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Annual report
City of Barcelona
2003

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Annual Report 2003

City of Barcelona

Municipal Council Plenum

Mayor of Barcelona

The Hon. Mr. Joan Clos Matheu (PSC)

1st Deputy Mayor

The Hon. Mr. Francesc Xavier Casas Masjoan (PSC)

2nd Deputy Mayor

The Hon. Mr. Jordi Portabella Calvete (ERC)

3rd Deputy Mayor

The Hon. Ms. Immaculada Mayol Beltrán (ICV-EUiA)

4th Deputy Mayor

The Hon. Mr. José Ignacio Cuervo Argudín (PSC)

5th Deputy Mayor

The Hon. Ms. Marina Subirats Martori (PSC)

Councillors

PSC:

The Hon. Mr. Pere Alcober Solanas

The Hon. Ms. Montserrat Ballarín Espuña

The Hon. Ms. Núria Carrera Comes

The Hon. Ms. Catalina Carreras-Moysi Carles-Tolrà

The Hon. Ms. Assumpta Escarp Gibert

The Hon. Mr. Jordi Hereu Boher

The Hon. Mr. Carles Martí Jufresa

The Hon. Mr. Ferran Mascarell Canalda

The Hon. Ms. M. Immaculada Moraleda Pérez

The Hon. Mr. Francesc Narváez Pazos

The Hon. Ms. Maravillas Rojo Torrecilla

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The Hon. Mr. Alberto Fernández Díaz

The Hon. Ms. María Caridad Mejías Sánchez

The Hon. Mr. Alberto Villagrasa Gil

ERC:

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The Hon. Mr. Ricard Martínez Monteagudo

The Hon. Mr. Jaume Oliveras Maristany

The Hon. Ms. Pilar Vallugera Balañà

ICV-EUiA:

The Hon. Ms. Elsa Blasco Riera

The Hon. Mr. Ignasi Fina Sanglas

The Hon. Mr. Eugeni Forradellas Bombardó

The Hon. Mr. Ricard Josep Gomà Carmona

Government Commission

President

The Hon. Mr. Joan Clos Matheu

Members

The Hon. Mr. Pere Alcober Solanas (PSC)
The Hon. Ms. Montserrat Ballarín Espuña (PSC)
The Hon. Ms. Elsa Blasco Riera (ICV-EUiA)
The Hon. Ms. Núria Carrera Comes (PSC)
The Hon. Ms. Catalina Carreras-Moysi Carles-Tolrà (PSC)
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The Hon. Mr. Xavier Florensa Cantons (ERC)
The Hon. Mr. Eugeni Forradellas Bombardó (ICV-EUiA)
The Hon. Mr. Ricard Josep Gomà Carmona (ICV-EUiA)
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The Hon. Mr. Jordi Portabella Calvete (ERC)
The Hon. Ms. Maravillas Rojo Torrecilla (PSC)
The Hon. Ms. Marina Subirats Martori (PSC)
The Hon. Ms. Pilar Vallugera Balañà (ERC)

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Letter from the Mayor

Joan Clos Matheu, Mayor of Barcelona

The 2003 annual report shows the balance of what has taken place over the last 12 months in the economy, in the public services provided by the City of Barcelona and in municipal finances.

2003 has been a year marked by the municipal elections and elections for the autonomous regions. These have led to a new political situation that brings us to initiate a new mandate with renewed focus and a firm commitment to ensure that the execution of our project meets the expectations of all citizens.

The main challenges that we are now facing are housing, the metropolitan area, maintenance, services to citizens and community spirit.

We are taking a fresh look at the issue of housing in order to modify ourselves to the new requirements of society. The creation of new urban neighbourhoods, the establishment of new housing typologies that adapt better to the existing family structures, the drive behind restoration, a set of initiatives geared to achieving a balanced and compact city where priority is given to affordable housing. All of us that hold public positions of power must contribute to this. So, for example, the Territorial Plan of the Metropolitan Area must represent strategic planning that includes the encapsulation of housing.

The metropolitan area must be equipped with the most suitable mechanisms for coordinating the management of metropolitan services. These include public transport, waste, economic promotion and others, in a way that they strengthen the backbone of the territory. An area that is composed of more than thirty municipalities and which more than three million inhabitants call home. It is not easy and it requires well thought out transverse actions carried out with the weight of both the public and private sectors behind them. The Strategic Metropolitan Plan has come about precisely through the need of taking into account a territorial framework that goes beyond the administrative limits of the city of Barcelona.


One of the aims of the City Council is the upkeep of public space and the facilities that we all enjoy. It is not enough simply to invest –as we have done in recent years and shall continue to do–, it is also necessary to maintain all that we have created, improved and transformed. Now is the time to look after things, consolidate spaces and make good use of them; time to improve the maintenance of state schools, street quality, urban property and cleaning. We want to spread positive schemes, such as the management system of the sporting facilities, to other areas.

One of the most important, yet complex, central ideas behind our action involves services to people. From the City of Barcelona we work, and shall continue to work, to improve home help, care for the elderly, public health and day nurseries, among others. This is in spite of the fact that other bodies have more terms of reference in matters of social welfare than us. Our task is based on the principle of subsidiarity, which inspires the European philosophy that regards local administration as the government closest to the people and, therefore, better placed to respond to social demands.

Within the current sphere of changing values and the impact of immigration, we must strengthen the quality of living side by side; a quality which, though good, can be improved just like everything else. That is why we have proposed the community spirit programme which takes place throughout 2004. We need to get citizens more involved, more active –this is a key ingredient in attaining a caring, sharing and more united society- for the collective good.

2004 is also the year of the Universal Forum of Cultures: a one-off event, a completely new experience and, if you'll allow me, a bold step. This stage will not only welcome debates on peace, cultural diversity and sustainable development, but also shapes up to become an arena of experiences. This is about cohabitation with diversity, with different people and cultures, with the different ways of life and of living; to get acquainted and intercommunicate. Different settings dot the city and provide the perfect backdrop for discovering these cultures. Without doubt, throughout its tenure and for long afterwards, Forum shall leave its mark. This is a superb opportunity for Barcelona to display its leadership capacity and the importance of the international, economic and political role of cities in the 21st century.

From May 2004, Barcelona shall be the headquarters of United Cities and Local Government, an entity that merges the two great world-cities associations; the IULA and the FMCU. In addition to the legacy of Forum, it is our desire to build the International Studies Centre of Barcelona, a centre of strategic studies that, with the determination and shared responsibility of all the institutions, will allow us to build up and develop the city with a future vision and in the broadest sense.

A handwritten signature in black ink, consisting of a stylized, cursive name enclosed within a hand-drawn oval shape.

Joan Clos
Mayor of Barcelona

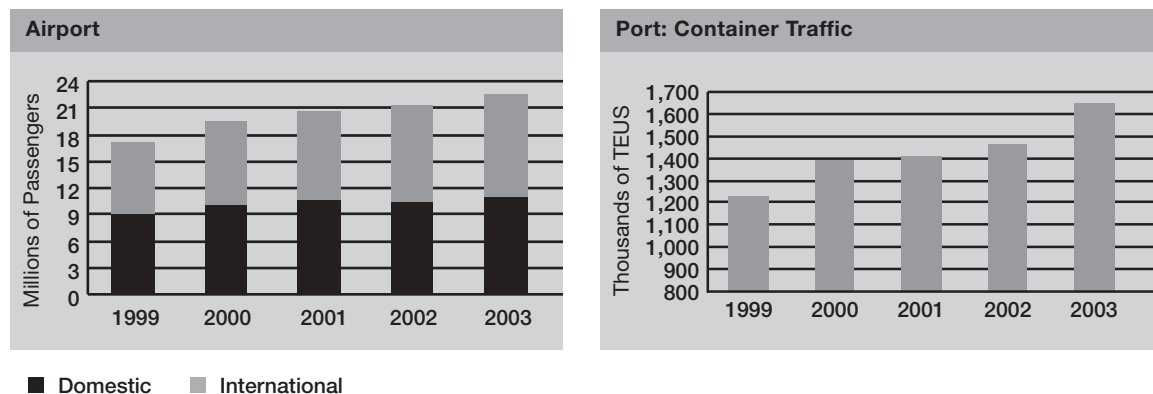
Foreword

José Ignacio Cuervo Argudín,
Chairman of the Presidency, Finance and
Territorial Coordination Commission

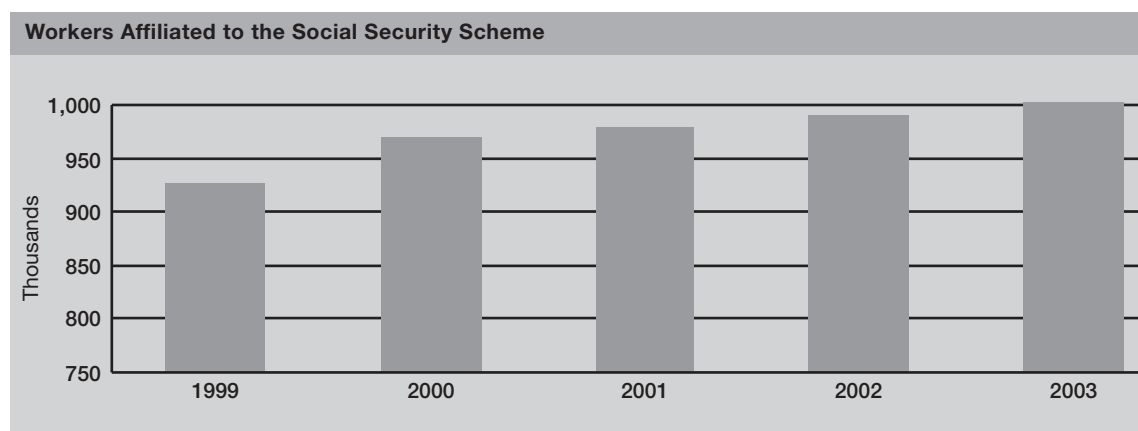
Economic Framework

The main indicators of the progress of the economy of Barcelona and the metropolitan area show results that are similar, or in some cases slightly better, to those for the rest of the country. This is especially true for the second half of the year. With regards to the annual average GDP growth, the result has been somewhat greater than the previous year, at approximately 2.5%. This figure is around three times the estimated economic growth for the European Union. In the metropolitan area, the growth of economic activity has been based on internal demand, while consumption and property investment have both had a leading role in this.

The consumption demand, both private as well as public, has caused a notable increase in the traffic of goods through the city's port: an 8.4% increase in the volume of general cargo –products with greater added value– and a growth of 13.1% of container traffic. Passenger transit through the port has grown by 11%; the cruise segment deserves a special mention, with a 25% increase. This has meant that the figure of one million passengers per year has been beaten for the first time. The airport has ended the year with a 6.6% rise in the number of passengers, bringing annual figures close to 23 million passengers per year. This increase is largely due to the increased offer of low-cost flights which link Barcelona to the main European capitals.



Once again, in relative terms, the construction industry is the leader of economic growth in the productive sector. Public and private investment have jointly kept sector production at full capacity for most of the year. In this context, sectorial employment is undergoing a sustained process of moderate growth. With regard to jobs created, the year 2003 joins the eight preceding ones in registering uninterrupted growth. The active population and the number of workers affiliated to the social security scheme have seen figures rise by around 2%, and have reached new maximum records. Unemployment figures, calculated both in absolute terms as well as in percentages of those active, have remained stable throughout the year.



Barcelona d'Infraestructures Municipals

The City of Barcelona manages certain activities through municipal agencies and companies. It does this to make them more efficient through functional specialisation. A good part of the municipal urban investment falls into this category, and is made by the City through municipal companies and companies with public and private participation. The City of Barcelona is grouping together investment companies in order to co-ordinate the investments among all the municipal operators better, increase the negotiation capacity with the construction companies, and improve project execution efficiency. To this end, a company reshuffle is taking place with regard to the municipal company, Infraestructures del Llevant de Barcelona, SA, which shall be known as Barcelona d'Infraestructures Municipals, SA. The municipal shareholding in the companies Pro Nou Barris, SA, ProEixample, SA, Foment de Ciutat Vella, SA, and 22@bcn, SA shall be transferred to this new entity.

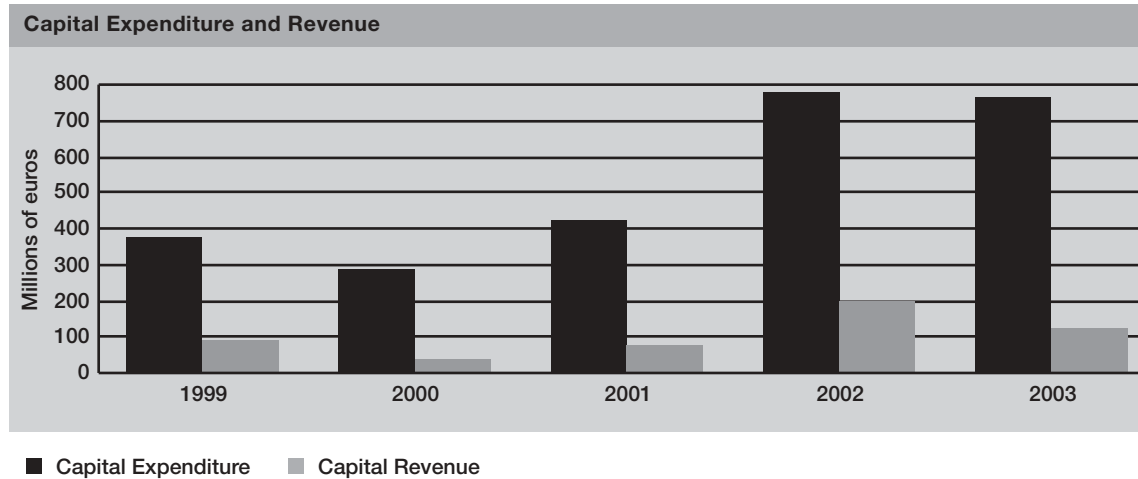
With this restructuring, the reorganisation process of the municipal companies and agencies continues. This began in 2002 with the creation of Barcelona de Serveis Municipals, SA, which groups together activities with an economic content. Barcelona de Serveis Municipals, SA, combines into a single company activities related to mobility, leisure and general services provided by the City of Barcelona, financed either totally or partially through commercial income.

Economic Evolution of the City of Barcelona

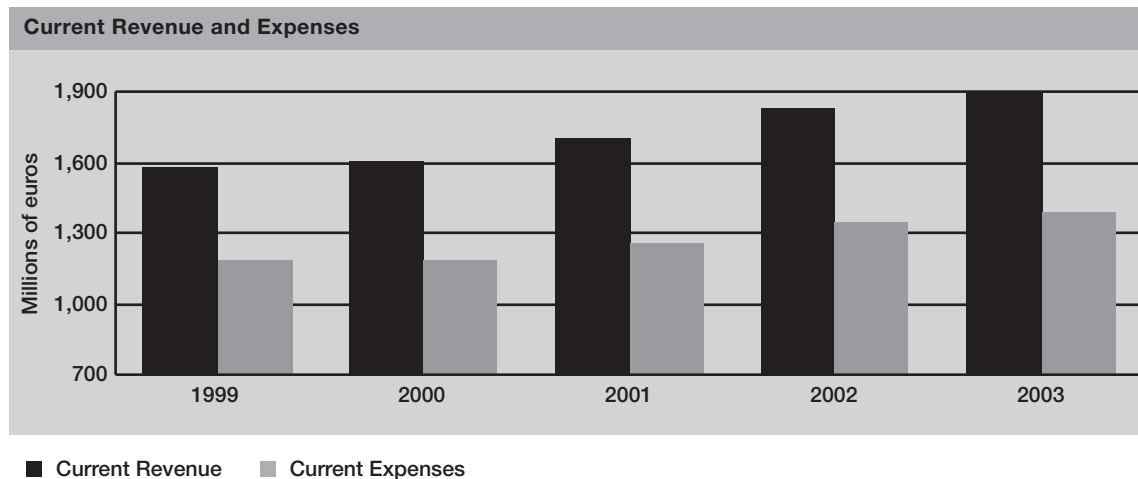
The investment made by the City of Barcelona in the 1999-2003 period amounts to 2,246 million euros. Capital expenditure has been financed with the savings generated and with the capital income from capital transfers –basically, from European funds- and asset management.

The gross saving generated by the City of Barcelona has gone from 24.9% of current revenue in 1999, to 26.8% in 2003. This has been possible, on the one hand, thanks to the increase of current revenue (4.7% annually on average), which mirrors the management of tax collection, and the

increase in the share in Central Government revenue in line with the GDP. On the other hand, it is also the result of a growth in current expenses (on average 3.8% annually, or rather, nine-tenths below current revenue). With regard to current expenses, the effort made in order to improve the quality of services and reduce the financial expenses deserves a special mention.



The investment programme of the City of Barcelona incorporates a wide range of operations: some of a civic scope and others that affect urban renovation and the equipping of districts. Worthy of note in recent years is the profound urban transformation carried out in the Besòs area, between the river, the sea front and the start of the Avenida Diagonal, the main scenario of Universal Forum of Cultures Barcelona 2004. Also relevant are the investments targeted at the improvement of mobility in the city, environmental quality and the operations that have taken place in Montjuïc and El Tibidabo, areas that shall become reference points in the offer of leisure spaces for citizens. The drive to modernise and renovate cultural, sporting, educative and social welfare facilities has continued, while at the same time a plan has been set in motion to strengthen the promotion of social housing.



In 2003, the consolidated debt of the City of Barcelona increased by 9 million euros. However, since 31 December 1998, the global debt has been reduced by 155 million euros. This has led to debt at the end of 2003 being 10% less than at the end of 1998. With regard to the 9 million euro debt increase, it should be noted that the consolidated debt of the public administration sector, namely the group made up of the City of Barcelona and the companies and agencies that are basically financed through transfers from the City, has been reduced by 20 million euros, while the consolidated debt of the companies and agencies that are basically financed through commercial income, has increased by 29 million euros.

Finally, I should once again like to thank all municipal employees for the work that they have carried out, as well as their dedication and perseverance, all of which help make Barcelona a city with growing social and economic quality.

1



Political and Administrative Organization of the City of Barcelona

1.1. Structure of the Municipal Government

The Mayor holds the terms of reference of ordinary administration of the municipal Government. He represents the municipality and presides over municipal collegiate bodies.

