



INMOBILIARIA URBIS, S.A.

- *A low cyclical and high added value Real Estate Company*
- *55 years on the job*

London, December 2001

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- Who are we?
- From a home builder to managers of higher added value in real estate: Our Business Model
- Performance of our Business Model
- Current Financial Situation: Highlights
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- Urbis: A cyclical company?
- Medium Term Strategy
- Final conclusion

URBIS: Who are we?

- **URBIS started trading on the Madrid Stock Exchange in 1947**
- **The core businesses are:**
 - **Renting of property**
 - **Land and housing development**
- **127.5 million shares issued, whose main shareholders are:**
 - **Banesto (51%)**
 - **Grupo Dragados (20%)**
 - **Free Float on Madrid Stock Exchange**
- **We are one of the main players in Spain, with a current market capitalization of Euro 540 million, still offering more than a 50% discount on Net Asset Value.**

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- A thick blue arrow pointing from the left towards the list items.
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Urbis: From a home builder to managers of real estate activities with higher added value

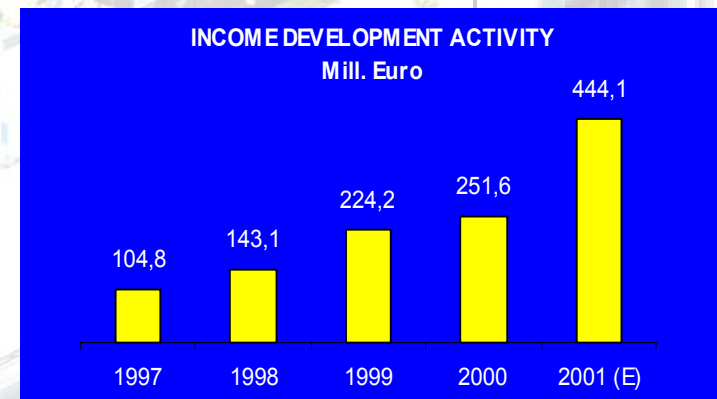
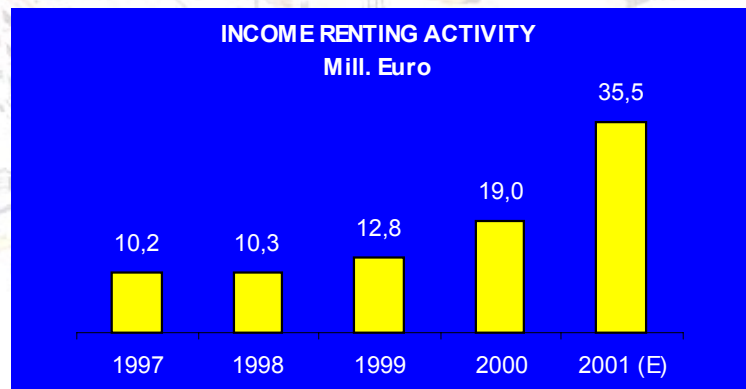
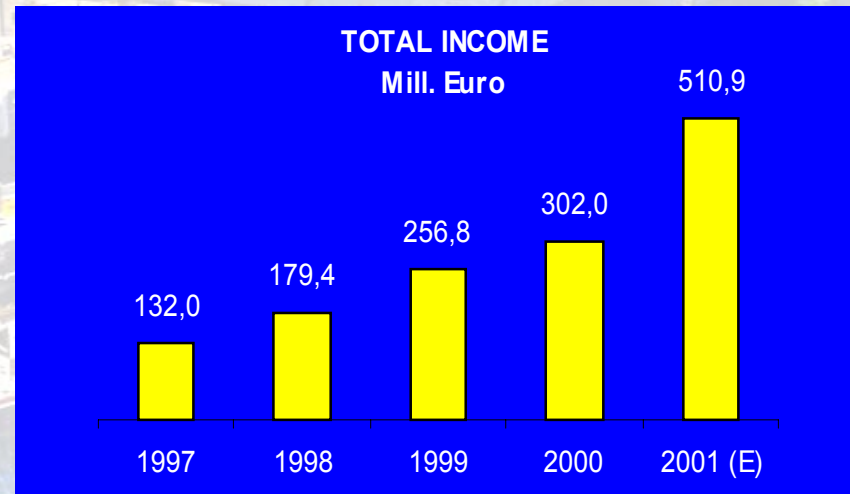
- **Urbis was a home builder until the late eighties**
- **Current Business Model: Higher added value, flexibility and low exposure to the cycle**
 - **Urbis focuses its business, as a player in renting and development of its own assets, creating value through:**
 - **Management and development of its portfolio: shopping centers, offices, etc.**
 - **Management of its land bank**
 - **Management of housing development for sale to middle classes**
 - **Very low indirect (financial and structural) costs: The maximum amount of the production process is sub-contracted**
 - **Higher growth through corporate operations**

