its group, giving details and evaluating the risks covered by the system, as well as an explanation of the extent to which these systems match the profile of each type of risk.

The Renta 4 Group comprises a group of companies which provide specialist savings and investment services and are independent of any financial or industrial group. For this reason, the evolution of the financial sector is of particular importance and may have a significant effect on the results.

In accordance with the above, the basic risks which are likely to affect the Renta 4 Group, as well as the measures adopted for alleviating their impact should they arise, are those set out hereinbelow:

1. LEGAL RISK

This is the risk assumed by the Renta 4 Group by virtue of possible regulatory breaches or infringements. In particular, the legal risk for Renta 4 may derive from improperly documented or formalised contracts which could lead to sanctions for the Company.

For these purposes, all contractual relations with clients must be documented and formalised pursuant to the law in force.

In addition, and in light of the current policy of commercial expansion, special attention must be paid to the training and knowledge of the heads of the commercial network to ensure the proper formalisation of the contracts between clients and suppliers.

2. CREDIT RISK

A credit risk is understood as a client, entity or any counterpart not complying with the undertakings entered into with Renta 4.

To reduce this risk, the following specific proceedings are established to avoid unpaid balances or securities. Notwithstanding this, and exceptionally, individual situations which are properly authorised may be tolerated. These situations shall always be subject to the credit guarantee of the client.

The risk evaluation of the counterpart shall be carried out on the basis of credit ratings of the principal agencies providing such information, selecting those of greater standing.

3. MARKET RISK

This refers to the risks pertaining to the sector in which Renta 4 carries out its activity, that is, investment services.

To control this risk, limits shall be established so that at any time, when faced with market price variations, losses are limited to the predefined maximum. The controls established shall be fixed on the basis of the conditions of the different assets and the importance of the risk inherent to each market. Within this type of risk particular relevance is given to the concept of VaR (Value at Risk or maximum potential loss which a portfolio may suffer in current market conditions), which is included in the risk detection systems.

The Group obtains most of its revenues from brokerage services. The securities market is directly affected by domestic and international economic conditions and the fluctuations in price and volume levels of securities transactions, all of which are beyond the control of the Group. The volatile nature of the stock market may generate an increase in the volume of transactions and an increase in revenues, yet it may also cause a significant decrease affecting the Profit and Loss Account. As a consequence, market fluctuations may have a negative effect on the business and the results of its operations.

4. OPERATIONAL RISK

Operational risk refers to human errors, deficiencies in internal control systems or failures in the systems implemented.

On carrying out a large volume of orders, the Group is exposed to risks associated with human errors and omissions, the malfunctioning of internal control procedures and failures in any of the key technologies the trading system uses.

In order to reduce this risk the company has imposed some minimum requisites on the training of employees, in addition to primary controls in the different employment posts, such that the control routines are integrated into every task performed.

Improvements to the computer systems contribute to the establishment of better controls, and the decreasing number of manual processes reduces human errors.

5. RISK OF LIQUIDITY

As the name itself indicates, the liquidity risk refers to a cash flow problem, normally due to cash timing differences between the credits and debits in the cash balance.

To control this risk, and to comply with the legal requirements regarding coefficients and payment undertakings with third parties, the liquidity coefficient is calculated and revised on a daily basis.

6. RISK OF THEFT, FRAUD OR EMBEZZLEMENT

This risk refers to the risk of theft, fraud or embezzlement by clients, representatives, employees or directors.

To avoid this risk it is vital to count on upright directors and staff with high ethical and professional values. No director or employee shall be permitted to behave in an illegal manner, or in an improper manner regarding the ethical rules of professional conduct.

As regards the representatives, their selection is carried out on the basis of their accredited professionalism and integrity, but this does not impede the implementation of specific rules of internal audit and control.

All employees and representatives of Renta 4 must be submitted to the Internal Rules of Conduct (IRC), by which the ethical rules of action are established.

In addition, with the purpose of minimising this type of risk, the RENTA 4 Group has an insurance policy to cover the risk.

Furthermore, in relation to clients, situations which could potentially lead to fraud shall not be permitted.

7. RISK OF DEPENDENCE ON KEY TECHNOLOGY AND COMMUNICATION SYSTEMS

The activity of the RENTA 4 Group depends, to a great extent, on the performance, reliability and integrity of the telecommunication and information technology systems, as well as the electronic systems supporting them. This is especially so since the development of the on-line trading system, as the group receives purchase and sale orders and provides services through electronic means, including Internet.

In this regard, the Central Services and the offices and branches are connected by communication systems for data transfer.

The business may be seriously affected by viruses, security breaches by “Hackers” and other “web delinquents” who attempt to gain access to information, or by other inappropriate uses of the network resources.


For these purposes, the RENTA 4 Group relies on the technology of encryption and authentication to achieve the necessary security to provide safe transfer of confidential information.

8. REPUTATIONAL RISK

This risk is a consequence of the investment activities, recommendations, publications, etc., which could lead to a deterioration of the image and reputation of the RENTA 4 Group.


For this reason, media relations in general fall within the duties of the Group Chairman, who must value the system in order to satisfy the demand for information requested.

D.2 Indicate whether any of the different types of risk affecting the company and/or its group (operational, technological, financial, legal, reputational, fiscal...) have materialised during the financial year:

Yes No 

During the year 2007 no important risk materialised which could have affected the normal functioning of the activities of the RENTA 4 Group, the control systems having performed satisfactorily.