The Government Commission is presided over by the Mayor, who designates to the councillors of the Government coalition that form it. The Government Commission meets once a month. Depending on the subject matter and its value, the Commission approves or examines and reports on matters included on the agenda of the Plenary Municipal Council. These have been previously prepared and reported on by the Executive Committee.

The Municipal Council is the highest body of political representation of citizens in the local authority of the city, and holds an ordinary session once a month. These sessions are open to all citizens as well as the media.

The councillors are elected by the citizens every four years, in accordance with a system of proportional representation. The last elections were held on 25 May 2003 and the next ones shall take place in 2007. The current political make up, in which the PSC governs in coalition with ERC and ICV-EUiA with a total of 25 councillors of the 41 that form the Municipal Council, is the following:

	Number of Councillors
PSC - Partit dels Socialistes de Catalunya	15
CiU - Convergència i Unió	9
PP - Partit Popular	7
ERC - Esquerra Republicana de Catalunya	5
ICV-EUiA – Iniciativa per Catalunya Verds – Esquerra Unida i Alternativa	5
	41

The Municipal Council elects the Mayor and approves the budget, the annual accounts, by-laws and town planning.

The Municipal Council functions through a structure of plenary and commissions. There are six permanent commissions divided into sectors. These are the organs of discussion, study, statement and report on matters within their scope, and which must be submitted to the Plenary of the Municipal Council. They constitute an initial channel of information and monitoring of municipal policies. With the coming into effect of the new municipal organic rules -a consequence of the passing of the Municipal Charter of Barcelona- these commissions take on decision-making and control terms of reference, as well as

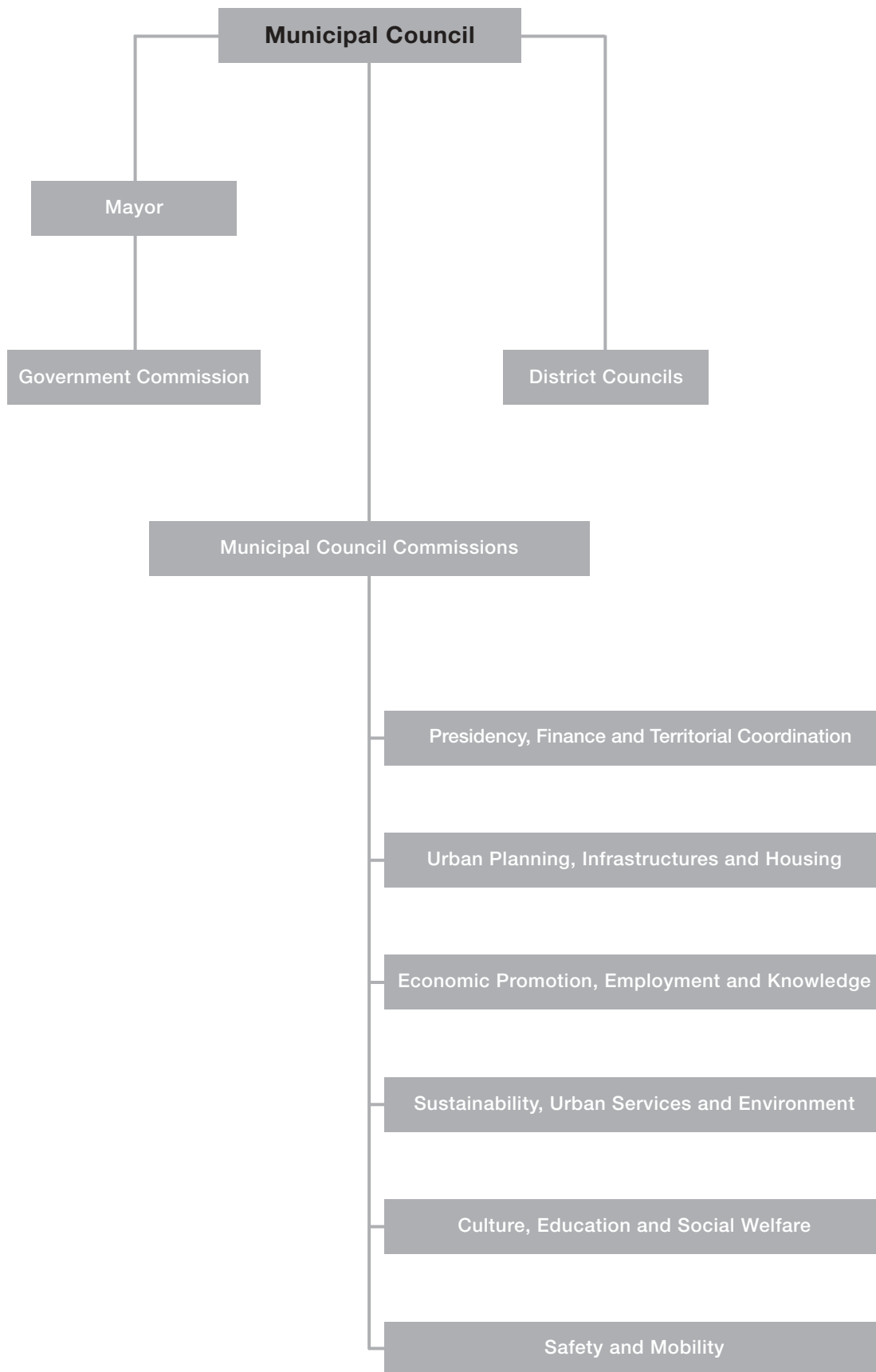
informative ones. They can authorise and award all manner of administrative and private contracts for the City of Barcelona to sign them, providing that they are for an amount that is less than 20% of the ordinary resources of the budget. Furthermore, they may initially approve bye-laws and regulations governing the respective sphere of operation.

These commissions are made up of councillors from all political groups with representation in the Municipal Council, who act with a weighted vote. Their chairman is elected by the Plenary of the Municipal Council and the monthly sessions are public. The informative commissions approved in the Plenary of the Municipal Council that took place on 14 June 2003 are the following:

Commissions	Sphere of Operation
Presidency, Finance and Territorial Coordination	Municipal organisation. Financial, taxation and budgetary policies. Institutional and civilian relations.
Urban planning, Infrastructures and Housing	Territorial balance, urban planning, infrastructure policies. Promotion of housing.
Economic Promotion, Employment and Knowledge	Economic promotion of the city, support for Knowledge business and job initiatives. Trade and tourism. IT promotion.
Sustainability, Urban Services and Environment	Maintenance of the city and urban services. Parks, gardens and beaches. Environmental policy.
Culture, Education and Social Welfare	Education, culture and sports. Social work. Youth policy and civil rights.
Safety and Mobility	Citizen safety, civil protection, public transport and traffic control.

Decentralisation within the geographic boundary is configured in accordance with the ten districts that divide the city. The highest organ is the District Council. This is chaired by a

councillor appointed by the Mayor, and is composed of 15 councillors designated by the municipal groups depending on the votes obtained by each group in the district.



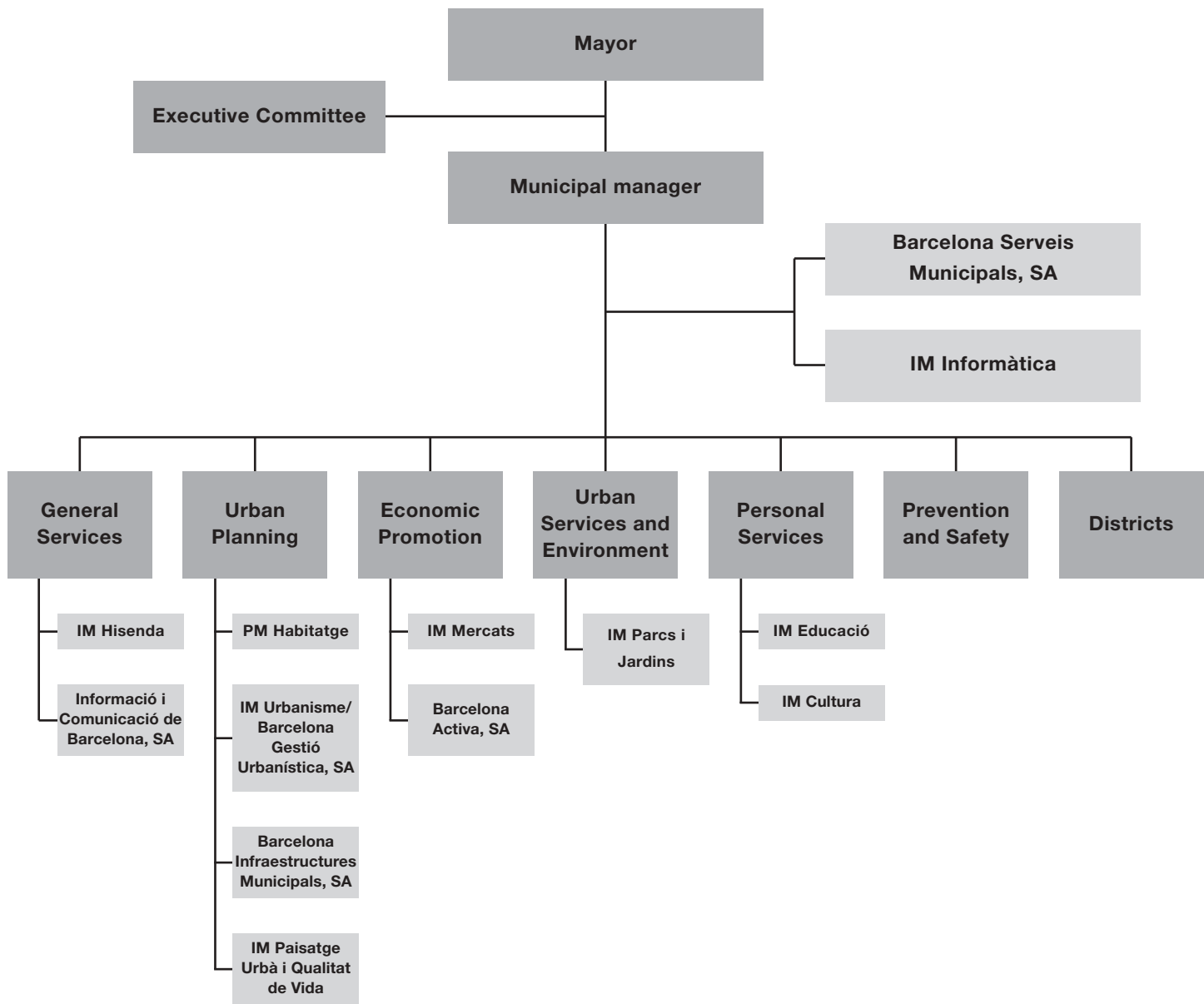
1.2. Managerial Organization of the Municipal Government

The executive level of the Municipal Administration is functionally divided into six sectors of activity –general services, town planning, economic promotion, urban services and environment, personal services and prevention and safety– and territorially, into ten districts. Each sector of activity and each district is directed by a manager, and is equipped with the organizational structure and resources necessary for the development of its functions. The executive management of the Municipal Administration is responsible to the municipal manager and the managers of the sectors and districts.

The Executive Committee is the associated management body of the Executive Administration. It is chaired by a councillor

delegated by the Mayor, and the municipal manager is its vice-chairman. It is made up of all the sector and district managers and its main functions are: a) to coordinate the operations of the different sectors; b) to establish general management criteria; c) to prepare and report on matters that must be submitted to the different associated governmental bodies and d) to notify the managers of the policies and priorities of the Municipal Government.

The municipal agencies –autonomous organizations dependent on the City– and the municipal companies –PLCs in which the City of Barcelona has either a partial or total shareholding– integrate functionally within the scope of one of the sectors of activity, in accordance with the services they provide, and they are coordinated with the relevant sector manager.



NB: The company Barcelona Infraestructures Municipals, SA, is the result of the company restructuring of the municipal company Infraestructures del Llevant de Barcelona, SA, which changes its name and receives the municipal shareholding in the companies Pro Nou Barris, SA, Pro Eixample, SA, Foment de Ciutat Vella, SA and 22@bcn, SA.

2



The Economy of Barcelona during 2003

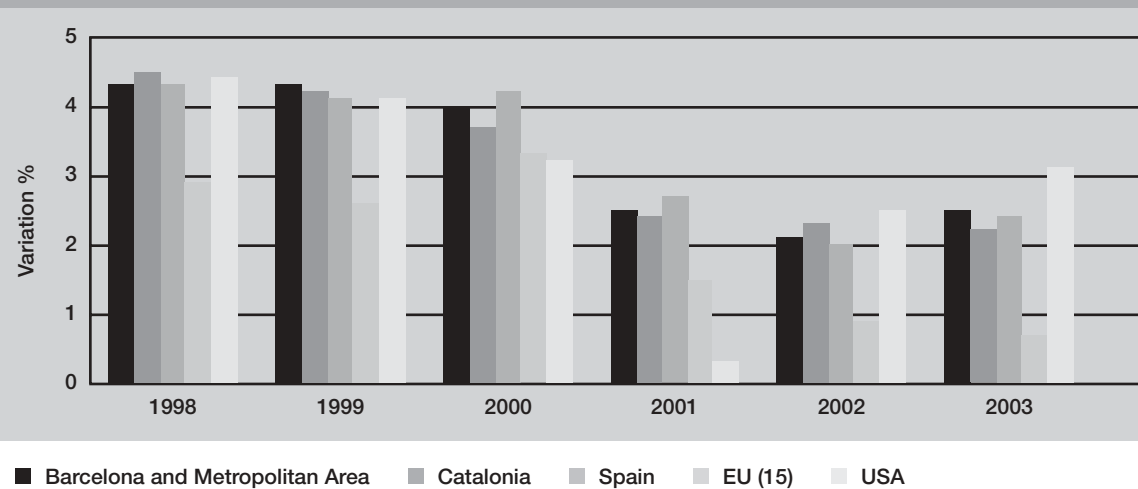
2.1. International Context in which the Economy of Barcelona and the Metropolitan Area has Progressed

From a purely economic standpoint perspective, the year 2003 shows two sides that are quite different. On the one hand, the surprising strength with which economic growth of the United States and of the main Far East countries, including Japan and, more notably, China, has ended the year. On the other hand, the growth within the whole of the European Union at a token rate. While the North American economy achieved annual average growth greater than 3% in real terms –which has allowed it to consolidate the ascending trajectory begun a year earlier– the European economy maintains a deceleration process that started in 2001. The positive tone shown by some important economies, such as the English and the Spanish, have been countered by the stagnation of growth that other economies, equally or more important, have suffered within the EU. These include the German, French and Italian economies. A slight recession in some of the member countries, notably Holland and Portugal, has been a contributing factor.

The notable revaluation of the euro against the dollar has damaged exporting capacity of the European productive fabric. The expected drive of external demand has been low and has not been able to be replaced by an increase in public spending beyond the criteria of budgetary discipline set forth in the Stability and Growth Pact that links members of the European Union.

With regard to the Spanish economy, the 2003 results reveal a scenario rather different to the one that has characterised the majority of European partners. The growth of the GDP, in real terms, is estimated at an annual average of 2.4%. This is four-tenths more than in 2002. With regard to supply, the weakest part has once again been industrial

Evolution of the GDP (annual average)



production, which has seen its growth limited by the increase in imports of equivalent products, both in the Spanish market as well as in the rest of Europe.

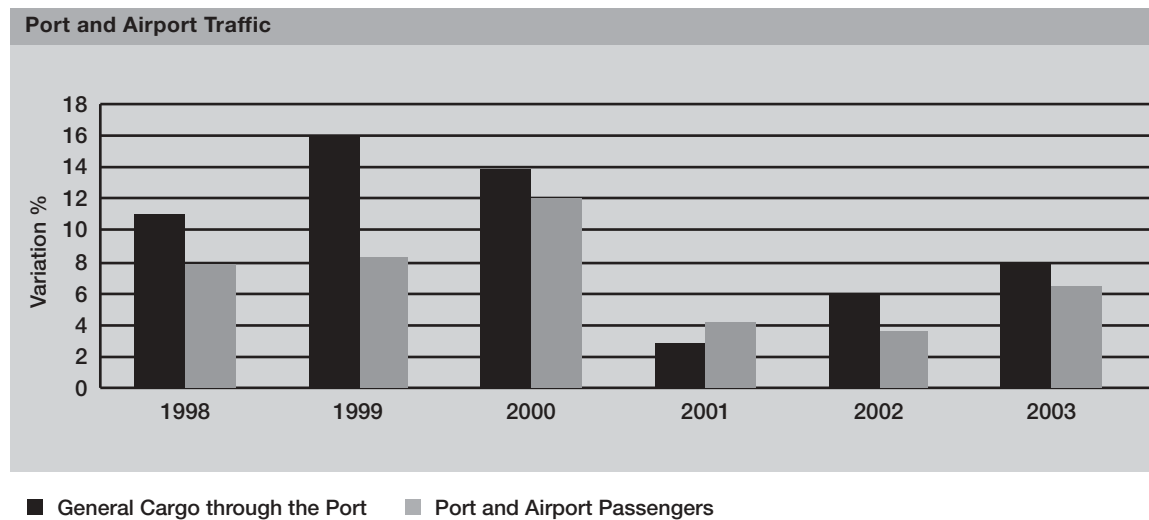
Yet again the protagonism of the construction and the market segment of the tertiary sector moves forwards. The driving force behind the Spanish economic activity, and also the Catalan economy, given that the aforementioned main characteristics apply equally, has been supported by internal demand. The most expansive components of internal demand have been investment in construction and current spending by public administrations. A moderately expansive profile has also been shown with regard to home consumption, with the balancing entry of increased borrowing ratios. Business investment in capital goods shows a moderately positive reaction which has the value of compensating for the previous year's recession.

In the case of Catalonia, early official estimates put the GDP growth in real terms at 2.2%. Leaving the fall shown in the primary sector to one side, the contribution of the remaining

productive sectors to the growth of the GDP has been a virtual imitation of the previous year. The progress of the tertiary sector conditions more and more the variation of the economy as a whole, at the same time as the construction sector has once again played the most dynamic and enterprising role. In these conditions, the metropolitan economy and, more specifically, Barcelona's, have managed to end the year in a slightly more expansive mood, at around 2.5%, thanks to the dynamism of a large part of the market services –tourism and hostelry, transport, services to companies, trade, etc.– and to the propelling force of construction.