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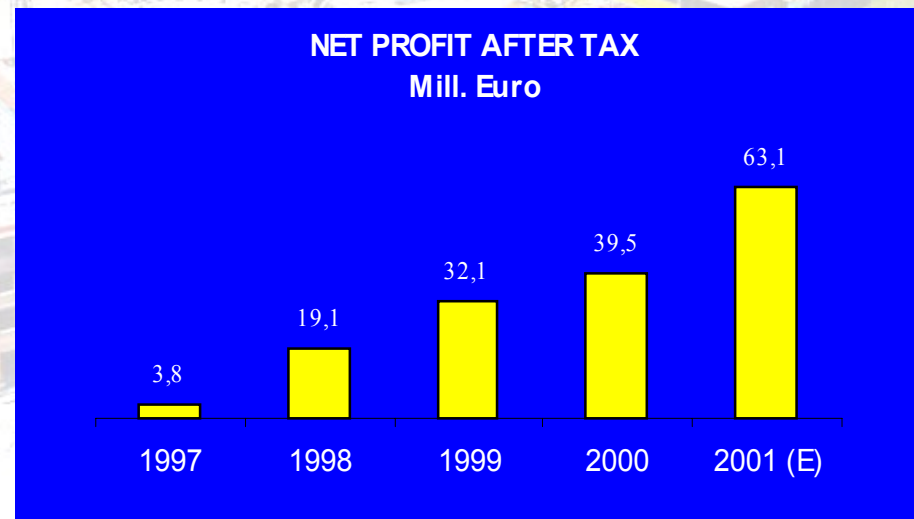
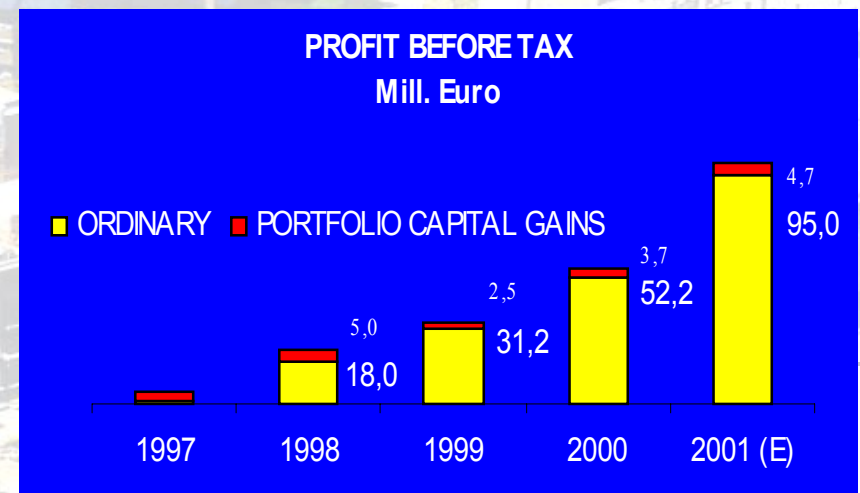
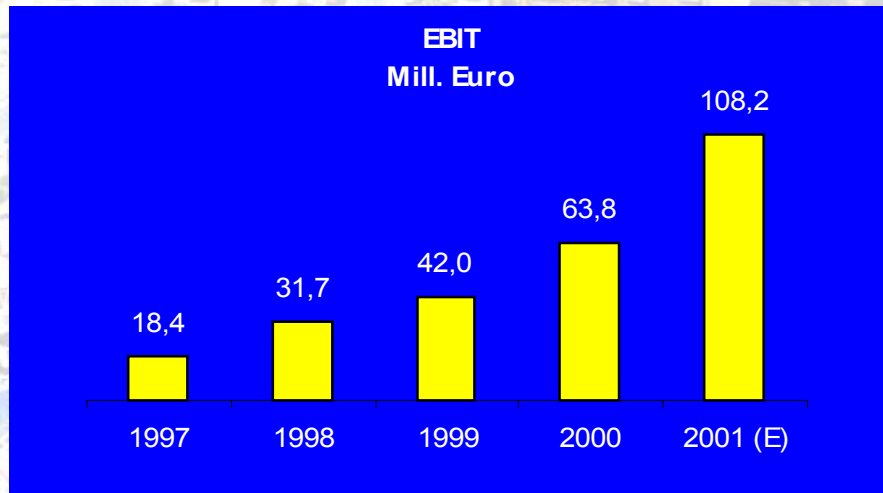
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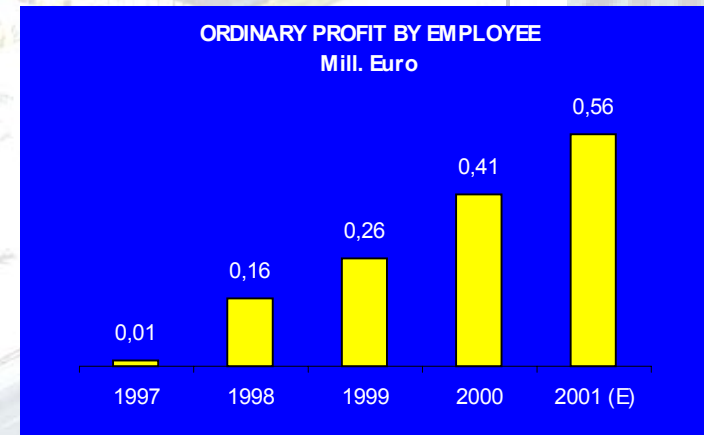
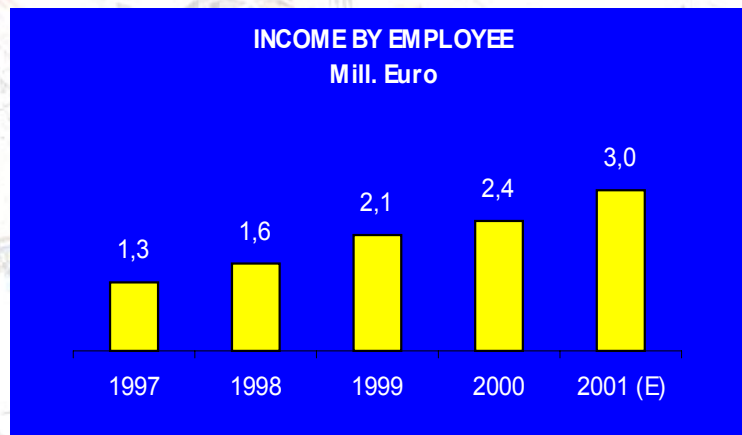
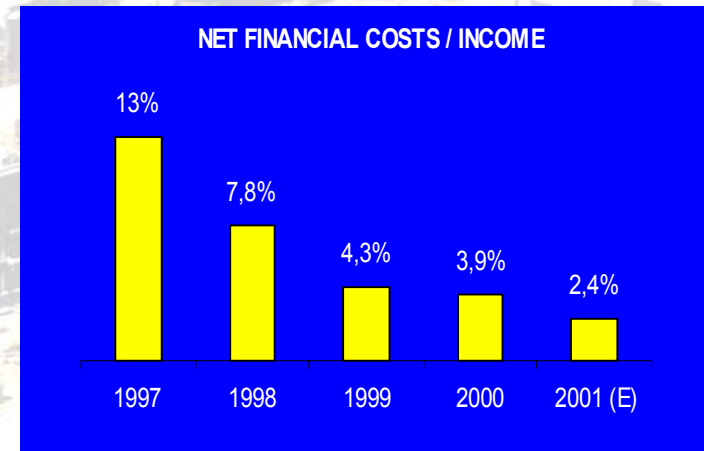
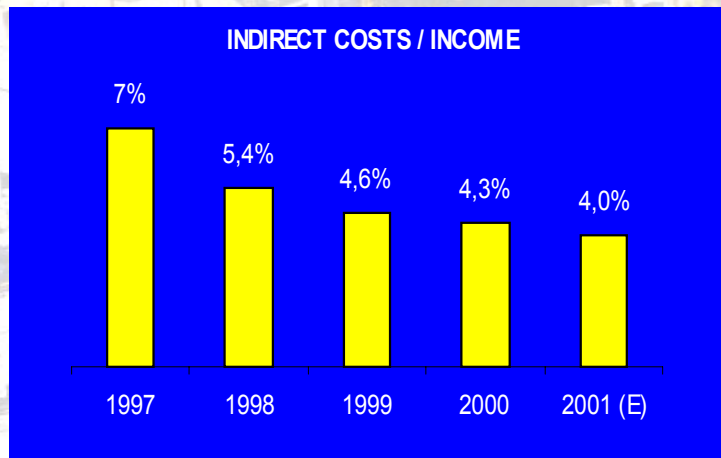
Performance of our business model (I): Income