If so, please indicate the circumstances which led to the risk and whether the established control mechanisms proved to be effective.

| Risk materialised during the financial year | Circumstances that led to the risk | Effectiveness of control systems | | | | | | |
|---|---|----------------------------------|---------------------------|--------------------------|----------------------|---|-----------------------------|---|
| <div><div><div><div><div></div><div>D.3</div></div><div>State whether there is a committee or other governing body in charge of establishing and supervising these control systems:</div><div><div>Yes </div><div>No</div></div><div>If so, give details of its duties.</div><div>The organisational structure of the RENTA 4 Group has various bodies and committees whose duties and responsibilities include the supervision of the risk identification and control systems.</div></div></div></div> | | | | | | | | |
| <table><tr><th>Name of Committee or Body</th><th>Description of functions</th></tr><tr><td>UNIT OF RISK CONTROL</td><td><p>This body is directly responsible to the Board of Directors.</p><p>The Unit of Risk Control carries out its duties over all the entities included within the scope of consolidation of the RENTA 4 Group and is responsible for implementing the established control systems and culture, and for revising the internal control procedures and systems, and monitoring their compliance.</p><p>In addition, the Unit of Control is in charge of reporting all breaches of the control rules.</p></td></tr><tr><td>AUDIT AND CONTROL COMMITTEE</td><td><p>The Audit Committee is attributed with the following duties:</p><ul style="list-style-type: none">- The supervision of the management of the Company's internal auditing services which safeguard the good performance of the internal information and control systems, particularly in relation to the proper preparation of the financial information of the Company and Group.- To understand the process of financial information and systems of control and internal risk management associated with the relevant risks of the Company, such that these are properly identified, managed and reported, to safeguard the independence and effectiveness of the internal auditing function, to propose the selection, appointment, re-election and removal of the head of internal auditing, as well as the budget for such service, receiving periodic information regarding the activities and verifying that senior management take the conclusions and recommendations of the reports into account.- To supervise the performance of the duties attributed to the area responsible for the prevention of money laundering and to be aware of the reports and proposals which are presented in this regard.</td></tr></table> | | | Name of Committee or Body | Description of functions | UNIT OF RISK CONTROL | <p>This body is directly responsible to the Board of Directors.</p> <p>The Unit of Risk Control carries out its duties over all the entities included within the scope of consolidation of the RENTA 4 Group and is responsible for implementing the established control systems and culture, and for revising the internal control procedures and systems, and monitoring their compliance.</p> <p>In addition, the Unit of Control is in charge of reporting all breaches of the control rules.</p> | AUDIT AND CONTROL COMMITTEE | <p>The Audit Committee is attributed with the following duties:</p> <ul style="list-style-type: none">- The supervision of the management of the Company's internal auditing services which safeguard the good performance of the internal information and control systems, particularly in relation to the proper preparation of the financial information of the Company and Group.- To understand the process of financial information and systems of control and internal risk management associated with the relevant risks of the Company, such that these are properly identified, managed and reported, to safeguard the independence and effectiveness of the internal auditing function, to propose the selection, appointment, re-election and removal of the head of internal auditing, as well as the budget for such service, receiving periodic information regarding the activities and verifying that senior management take the conclusions and recommendations of the reports into account.- To supervise the performance of the duties attributed to the area responsible for the prevention of money laundering and to be aware of the reports and proposals which are presented in this regard. |
| Name of Committee or Body | Description of functions | | | | | | | |
| UNIT OF RISK CONTROL | <p>This body is directly responsible to the Board of Directors.</p> <p>The Unit of Risk Control carries out its duties over all the entities included within the scope of consolidation of the RENTA 4 Group and is responsible for implementing the established control systems and culture, and for revising the internal control procedures and systems, and monitoring their compliance.</p> <p>In addition, the Unit of Control is in charge of reporting all breaches of the control rules.</p> | | | | | | | |
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D.4 Identify and describe the processes for compliance with the different regulations affecting the company and/or its group.

The Group has the specific areas of Internal Auditing, Legal, Fiscal and Human Resources, which in co-ordination with the Unit of Risk Control and Company Management are responsible for applying the law in force relating to each case.

In addition, and pursuant to Article 31. 3 of the Board Regulations, the Audit and Control Committee shall monitor compliance with the internal codes of conduct, the rules of corporate governance and the regulations on financial instruments applicable to the Company.

E GENERAL MEETING

E.1 Indicate, and where applicable, provide details as to whether there are any differences from the minimum regime set forth in the Listed Companies Act (LSA) in the Spanish acronym) in relation to the quorum established in the Bylaws relating to the General Meeting.

| | | |
|---|---|--|
| Yes | No ✓ | |
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| | % of quorum other than that established in Art. 102 LSA for general cases | % of quorum other than that established in Art. 103 LSA for special cases listed in Art. 103 |
| Quorum required for 1st call to meeting | | |
| Quorum required for 2nd call to meeting | | |
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| Description of the differences | | |
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E.2 Indicate, and where applicable, provide details of any differences from the regime provided in the Listed Companies Act (LSA) in relation to the adoption of corporate resolutions:

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| Yes | No ✓ |
| Describe any differences from the regime set forth in the LSA. | |
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E.3 List shareholders' rights regarding the General Meetings, other than those set forth in the LSA.

The shareholders' rights established in the Bylaws are the same as those set forth in the Listed Companies Act (LSA) and are also established in the General Meeting Regulations.

E.4 Specify any measures adopted to foster shareholder participation in general meetings.

Shareholder participation in General Meetings is high, either by way of physical presence or by proxy representation, for this reason it is not considered necessary to take specific initiatives to increase such participation.

Furthermore, through its web-site (www.renta4si.com), the Group maintains company shareholders permanently informed.

E.5 Indicate whether the Chairman of the Board chairs the General Meeting. If so, list the measures adopted to ensure the independence and proper development of the General Meeting:

Yes ✓ No

Details of measures

- As far as verifying the valid constitution of the meeting, the company has the systems necessary for carrying out the computerised control and calculation of the representations, as well as for preparing the list of attendees, present and represented, at the General Meeting. Such information is incorporated in the minutes of the meeting with the calculation of the quorum of constitution and adoption of resolutions (Article 17 of the Regulations of the General Meeting).
- The same computer systems are also used in the resolution of doubts, clarifications and complaints which may arise regarding the list of attendees.
- As regards the activity of the Chairman when giving the floor to the shareholders, in accordance with Article 23 of the General Meeting Regulations, the Chairman:
 - a. "May extend, when deemed necessary, the time initially allocated to each shareholder and, in addition, may refuse to give the floor when a matter is deemed sufficiently debated.
 - b. May request that the participants clarify matters which have not been understood, or which have not been sufficiently explained during the intervention.
 - c. May call the intervening shareholders to order so that they limit their intervention to matters of the General Meeting, and that they abstain from making inappropriate declarations, or from exercising their right in an abusive or obtrusive manner.
 - d. May announce to the participants that the time of their intervention is coming to an end so that they may adjust their intervention and give up the floor when the time granted is at an end.
 - e. May consider the intervention capable of altering the agenda and normal development of the meeting, and may demand that they immediately give up the floor, and if necessary taking it from them.