2.2. Industrial Activity and Transport of Goods

According to available data, the Catalan industrial GDP has evolved from more to less as the year progressed. The inter-annual growth rate of 2% of the first months fell to half that during the second half of the year. A slowdown that is similar to the one seen in the rest of Spain, once the growth of the energy sector is discounted.



In the specific case of the metropolitan industrial fabric, the latest surveys emphasise that the percentage of business persons who state that their business maintains levels that are similar or greater than a year previously remains relatively stable, at around 80% of the total. The remaining 20% recognise a clear worsening of their business activity. A percentage that is relatively concentrated in a few sub-sectors. In spite of this, it is worth mentioning that the majority of business persons believe things will look up as the year progresses in 2004.

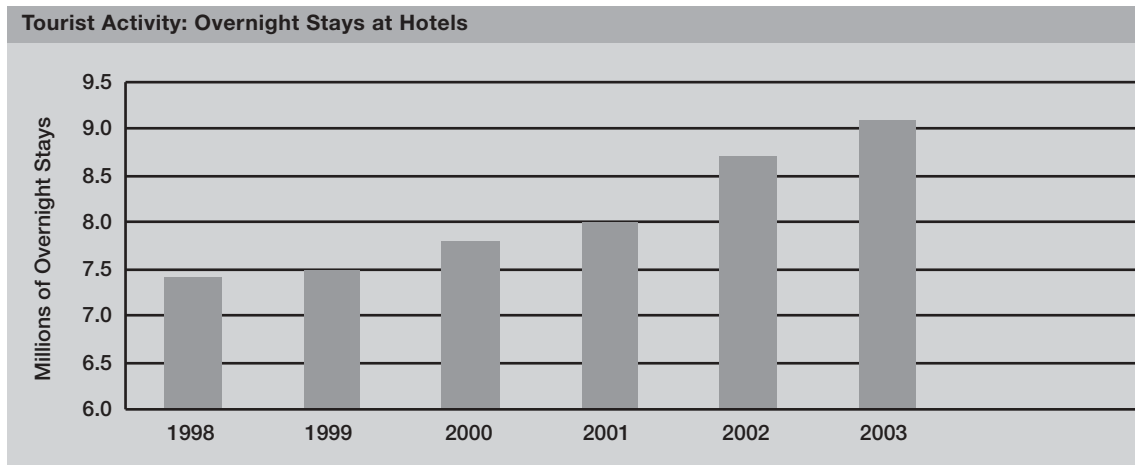
Midway between the moderate growth of the manufacturing activity and Catalan exports and the import drive derived from internal demand that outpaces production, the traffic of freight through the port of Barcelona has grown by around 6.6% during the year 2003 and has placed the new annual maximum at close to 35 million tons. A volume that sets the port capacity at almost one hundred thousand tonnes per day. One of the most expansive segments has been general cargo –year on year growth of 8.4%– and especially container transportation of freight. After more than eighteen months of a rate of growth below the annual 3%, the last year has

seen the figure of 1.6 million teus greatly exceeded, 13% more than during 2002.

The leading role of general cargo which includes most of the added value merchandise and which excludes the energy products and raw and semi-produced materials shipped loose weighs against the stagnation of overseas traffic which affected oil derivative flows, iron and steel products and agricultural and farming products. The reasons for this evolution are heterogeneous and, beyond trading policies of large companies, the depreciation of the dollar and the reduction of some import quotas have been decisive. The sum of all this has been an increase in commercial traffic with Asian ports and South American ports, at the same time as trade flows with Eastern Mediterranean ports and surrounding regions have fallen.

2.3. Public Transport and Tourist Activity

While port freight traffic increases, Barcelona consolidates itself as the reference capital of Mediterranean cruises. For the second year



running, the number of cruise passengers –embarking, disembarking or en route- that have passed through the port of the city has increased by 25%. Beyond the fact that the million users captured by this sector of the tourist industry during the last year represents a new record, it is also worth pointing out the strong expansion that it has maintained in recent years. An expansive process without a possible comparison that has enabled the business activity to double, measured in the number of travellers, in little more than four years. Progress that must be linked to both the growing tourist interest that Barcelona awakens, as well as the growing popularity of this kind of pleasure trip. Equally influential has been the transfer of cruise routes and operation centres from more eastern Mediterranean ports of the basin to the city port.

Airport passenger traffic has also risen in a similar fashion, recovering from the clearly expansive trajectory that was interrupted by the tragedy of September 11, 2001. With a 6.6% increase in the total of travellers that have passed through the airport in the last year, it seems that we can leave the stagnation stage of

2002 behind us. One factor of note is the increase in the number of visitors who have passed through the city, whether for leisure, sporting or professional reasons.

The growing increase of low-cost airlines at Barcelona airport cannot be ignored. With their tight pricing policies, these companies have managed to capture a notable volume of potential clients and increase the frequency of trips of their usual clients. The drive behind this segment of flight offers helps to explain why the increase of passenger flows has been concentrated on routes within the European Union.

In the case of daily mobility using public transport, the passing of time has diluted the effect of fare integration, and the increase in the number of users of collective public transport services adapts more and more to the real evolution of mobility of people within the metropolitan geographic boundary. A mobility which, with regard to demand, depends greatly on the development of the job market, the capacity of personal expenditure and the evolution of the number of visitors that stay in

the city. According to provisional data from the Metropolitan Transport Authority (ATM), the number of trips made during 2003 is estimated at around 830 million, 3.7% more than a year before. The most significant increases have occurred in the urban public transport, whereas the commuter train services, especially the Renfe lines, have registered more moderate growth. This in part responds to the strong growth they showed in the preceding two-year period.

Among the most dynamic activities in the central city during 2003, the attention given to visitors and the warm welcome extended are especially worthy of note. In addition to the progress in air and port transport, hotel and hostelry activity and even non-food trading of the most central and touristic outlets of the city have finished the year showing new growth, both with regard to the number of clients as well as business activity. More specifically, the almost 40,000 hotel rooms that Barcelona had at the end of the year –approximately 8% more than at the end of 2002– has led to overnight stays that numbered more than nine million during 2003, a 4.1% increase on the previous year's figure. The recovery of trips to the city for professional and business purposes explains both the increase of 9.6% of the number of visitors that have stayed overnight at city hotels –more than 3.9 million– as well as the slight reduction of the corresponding average stay.

2.4. Consumption and Prices

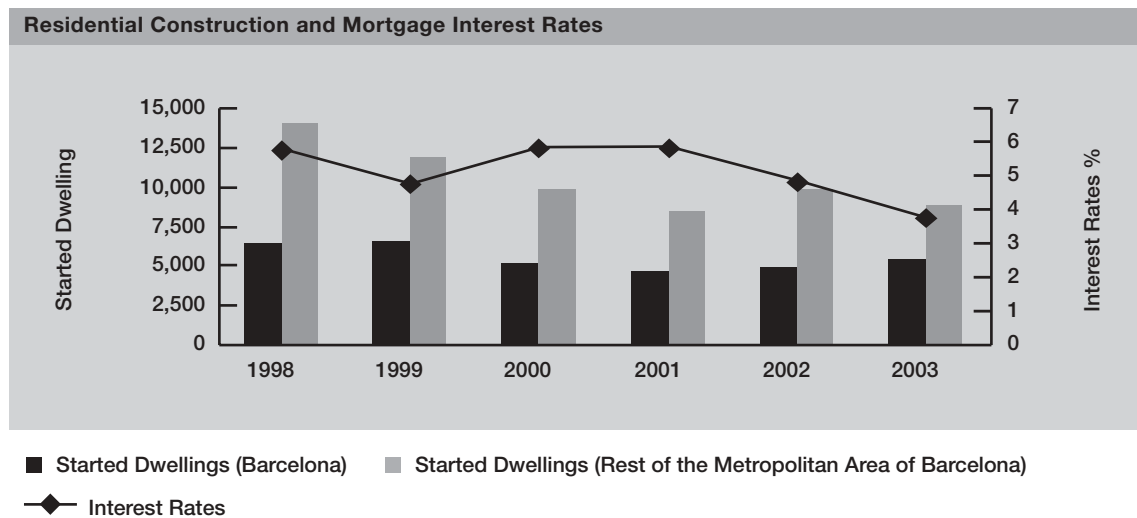
The growth of personal expenditure on consumer goods has traced a trajectory of

moderate slowdown as the year progressed.

This personal expenditure restraint, which has characterised the evolution of both the Catalan and Spanish economies, has been noticeable in the majority of main European countries. In the case of Barcelona, expansion in quantity and quality of the significant commercial offer has been aided by the expenditure of a growing number of visitors, and the increase in the number of jobs located in the city and the metropolitan area.

After three years of constant recession in the number of new vehicle registrations, both in the central city as well as in Catalonia, the second half of 2003 has seen a slight uplift in the trend. This has permitted the province of Barcelona to register a 9.4% increase at the year end. A variation that is sufficient to compensate for the previous year's drop and place, once again, the number of new vehicle registrations at around a quarter of a million, very close to the area of historic maximums. This recovery of vehicle demand has been especially intense in the most attainable sector of the market and has been helped, in no small way, by the demand for replacement and modernisation of car fleets, using public grants. Hire car companies that operate in the city have played a major role in the increase of sales as a consequence of an increase in the number of visitors and by anticipating an upswing in the demand for their services during the celebration of Forum. Motorbike registrations have also risen, as have those of commercial vehicles, evidence of a growing predisposition to investment in capital goods.

The appreciation process of the euro has cheapened imports from outside the EU. This



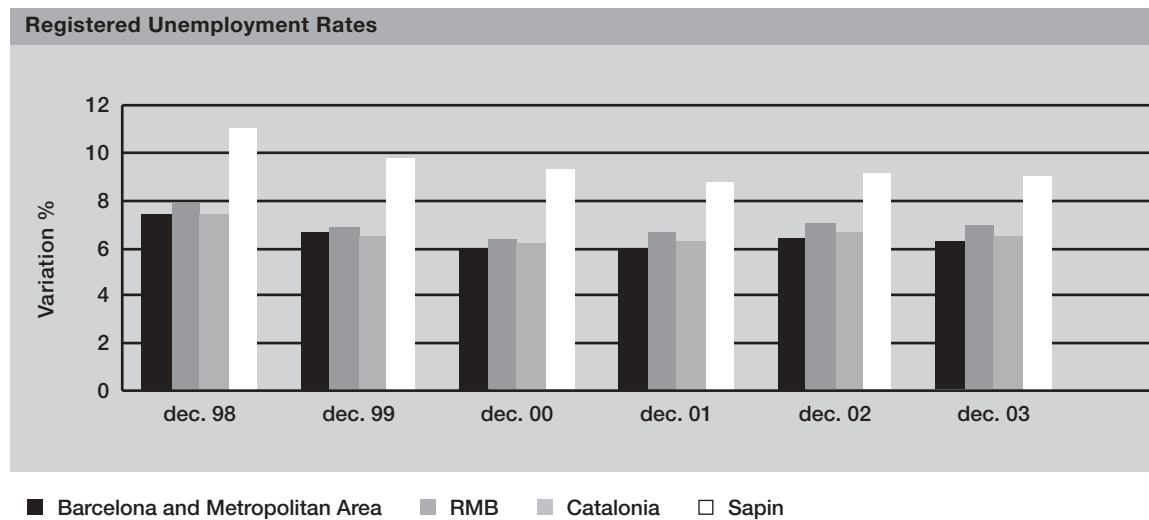
has contributed to keep down the prices of manufactured goods and moderate inflationary strain. So, having started the year with an inter-annual inflation rate of 4% in Spain and even higher in Catalonia, the trajectory during the greater part of the year has been one of moderate deceleration. This has led to a cut of more than one point until the year end and an increase in consumer prices of 2.6% and 3.1% respectively. The downward trajectory of underlying inflation has been especially significant, as in some ways it defines bottom trends. The 2.5% increase as at the year end is the lowest level of the last three and a half years. All this has contributed to stabilise the inflation differential with the EU at a five year low.

2.5. Construction and Real Estate Market Prices

Following the trend of previous years, the construction sector has once again revealed itself to be one of the engines of growth of the economy, both in the region of Barcelona as

well as in the rest of the country. An evolution that owes a lot of its accentuated rise to the fall of borrowing rates to historic lows. The dynamism would also not have been possible without the joint drive of public investment in infrastructure and equipment and private initiative, especially in residential buildings. In the specific case of Barcelona, both the number of projects under construction at the end of the year –more than 5,400 dwellings started in 2003– as well as medium-term forecasts –more than 1.8 million of square metres of new and reformed property– ensure the continuity of this sector as the outstanding protagonist of medium-term economic growth.

The fact that the construction sector has remained so active –thanks basically to the activity related either directly or indirectly with Forum– has not been able to avoid market prices at year end reflecting the upward trend of recent years. Average price increases of residential property, both new and second hand, ranged between an estimated 15% and 20% during the greater part of the year. A variation that do not differ substantially from



the rest of the country and which, apart from reflecting a notable imbalance between supply and demand, responds to a wide range of factors. The low rates of interest is one of the main reasons here, as is the persistent flow of immigrants. This latter element also explains why letting prices have risen by around 10%. Elsewhere, the increase in the availability of non-residential property in the metropolitan area may explain the strong stability of rental prices in this segment of the market, with the exception of the centrally-located businesses.

2.6. Highlights of the Labour Market

The inflationary process that characterises the housing market in most Spanish urban areas is not explained merely through the demographic and financial factors considered earlier. It is also necessary to consider the impact that an increase in the occupied population has had, as well as the rate of employment. An argument especially significant in the metropolitan area and, of course, in the city centre, given that at the same time as the

number of employed increased, the employment rates in homes headed by persons within the working-age group have also grown. Just taking into account this segment of the population, the activity rate of residents has risen for the first time to a level of 74% with regard to women and 84% among men. The labour force has grown at a constant rate of 2% for most of the year, without that implying an increase in unemployment. In the metropolitan area, with an increase in the labour force of around 3%, unemployment has risen slightly.

The year 2003 has closed with an increase in the number of workers affiliated to the social security scheme of nearly 2%. Over one million jobs are located or imputed in Barcelona and 2.1 million in the metropolitan area. With respect to large sectors of activity, employment that is strictly industrial finishes the year, once again, with a cutback in the labour force. Construction, thanks to the efforts of the self-employed, has managed to maintain employment volumes that continue growing in the metropolitan area. The tertiary sector

especially the provision of services to companies and the majority of services outside the market provided the greater part of new jobs generated in Barcelona during 2003.

The stabilisation, or even the slight increase, in the unemployment figures at the year end,

especially among men and young jobseekers looking for their first job, combined with an increase in the total labour force, has led to a slight fall in registered rates of unemployment, especially among women. A variation that is moving towards hitting the lows achieved in the middle of 2001.

3



The City of Barcelona and its Services

3.1. Introduction

The City Council is the closest administration to the citizen, and provides a series of services that can be considered from three perspectives: in the first place, the city taken as a group of individuals who are collective users of its services; secondly, the city as a physical space of shared inhabitation within which civic activity takes place, and finally, the city as the whole of the economic activity which has a repercussion on the surrounding metropolitan area as well as a more extensive geographic boundary, which lends it an international projection.

3.2. Services to Citizens

The City of Barcelona, through its availability, is the authority that provides the citizen with the first-hand information they require to develop their activity. In this regard, a clear desire to serve is manifest.

Information, Documents and Most Frequent Procedures

The civic information sections ensure that citizens make suggestions, participate and are aware of what is happening in their city. In the new information society, Barcelona is staking a claim for new technologies and personalised service.

The organisational, technological and human resource advances made with regard to serving the public have simplified the administrative processes and have progressively extended the culture of public service to all municipal sections and centres. Simultaneously, the desire to solve the public's needs has been taken on board as a target. The City of Barcelona has a unified database for the purposes of offering citizens homogeneous

information on services and facilities within the reach of individuals and families. This leads to a rapid response time to user enquiries and ensures unity of the information available at more than thirty public service points, as well as by telephone and the Internet.

With a physical presence throughout the morning and afternoon opening hours, the fourteen offices that attend to the public –OAC– form a personalised service for dealing with

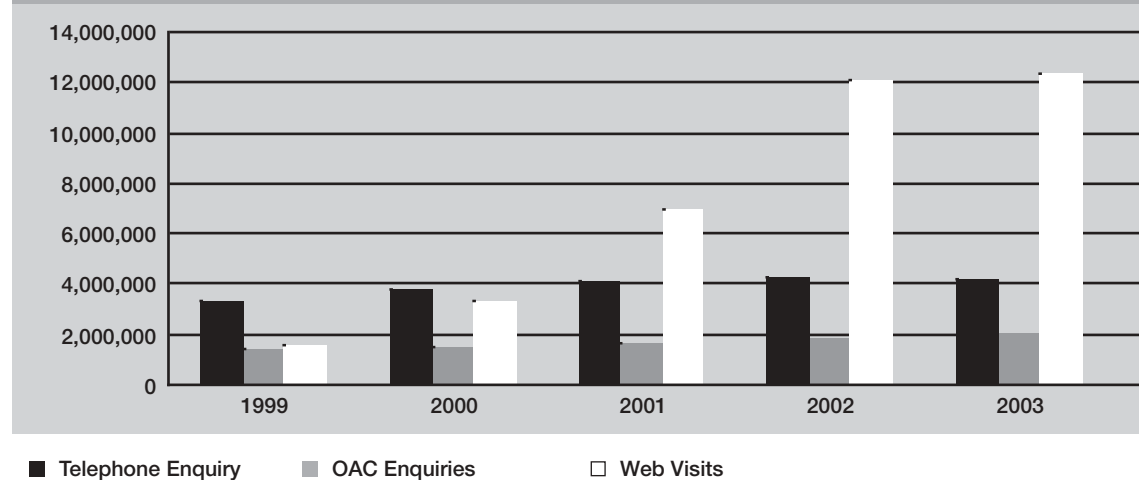
procedures or doubts regarding the municipality. There are a further seventeen information offices that are responsible for specific social situations, and which defend certain aspects of citizens' rights.

More than 100 people work behind the scenes of the 010 telephone service. During 2003, more than 4 million calls were dealt with. Procedures carried out by telephone rose to almost 600,000.