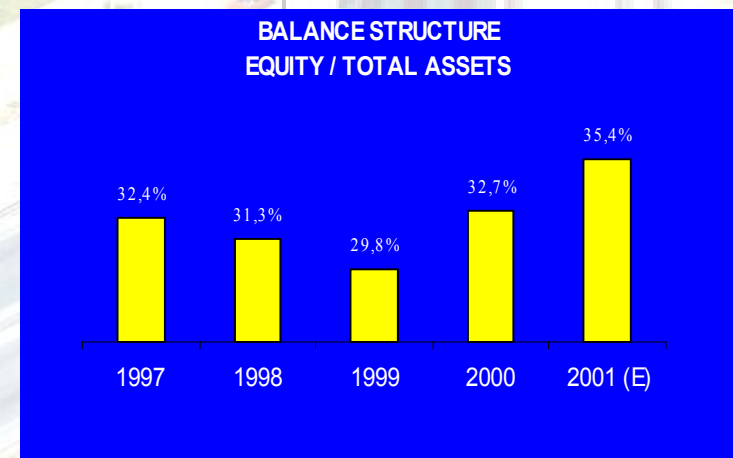
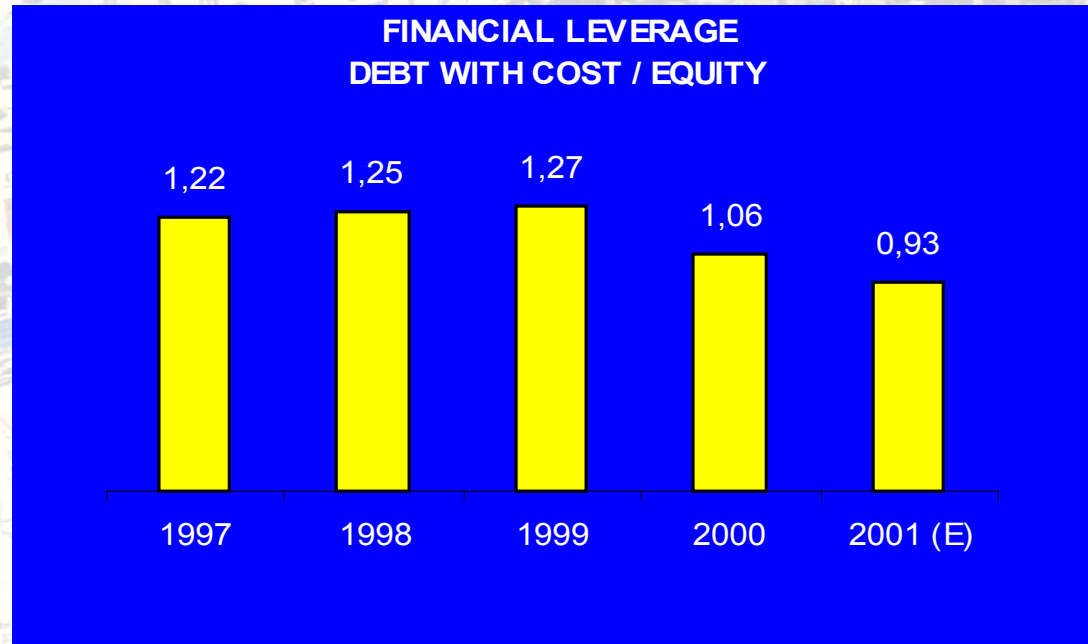
Performance of our business model (II): Results