E.6 Indicate any amendments to the Regulations of the General Meeting during the financial year.

E.7 Indicate the attendance data for the General Meetings held during the financial year of this report:

| Date of General Meeting | % attending in person | % by proxy | % remote voting | | Total |
|-------------------------|-----------------------|------------|-----------------|-------|-------|
| | | | e-voting | Other | |
| 28-04-07 | 67.14 | 18.69 | 0.00 | 0.00 | 85.83 |
| 24-07-07 | 67.14 | 9.61 | 0.00 | 0.00 | 76.75 |
| 29-09-07 | 77.67 | 21.42 | 0.00 | 0.00 | 99.09 |

E.8 List briefly the resolutions adopted in the General Meetings held in the financial year of the report and the percentage by which each resolution was passed.

The Ordinary General Meeting held on 28.04.07 adopted the following resolutions by majority:

1. Examination and approval, where applicable, of the Annual Accounts (Balance, Profit and Loss Account and Annual Report) and Management Report of the company, duly audited, corresponding to the financial year ended 31 December 2006.
2. Examination and approval, where applicable, of the Annual Accounts (Balance, Profit and Loss Account and Annual Report) and Management Report of the consolidated Group of the Company.
3. Examination and approval, where applicable, of the application of the results of the financial year 2006.
4. Examination and approval, where applicable, of the management of the Board of Directors during the financial year 2006.
5. Remuneration of Board members, pursuant to Article 26 of the Bylaws.

6. *Delegation of powers for the filing, where applicable, of resolutions drawn up in the minutes of the meeting, as well as the required filing of the annual financial statements.*

The Ordinary General Meeting held on 24.07.07 unanimously adopted the following resolutions:

- Distribution of dividends from the Company's voluntary reserves and in kind through the granting of treasury shares.*
- Capital decrease of €3,249,609 by reducing the par value of the shares by €0.20 per share and the corresponding amendment to Article 5 of the Company Bylaws.*
- New authorisation of the Board for the acquisition of treasury shares, directly or through entities of the Group, pursuant to Article 75 of the Listed Companies Act. Ratification in the event of treasury shares acquired.*
- Extension, or where applicable, new appointment of auditors of Company accounts and those of the consolidated group.*
- Delegation of powers for notarisatation and registration, where applicable.*

The Ordinary General Meeting held 29.09.07 unanimously adopted the following resolutions:

- Reduction of the par value of the shares, from euro 0.80 to euro 0.40 per share, with split of the number of shares outstanding, from 16,248,045 to 32,496,090 shares, and the corresponding amendment of Articles 5 and 16 of the Company Bylaws.*
- Application for admission of Company shares to stock market listing. Delegation of powers in the Board.*
- Capital Increase for the execution of a rights offering for the nominal amount of euro 3,278,84.20, through the issue of 8,197,113 new shares with a par value of euro 0.40 each one, with an issue premium through monetary contributions, with provision of incomplete subscription and with exclusion of the pre-emptive subscription right. Delegation of powers in the Board and the corresponding amendment of Article 5 of the Company Bylaws.*
- Capital increase for the subscription by the global co-ordination entity of the initial public offering in the event of exercising the green-shoe option for a nominal amount of euro 589,314.80, through the issue of 1,473,287 new shares, the par value of each being euro 0.40, with an issue premium through monetary contributions, with provision of incomplete subscription and with exclusion of the pre-emptive subscription right. Delegation of powers in the Board and the corresponding amendment of Article 5 of the Company Bylaws.*
- Carry out a public stock offering and adherence to the same.*
- Capital decrease for the return of contributions through share redemptions, conditional on the revocation of the initial public offering or that admission of Company shares to stock market listing does not take place within the term established for such purpose. Delegation of powers in the Board.*
- Nullify the current Bylaws and approve a new set of Bylaws.*
- Fixing the number of members of the Board of Directors. The removal, re-election, ratification and appointment, of Directors, where applicable.*
- Approval of the Regulations of the General Shareholders' Meeting.*
- Determination of the fixed annual retribution of the Company Board.*

- Approval of the financial statements of Renta 4 Servicios de Inversión, Sociedad Anónima, and subsidiary companies, including the Balance, Income Statement, and Annual Report, corresponding to the financial year ended 31 December 2006 in accordance with the International Financial Reporting Standards (IFRS).*
- Authorization of the Board to issue, during a maximum term of five (5) years, bonds or ordinary debentures and other securities of fixed income of similar nature.*
- Amendment of the plan to grant shares in favour of Company Directors, Managers and Employees, and of the various participated companies, approved by the Ordinary General Meeting held 28 April 2005.*
- Delegation of powers for notarisatation and registration, interpretation, rectification, execution and filing of the previous resolutions.*

E.9 State whether the Company Bylaws establish any restriction on the minimum number of shares required to attend the General Meeting:

Yes No ✓

Number of shares necessary to attend the General Meeting

E.10 Indicate and explain the policies of the company in relation to proxy voting at the General Meeting.