Information and Citizen Orientation Services

	1999	2000	2001	2002	2003
Citizens' telephone service (010 calls and others)	3,358,069	3,759,996	4,079,871	4,299,705	4,218,420
Offices that attend to the public (OAC enquiries dealt with)	1,386,839	1,469,142	1,621,682	1,804,548	2,073,859
Number of web visits: www.bcn.es	1,592,110	3,347,199	6,984,326	12,131,074	12,327,194
Administrative procedures carried out over the Internet	–	11,834	188,320	591,947	983,520

Information and Guidance Services



Lastly, and with the advantage of avoiding a physical presence and fixed timetables, the www.bcn.es portal offers all kind of information on Barcelona: services, agenda, procedures, as well as the easiest way of solving them. It also represents a tool of debate and participation in the life of the city. Moreover, the recent addition of the citizen's folder enables personalised enquiries to be carried out with regard to tax details and census, and then use this data to carry out the procedures necessary. This adds to the 60 existing procedures that could be completed via Internet, and the information on more than 400 services and measures.

Education

Through the Institut Municipal d'Educació (*Education Municipal Agency*) (www.bcn.es/educacio), the City of Barcelona manages the 85 municipal education centres which, in the 2003-2004 academic year, have a total of 14,073 students enrolled. This figure comprises all educational levels. Through the

districts, the City is also responsible for the preservation, maintenance, cleaning, supply and vigilance of the 231 primary education centres of the Generalitat (the regional government).

For the purposes of planning the school places available, the City of Barcelona works with the Generalitat in the revision of the school map in order to adapt it to new requirements or to necessities derived from existing deficits. In this respect, advances were made in 2003 with the agreement to build new schools in areas like the Front Marítim/Diagonal Mar, Poblenou 22@, la Sagrera, la Maquinista and the Sant Andreu barracks. At the same time the number of places available at day pre-school has been increased.

To facilitate the procedure of pre-inscription and enrolment of students at public education centres and centres that are sustained with city public funds, the City of Barcelona publishes the guide *Barcelona és una bona escola* (*Barcelona is a fine school*), with a print run of 220,000 copies.

Number of students at municipal centres						
School year	Pre-schools	Primary Education	Secondary Education	Fine Arts	Others	Total
1999-2000	2,111	2,551	2,480	2,577	1,046	10,765
2000-2001	2,198	2,570	2,461	3,789	971	10,989
2001-2002	2,276	2,581	2,440	3,201	1,267	11,765
2002-2003	2,790	2,782	3,306	3,076	1,437	13,391
2003-2004	2,972	2,781	3,737	3,000	1,583	14,073
No. of Centres 2003	49	14	10	6	6	85



Gràcia Municipal Day Nursery

Elsewhere, drives to strengthen the changeover from primary education to secondary education, favour the transition to the working world, and promote education in values, have all been pushed through programmes such as *Mou-te en transport públic (Get on board)*, *L'aprenentatge de les tasques domèstiques (Housework hints)*, *Educació física i esport (PE and sport)*, etc.

Finally, the Consell Escolar Municipal (*Municipal School Board*), made up of representatives from entities and association of the education world, provides a sounding board for the shaping and administration of education.

Culture

The Institut de Cultura (*Agency of Culture*) (www.bcn.es/cultura) promotes the city's culture and carries out its role both through its own programmes as well as by assisting the different cultural agents. And so it promotes the city as a scenario of multiple spaces and activities

(museums, cinemas, congresses, exhibitions, festivals, etc.), related to culture.

The museums of Barcelona continue to attract a great many visitors. The Museu Picasso (*Picasso Museum*), for example, with the new presentation of its permanent collection, is the most visited art museum in the city, with 900,000 visitors. Highlights include the exposition on the last 100 years of schooling in Barcelona in the new areas set aside for temporary exhibitions in the Museu d'Història de la ciutat (*City's History Museum*) of the city, the unveiling of a new extension of the Museu Nacional d'Art de Catalunya (*National Art Museum*), the chapel of the Convent dels Àngels as a new space in the Museu d'Art Contemporani (*Contemporary Art Museum*), or the new headquarters of the Institut Botànic (*Botanical Institute*) of Barcelona. 2003 has also seen the area of Born returned to the city and, while the project regarding the use of said space is at the drafting stage, work is already being carried out on its preservation and on preparations for visits by the public.

Cultural Activity					
	1999	2000	2001	2002	2003
Orquestra de Barcelona i Nacional de Catalunya (OBC) (Orchestra)					
No. of concerts	132	141	84	117	128
No. of spectators	199,344	173,334	145,247	190,917	225,494
L'Auditori (Auditorium)⁽¹⁾					
No. of concerts	196	354	274	249	277
No. of spectators	230,772	321,090	324,363	316,189	335,093
Palau de la Música Catalana (Concert Hall)					
No. of concerts	305	228	186	196	193
No. of spectators	296,713	242,506	271,011	282,050	268,201
Liceu (Opera House)					
No. of performances	74	137	147	164	195
N.º of spectators	117,130	243,280	274,867	303,596	314,100

(1) Inaugurated 22 March 1999.

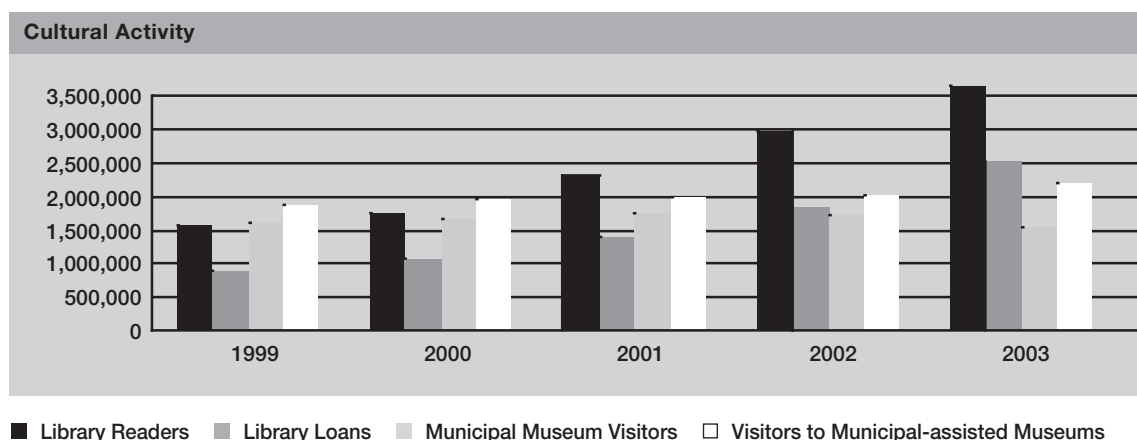
Barcelona promotes a festival cycle based on popular and traditional culture as a dynamic process in which tradition and contemporary values go hand in hand at all events, to face up to society's new challenges. Chief among these is the arrival of immigrants and the opening of intercultural processes. The main events that comprise the festive cycle are the Twelfth Night Procession, Santa Eulalia, Carnival, Music day and La Mercè, the grand festival of Barcelona.

2003 has been the Year of Design, an initiative from the City of Barcelona and the Foment de les Arts Decoratives (FAD) within the framework of the centenary of this institution, created in 1903 by the professionals and craftsmen and women of the city. The motto chosen for this year fully reflects how its celebration has progressed: *L'any de gairebé tot (The year of almost everything)*. More than 300 activities, involving more than 600 institutions: almost all the city museums, the art galleries, the

universities, the libraries and other cultural institutions which have discovered their connection to design and have dedicated numerous activities to this end, including: exhibitions; conferences; debates; prizes and scholarships. More than one and a half million visitors attended the Year of Design activities.

The 28 libraries of Barcelona, following the inauguration of the Fort-Pienc library and the Juan Marsé-el Carmel one, have become the club with the highest membership during 2003: more than 300,000 individuals hold a library card, a tool which, apart from providing access to the books and the different services offered by the libraries, offer many advantages at theatres, bookshops, museums, exhibitions, cinemas and other cultural activities. The library card has thus become the cultural card of the city.

Elsewhere, Barcelona's image is ever more present in the international arena and, thanks to



the 78 foreign productions in the year 2003, from 28 countries, it is more and more usual to recognise streets and parts of our city on the TV adverts and on the big screen, or to find filming taking place anywhere. This audiovisual presence of Barcelona in the world is evidenced through the hosting of the 2004 annual gala *European Film Awards*. The decision to choose Barcelona was taken by the European Film Academy. Other cities that were in contention included Paris and Berlin.

The festivals are a visible showcase of the cultural heartbeat of Barcelona and represent a vital area of discovery, encounters and exchange. Huge, multi-disciplinary festivals take place in the city, such as el Grec –celebrating its twenty-seventh edition– or el Sónar –which has been going now for ten years, and whose model and philosophy have been exported to cities as far afield as Tokyo, London, Lisbon and Hamburg– and share space with newer or minority initiatives in the cultural programme.

To summarise then, Barcelona enjoys a cultural climate replete with proposals and participation, integrated into the daily life of the city's citizens and which offer new experiences that attract visitors.

Social Services

The aim of the City of Barcelona is to be at the public's service in order to ensure their social welfare and improve their quality of life. The social and community programmes that comprise social services are targeted at the whole of the population; however, special attention is given to providing a set of services and resources aimed at the prevention of exclusion and to promote the integration of individuals or families that, due to financial difficulties, lack of individual autonomy, disabling circumstances or social exclusion, need help and protection.

The 33 social services centres provide basic services of primary social care. They form the nearest access points for both individuals and families. The greater part of the demands, from the approximately 40,000 users dealt with in 2003, involved social aid or resources, financial help, housing matters and home help.

Social home help is given through services like home assistance –professional aid given at home, comprising housework, personal care, accompaniment or educational support. The



Fort Pienc Old People's Residence and Day Centre, in the Eixample District

main beneficiaries of these services are the elderly. Then there is tele-assistance –which provided service to 3,602 homes in 2003–, domestic tidying, home delivery meals, cleaning and laundry service or housekeeping tasks. Outside normal hours of coverage the Municipal Response Centre for Social Emergencies (CMAUS) comes into operation. This organ responds immediately to individuals of the city who find themselves in situations of social emergency. This includes people who are lost, women who have suffered ill treatment, refugees, families needing accommodation following accidents, etc.

The social inclusion services and care for the homeless deal with people who are in situations of social vulnerability, through the welfare services of public responsibility and the recognition, through collaboration agreements, of the action capacity of private entities. These include a set of services and operations targeted at care, refuge and treatment of vagrants and those that live in situations of social uprooting and destitution. The social

Insertion teams (SIS), who prepare individual insertion plans and guide these people through the rehabilitation process, while simultaneously ensuring that the network of social care services are made available, dealt with 3,477 homeless persons in 2003.

With regard to social and community promotion, the municipal network of civic centres and neighbourhood centres is a key reference point in the collective life of the districts, acting as they do as spaces for diffusion, expression and cultural creation, as well as providing the basic element required for public participation and social cohesion. This is clearly evidenced through the almost 600,000 people who participated in the various activities that took place throughout 2003, in the form of courses, workshops, expositions, shows, conferences and other cultural diffusion activities. The city also has a network of centres and facilities targeted at infancy, youth, and the elderly, as well as a programme of leisure and invigoration activities for the different sectors of the population.

Social Welfare

	1999	2000	2001	2002	2003
Population in General					
No. of Call-outs Carried out by Primary Social Care Teams	126,033	129,676	139,591	140,437	132,765
No. of Users Dealt with at Social Services Centres	32,523	34,758	36,642	41,066	39,456
No. of Homes with Home Assistance	3,465	3,836	4,276	4,126	4,275
No. of Call-outs by Municipal Response Centre for Social Emergencies (CMAUS)	6,728	4,930	3,742	2,925	4,201
Poverty and the Homeless					
No. of Homes with Minimum Income Social Insertion (Active File at Year End)	3,369	3,150	3,026	3,180	3,350
No. of Night Refuge Stays of Homeless People	74,061	83,401	67,426	75,292	83,390
No. of Meals Served in Food Shelters	145,094	173,471	192,930	215,138	246,179
Infancy					
No. of Children Attended to Through High Social Risk (EAIA)	3,311	3,296	3,257	3,369	3,374
No. of Immigrant Minors Without Relatives Attended To	57	166	142	104	127
Foreign Immigrants					
No. of Persons Attended to in the Care to Immigrant, Foreigners and Refugees Service (SAIER)	5,721	7,085	8,190	10,188	14,947
Elderly					
No. of Pink Card Beneficiaries (Subsidised Public Transportation)	243,885	248,614	250,254	252,836	261,846
Integration of Disabled Persons					
No. Claims (Information-assessment)	5,084	4,750	4,820	6,636	7,524
No. Special Transport Service Trips	82,782	93,978	92,461	101,033	130,311

The services targeted at women through equality policies deserve a special mention. These include such plans as the *operational plan against violence to women 2001-2004*. This plan incorporates the team that looks after women's welfare (EAD), and which offers specialised services to women who suffer violence or assault, and has already dealt with more than 800 women in the city. It provides an integral place of care to the women of Barcelona who suffer situations of violence, and assists them in

their recovery. It also promotes actions of prevention and sensitising. The refuge service for women who have suffered ill treatment has dealt with 230 family units and 425 individuals (women and children). There were 15,553 stays at the centre in 2003. Likewise, within the framework of equal opportunities, participation and quality of life for women, there is the *Municipal Women's Centre of Information and Resources (CIRD)* as well as points of information and services to women dotted around the city.

With regard to the elderly, apart from the general services available to them through home assistance, there is also the Emergency Reception Services for the Aged (SAUV), old people's homes and protected apartments, housing equipped with services and housing provided on a use basis, equipped with the support services may be required depending on their situation and/or lack of individual autonomy. In 2003 new housing with services, day centres and a new old people's home have been commissioned. Moreover, the City of Barcelona provides the elderly with more than 50 recreational centres and promotes aid within the holiday programme for the elderly (almost 1,900 places were taken up in 2003) or various invigorating activities through leisure, craft, artistic, cultural and sporting pastimes.

Services for disabled persons are provided through the Institut de Persones amb Disminució (IMPD) –*Disabled Person's Agency*, an autonomous organisation of the City of Barcelona, created with the mission of administering the policies directed at the promotion and attention to persons with physical, psychic, hearing, sight disabilities or impairments and mental illnesses, and basing

itself on the principles of normalisation and recognition of the difference. During 2003, on the occasion of the European Year of Disabled Persons, the development of the plan to provide local services and facilities for this collective has been fully supported. Likewise, the plans to make all the districts of Barcelona accessible have continued, as has the accessibility to the city beaches project.

Funeral Services

The joint venture company Serveis Funeraris de Barcelona, SA, is responsible for the funeral services of the city. It deals with these on both a private request basis (including charitable services and those that are subsidised, given the essential nature of the service), as well as on behalf of insurance companies of the sector; likewise, it manages the upkeep and improvement of the nine cemeteries, two crematoriums and chapels of rest distributed among the three mortuaries in operation. With a view to improving its services, it is currently constructing a fourth mortuary, comprising 9,000 m². This shall be equipped with ten chapels of rest and shall be located in the Sant Gervasi neighbourhood. It is set to open in spring 2005.

Funeral Services					
	1999	2000	2001	2002	2003
No. of Funeral Services	21,056	20,213	20,330	20,203	20,770
Cremations	5,677	6,008	6,404	6,407	6,246

The funeral service activities centre on two basic units; the funeral services and the cemeteries. They provide services that range from the administrative proceedings of the death through to carrying out the ceremonial acts that accompany the burials or cremations.

With regard to cremations, centred on the mortuaries of Montjuïc and Collserola (in spite of the slight recession that they have experienced due to the decrease in the contraction of services from other surrounding municipalities, caused in turn by the increase in the availability

of local services), these two mortuaries offer the lowest price in Catalonia.

Finally, last year saw the process of upkeep and improvement of the city cemeteries continued. The renewal of the quality certification in accordance with ISO 9000:2001, obtained in the year 2002, is testimony to the foregoing.

Sports

Barcelona is aware that sport provides a privileged framework for learning and experiencing the most positive values of living together: respect for the diversity, the exercising of responsibilities and civic duties, the acquisition of personal or social skills, or the creation of a sense of identity and of belonging to a community. This feeling is reflected through the ample network of facilities and municipal sporting areas, managed by outside sources and which have over 160,000 members and provide services to more than 600,000 individuals that practice sport in the city.

2003 has been the year of sport in Barcelona. Huge sporting events put cities under the spotlight and make an important contribution to the attractive image that a city has. Barcelona has consolidated that image with the

organisation of the World Swimming Championships, Barcelona 2003, held in July –with a record number of participating countries in world championships (164), sportspersons enrolled (2,189) and number of nations that broadcast the event (155)–, the X Police and Firemen Games –with 10,582 participants from 62 countries– and the Championship of the European Cup of Nations of Hockey.

3.3. City Services

Maintenance of Services and Urban Infrastructures

During 2003 the integral plan of public space 2004-2007 was prepared. This includes operations, either totally or partially, on 30% of the surface area of public thoroughfare of Barcelona. This equates to an extension of 450 km, corresponding to 1,600 streets. The plan shall involve basic municipal services working closer together and in a more coordinated fashion. It also anticipates the need to carry out integral operations: both with lighting, signposting, paving and repairing damage to pavements and borders, as well as traffic management, control and care of urban property.

Maintenance and Urban Services

	1999	2000	2001	2002	2003
Sanitation and Environmental Control					
Length of the Drainage Network (km)	1,295	1,315	1,335	1,419	1,485
Cleaning Drains Network (km)	2,184	2,389	2,418	2,241	2,374
Energy Plant of Besòs					
Incinerations (tonnes)	265,320	272,134	300,524	187,176	360,193
Electricity Production (MWh)	114,379	117,574	129,802	79,977	174,037
Control of Noise Pollution					
No. Vehicles Inspected	7,069	5,418	5,187	5,545	4,885

The cleaning of a large city like Barcelona is complex. Apart from the cleaning of the streets and squares, it is also necessary to take into account specific aspects such as commercial collection, especially in areas around the markets, the cleaning of those places where acts have taken place in the presence of large crowds or the cleaning of graffiti from the walls of buildings. These are just a few of the examples.