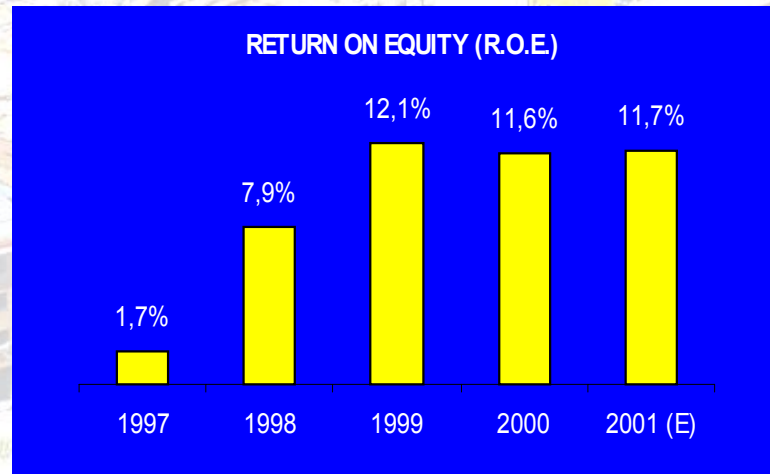
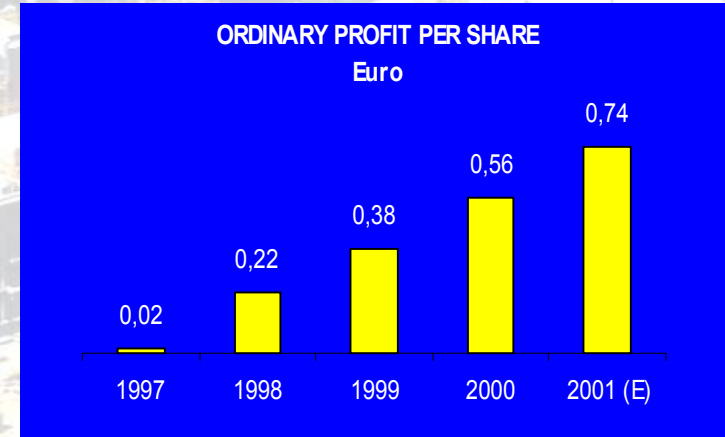
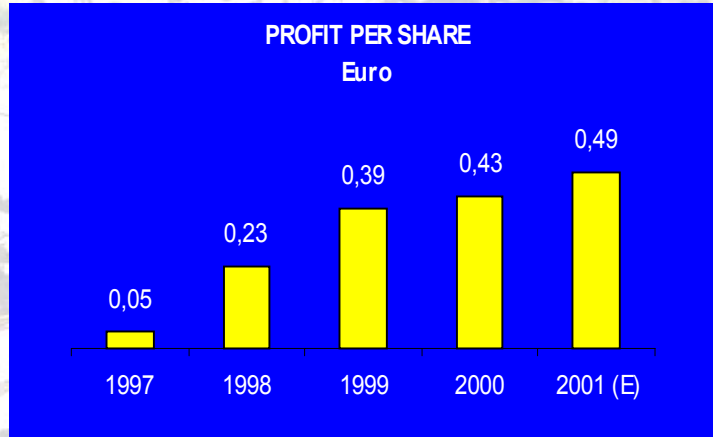
Performance of our business model (III): Efficiency and Productivity