These are set forth in Article 14 of the Regulations of the General Meeting, which provides:

- Shareholders with right of attendance may delegate their representation by proxy to another person, even if such person is not a shareholder.*

The proxy must be conferred in accordance with the terms and scope established by Law, in writing and specific to each General Meeting, except in the case of partners, ascendants or descendants of the party represented or legal representative, stipulated in a public deed as empowered to administer all the shareholder's assets in the national territory.
- The proxy may also be granted by postal correspondence, remitting a document to the Company expressing the proxy granted and accompanied by the attendance card issued by the Company or entities in charge of keeping the shareholder register. Notwithstanding this, the attendance card may be sufficient when such card provides for proxy through postal correspondence.*

The proxy may also be granted by other means or remote communication, provided that such means are expressly permitted by the Board of Directors on the calling of each General Meeting, this being made public in the notice of call and at the Company web-site.
- The proxy granted by any of the means of remote communication cited must be received by the Company five (5) hours prior to the date and time established for holding the General Meeting on first call. If this is not the case, the proxy shall be deemed invalid.*
- The Chairman and the Secretary of the General Meeting or the person appointed by the same shall have unlimited authority for allowing the validity of the document or the means of accreditation of the proxy, being obliged to consider invalid only that which lacks the necessary minimum requirements and provided this cannot be rectified.*

5. *In the cases in which the Company directors make a public request to be represented by proxy, the rules of the Listed Companies Act, the Securities Market Act, and the implementing regulations shall be applied. In particular, the document expressing the power must contain or be accompanied by the agenda, as well as the application for instructions for exercising the voting right and the indication of how the proxy representative shall vote in the event that instructions are not given, or are not precise. The delegation may also include those items which, although not on the agenda, may be considered, as they are permitted by Law. The Board may replace the representative director for another member attending the General Meeting when such representative falls within a conflict of interests which may impede the proxy voting.*
6. *The proxy may be revoked at any time. The attendance of the shareholder at the General Meeting implies the revocation of any delegation, whatever the date may be.*

E.11 State whether the company is aware of the institutional investors’ policy on whether or not to participate in making company decisions.

Yes No ✓

Describe the policy

E.12 Indicate the address and mode of access to corporate governance on the web-site.

www.renta4si.com: see section shareholders-financial-information.

F DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

State the degree of compliance with the recommendations of the Unified Code of Good Governance.

If the company fails to comply with any of such recommendations, state the recommendations, rules, practices or criteria the company applies.

1. The Bylaws of listed companies cannot limit the maximum number of votes held by a single shareholder, nor may they contain any other restrictions which impede the company's takeover through share acquisition in the market.

See sections: A.9 , B.1.22 , B.1.23 y E.1 , E.2.

Compliance ✓ Explanation

2. When the parent Company and a subsidiary are listed separately, they must both define with precision:
- a) The type of activity they engage in and any possible business deals between them, as well as between the listed subsidiary and other companies in the group.
- b) The mechanisms in place to resolve possible conflicts of interest which may arise.

See sections: C.4 y C.7

Compliance ✓ Partial Compliance Explanation Not applicable

3. Even if not expressly required by company law, operations involving changes to the company structure shall be submitted to the General Shareholders’ Meeting for approval or ratification, and especially the following:

- a) The conversion of listed companies to holding companies through the subsidiarisation or incorporation to dependant entities of core activities previously carried out by the company itself, even though the latter retains full control of such entities.
- b) The purchase or disposal of key operating assets which would effectively alter the company's corporate purpose.
- c) Those operations whose effect would be equivalent to the company's liquidation.

Compliance Partial Compliance Explanation ✓

It has been decided not to include the present recommendation in order not to reduce the effectiveness of the Board of Directors, as these are operations which may require rapid decision-making processes for reasons of opportunity, and further, because there are sufficient legal mechanisms of protection for the shareholders and the Company, without prejudice to the Board informing the General Meeting about such operations.

4. The detailed proposals of agreements to be adopted at the General Meeting, including the information to which Recommendation 28 refers, shall be made public at the time of publishing the call for the General Meeting.

Compliance ✓ Explanation

5. Separate votes shall be taken at the General Meeting on materially separate items in order for shareholders to be able to express their preference on each item. This rule applies in particular to the following:

- a) The appointment or ratification of directors which must be carried out with separate voting on each candidate.
- b) In the event of amendments to Bylaws, articles or groups of articles which are materially different.

See section: E.8

Compliance ✓ Partial Compliance Explanation

6. Companies should allow the splitting of votes so that financial intermediaries legitimised as shareholders on record, but acting on behalf of different clients, may issue votes on their instructions.

See section: E.4

Compliance ✓ Explanation

7. The Board of Directors shall perform its duties with unity of purpose and independence of criteria and grant the same treatment to all shareholders. It shall, at all times, act in the best interests of the company, this to be understood as maximising the company's value over time.

Likewise, the Board shall ensure that the company abides by the laws and regulations in its relations with stakeholders; that it fulfils its obligations and contracts in good faith; that it respects the customs and good practices of the sectors and territories where it carries out its activities; and that it observes any additional principles of corporate responsibility it has voluntarily subscribed to.

Compliance ✓ Partial Compliance Explanation

8. The core components of the mission of the Board shall consist of approving the company's strategy and the necessary organisation for such, as well as supervising and ensuring that Management fulfils its objectives and respects the company's interests and corporate purpose. To carry out these duties, the Board in full reserves the authority to approve:

- a) The general policies and strategies of the company and, more specifically:
 - i) The strategic or business plan, as well as management targets and annual budgets.
 - ii) The investment and finance policy.
 - iii) The definition of the corporate group's structure'.
 - iv) The corporate governance policy.
 - v) The corporate social responsibility policy.
 - vi) The policy of remuneration and evaluation of senior management.
 - vii) The risk control and management policy, as well as the periodic monitoring of internal information and control systems.
 - viii) The policy on dividends and treasury stock and in particular, the limits to apply.

See section: B.1.10, B.1.13, B.1.14 y D.3

- b) The following decisions:
 - i) At the proposal of the company's Chief Executive, the appointment and removal of senior managers, as well as their severance clauses.

See section: B.1.14.

- ii) The remuneration of directors, the additional remuneration for their management duties and other contractual conditions.

See section: B.1.14.

- iii) The financial information which listed companies are obliged to disclose periodically.
- iv) Investments or operations of any type considered strategic due their large amount or special characteristics, unless their approval corresponds to the General Meeting.
- v) The setting up or acquisition of special purpose vehicles or entities with registered addresses in countries or territories considered tax havens, as well as any other transactions or operations of a similar nature which, due to their complexity, could impair the transparency of the group.
- c) Transactions the company carries out with directors, significant shareholders or shareholders with Board representation, or other parties related thereto ("related-party transactions").