For the graffiti cleaning service, the City of Barcelona has carried out an average of 2,000 monthly operations, affecting a total of 7,650 m² of façades and urban property elements. Since it came into service in April 2001, around 150,000 m² have already been cleaned. It is worth mentioning that the latest technological innovations in cleaning processes have been used for maximum efficiency.

Operations take place on the fronts of public buildings (municipal, institutional, schools, hospitals, markets, etc.); public spaces (walls, overhead and underground infrastructures, fences and building site walls adjacent to public thoroughfares, public highway paving, etc.); elements of urban property (electrical apparatus

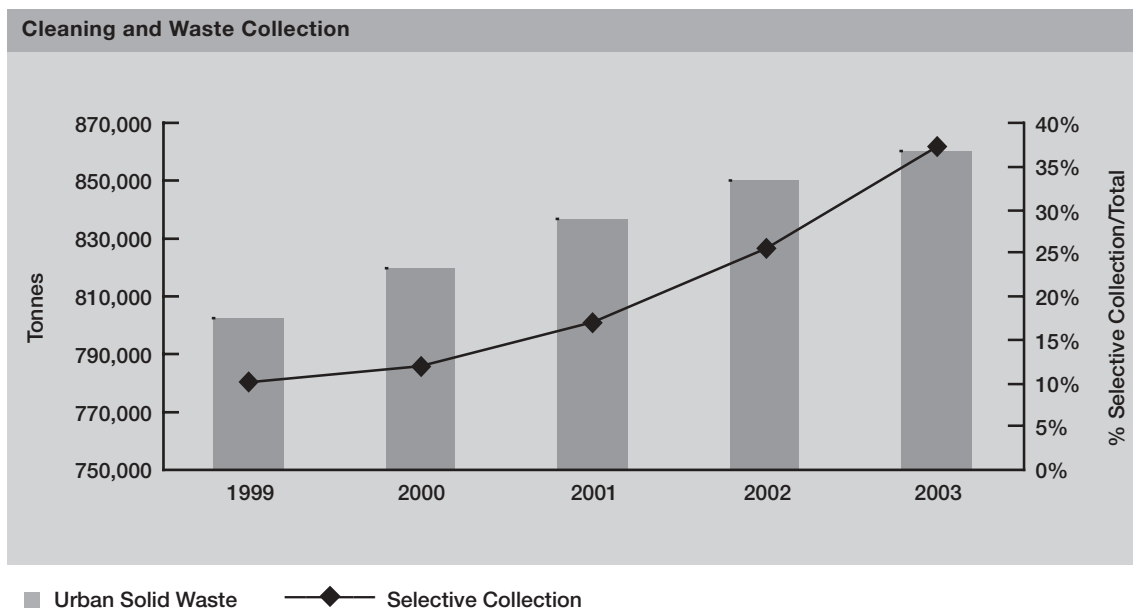
cabinets, streetlights, traffic lights, benches, etc.), and façades, walls or parts of private buildings. Operations on these latter are carried out in a subsidiary manner and in accordance with existing by-laws governing the upkeep of the urban landscape.

The advanced management of drainage involves the correct treatment of rainwater and sewage which circulate the city. The rainwater tanks have become a key element in the urban drainage network. This is because on the one hand, they avoid flooding during heavy rainfall and other hand, they allow retained water to be treated before spillage into the sea. This helps the preservation of the aquatic and marine ecosystems. The construction of a rainwater tank in the Fòrum area has been finalised. With a capacity of 50,000 m³, this is the biggest in the city.

The policies followed to reduce noise pollution, a consequence of the urban fabric type of the city, the high density and the use of private transport, can be seen through the renewal of sound-reducing asphalt on road surfaces, the installation of isolation screens, the creation of pedestrian zones and road covering.

Lighting, Paving, Channelling and Cleaning

	1999	2000	2001	2002	2003
Lights (units)	151,175	156,405	160,772	167,756	170,043
Road Lighting	122,928	127,369	131,806	134,620	137,047
Artistic Lighting	5,365	5,027	4,957	4,982	4,842
City Tunnels Lighting	12,504	13,631	13,631	17,776	17,776
Ring Road Lighting	10,378	10,378	10,378	10,378	10,378
Street Paving (m²)	357,921	303,213	599,515	858,985	1,049,819
Piping (m)	191,498	202,726	214,507	181,930	167,814
Cleaning and Waste Collection					
Urban Solid Waste (tonnes)	802,408	818,859	836,852	850,278	860,337
Selective Collection (tonnes)	80,821	97,890	142,485	217,040	319,959
Glass	14,120	15,112	16,773	18,256	20,053
Paper	24,640	29,046	51,489	52,323	57,200
Containers	5,392	6,547	8,030	9,504	10,644
Furniture	19,395	21,799	22,768	23,949	28,222
Organic waste	9,509	15,832	29,799	48,634	74,684
Clothing	15	21	24	117	498
Other Waste in Waste					
Recycling Centres	7,727	8,458	11,716	13,508	13,910
Selective Mercabarna	23	1,075	1,885	4,180	7,046
Others: Selective from Parks	-	-	-	-	900
Fraction Refused to Methanization	-	-	-	46,569	106,801
Selective Collection/Total (%)	10.1	11.9	17.0	25.5	37.2



Finally, mention must be made of the environmental regeneration that has taken place at the three great infrastructures of the Forum zone: the purifier, with the incorporation of a secondary biological cycle; the energy valorisation plant, which shall become an integral treatment plant of solid waste, and the thermal plant, set to become a combined cycle plant. Part of the heat liberated by the energy valorisation plant is used to supply hot and cold sanitary water, for air-conditioning in the area.

The aim of the improvement to these basic infrastructures is to satisfy the environmental standards of the European Union and be able to integrate all these facilities into the urban setting. This is in addition to offering a better service to the city.

Natural Spaces

The city's green asset –the parks and gardens and tree-covered areas– as well as their facilities, are directly related to the quality of life of citizens and the environmental quality of the city. The urban parks are the most constantly used recreational zones: areas in contact with nature and also places where socialising takes

place, where activities are organised, whether participation campaigns, cultural acts or popular festivals, they act as a vehicle of communication with civilians.

Barcelona is one of the European cities with most trees. These trees have become one of the characteristic features of the city's image. Every year, tree-lined streets join the census of European tree-lined thoroughfares, even very narrow streets, where small varieties are planted.

The Institut Municipal de Parcs i Jardins (*Municipal Agency of Parks & Gardens*) takes charge of the planning, upkeep, restoration and extension of the urban green zones and also the coordination of the maintenance and preparation of the city's beaches. It likewise performs tasks of environmental education and training.

The global approach to green spaces centres on a sustainable philosophy, taking into account aspects such as the selection of plant life best suited to local climate conditions, protection of the small fauna that live in urban green areas, recycling of organic material that this urban framework generates, and water conservation.

Public Spaces and Urban Facilities					
	1999	2000	2001	2002	2003
Urban Green					
Urban Green Zone (ha)	968	984	988	1,007	1,036
No. of Trees on Public Thoroughfare	150,128	149,254	150,912	152,230	155,279
Irrigation Through Sprinkling (000s m ²)	1,805	1,982	2,085	2,157	2,236
Other Spaces					
No. of Children's Play Areas	568	583	587	575	624

Water management revolves around three central ideas: a good selection of plants adapted to the Mediterranean climate, the approach and the installation of sprinkler infrastructure systems that help conserve water, and the best use of this natural resource by utilizing surface and subterranean waters from the subsoil for sprinkling.

The seaboard shaped by the six urban beaches has irreplaceable wealth, a huge window looking out over the Mediterranean. More than 5 million people a year come here. To achieve these sorts of numbers the beaches must be in tip-top conditions of maintenance, hygiene, facilities and accessibility. The improvement of the quality and the material fitting-out, with special attention being paid to persons of restricted mobility, make Barcelona's beaches a place for everyone, just a few minutes from anywhere in the city. Apart from the usual summer functions of the beaches, citizens enjoy all kinds of sporting and play activities, both individual and collective, making use of areas set aside specifically for sport –pelota court, ping-pong, gym area, fishing zones, skateboard parks, volleyball courts and beach football areas or children's play areas. Thanks to the strategy of quality that the City of Barcelona has followed, the environmental management system of the city's beaches has received the ISO 14001 certificate.

The Zoological Gardens of Barcelona

Work is carried out at Barcelona zoo for the preservation of fauna, the reproduction of species –especially those in danger of extinction–, research in collaboration with other entities and institutions, and the education and

promotion of the awareness of biodiversity and the defence attitudes of nature and the environment. In coordination with the competent administrations, the zoo also takes part in the breeding in captivity of native species that are later released into their natural habitats. In 2003, the zoo welcomed around one million visitors.

Transport and Traffic

For the purposes of improving coverage, quality and the competitiveness of the public transport system, a series of actions have been carried out that may be synthesized as follows: extension and coverage of the rail network, fomentation of fare integration intermodality, improvement of the surface public transport network and extension and improvement of night transport, as well as the quality and accessibility of public transport.

The implantation of the integrated fare system in 2001, which allows different types of transport –metro, bus, FGC and RENFE– required for trip purposes, with non-penalised changeovers within a time limit, has led to increased passenger numbers during 2003. Increased coverage and improvements to timetables, especially at weekends, have also played a contributing role. The metro timetable has been extended, and it currently opens at five in the morning and runs until midnight, from Sunday to Thursday, and until two in the morning on Fridays, Saturdays and the eve of festivals. The bus improvement plan has centred on the increase in the frequency of vehicles, especially at key boarding points and where there may be large growth. Bus routes have been extended and new connections have been created in line with the mobility requirements of citizens.



Diagonal Mar Park in the Sant Martí District

Public Thoroughfare

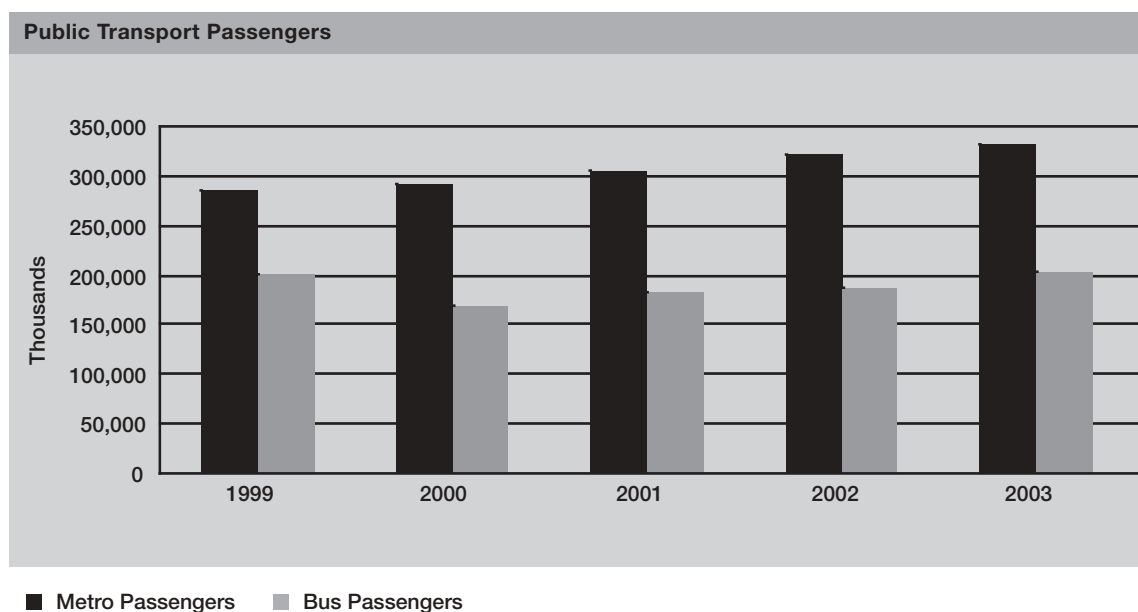
	1999	2000	2001	2002	2003
Urban Mobility⁽¹⁾					
No. of Passengers on the Metro (000s)	285,943	291,977	305,105	321,365	331,980
No. of Passengers on Buses (000s)	200,311	169,289	184,025	186,103	203,710
Bus/taxi Lane (km)	71	77	92	93	98
Cycling Lane (km)	109	110	116	119	122
Parking Spaces					
No. of Unloading and Loading Areas	6,856	7,112	7,452	8,432	8,950
No. of Surface Parking Spaces	154,540	151,458	148,363	148,097	147,068
No. of AREA Spaces (blue zone)	5,669	6,148	6,628	6,910	6,933
No. of Motorbike Parking Spaces	6,640	8,590	10,153	12,317	13,171

(1) From 2000 onwards, with the coming into effect of fare integration, the set of metro and bus users was broken and the *journey sold* concept was replaced by the *valid for* concept.

Improvements to public transport accessibility are evidenced by the greater territorial coverage of the adapted routes, the increase in low-level buses with ramp access and the adaptation of bus stops and some metro stations. In addition to this, transport to areas that were difficult to access has been improved. 18 neighbourhood bus lines have been put into operation since 1998.

With the aim of facilitating the elderly's access to the collective transport services, and bearing in mind their financial resources, in March 2003, the City of Barcelona and the Metropolitan Transport Entity agreed to reduce the age of access to the Red Card from 62 to 60.

In harmony with the policy of improving respect for the environment, Barcelona has put three hydrogen buses into operation –buses that do



not generate pollutant smoke or noises– and has inaugurated the Barcelona hydrogen service station. This is the first in Europe that works on solar energy.

The new bus depots became operational in 2003, located in the district of Horta. These replace the old depots in Borbó and Llevant. Due to their multi-level construction features, use of the most modern technology, sustainability characteristics and recycling, and for the fact of its integration into a city environment, they have become a point of reference for this type of installation.

The public transport network is growing: the construction of line 9 of the metro, 41.3 km long; the opening of 46 new stations and the reintroduction of the tram, with 2 lines: the Diagonal-Baix Llobregat one and the Besòs one.

3.4. Promotion of Barcelona's Economic Activity

Promotion of Housing and Urban Landscape Improvement

As a public authority, the City of Barcelona must set in motion the conditions necessary to provide the right to appropriate housing within the framework of its terms of reference: housing promotion and management. It is necessary to meet the ever-growing demand of the collectives in more inferior socio-economic conditions to acquire housing. These groups include young adults, the elderly, immigrants and persons in situations of social risk.

The endowment programme which the City put into operation during the last term of office for young adults and older persons has led to 2,000 leased apartments for young people and more than 600 leased apartments with services for elderly persons.

Restoration, Housing and Urban Landscape Improvement

	1999	2000	2001	2002	2003
<i>Barcelona, posa't guapa</i> Campaign					
No. of Grant Registrations	2,583	2,420	2,649	2,339	3,197
No. of Grant Files Conferred	1,961	1,210	1,617	1,993	1,907
m ² of Restored Façades and Roofs	550,306	512,248	715,039	559,535	703,327

The Institut Municipal del Paisatge Urbà i la Qualitat de Vida (*Municipal Agency of Urban Landscape and Quality of Life*) has obtained the certificate ISO 9001:2000 through the activities that it has undertaken in the improvement of grant management during the *Barcelona, posa't guapa* campaign.

During 2003, the agency awarded almost 5 million euros to citizens in the form of grants for preservation and improvements to private property that forms part of the urban landscape of Barcelona. The *Barcelona, posa't guapa* campaign has led to the restoration of 703,327 m² of façades. These have been awarded a certificate of safety which accredits their state of preservation and the safety of the building's exterior elements.

The quality of life programmes are being well-received by citizens. These programmes are aimed at the suppression of architectural barriers and thermal and acoustic insulation of housing. In this respect, actions supporting the installation of lifts and double glazing increased by 35% with regard to the year before. New programmes have been introduced for the restoration of lobbies, stairways and wells. The grant given for the installation of solar panels, covered in the plan that commenced in 1999, with the disclosure of the use of renewable energy, has continued.

An inventory is currently being prepared for the control of exterior advertising. With the collaboration of the commercial operators, this will allow a good part of the existing billboards to be reduced and the rest to be regularised.

Beyond the preservation tasks and the improvement to the urban landscape assets of Barcelona, other programmes, which deal with the diffusion and awareness of the value of these assets and the importance of preserving them, are being carried out. Two examples are: The Modernisme Route and The Design Route.

Creation of Jobs to Guarantee the Future

Barcelona Activa is one of the main reference points in the national and international arenas in matter of local development and the creation of companies. 2003 was the year that its action plan 2000-2003 came to a close, and the result has been very positive. During this period, innovative programmes and methodologies have come into operation and have led to a steady and significant increase in the number of users dealt with by the four services that comprised the agency's activity during its mandate: employment service, entrepreneur service, company service and economic promotion service.

Promotion of Economic Activity

	1999	2000	2001	2002	2003
Establishment of Companies					
In Incubators and at the Centre of Companies of Barcelona Activa	114	131	136	123	121
Non-installed in Barcelona Activa	1,289	1,442	1,589	1,663	1,453
Service to Entrepreneurs					
No. of Users Attended	11,585	12,190	11,800	16,967	23,261
Employment Service					
No. of Users Attended	22,801	16,362	19,015	27,549	24,901

Among others, the fruits of this 2000-2003 action plan have been the following: 362,409 programme participants, with peer distribution by gender (56,554 of these participants are over 40); a strong increase in the participation of immigrants, which has risen from 1,431, in 2000, to 8,697, in 2003 (83% of these immigrants come from non-EU countries); more than 160,000 visitors to the Cibernàrium, dedicated to the spreading of new technologies and to training in this field, and 7,009 members of BarcelonaNETactiva, the first virtual incubator of companies in Europe. In summary, a set of indicators that shows the importance of Barcelona Activa in the promotion of employment and the enterprising initiative, and the technological spread and training as key instruments for the professional development of individuals.

2003 also saw Porta 22, Espai de Noves Ocupacions (*Place of New Jobs*), come to the fore. This is a new service and latest-generation facility that focuses on future jobs, new professional profiles and the emerging sectors in Barcelona. Since its inauguration, its reception has been excellent, and 6,063 persons have participated in the activities that have taken place.

Last year also bore witness to the commissioning of the equipping activities of Can Jaumandreu, the old textile factory, restored by a school-workshop of Barcelona Activa.

The @lis programme was one of the 19 projects selected by the European Union to participate in its programme of external cooperation with Latin America in matters of the information society.