Performance of our business model (IV): Financial Structure



Performance of our business model (V): Profitability



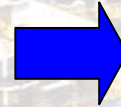
TAX RATE	97	98	99	00	01
	5%	0%	0%	28%	35%

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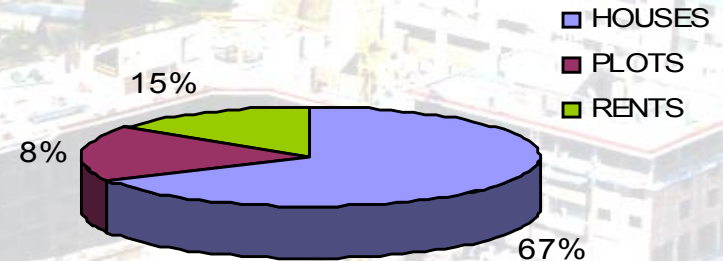
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Current Financial Situation: Highlights (I)

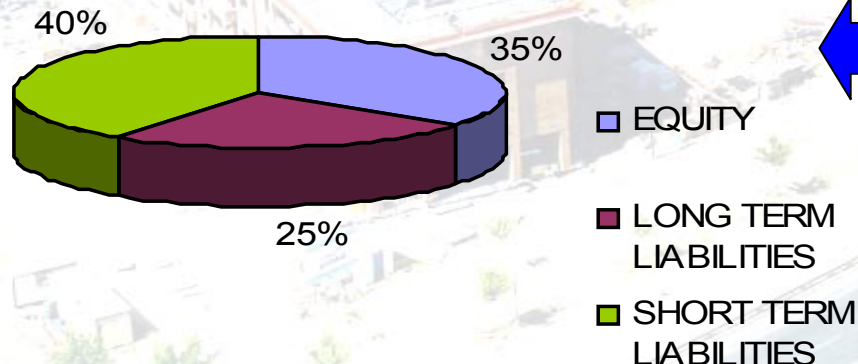
P&L	2001 (E)	
	Mill Euro	%
TOTAL INCOME	510,9	100%
GROSS MARGIN	133,7	26%
INDIRECT COSTS	-19,8	-4%
EBITDA	119,6	23%
EBIT	115,0	23%
FINANCIAL COSTS	-12,0	-2%
ORDINARY PROFIT	103,0	20%
PROFIT BEFORE TAX	96,8	19%
NET PROFIT	63,1	12%