The authorisation of the Board shall not, however, be required for related-party transactions which fulfil the following three conditions:

1. They are carried out through standard contracts which are applied in mass to a large number of clients.
2. They are performed at prices or rates established on a general basis by the party supplying the goods or services in question.

3. Their amount does not exceed 1% of the company's annual revenues.

It is recommended that the Board approve related-party transactions only after having received a favourable report from the Audit Committee or, if appropriate, any other Committee assigned to carry out this task; and that the directors affected, in addition to not exercising or delegating their voting right, shall be absent from the meeting room while the Board deliberates and votes.

It is recommended that these competences attributed to the Board, may not be delegated, except those mentioned in b) and c), which can be delegated to the Executive Committee for reasons of urgency, subject to posterior ratification by the Board in full.

See sections: C.1 y C.6

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| Compliance ✓ | Partial Compliance | Explanation |
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- 9. The Board should be of such a size as to ensure efficient and participative operation, it therefore being advisable to have no less than five members and no more than fifteen.

See section: B.1.1

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| Compliance ✓ | Explanation |
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- 10. The external proprietary and independent directors constitute an ample majority on the Board and the number of executive directors should be the minimum necessary, taking into account the complexity of the corporate group and the shareholding percentage of the executive directors.

See sections: A.2 , A.3, B.1.3 y B.1.14.

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| Compliance ✓ | Partial Compliance | Explanation |
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- 11. In the event of an external director who may not be considered either proprietary or independent, the company must provide an explanation of such circumstance and the director's relations with the company, the managers, or shareholders.

See sections: B.1.3

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| Compliance ✓ | Explique | No aplicable |
|--------------|----------|--------------|

- 12. Amongst the external directors, the ratio of proprietary directors and independent directors should reflect the composition between the capital represented by proprietary directors on the Board and the remaining company capital.

This criteria of strict proportionality could be relaxed such that the weight of the proprietary directors is greater than would strictly correspond to the total percentage of capital they represent in the following cases:

1. In large cap companies where few or no equity stakes reach the legal threshold for significant shareholdings, yet where there are shareholders with high absolute value shareholdings.
2. In companies with a plurality of shareholders represented on the Board who are otherwise unrelated.

See sections: B.1.3 , A.2 y A.3

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| Compliance ✓ | Explanation |
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13. The number of independent directors represents at least one third of the total number of directors.

See section: B.1.3

Compliance ✓ Explanation

14. The Board shall explain the nature of each director to the General Shareholders Meeting which must make or ratify the appointment. This determination shall subsequently be confirmed or reviewed each year in the Annual Report on Corporate Governance, after verification by the Nomination Committee. The Annual Report on Corporate Governance shall also explain any appointments of proprietary directors representing shareholders with an equity stake inferior to 5% of the capital; and the reasons should also be given for any refusal of a formal request for a place on the Board from shareholders whose equity stake is equal to or superior to others at whose request proprietary directors have been appointed.

See sections: B.1.3 y B.1.4

Compliance ✓ Partial Compliance Explanation

15. When the number of female directors is few or non-existent, the Board should provide an explanation for this situation and the measures adopted for its correction; and in particular, the Nomination Committee should take steps to ensure that when new vacancies arise:

- a) The selection procedures are not implicitly biased against female candidates.
- b) The company makes a deliberate effort to include females amongst the potential candidates with the desired professional profile.

See sections: B.1.2, B.1.27 y B.2.3.

Compliance ✓ Partial Compliance Explanation Not applicable

16. As the Chairman is responsible for the proper functioning of the Board, he or she will ensure that directors are in possession of sufficient information prior to the Board meetings. Furthermore, the Chairman must foster a healthy level of debate and active participation of directors during the meetings, and ensure that freedom of expression and opinion is protected. Moreover, the Chairman must organise and co-ordinate regular evaluations of the Board and, where applicable, that of the company's Chief Executive or managing director.

See section: B.1 42

Compliance ✓ Partial Compliance Explanation

17. When the Chairman of the Board and the Chief Executive are one and the same person, one of the independent directors shall be authorised to request the calling of Board meetings or the inclusion of new matters in the agenda, to co-ordinate and communicate the concerns of external directors and to take charge of the Chairman's evaluation by the Board.

See section: B.1.21

CompliancePartial Compliance ✓ Explanation Not applicable

Despite this recommendation not being included in the corporate texts, an alternative mechanism has been established to counter-balance the figure of the Executive Chairman, which is that of the Vice-Chairman or, if there are various, Vice-Chairmen, who must be independent directors and are able, together with other directors, to request that the Chairman call a Board meeting, that new items are included on the agenda and are in charge of the Board's evaluation of the Chairman.

18. The Secretary of the Board shall take steps to ensure that the Board's actions:

- a) Abide by the spirit and the letter of the Law and its implementing regulations, including those issued by regulatory bodies.
- b) Are in accordance with the company Bylaws and the regulations of the General Shareholders' Meeting, the Board and any others the company may have.
- c) Take into account the recommendations of good governance set forth in the Unified Code which the company has adopted.

Furthermore, and with the purpose of ensuring the independence, impartiality and professionalism of the Secretary, his or her appointment and removal shall be proposed by the Nomination Committee and approved by the Board in full. The appointment and removal procedures must be stipulated in the Board regulations.

See section: B.1.34

Compliance ✓ Partial Compliance Explanation

19. The Board should meet as often as necessary to perform its duties effectively, following the Schedule of dates and matters established at the beginning of the financial year, each Board member being able to propose other items on the agenda which were not initially included.

See section: B.1.29

Compliance ✓ Partial Compliance Explanation

20. Directors' absences shall be kept to the bare minimum and shall be quantified in the Annual Report on Corporate Governance. In the event that proxy attendance is necessary, they must provide instructions.

See sections: B.1.28 y B.1.30

Compliance ✓ Partial Compliance Explanation

21. When directors or the Secretary express concerns regarding a proposal or, in the case of directors, regarding company performance, and when such concerns are not resolved at the meeting, the member expressing the concerns shall request their inclusion in the minutes.