Commerce and Urban Industry Renewal

The commerce of Barcelona has always been a very important element in the history of the city, not only for the economic activity that it generates, but also for the way that it incorporates itself into the urban fabric, where different areas that are targeted at different uses live side by side –residential areas, commercial zones, facilities, leisure, etc–, which converts it into one more quality of life factor.

The municipal markets comprise one of the relevant pieces of the city's commercial configuration. A process of transformation is carried out from the Institut Municipal de Mercats (*Municipal Agency of Markets*) for the

purposes of making them more attractive, competitive and modern, while at the same time

ensuring that they are social, civic and cultural cornerstones of centrality.

Mercabarna (Wholesale Market)

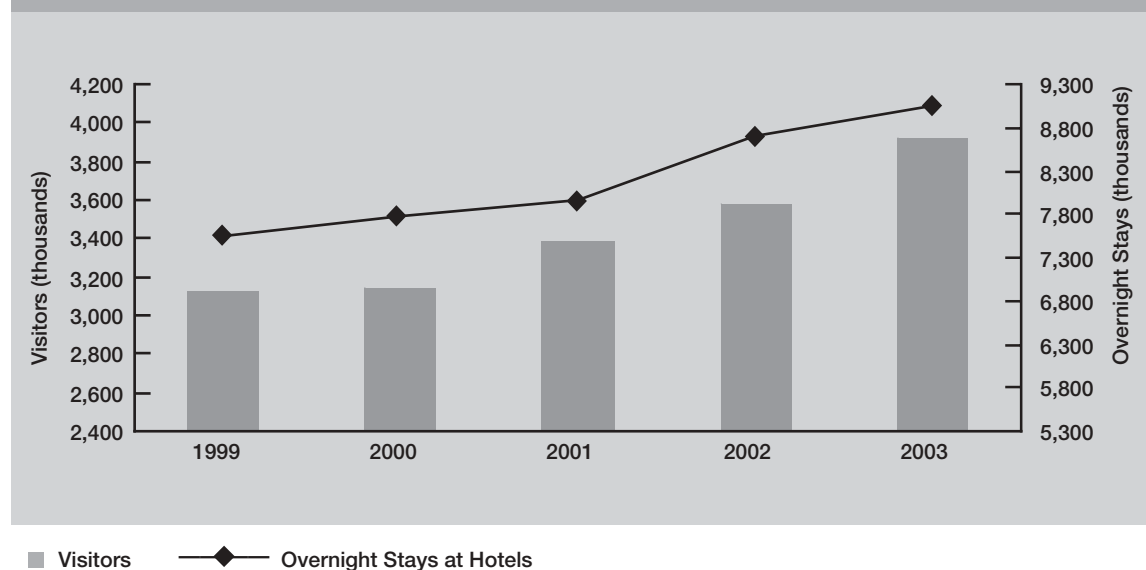
	1999	2000	2001	2002	2003
Trading Tonnes					
Fruit and Vegetables	904,744	897,240	912,888	922,782	961,294
Fresh Fish	83,249	81,089	82,070	79,131	78,827
Slaughtered Cattle	25,140	27,249	26,793	24,873	25,500
Frozen and Others	86,747	84,943	88,366	98,585	95,204

The main challenge is to combine the tradition of the market, based on fresh produce and personalised treatment, with the new demands of society with regard to convenience, good prices, long trading hours, service and the use of new technologies. Apart from the renewal of physical structures, this involves a commercial reorientation that is being carried out with the introduction of new services for citizens: parking spaces for customers, home delivery and self-service areas, to mention just a few. The Barcelona network comprises 40 municipal foodstuffs markets and 6 non-foodstuffs.

Tourist promotion

The year 2003 has been an excellent year for tourist activity in Barcelona: 3,848,147 tourists passed through the city, and there were a total of 9,102,090 overnight stays at hotels. The accommodation offer continues with a steady rate of growth and the city currently boasts 39,632 hotel beds, which represent an increase of more than 3,000 beds over the previous year. During 2003, the information points of the Tourist Board dealt with 1,232,933 persons, who generated a total of 1,738,318 enquiries. The number of Tourist Bus users grew by 8% with regard to 2002, reaching the figure of 1,222,859 users.

Visitors to the City



Tourist Promotion

	1999	2000	2001	2002	2003
Consorti de Turisme de Barcelona (Barcelona Tourist Consortium)					
No. of Enquiries to the Tourist Office	896,816	1,119,091	1,271,572	1,720,590	1,738,318
No. of Visitors (000s)	3,123	3,141	3,379	3,581	3,848
No. of Users of the Tourist Bus	553,508	858,782	983,302	1,132,295	1,222,859

The range of actions by the Consorci de Turisme de Barcelona goes beyond the promotion of holiday and cultural tourism: they also include programmes targeted at businesses, training, health, sport and

commerce. Examples of these programmes include: *Barcelona Convention Bureau*, *Barcelona Outdoor & Corporate Training*, *Barcelona Health Centre*, *Barcelona Sports* and *Barcelona Shopping City*.

4

Management Report

The 2003 management report shows consolidated data of the group made up of the City of Barcelona, the municipal agencies and companies in which the City is the majority shareholder, irrespective of whatever their sources of financing.

4.1. Human Resources

As of December 31, 2003 the personnel of the City of Barcelona, the municipal agencies and companies numbered 12,366 persons, 194 less than the staff levels as of December 31, 1998.

Personnel of the City of Barcelona and its Municipal Agencies and Companies

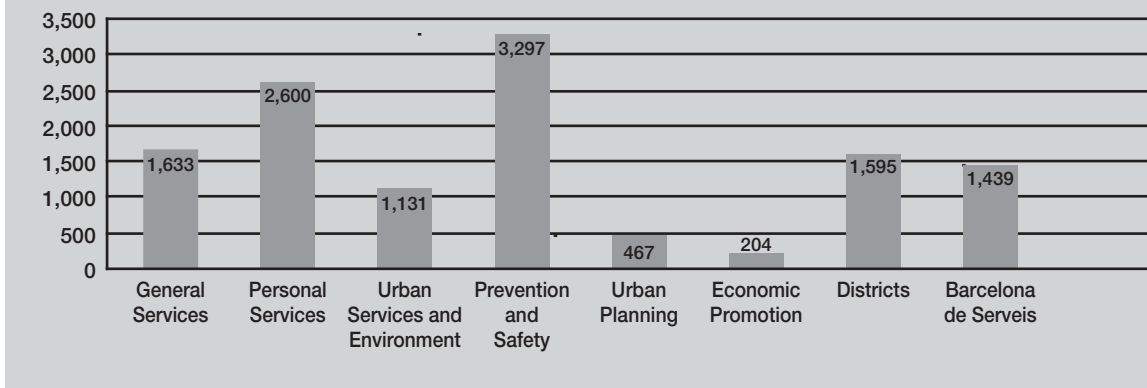
	12/31/99	12/31/00	12/31/01	12/31/02	12/31/03
City of Barcelona	6,943	6,753	6,683	6,638	6,689
Municipal Agencies and Companies	5,306	5,291	5,390	5,407	5,677
Total	12,249	12,044	12,073	12,045	12,366

During the last 5 years, 362 persons have opted for the early retirement incentive plan implanted by the City of Barcelona. In a parallel fashion, productivity increases have been achieved and improvements made to the services offered to the citizens, thanks to the modernisation of the information systems and the office automation technologies.

The increase in the number of municipal employees in 2003 is the consequence of the creation of new first cycle of infant education, the effort made in the preservation and upkeep of the city's green spaces, and staffing increases in the protection and security sector –especially in the fire brigade and the traffic police–, with the aim of improving the city's mobility and law and order. This is in spite of the fact that, in this latter case, their job is complementary to that of other police forces. Elsewhere, there has been a movement of City staff to municipal agencies and companies.



Breakdown of the Personnel of the City of Barcelona Group as of 12/31/03



Personnel training courses carried out in 2003 received a total of 16,175 participants and entailed 90,361 class hours, including the training plan that the City of Barcelona presents every year to the National Institute of Public Administration for subsidization purposes, within the framework of the National Agreement on Ongoing Training. This subsidy has allowed training activity to be extended to 2,240 municipal workers.

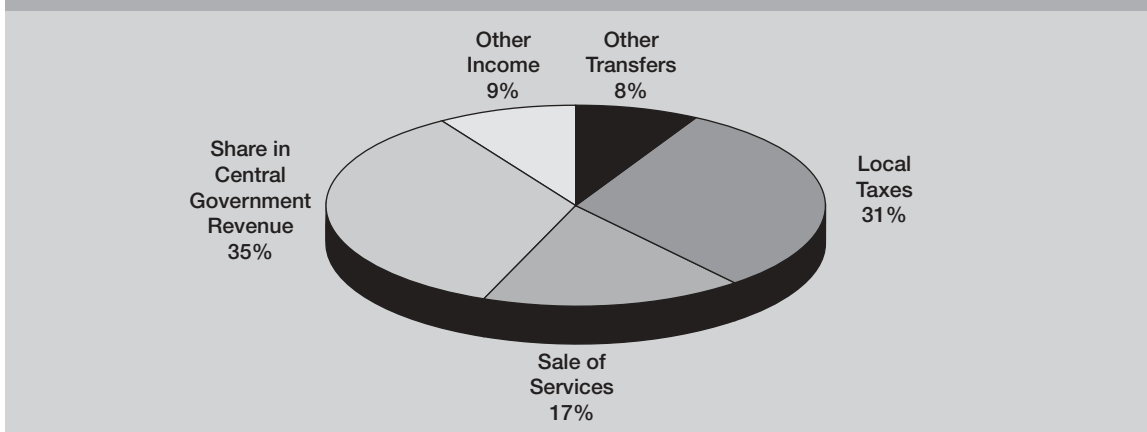
4.2. Current Revenue

In 2003, 57% of the consolidated current revenue stemmed from local income: basically,

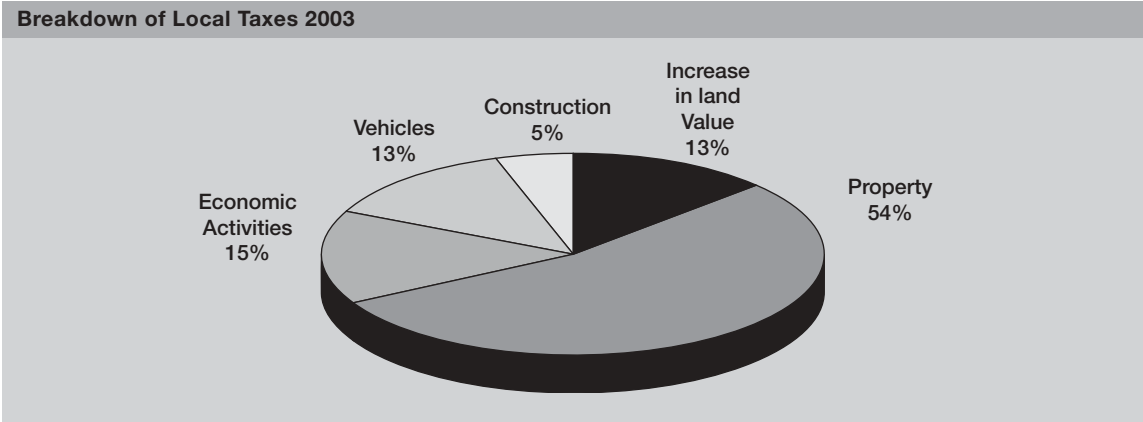
local taxes, sale of services and income from property and business; 42% corresponded to current transfers, and the remaining 1% was financial revenue.

The main new item with regard to local taxation was the partial suppression of the tax on economic activities, regulated by Law 51/2002, governing local tax reform regulatory law. The tax on economic activities is a tax levied on the exercise of both professional and artistic business activities. From 2003 onwards, natural persons and legal entities with a net turnover of less than one million euros are exempt from paying this tax. On the other hand, the city coefficient disappears and a weighing

Breakdown of Current Revenue 2003



Breakdown of Local Taxes 2003



coefficient appears, based on the net turnover, which is placed between 1.29 and 1.35. This partial suppression of the tax has been accompanied by compensation from the Central Government which has been added to the share in Central Government's revenue.

The main local tax is the property tax, which represents 54% of the total. The rest of local taxes are levied on economic activities, vehicles, the increase in land values and construction.

82% of the current transfers correspond to the share in the Central Government revenue,

including the compensation for the downsizing of receivable takings caused by the reform of the tax on economic activities. This is a non-earmarked subsidy used to attend to the city's general needs. The remaining transfers are basically specific and come from the Central Government, the Generalitat of Catalonia (the autonomous government of Catalonia), and other local and foreign entities. Those from the Central Government for the Municipal Association of the Barcelona Metropolitan Area and those from the Metropolitan Agency for Water Services and Waste Treatment for the treatment of waste products stand out.

Current Revenue (thousands of euros)					
	1999	2000	2001	2002	2003
Property Tax	273,995	285,595	288,758	303,460	319,100
Tax on Economic Activities	159,491	162,369	162,892	164,277	89,248
Tax on Motor Vehicles	74,483	76,509	76,254	76,197	74,350
Tax on Construction Activities	17,970	18,758	22,538	21,136	32,208
Tax on Increases in Land Values	73,017	69,104	65,043	74,114	79,086
Total Local Taxes	598,957	612,335	615,485	639,184	593,992
Revenue from Sale of Services	256,049	243,500	271,643	302,348	330,400
Revenue from Property and Business	106,662	92,442	119,232	133,880	130,962
Other Revenue	27,550	28,290	28,529	37,837	33,864
Total Local Revenue	989,218	976,567	1,034,889	1,113,249	1,089,218
Share in Central Government Revenue	466,109	503,684	531,896	562,000	662,082
Transfers from other Administrations	106,836	110,147	118,426	133,802	142,670
Total Current Transfers	572,945	613,832	650,322	695,802	804,752
Financial Revenue	12,964	13,078	18,837	17,115	13,184
Total Current Revenue	1,575,127	1,603,476	1,704,048	1,826,166	1,907,154

During the last 5 years, current revenue has grown at an annual rate of 4.7%, thanks mainly to more efficient management of collection, and the increase in the share in the Central Government's revenue, since, in accordance with the Municipal Action Plan, the policy of not increasing tax pressure has continued. During this period, the share in the revenue of the Central State, excluding the compensation of the tax on economic activities for 2003, has grown at an average annual rate of 7.1%.

In 2003, current revenue was up 4.4% compared to the previous year. Taken as a whole, local taxes went down due to the partial suppression of the tax on economic activities. The reform of this tax excluded all taxpayers who are natural persons or legal entities with a turnover below one million euros. If the effect of

this tax is removed, the remaining local taxes grew by 6.3%. The increase in revenue from property tax is largely determined by the gradual implantation of the new land values set in 2001. The increases in the revenue through the tax on construction activities and the tax on the increase in land values reflect the dynamism of both the construction sector and the real estate sector in the city of Barcelona.

Taken as a whole, the rest of local revenue (charges and public prices for the sale of services, property and business revenue, and other income) grew by 4.5%. Revenue from utility companies, charges for waste collection and urban planning permits and drainage are the concepts that present a more favourable evolution.

Current Revenue (in percentages)					
	1999	2000	2001	2002	2003
Property Tax	17.4	17.8	16.9	16.6	16.7
Tax on Economic Activities	10.1	10.1	9.6	9.0	4.7
Tax on Motor Vehicles	4.7	4.8	4.5	4.2	3.9
Tax on Construction Activities	1.1	1.2	1.3	1.2	1.7
Tax on Increases in Land Values	4.6	4.3	3.8	4.0	4.1
Total Local Taxes	38.0	38.2	36.1	35.0	31.1
Revenue from Sale of Services	16.3	15.2	15.9	16.6	17.3
Revenue from Property and Business	6.8	5.8	7.0	7.3	6.9
Other Revenue	1.7	1.8	1.7	2.1	1.8
Total Local Revenue	62.8	60.9	60.7	61.0	57.1
Share in Central Government Revenue	29.6	31.4	31.2	30.8	34.7
Transfers from Other Administrations	6.8	6.9	6.9	7.3	7.5
Total Current Transfers	36.4	38.3	38.2	38.1	42.2
Financial Revenue	0.8	0.8	1.1	0.9	0.7
Total Current Revenue	100.0	100.0	100.0	100.0	100.0

In 2003, the share in the Central Government's revenue was 7.7% greater than in 2002, in accordance with the criteria set forth in Law 50/1998, dated 30 December, governing tax, administrative and social policy measures. Moreover, 57 million euros has been received from the Central Government as compensation for the aforementioned partial suppression of the tax on economic activity.

Transfers made by the Central Government for the Municipal Association, those of the Metropolitan Agency for Water Services and Waste Treatment for environmental issues, and those from the Generalitat of Catalonia earmarked for education stand out.

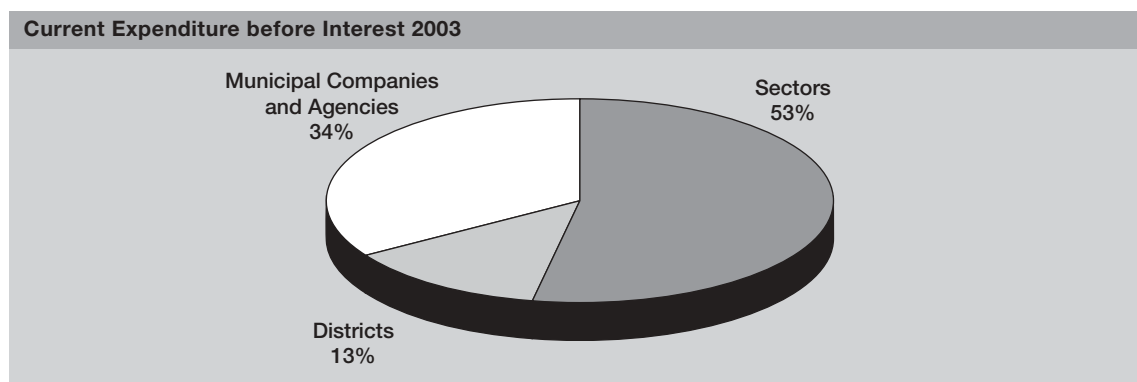
4.3. Current Expenses

Activities of the City of Barcelona

In general terms, the services offered to both citizens as well as to the city itself by the City of Barcelona, can be classified as follows:

- a) Personal Services: education, culture; youth schemes; social services and civil rights.
- b) Urban Services and Environment: street cleaning; refuse collection; sanitation; maintenance; paving; public lighting; water services; maintenance of parks, green areas and beaches; energy saving and renewable energy; environmental education and participation; and monitoring and reduction of pollution.