**URBIS 2001
GROSS MARGIN**



**URBIS 2001
EQUITY & LIABILITIES STRUCTURE**



BALANCE SHEET	2001 (E)	
	Mill euro	%
Fixed Assets	420,2	25%
Current Assets	1.243,7	75%
TOTAL ASSETS	1.663,9	100%
Equity	585,3	35%
Provisions	33,9	2%
Financial Debt	543,1	33%
Other Liabilities	501,6	30%
TOTAL EQUITY & LIABILITIES	1.663,9	100%



Current Financial Situation: Highlights (II)

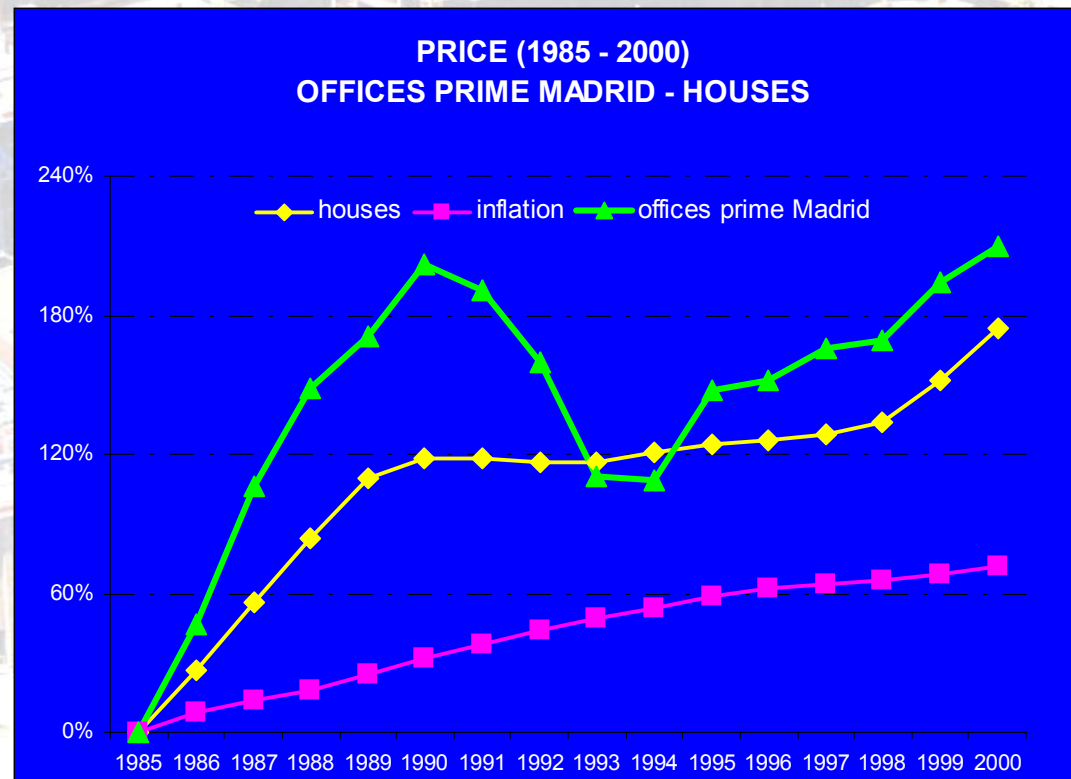
OTHER KEY ECONOMIC INDICATORS 2001	
DEBT / EQUITY	93%
EBITDA / NET FIN. EXPENSES	9,9
ROCE	7,4%
WACC	5,4%
ECONOMIC PROFIT (EVA) Mill euro	20,5
R.O.E.	11,7%
ENTERPRISE VALUE Mill euro	1.079
EBITDA / ENTERPRISE VALUE	11,1%
N.A.V. PER SHARE (2000) euro	9,62
CURRENT QUOTATION euro	4,20
DISCOUNT ON N.A.V.	56%

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Market Environment: Less brilliant, but not that bad (I)