Compliance ✓ Partial Compliance Explanation Not applicable

22. The Board shall evaluate on an annual basis:

- a) The quality and efficiency of the Board's performance.
- b) The performance of the Chairman and Chief Executive in carrying out their duties, based on the Nomination Committee's report.
- c) The performance of its Committees, based on the reports they provide.

See section: B.1.19

Compliance ✓ Partial Compliance Explanation

23. All directors are entitled to make use of their right to receive any additional information they deem necessary on matters which fall within the Board's competence. Unless the Bylaws or Board Regulations state the contrary, such requests should be addressed to the Chairman or to the Secretary of the Board.

See section: B.1.42

Compliance ✓ Explanation

24. All directors are entitled to obtain the necessary advice for carrying out their duties. The company shall decide the suitable channels for exercising such right, and in special circumstances this may extend to external advice at the company's expense.

See section: B.1.41

Compliance ✓ Explanation

25. Companies shall set up induction courses to rapidly provide sufficient knowledge of the company, as well as about the rules of corporate governance. Directors shall also be offered courses to update their knowledge when circumstances so dictate.

Compliance ✓ Partial Compliance Explanation

26. Companies should demand that directors devote the necessary time and effort for the effective performance of their duties. In consequence:

- a) Directors shall inform the Nomination Committee of any other obligations which could interfere with their duty to provide the necessary dedication.
- b) Companies should establish rules on the number of directorships the Board members may hold.

See sections: B.1.8, B.1.9 y B.1.17

Compliance ✓ Partial Compliance Explanation

27. The proposal for appointment or re-election of directors submitted by the Board to the General Meeting, as well as the provisional appointments by cooption, are to be approved by the Board :

- a) At the proposal of the Nomination Committee, in the case of independent directors.
- b) Subject to a report of the Nomination Committee in the case of all other directors.

See section: B.1.2

Compliance ✓ Partial Compliance Explanation

28. Through their web-site companies should disclose, and maintain up-to-date, the following information about its directors:

- a) Professional profile and background.
- b) Other Boards of directors to which they belong, whether or not of listed companies.
- c) Indication of type of directorship held. In the case of proprietary directors, the shareholder they represent, or are related to.
- d) The date of their first appointment as company director, and subsequent ones in the capacity of company director.

e) Shares held in the company and options on the same.

Compliance ✓ Partial Compliance Explanation

29. Independent directors should not serve as such for a continuous period exceeding 12 years.

See section: B.1.2

Compliance ✓ Explanation

30. Proprietary directors shall tender their resignation when the shareholders they represent dispose of all their shares. They shall also do so in the corresponding number when such shareholder reduces the stake to a level requiring an appropriate reduction in the number of proprietary directors.

See sections: A.2, A.3 y B.1.2

Compliance ✓ Partial Compliance Explanation

31. The Board of Directors may not propose the removal of any independent director prior to the expiry of the term set forth in the Bylaws, except where just cause is found by the Board following a report of the Nomination Committee. Specifically, just cause will be considered to include situations where the director has acted in breach of his/her duties, or when they fall within the scope of the circumstances set forth in paragraph 5, Section III of the definitions of this Code.

The removal of independent directors may also be proposed when a public tender offer, merger or similar corporate operation results in changes to the company's capital structure when such changes occur due to the criteria of proportionality set forth in Recommendation 12.

See sections: B.1.2, B.1.5 y B.1.26

Compliance ✓ Explanation

32. Companies should establish rules obliging the directors to report and, if applicable, resign in those cases which could potentially impair the company's good standing and reputation and in particular, they are obliged to inform the Board immediately of any criminal charges brought against them and the progress of any subsequent trial.

In the event that a director is indicted or proceedings are brought against the latter for any of the crimes set forth in Article 124 of the Listed Companies Act, the Board must examine the case as soon as possible and, in light of the particular circumstances, decide whether the director may continue or should be called on to resign. The Board shall also be obliged to disclose and explain all such decisions in the Annual Report on Corporate Governance.

See sections: B.1.43, B.1.44

Compliance ✓ Partial Compliance Explanation

33. All directors should clearly express their opposition when they consider a proposal submitted to the Board may be contrary to the company's interest. In addition, independent directors and other directors not affected by the potential conflict of interest should strongly challenge any decision which might cause harm to shareholders lacking board representation.

When the Board adopts materially significant or reiterated decisions about which the director has expressed serious reservations, such director shall draw the pertinent conclusions, and their decision is to resign, the reasons for such should be set out in the letter hereinbelow referred to.

This Recommendation is also applicable to the Board Secretary, even if he/she is not a member of the Board.

Compliance ✓ Partial Compliance Explanation Not applicable

34. Those directors resigning or leaving before the end of the term must state their reasons in a letter sent to all Board members. Even though this is declared to the regulatory authorities as a significant event, the reasons for leaving shall appear in the Annual Report on Corporate Governance.

See section: B.1.5

Compliance ✓ Partial Compliance Explanation Not applicable

35. The company's remuneration policy approved by the Board shall include the following:

- a) Amount corresponding to fixed items, with a breakdown where necessary, of attendance allowances of the Board and its Committees, and an estimate of the fixed annual amount such allowances represent.
- b) Items of variable remuneration, including, in particular:
 - i) Types of directors they apply to, with an explanation of the relative weight of variable to fixed items.
 - ii) Evaluation criteria used in calculating the entitlement to the award of shares or stock options or any variable remuneration.
 - iii) The main parameters and justification for any system of annual bonuses or other non-cash benefits.
 - iv) An estimate of the total amount of variable remuneration resulting from the proposed remuneration plan, on the basis of the degree of fulfilment of the hypothesis or targets taken as reference.
- c) Principal characteristics of the pension schemes (for example, supplementary pensions, life assurance and similar), and an estimate of their amount or equivalent annual cost.
- d) Contractual conditions of those carrying out senior management duties such as executive directors, including:
 - i) Term.
 - ii) Notice periods.
 - iii) Any other clauses relating to engagement premiums, as well as severance payments or "golden parachutes" in the case of early termination of the contract between the company and executive director.