- c) Prevention and Safety: security; fire-prevention services and civil protection; mobility; traffic; public transport and parking; road safety and discipline.
- d) Urban Planning: territorial and urban planning; urban landscape and housing.
- e) Economic Promotion: economic promotion of the city; tourism; employment; innovation;
- f) General Services: central administration; financial and tax management; asset management and civilian participation.
- information technologies; commerce; municipal markets network and consumption.
- These services are offered from the functional sectors of the City of Barcelona, the districts, the municipal agencies and companies.



Evolution of Current Expenditure

The growth of current expenses over the last five years has been an annual 3.8%. Personnel expenses have grown at an average rate of 3.1%: a tenth below real inflation for the period, set at 3.2%. By contrast, work, supplies, subcontracted services and current transfers

have gone up 5.6 points above the rate of inflation due to the commitment to improve the quality of the services provided and the maintenance and upkeep of the city. This has been possible thanks to the decrease in financial expenses, down to an annual rate of 13.8% for the entire period, representing a drop from 150 million euros in 1998, to 71 million euros in 2003.

Current Expenses (thousands of euros)					
	1999	2000	2001	2002	2003
Personnel Expenses	435,445	442,922	459,789	481,799	493,273
Work, Supplies and Services	392,960	399,312	428,132	489,849	516,203
Current Transfers	132,355	149,448	177,698	201,895	235,048
Provisions	96,264	82,495	84,329	85,742	79,975
Financial Expenses	125,846	105,784	101,627	87,871	71,147
Total Current Expenses	1,182,870	1,179,961	1,251,575	1,347,156	1,395,646

In 2003, current expenses grew at 3.6% with regard to the previous year: almost one percentage point below the increase in current revenue. Once again, the two main elements responsible for this evolution were the growth of

operating costs, on the one hand, and the reduction of financial expenses, on the other. The financial expenses represented 5% of current expenditure in 2003, i.e. less than half of what they were in 1999.

Current Expenses (in percentages)					
	1999	2000	2001	2002	2003
Personnel Expenses	36.8	37.5	36.7	35.8	35.3
Work, Supplies and Services	33.2	33.8	34.2	36.3	37.0
Current Transfers	11.2	12.7	14.2	15.0	16.8
Provisions	8.1	7.0	6.7	6.4	5.8
Financial Expenses	10.6	9.0	8.1	6.5	5.1
Total Current Expenses	100.0	100.0	100.0	100.0	100.0

4.4. Investments

Between the years 1999 and 2003, the amount of investment made by the City of Barcelona group reached the figure of 2,246 million euros. This figure rises to 2,633 million euros if we include all capital expenses, i.e., if we include the capital transfers to Barcelona Holding Olímpic, SA, and the Metropolitan Transport Authority. It has been possible to make said investment at the same time as debt has been reduced by 155 million euros.

The last two years have seen heavy investment. It is worth mentioning the deep urban

transformation that has taken place in the Besòs area, between the river, the sea front and the start of the Avenida Diagonal, the main staging post of the Universal Forum of Cultures, Barcelona 2004. Also influential have been the investments targeted at improving the city's mobility, the environmental quality and the interventions carried out in Montjuïc and Tibidabo, areas that shall become reference points in the offer of leisure spaces for citizens. Furthermore, it has taken place a drive to modernise and renew the cultural, sporting, educative and social welfare facilities. At the same time a plan to strengthen the promotion of housing has been set up.

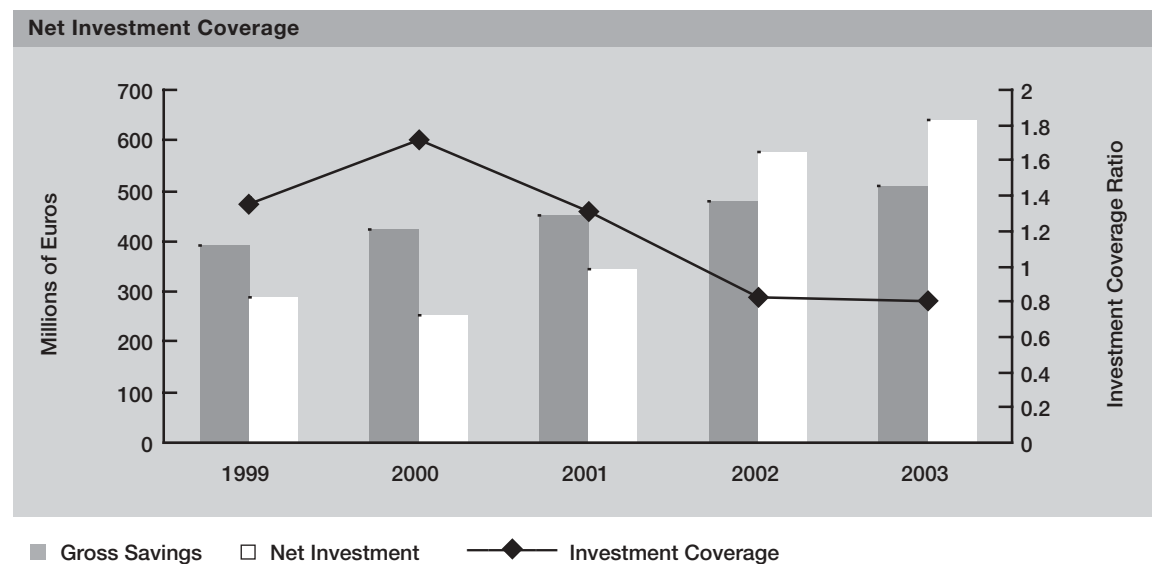
Capital Revenue and Expenses (thousands of euros)					
	1999	2000	2001	2002	2003
Direct Investments					
Public Use	168,115	85,410	172,681	352,186	341,422
Related to Services	124,241	105,075	153,314	312,687	300,918
Total Direct Investments	292,356	190,485	325,995	664,873	642,340
Capital Transfers					
HOLSA	47,847	49,758	51,747	53,817	53,817
Metropolitan Transport Authority	31,132	24,179	24,617	24,179	24,179
Non-municipal Entities	7,272	21,384	15,512	22,470	34,975
Total Transfers	86,251	95,321	91,877	100,466	115,124
Financial Investments	0	3,005	3,005	13,409	8,910
Total Capital Expenses	378,608	288,810	420,877	778,748	766,374
Capital Revenue					
Capital Transfers	51,170	15,891	40,743	70,723	75,632
Asset Management	38,381	20,957	35,772	128,921	49,439
Total Capital Revenue	89,551	36,848	76,515	199,644	125,071
Net Investment	289,057	251,962	344,362	579,104	641,303

In the five-year period from 1999 to 2003, a total of 528 million euros was earned as capital revenue, a fact that allowed for the financing of 20% of all capital expenses. 273 million euros was obtained through asset management (the sale of dwellings and business premises, mainly by the Patronat Municipal de l'Habitatge

(Municipal Agency for Housing), and the sale of land, buildings and thoroughfare surpluses). The capital transfers received from the European Union for environmental projects had a notable impact, as did those received from the Generalitat of Catalonia, targeted at educative and sporting facilities.

Capital Revenue and Expenses (in percentages)					
	1999	2000	2001	2002	2003
Direct Investments					
Public Use	58.2	33.9	50.1	60.8	53.2
Related to Services	43.0	41.7	44.5	54.0	46.9
Total Direct Investments	101.1	75.6	94.7	114.8	100.1
Capital Transfers					
HOLSA	16.6	19.7	15.0	9.3	8.7
Metropolitan Transport Authority	10.8	9.6	7.1	4.2	3.8
Non-municipal Entities	2.5	8.5	4.5	3.9	5.5
Total Transfers	29.8	37.8	26.7	17.4	18.0
Financial Investments	0.0	1.2	0.9	2.3	1.4
Total Capital Expenses	131.0	114.6	122.2	134.5	119.5
Capital Revenue					
Capital Transfers	17.7	6.3	11.8	12.2	11.8
Asset Management	13.3	8.3	10.4	22.3	7.7
Total Capital Revenue	31.0	14.6	22.2	34.5	19.5
Net Investment	100.0	100.0	100.0	100.0	100.0

Investment coverage, measured as the ratio of gross savings over net investments, was 0.8 in 2003, despite the substantial investment effort made.



4.5. Financing

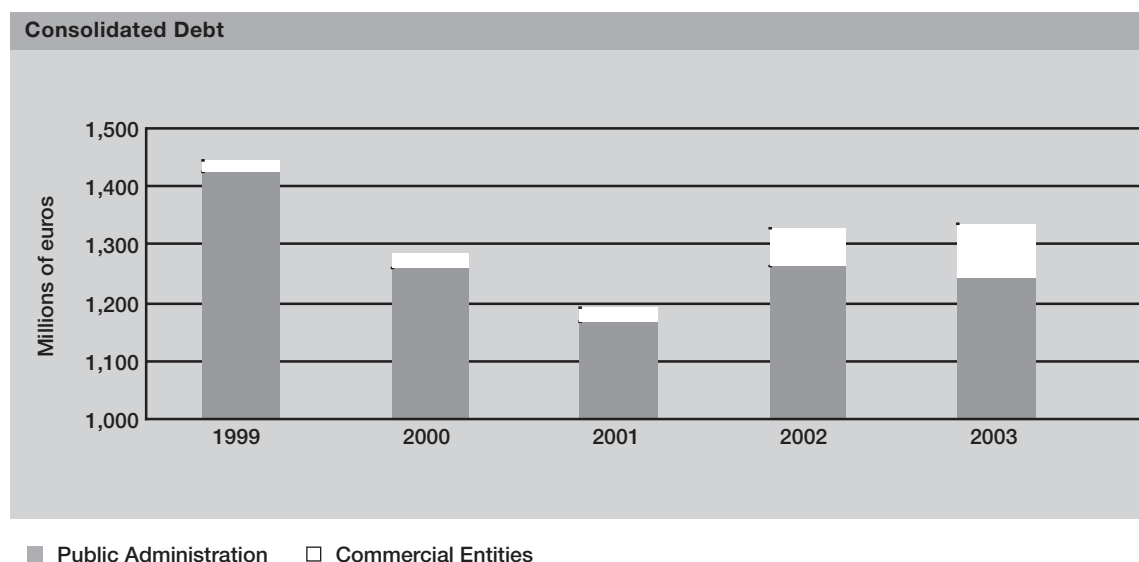
General Law 18/2001, governing budgetary stability, dated 12 December, defines the principle of budgetary stability that must govern the actions of public administrations from 2003 onwards. It furthermore distinguishes between entities subjected to the budget –the Public Administration sector– and the entities that are financed in the main through commercial revenue –commercial entities.

The total consolidated debt as of December 31, 2003 is broken down into 1,244 million euros of

debt from the Public Administration sector and 92 million euros correspond to commercial entities. This latter group includes the consolidated debt of Barcelona de Serveis Municipals, SA, and the Patronat Municipal de l’Habitatge.

In 2003 the consolidated debt rose by 9 million euros, a figure below the anticipated one. This increase is broken down through a decrease of 20 million of the Public Administration sector countered by an increase of 29 million euros of the debt corresponding to commercial entities, as set out hereunder.

Consolidated Financial Debt (thousands of euros)					
	12/31/99	12/31/00	12/31/01	12/31/02	12/31/03
Public Administration	1,425,198	1,261,742	1,168,312	1,265,113	1,244,525
Commercial Entities	18,985	22,332	24,428	62,239	91,793
Total Debt	1,444,183	1,284,074	1,192,740	1,327,352	1,336,318



Public Administration

The City of Barcelona has carried out two financial operations in 2003; the first a withdrawal of 20 million euros of the 90-million-euro twenty-year loan taken out the year before with the European Investment Bank, and a seven-year bilateral loan of 50 million euros. Both operations have been targeted at financing part of the infrastructures being built in the Besòs area, between the river, the coast and the Avenida Diagonal. Lastly, at the end of 2003, a ten-year bilateral loan was signed for 12 million euros, which was not used until January 2004.

Amortization of long-term debt came to 91 million euros, which corresponds to the contractual repayments in force. The repayment of the 1993 bond issue is highlighted.

Commercial Entities

The increase of debt by commercial entities in 2003 came about through the net increase of 31 million euros of the Patronat Municipal de l'Habitatge mortgage loans and a net decrease of 2 million euros in the consolidated debt of Barcelona de Serveis Municipals, SA.

Consolidated Financial Debt (thousands of euros)					
	12/31/99	12/31/00	12/31/01	12/31/02	12/31/03
European Union Market					
Bank Loans	489,020	414,662	462,648	567,506	664,141
Private Placements	262,788	262,787	186,622	276,621	240,374
Public Bond Issues	347,115	347,084	327,823	327,823	276,622
Subtotal	1,098,923	1,024,533	977,092	1,171,950	1,181,137
Non-European Union Market					
Private Placements	190,079	104,360	60,466	221	0
Public Bond Issues	155,181	155,181	155,181	155,181	155,181
Subtotal	345,261	259,541	215,647	155,402	155,181
Total Debt	1,444,183	1,284,074	1,192,740	1,327,352	1,336,318
Long-term Debt	1,430,558	1,275,095	1,186,702	1,324,198	1,336,231
Short-debt Debt	13,625	8,979	6,038	3,154	87

88% of the group's financing was obtained in the European Union market, while the remaining 12% basically corresponds to a public bond

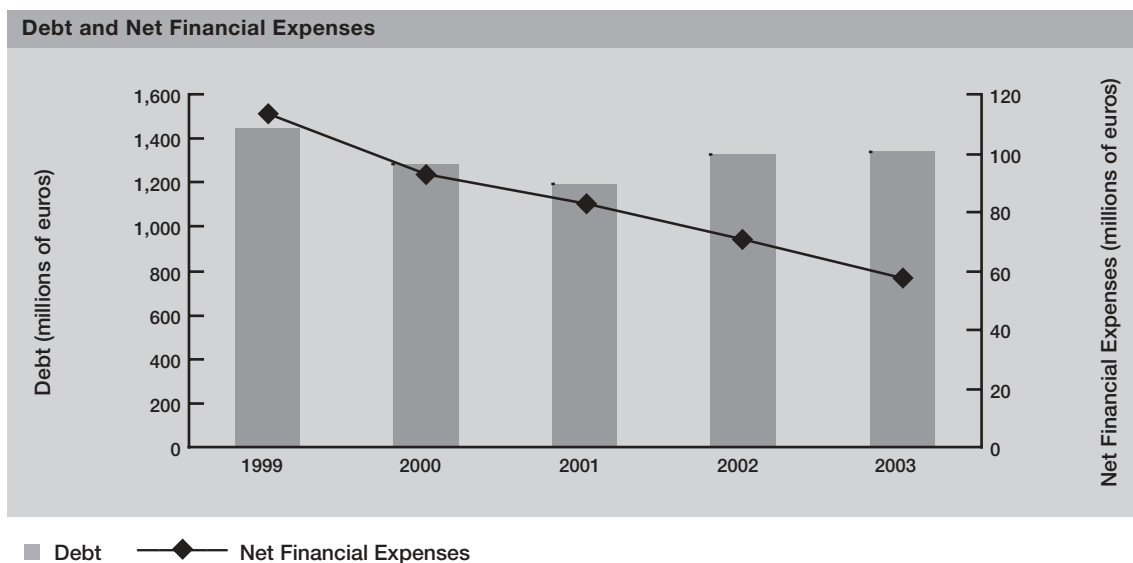
issue launched in the United States in 1995 with maturity in year 2005. This operation is hedged against foreign exchange risk by a swap.

Consolidated Financial Debt (in percentages)

	12/31/99	12/31/00	12/31/01	12/31/02	12/31/03
European Union Market					
Bank Loans	33.9	32.3	38.8	42.8	49.7
Private Placements	18.2	20.5	15.6	20.8	18.0
Public Bond Issue	24.0	27.0	27.5	24.7	20.7
Subtotal	76.1	79.8	81.9	88.3	88.4
Non-European Union Market					
Private Placements	13.2	8.1	5.1	0.0	0.0
Public Bond Issues	10.7	12.1	13.0	11.7	11.6
Subtotal	23.9	20.2	18.1	11.7	11.6
Total Debt	100.0	100.0	100.0	100.0	100.0
Long-term Debt	99.1	99.3	99.5	99.8	100.0
Short-term Debt	0.9	0.7	0.5	0.2	0.0

Net financial expenses generated by debt have fallen at an annual rate of 19% over the last five

years. They currently stand at 58 million euros, as opposed to 134 million euros in 1998.



In 2003, the City of Barcelona's debt was rated Aa2 by the international agency, Moody's Investor Service, an improvement over the

previous year's rating. The rating given by both Fitch and Standard and Poor's is AA, meaning there is no change in either rating.

4.6. Prospects

The financial goals of the City of Barcelona for the 2004-2008 period include an investment plan that shall represent a capital expenditure level of 2,851 million euros, but which shall simultaneously respect the following financial conditions: a) gross savings shall represent a minimum of 25% of financial revenue, and b) the consolidated debt, including guarantees, shall be less than 80% of current revenue.

The main macroeconomic hypotheses taken into account have been an annual increase in the gross domestic product (GDP) deflator of 2.8%, and an annual increase of the GDP in real terms of 3%. Thus, the GDP is projected to register an annual growth rate in nominal terms of 5.8%. Regarding interest rates, the three-month EURIBOR rate (Euro Interbank Offered Rate) is projected to average 4% in 2004, and 4.5% over the rest of the period.