Historically, offices more cyclical than housing



Market Environment: Less brilliant, but not that bad (II)

The Spanish property market

- **Offices: Higher vacancy rates, lower rent prices and higher yields in 2002 and 2003. Uncertainty for 2004**
- **Shopping Centers more stable. Best performance for downtown middle size shopping centers**
- **Great potential market for private elderly people residences**

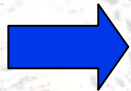
Market Environment: Less brilliant, but not that bad (III)

The Spanish housing market

- Foreseeable stabilization from 2002 onwards in terms of volume, 350.000 new units, as well as in price, but demand resilient to fall for demographic, sociological and economic reasons:
 - Population between 25 and 40 still growing
 - Spanish culture to be home-owners as main savings scheme
 - Trend to dispersion of Spanish families
 - Immigration
 - Low interest rates
- Pressure on margins for development of land acquired recently at high market prices
- Reduction in current pressure on construction costs and delivery time

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Urbis: A cyclical company? (I)

Rental activity

- Low exposure
- High quality portfolio, with average gross yield > 10%
- Diversification of products
 - Shopping Malls 34%
 - Offices 25%
 - Retail 17%
 - Hotels 8%
 - Other 16%
 - New business line of elderly people residences

Development activity

- Our product is targeted to middle-class main residence, which is the source of greatest demand and historically has proved to be the most stable
- Minimum impact on margins due to our bank of land
 - 2.8 million sq.m. that allow at least 6 years of production
 - Market value doubles its acquisition cost
- 1% market share
- Great geographic diversification
- Strong brand and financial soundness

Urbis: A cyclical company? (II)

■ Organization

- **Maximum use of external services with minimum structural costs and great efficiency, namely, highest flexibility to adapt to demand**
- **Strategic target of covering our indirect and financial costs by the proceeds from rental activity**

■ Recurrent profits

- **Nearly 100% of Urbis profits are from recurrent business, renting of our portfolio and sale of apartments**

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Urbis: Medium Term Strategy (I): General approach

- **In our Sector we cannot influence major uncertainties, which are of a macroeconomic and sociological nature**
- **Therefore we have to develop an “adapting strategy”, trying to shape our business to the uncertainties of the environment**
- **In Urbis, we have been developing for 5 years an active adapting strategy, shaping the company to tackle even an adverse scenario**

Urbis: Medium Term Strategy (II): Rental Business

15% annual growth in 2001-2004

- **Current portfolio**
 - 275.000 sq.m above floor level
 - 470 million market value
 - 15% of total gross margin
- **Development using our own bank of land**
 - 90.000 sq.m. pipeline for 2003 and 2004
 - 216 million investment
 - 9% expected average net yields
 - 20% of total gross margin, covering all indirect and financial costs
- **New investments depending on opportunities**
 - Strong financial position
 - Downturn in economic cycle