See section: B.1.15

Compliance ✓ Partial Compliance Explanation

36. Executive directors should receive remuneration comprising company shares or shares of other group companies, share options or other share-based incentives, or variable remuneration linked to company performance or pension schemes.

This recommendation does not apply to the award of shares when such award is conditional on directors maintaining the shares until the end of their term.

See sections: A.3 , B.1.3

Compliance ✓ Explanation

37. The remuneration of external directors shall be that necessary to compensate the dedication, qualification and responsibility the position involves, though it shall not be so high as to jeopardise independence.

Compliance ✓ Explanation

38. The remuneration linked to company performance should be modified in the case of qualifications in the Auditor's report.

Compliance ✓ Explanation Not applicable

39. With regard to variable remuneration, policies should incorporate technical measures to ensure remuneration reflects the professional performance of the beneficiaries, and not solely, the general progress of markets, the company sector or similar circumstances.

Compliance ✓ Explanation Not applicable

40. The Board shall submit a consultative report on the policy of director remuneration to the General Shareholders' Meeting, as a separate item on the agenda. This report shall be made available to shareholders, either separately, or in any other way the company considers appropriate.

The report will focus on the remuneration policy approved by the Board for the present year and, where applicable, the policy planned for future years. The report shall address all matters referred to in Recommendation 35, except where doing so may involve the disclosure of commercially sensitive information. Mention shall also be made of the most significant changes in the remuneration policy compared to the previous year. The report will further include a general summary of how the remuneration policy was applied in the previous financial year.

The Board shall also provide information regarding the role played by the Remuneration Committee in designing the remuneration policy and further, whether external advice had been sought, and if so, the identity of the same.

See section: B.1.16

Compliance Partial Compliance ✓ Explanation

Although the Recommendation has not been incorporated in the corporate texts, art. 24.3 of the Board Regulations establishes that the Board shall prepare an annual report on the remuneration policy of the current year and the application of the remuneration policy in force in the previous financial year. This report shall be made available to shareholders, in the manner the Board deems appropriate, on the calling of the Ordinary General Meeting. Furthermore, in accordance with legal provisions, the Annual Report must include individual details of directors' remuneration during the financial year with a breakdown of the different items.

In addition, pursuant to Recommendation 41 of the Unified Code, which is incorporated in art. 24.4 of the Board Regulations, the Annual Report relating to future financial years shall specify individual details of directors' remuneration during the financial year with a breakdown of the different items, including those linked to the performance of senior management and, where applicable, the granting of shares or options on the same or any other share-based incentives.

41. The Annual Report shall provide details of directors' individual remuneration during the financial year and shall include:
- a) A breakdown of the remuneration of each director shall be provided and, where appropriate, the breakdown will include:
 - i) Attendance allowances and other fixed remuneration corresponding to directors.
 - ii) Additional remuneration corresponding to the position of Chairman or to members of Board Committees.
 - iii) Any remuneration paid under profit-sharing or bonus schemes, and the reason for their payment.
 - iv) Contributions in favour of the director to defined-contribution pension plans; or any increase in the vested rights of the director in the case of defined-benefit schemes.
 - v) Any compensation agreed or paid on the termination of their duties.
 - vi) Remuneration received as director in other companies of the group.
 - vii) Remuneration received by executive directors for carrying out senior management duties.
 - viii) Any other item of remuneration not included in the above, whatever the nature or paying entity within the group, particularly when this may be considered a related-party transaction or when its omission would distort a true and fair reflection of the total remuneration received by the director.
 - b) The individual break-down of the possible award to directors of shares or options on the same or any other share-based incentives, providing details of:
 - i) Number of shares or options awarded during the year and terms of their execution.
 - ii) Number of options exercised during the year, indicating number of shares involved and exercise price.
 - iii) Number of options outstanding at the annual close, indicating their price, date and other terms of exercise.
 - iv) Any amendments made during the year to the terms of exercise of options already granted.
 - c) Information about the previous year's relation between the remuneration received by executive directors and company profits or other measures of company performance.
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| Compliance ✓ | Partial Compliance | Explanation |
|--------------|--------------------|-------------|
42. When the company has a Management or Executive Committee (hereinafter, the "Executive Committee"), the structure of participation of the types of different directors shall be similar to the Board itself and its Secretary shall be that of the Board.
- See sections: B.2.1 y B.2.6
- | | | | |
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| Compliance ✓ | Partial Compliance | Explanation | Not applicable |
|--------------|--------------------|-------------|----------------|
43. The Board shall be maintained fully aware of the matters dealt with and the resolutions adopted by the Executive Committee. All Board members shall receive copies of the minutes of the meetings from the Executive Committee.
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| Compliance ✓ | Explanation | Not applicable |
|--------------|-------------|----------------|

44. In addition to the Audit Committee, which is mandatory pursuant to the Securities Market Act, the Board of Directors will establish an Nomination and Remuneration Committee, or two separate committees.
- The rules governing the composition and operation of the Audit Committee and the Nomination and Remuneration Committee or committees shall be set forth in the Board Regulations, and shall include the following:
- a) The Board of Directors shall appoint the members of these committees on the basis of the knowledge, skills and experience of directors, and further taking into account the duties of each committee. The Board is in charge of discussing their proposals and reports. At the first Board meeting following the committee meeting, the committees must report their activity and assume responsibility for the work carried out.
 - b) These committees shall be composed exclusively of external directors and will have a minimum of three members. This is without prejudice to executive directors or senior managers attending meetings, if expressly agreed by the Committee members.
 - c) The Committee Chairmen shall be independent directors.
 - d) External advisors may be engaged by committee members when considered necessary for carrying out their duties.
 - e) Minutes of the meetings shall be drawn up and copies sent to all Board members.
- See sections: B.2.1 y B.2.3
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|--------------|--------------------|-------------|
| Compliance ✓ | Partial Compliance | Explanation |
|--------------|--------------------|-------------|
45. Supervising the compliance with internal rules of conduct and corporate governance rules shall be attributed to the Audit Committee, the Nomination Committee or, should it be the case, separate Compliance or Corporate Governance Committees.
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| Compliance ✓ | Explanation |
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46. The members of the Audit Committee, particularly its Chairman, shall be appointed on the basis of knowledge and experience in accounting, auditing or risk management.
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| Compliance ✓ | Explanation |
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47. Listed companies shall have an internal auditing function, under the supervision of the Audit Committee, in order to ensure the proper operation of internal information and control.
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| Compliance ✓ | Explanation |
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48. The head of internal auditing shall present an annual work plan to the Audit Committee. Furthermore any incidents arising during the implementation shall be reported to such Committee and an activities report must be submitted at the close of each financial year.
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| Compliance ✓ | Partial Compliance | Explanation |
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49. The company's risk management and control policy shall, as a minimum, specify the following:
- a) The different types of risk (operational, technological, financial, legal, reputational...) the company is exposed to, including within the financial or economic risks, contingent liabilities and other off-balance sheet risks.
 - b) The determination of the risk level the company deems acceptable.

- c) The measures in place to mitigate the impact of the significant risks identified, should they materialise.
- d) The internal information and control systems employed to control and manage the above-mentioned risk, including contingent liabilities and other off-balance sheet risks.

See section: D

Compliance ✓ Partial Compliance Explanation

50. The Audit Committee's duties include the following:

1º In relation to the internal information and control systems:

- a) Supervising the preparation and integrity of the company's financial information and, where applicable, that of the group, checking compliance with legal provisions, the proper delimitation of the scope of consolidation and the correct application of accounting principles.
- b) Reviewing the internal control and risk management systems periodically for the purpose of identifying, managing and disclosing the principal risks.
- c) Ensuring the independence and efficiency of the internal auditing function, proposing the selection, appointment, re-election and removal of the head of the internal auditing service, receiving periodic information on its activities, verifying that senior management bear in mind the conclusions and recommendations of its reports.
- d) Establishing and supervising a mechanism which permits employees to report any potentially significant irregularities in the company, particularly those relating to finance or accounting. They may do so confidentially, or if deemed appropriate, anonymously.

2º In relation to the external auditor:

- a) Making recommendations to the Board regarding the selection, appointment, re-election and substitution of the external auditor, as well as the terms of his/her engagement.
- b) Receiving periodic information from the external auditor on the progress and findings of the audit plan and verifying that senior management bears its recommendations in mind.
- c) Ensuring the independence of the external auditor and, for this purpose:
 - i) The company shall notify the Spanish Securities and Exchange Commission (CNMV) of any change of auditor as a "significant event" with a statement regarding the possible existence of disagreements with the outgoing auditor, and if so, the reasons for such.
 - ii) The Audit Committee shall ensure that the company and the auditor abide by the regulations in force relating to the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, other requirements established to ensure auditors' independence.
 - iii) The Audit Committee shall investigate the circumstances which giving rise to the resignation of an external auditor.
- d) With regard to groups, the Audit Committee shall encourage the auditor to assume responsibility for the audits of the group companies .

See sections: B.1.35, B.2.2, B.2.3 y D.3

Compliance ✓ Partial Compliance Explanation

51. The Audit Committee may call a meeting with any Company employee or director, and may request their attendance without the presence of a senior manager.

Compliance ✓ Explanation

52. The Audit Committee shall report to the Board, prior to the latter making the corresponding decision, on the following items set forth in Recommendation 8:

- a) The financial information that listed companies must disclose periodically. The Committee shall ensure that interim statements are prepared following the same accounting criteria as that of the annual statements and, for this purpose, may request that the external auditor carry out a limited review.
- b) The creation or acquisition of shares in special purpose vehicles, or those domiciled in territories considered tax havens, as well as any other transactions or operations of a similar nature, whose complexity could impair the group's transparency.
- c) Related-party transactions, unless the duty of prior reporting has been attributed to another Committee of supervision and control.

See sections: B.2.2 y B.2.3

Compliance ✓ Partial Compliance Explanation

53. The Board of Directors shall present the annual accounts to the General Shareholders' Meeting without reservations or qualifications in the audit report. In the event such reservations or qualifications exist, the Chairman of the Audit Committee and the auditors shall provide the shareholders with a clear account of their content and scope.

See section: B.1.38

Compliance ✓ Partial Compliance Explanation

54. The majority of the Nomination Committee or the Nomination and Remuneration Committee, if a single body, shall be composed of independent directors.

See section: B.2.1

Compliance ✓ Explanation Not applicable

55. In addition to the duties set forth in previous Recommendations, the Nomination Committee shall:

- a) Evaluate the competences, knowledge and experience necessary to sit on the Board, define the functions and abilities required of candidates, and assess the time and dedication required to carry out their duties properly.
- b) Examine or organise, in the manner deemed appropriate, the succession of the Chairman and of the Chief Executive and, if applicable, make recommendations to the Board in order that the succession may be proceed in a planned and orderly fashion.
- c) Report the appointments and removals of senior managers which the Chief Executive proposes to the Board.
- d) Report to the Board on the gender diversity issues set forth in Recommendation 14 of this Code.

See section: B.2.3

Compliance ✓ Partial Compliance Explanation Not applicable

56. The Nomination Committee shall consult the company Chairman and Chief Executive, particularly in relation to matters regarding executive directors.

Any director may suggest that the Nomination Committee consider potentially suitable candidates to fill director vacancies.

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| Compliance ✓ | Partial Compliance | Explanation | Not applicable |
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57 In addition to the duties set forth in previous Recommendations, the Remuneration Committee shall:

- a) Make proposals to the Board of Directors regarding:
 - i) The remuneration policy of directors and senior management.
 - ii) The individual remuneration of executive directors and the other terms of their contracts.
 - iii) The basic terms and conditions of the contracts of senior managers.
- b) Supervise compliance with the company’s remuneration policy.

See sections: B.1.14, B.2.3

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|--------------|--------------------|-------------|----------------|
| Compliance ✓ | Partial Compliance | Explanation | Not applicable |
|--------------|--------------------|-------------|----------------|

58. The Remuneration Committee shall consult the Chairman or Chief Executive, particularly in relation to matters regarding executive directors or senior managers.

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| Compliance ✓ | Explanation | Not applicable |
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