Urbis: Medium Term Strategy (III): Development

Revision in June 2002

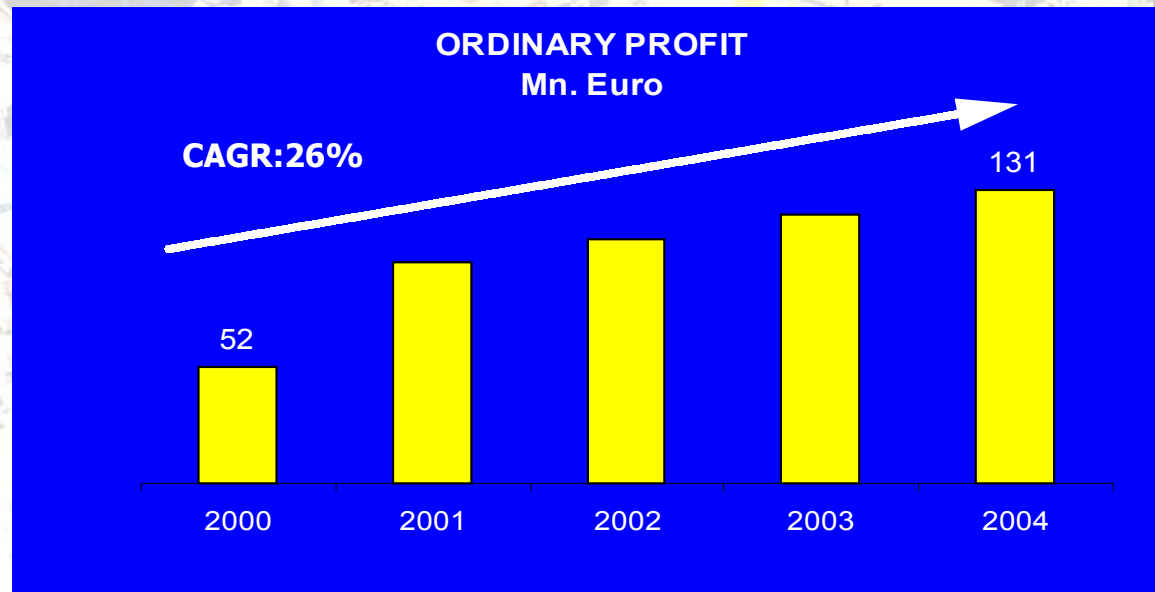
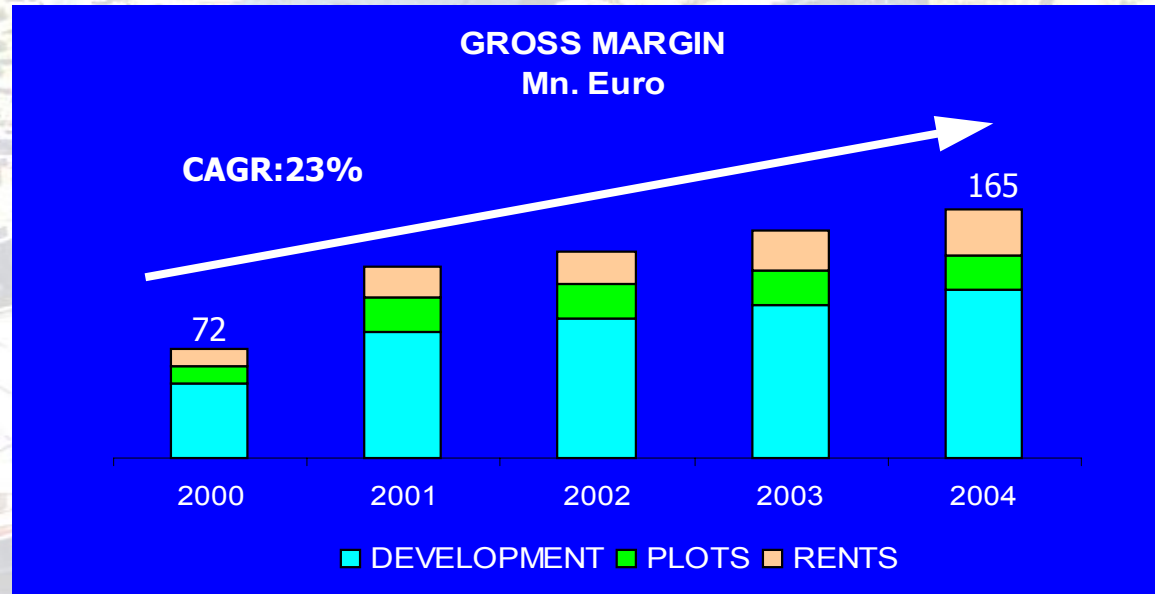
10% annual growth in 2001-2004

- **3.500 apartments per year**
- **50% discount in land bank**
- **10% reduction in production time**
- **5% reduction in production costs**
- **Consolidate markets and impulse geographical rotation**
- **Gain market share**
 - **Very fragmented development market in Spain**
 - **Possibility of acquisitions, if they create value**
- **New line of business of Long Term Development of Land for sale**

Urbis: Medium Term Strategy (IV): Financials

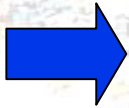
- **Reduce working capital requirements**
- **Maintain current financial soundness**
 - **Target leverage ratio $D/E \cong 1$**
 - **High EBITDA / Net Financial Expenses ratio: >8**
- **Pay out of 33%**
- **66% to finance new portfolio and the other activities**
- **Increase liquidity of our shares**
- **Active player in the reorganization of the Spanish Real Estate Sector**

Urbis: Medium Term Strategy (V): Projection



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Final Conclusion

- **Urbis is traded at half its N.A.V., which is not justified in view of our:**
 - **Leading position in the land and housing markets**
 - **Growing high-quality portfolio**
 - **High added value and anti-cyclical business model**
 - **Great performance as an organization**
 - **Financial data, which bring together profitability, financial soundness and sustained growth**
 - **Market prospects**
 - **Business plan**
- **We think that Urbis is a clear case of value driven investment, misunderstood by the market, which is overreacting to the cycle**