The current revenue forecast for the 2004-2008 period are based on the following assumptions:

1. The figures for 2004 are based on the initial budget approved by the Municipal Council Plenum in December 2003. The most relevant fact is that we find ourselves faced with the first year in which the new system of sharing in the Central Government's revenue is applicable. This is based on the assignment of part of the Central Government taxes, in accordance with the provisions set forth through Law 51/2002, dated 27 December, governing the reform of Law 39/1988.
2. Between 2005 and 2008, local taxes, excluding those assigned by the Central Government, will grow, on average, half a percentage point less than the forecast inflation.
3. The implementation of the new land values set in 2001 will continue with regard to the property tax. As of 2004, rates levied for the property tax, the tax on increases in land value and the tax on construction activities will be 0.85%, 30% and 3.15%, respectively. It is anticipated that these rates shall continue in subsequent financial years.
4. Revenue from the sale of services, revenue from property and business, and other revenue will all grow at the same rate as the GDP deflator.
5. Transfers from other administrations will increase, in general, according to the growth rate of the GDP deflator, save for the transfer received for the Municipal Association of the Barcelona Metropolitan Area, which is projected to rise in 2004 at the same rate as the growth rate of the revenue earned by the Central Government through tax collection.
6. Between 2005 and 2008, the shares of 1.6875% of the personal income tax, 1.7897% of the value-added tax and 2.0454% of the special taxes levied on beer, wine and fermented beverages, hydrocarbons and tobacco –together with the complementary financing fund– are projected to increase, as a whole, at least at the same rate as the revenue earned by the Central Government through tax collection. Given that over the recent years, the revenue obtained by the Central Government through VAT, income and property taxes and taxes levied on production

have increased slightly above the GDP rate in nominal terms, the taxes assigned to the City of Barcelona and the complementary fund are projected to grow at least at the same rate as the annual growth rate forecast for the nominal GDP, namely, 5.9%.

The growth estimates for current expenses in 2004 are based on the budgets approved for this year, and those for the 2005-2008 period on the following assumptions:

1. Personnel expenses, works, supplies and subcontracted services are expected to grow 1.5 points more than the rate of inflation. This higher growth to that of current revenue shall be possible as financial expenses fall.
2. The forecast for current transfers was prepared taking the specific characteristics of each grant into account.
3. The provision for bad debts is estimated by applying conversion coefficients drawn from

past experience to accounts receivable based on their seniority, taking the forecast for local taxes and the caption for fines into account.

4. Financial expenses are based on the amount and structure of the debt and on the presumption that the three-month EURIBOR rate will average 4.5% from 2005 to 2008.

The projected investment for the 2004-2008 five-year plan is 2,540 million euros; the total capital expenses shall reach 2,851 million euros. 84% of these expenses correspond to direct investment, and the remaining 16% to capital transfers to Barcelona Holding Olímpico (HOLSA), the Metropolitan Transportation Authority and cultural consortia, among others.

It is anticipated that 10% of the capital expenses for the period shall be financed using capital revenue, which shall be obtained through asset management and capital transfers, largely from the European Union.

Capital Revenue and Expenses (in thousands of euros)					
	2004 (f)	2005 (f)	2006 (f)	2007 (f)	2008 (f)
Total Direct Investments	392,938	415,728	479,750	524,843	575,000
Capital Transfers					
HOLSA	58,208	60,537	62,958	27,075	0
Metropolitan Transportation Authority	24,179	24,179	18,179	18,179	18,179
Non-municipal Entities	35,317	32,280	19,174	20,191	22,534
Total Transfers	117,704	116,996	100,311	65,445	40,713
Financial Investments	3,000	3,000	3,000	10,000	3,000
Total Capital Expenses	513,642	535,724	583,061	600,288	618,713
Capital Revenue					
Capital Transfers	18,877	24,844	25,836	4,961	2,000
Asset Management	40,349	42,366	45,374	46,372	40,000
Total Capital Revenue	59,226	67,210	71,210	51,333	42,000
Net Investment	454,416	468,514	511,851	548,955	576,713

The direct investment programme incorporates the guidelines of the 2004-2007 municipal action plan, which focus on, among other things: the promotion of affordable housing (with suitable land policies); the improvement of mobility; environmental sustainability at all levels (including the push for the use of renewable energies); urban renovation (with

priority given to the most degraded areas); the extension of facilities (libraries, day nurseries, etc.); and actions at the triangle delimited by Diagonal-sea front, Plaça de les Glòries and the Sagrera metro station.

The projected evolution of consolidated debt over the forthcoming years is the following:

Consolidated Financial Debt as of 31 December (millions of euros)						
	2003	2004 (f)	2005 (f)	2006 (f)	2007 (f)	2008 (f)
Public Administration	1,244	1,202	1,133	1,067	1,027	1,025
Commercial Entities	92	130	160	199	233	233
Total Debt	1,336	1,332	1,293	1,266	1,260	1,258
Guarantees	15	13	11	9	6	5
Total Debt and Guarantees	1,351	1,345	1,304	1,275	1,266	1,263
Total Risk/Current Revenue (%)	70.0	68.7	63.6	60.4	57.7	55.4

**City of Barcelona Group
Economic and Financial Position and Forecast (thousands of euros)**

	1999	2000	2001	2002	2003	2004 (f)	2005 (f)	2006 (f)	2007 (f)	2008 (f)
(1) Current Revenue Before Financial Income	1,562,163	1,590,398	1,685,211	1,809,051	1,893,970	1,946,883	2,021,663	2,099,838	2,181,581	2,267,076
(2) Current Expenses Before Financial Expenses	1,057,024	1,074,177	1,149,948	1,259,285	1,324,499	1,361,651	1,415,755	1,473,198	1,532,934	1,595,489
(3) Primary Savings	505,139	516,221	535,263	549,766	569,471	585,232	605,908	626,640	648,647	671,587
Financial Revenue	12,964	13,078	18,837	17,115	13,184	11,326	11,643	11,969	12,304	12,649
Financial Expenses	125,846	105,784	101,627	87,871	71,147	75,850	67,000	63,640	62,799	61,717
(4) Gross Saving	392,257	423,515	452,473	479,010	511,508	520,708	550,551	574,969	598,152	622,519
(5) Net Investment	289,057	251,962	344,362	579,104	641,303	454,416	468,514	511,851	548,955	576,713
(6) Surplus (Deficit)	103,200	171,553	108,111	(100,094)	(129,795)	66,292	82,037	63,118	49,197	45,807
Additional Cash Sources	(59,789)	(12,946)	(18,579)	(35,650)	118,530	(62,008)	(34,847)	(37,273)	(42,872)	(43,966)
(7) Cash Surplus (Deficit)	43,411	158,607	89,532	(135,744)	(11,265)	4,284	47,190	25,845	6,325	1,841
Assumption of Debt	3,257	1,497	1,803	1,132	2,299	0	0	0	0	0
(8) Net (Increase) Decrease of Debt	46,669	160,104	91,335	(134,612)	(8,966)	4,284	47,190	25,845	6,325	1,841
(9) Total Debt Outstanding at Year-end	1,444,178	1,284,074	1,192,740	1,327,352	1,336,318	1,332,034	1,292,252	1,266,407	1,260,082	1,258,242

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**City of Barcelona
2003 Annual Statements and
Accounts**

A free translation of the report on the annual accounts originally issued in Catalan and prepared in accordance with generally accepted accounting principles for governmental entities in Spain. In the event of a discrepancy, the Catalan language version prevails

AUDITORS' REPORT ON ANNUAL ACCOUNTS

To the Mayor-President of
the Barcelona City Council:

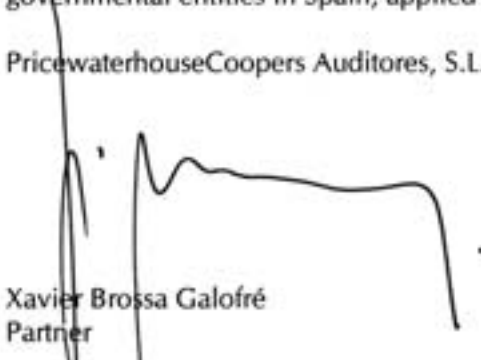
We have audited the annual accounts of the BARCELONA CITY COUNCIL, consisting of the balance sheet as of December 31, 2003, the statement of revenues and expenses, the budget reconciliation statement and the related notes to the annual accounts for the year then ended, the preparation of which is the responsibility of the Directors of the Corporation. Our responsibility is to express an opinion on these annual accounts taken as a whole based on our audit work performed in accordance with generally accepted auditing standards in Spain which require the examination, on a test basis, of evidence supporting the annual accounts and evaluation of their overall presentation, the accounting principles used as applicable to governmental entities in Spain and the estimates made.

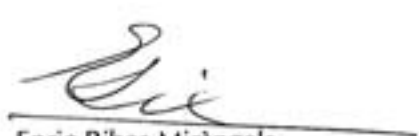
For comparative purposes only, the Directors of the Corporation have presented for each item of the balance sheet, the statement of revenues and expenses and the statement of changes in financial position, the corresponding amounts for the previous year as well as the amounts for 2003. Our opinion refers exclusively to the annual accounts for 2003. On April 9, 2003, we issued our audit report on the 2002 annual accounts in which we expressed an unqualified opinion.

In our opinion, the accompanying annual accounts for the year 2003 give, in all material respects, a true and fair view of the net worth and financial position of the BARCELONA CITY COUNCIL as of December 31, 2003, and of the results of its operations as reflected in the statement of revenues and expenses and budget reconciliation statement referred to above, and its source and application of funds for the year then ended, and contain all the information, necessary for their interpretation and comprehension, in conformity with generally accepted accounting principles and standards for governmental entities in Spain, applied on a basis consistent with that of the preceding year.

PricewaterhouseCoopers Auditores, S.L.

Gabinete Técnico
de Auditoría y Consultoría, S.A.


Xavier Brossa Galofré
Partner


Enric Ribas Miràngels
Partner

April 28, 2004

City of Barcelona
Balance Sheets as of December 31, 2003 and 2002

(in thousands of euros)

Assets	Note	As of December 31, As of December 31,	
		2003	2002
Tangible Fixed Assets and Infrastructures		5,736,516	5,556,938
Tangible Fixed Assets	3	5,587,177	5,460,683
Tangible Fixed Assets Assigned to Municipal Agencies and Third Parties	3	(630,505)	(610,363)
Accumulated Depreciation	3	(371,383)	(325,216)
Fixed Assets Pending Classification	3	1,138,177	902,434
Provision for Depreciation Fixed Assets Pending Classification	3	(151,129)	(74,855)
Investments in Infrastructures and Assets for Public Use	3	4,668,466	4,424,549
Investments Assigned for Public Use	3 and 7	(4,668,466)	(4,424,549)
Investments for Public Use: HOLSA	2.3	164,179	204,255
Long-term Financial Investments	4	165,676	159,902
Fixed Assets		5,902,192	5,716,840
Deferred Expenses	5	1,321	4,074
On-budget Receivable	6	633,919	566,675
Allowance for Bad Debt	6	(332,141)	(302,201)
		301,778	264,474
Other Off-budget Receivable		11,735	4,171
Public Entities Receivable	13	26,296	0
Cash		61,608	209,312
Current Assets		401,417	477,957
TOTAL ASSETS		6,304,930	6,198,871

Notes 1-17 of the attached annual report form an integral part of the balance sheet as of December 31, 2003.

City of Barcelona
Balance Sheet as of December 31, 2003 and 2002

(in thousands of euros)

Liabilities	As of December 31, As of December 31,		
	2003	2002	
	Note		
Net Worth	7	4,043,023	3,978,509
Net Worth		8,962,521	8,629,240
Property Assigned to Municipal Agencies and Third Parties		(630,505)	(610,363)
Property Delivered for Public Use		(4,668,466)	(4,424,549)
Property Assigned by Municipal Agencies and Third Parties		51,055	50,900
Results Pending Allocation		328,418	333,281
Capital Transfers	8	273,627	219,351
Long-term Provisions	9	51,444	40,848
Long-term Loans and Debentures	10	1,244,439	1,265,113
Long-term Guarantees and Deposits		12,360	11,467
Deferred Income	12	61,377	33,165
Pluri-annual Transfers to HOLSA	2.3	164,179	204,255
Long-term Liabilities		5,850,449	5,752,708
Accounts Payable		325,844	335,704
Payable to Public Agencies	13	22,821	22,984
Other Off-budget Payables	11	42,165	43,475
Accrued Expenses	14	53,990	41,246
Suspense Account Items		9,661	2,754
Current Liabilities		454,481	446,163
TOTAL LIABILITIES		6,304,930	6,198,871

Notes 1-17 of the attached annual report form an integral part of the balance sheet as of December 31, 2003.

City of Barcelona

Statements of Revenue and Expenses for the Fiscal Years Ended as of December 31, 2003 and 2002 (see Note 16)

(in thousands of euros)

Expenses	2003	2002	Revenue	2003	2002
Personnel Expenses	269,796	260,036	Sales and Revenue	78,569	74,642
Wages and Salaries	208,473	200,271	Sale of Common Goods	494	549
Compensation for Services	1,817	1,979	Charges on Services	45,473	40,579
Social Security Expenses	59,037	57,570	Charges for Services: Municipal Agencies	28,577	29,260
Other Welfare Expenses	469	216	Rent and Revenue from Real Estate	364	590
			Public Prices for Sale of Services	3,661	3,664
Financial Expenses	67,299	82,747	Revenue from Property and Business	199,738	205,649
Interest	67,299	82,747	Interest	3,532	5,167
			Profit Sharing	5,153	11,534
			Surcharge on Collection Proceedings	9,480	9,736
			Late Payment Surcharge	7,916	8,868
			Fines	90,278	87,539
			Charge on Use of Public Domain	46,025	41,866
			Charges on Use of Public Domain: MAs	15,514	14,128
			Administrative Concessions and Special Uses	21,840	26,811
			Production-related Taxes	441,102	490,185
			Property Tax (IBI)	319,641	304,754
			Tax on Economic Activity (IAE)	89,253	164,295
			Tax on Construction, Installations and Work	32,237	21,172
			Replaced Taxes	(29)	(36)
			Income and Wealth Tax	74,379	76,245
			Tax on Motor Vehicles	74,379	76,245
			Current Transfers	799,623	685,524
			Share in Central Government Revenue	605,000	562,000
			From Central Government as IAE Compensation	57,082	-
			From Central Government for the MMAMB	50,552	46,105
			Other Central Government Agencies	3,495	4,142
			From the Generalitat	47,455	39,764
			From Local Entities	32,672	29,256
			Foreign Transfers	1,844	2,910
			Sundry Specific-purpose Transfers	1,523	1,347
			Capital Taxes	83,478	77,840
			On the Increase in Land Values	79,086	74,114
			Special Contributions	4,392	3,726
			Other Revenue	20,150	21,119
TOTAL OPERATING EXPENSES	1,237,225	1,187,549	TOTAL OPERATING REVENUE	1,697,039	1,631,204
Operating Surplus (Before Capital Transfers)	459,814	443,655			
Capital Transfers	123,095	121,494			
To Municipal Agencies, and Companies and Other Bodies	123,095	121,494			
Operating Surplus (After Capital Transfers)	336,719	322,161			
Depreciation	47,245	45,256	Positive Extraordinary Results	117,925	99,035
Provision for Depreciation of Fixed Assets Pending Classification	76,274	42,659			
Provision for Depreciation of Financial Fixed Assets	2,707				
RESULTS FOR THE YEAR	328,418	333,281			
TOTAL	1,814,964	1,730,239	TOTAL	1,814,964	1,730,239

Notes 1-17 of the attached annual report form an integral part of the 2003 statement of revenue and expenses.

Budget Result

(in thousands of euros)

Net Non-financial On-budget Receivable

Revenue (Cap. 1 to 7)	1,841,493
Revenue (Cap. 8)	2,237
Total	1,843,730

Net Non-financial On-budget Payables

Expenses (Cap. 1 to 7)	(1,796,395)
Expenses (Cap. 8)	(15,548)
Total	(1,811,943)

Gross Saving	31,787
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Adjustments

Revenue (Cap. 9)	70,000
Expenses (Cap. 9)	(90,674)
Change in Financial Liabilities (Cap. 9)	(20,674)

Net Saving	11,113
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Adjustments

Positive Financial Deviations	(2,146)
Negative Financial Deviations	37,561
Payables Financed With Treasury Surplus	33,659

Adjusted Budget Result	80,187
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2003 Budget Settlement

Summary of Status of Revenue Account Budget (in thousands of euros)

Caption	Initial Budget	Final Budget	Net Receivables	Receipts
1 Direct Taxes	596,450	596,450	562,330	526,763
2 Indirect Taxes	21,700	21,700	32,237	30,730
3 Charges and Other Revenue	193,164	221,806	287,577	200,330
4 Current Transfers	703,610	750,114	809,136	735,672
5 Capital Gains	36,751	72,548	61,989	41,740
6 Disposal of Real Property	29,019	46,295	30,620	13,165
7 Capital Transfers	39,389	61,990	57,604	34,757
8 Financial Assets	0	71,582	2,237	2,237
9 Financial Liabilities	20,000	90,000	70,000	70,000
Total	1,640,083	1,932,485	1,913,730	1,655,394

Summary of Status of Expense Budget Account (in thousands of euros)

Caption	Initial Budget	Final Budget	Payables	Paid
1 Personnel Expenses	273,623	274,780	272,087	268,269
2 Expenses Common Goods and Services	303,970	329,232	323,718	236,366
3 Financial Expenses	91,508	71,006	66,833	66,833
4 Current Transfers	443,436	492,114	489,487	428,428
6 Real Property	305,019	99,803	94,762	58,232
7 Capital Transfers	125,353	558,988	549,508	428,538
8 Financial Assets	6,500	15,888	15,548	3,902
9 Financial Liabilities	90,674	90,674	90,674	90,674
Total	1,640,083	1,932,485	1,902,617	1,581,242

Notes to the Annual Statements and Accounts for the Year Ended December 31, 2003

Note 1 - Basis of Presentation

1.1. Accounting Policies

The annual statements and accounts are based on the City's accounting records for the year 2003 and have been prepared according to accounting principles set out for public administrations in current Spanish legislation, specifically:

- a) Law 7/1985, of April 2, governing base law for local legislation.
- b) Royal Decree Law 781/1986, of April 18, approving the amendment to current provisions for local legislation.
- c) Law 8/1987, of April 15, on municipal and local legislation in Catalonia.
- d) Law 39/1988, of December 28, governing local taxation.
- e) Royal Decree 500/1990, implementing Law 39/1988.
- f) The Local Government Accounting Standards, dated July 17, 1990.
- g) Documents on accounting principles issued by the Commission on Public Accounting Principles and Standards, created by Resolution of the State Secretariat for the Treasury on December 28, 1990.

- h) Order, of June 28, 1999, on the implementation of Decree 94/1995, of February 21, on the financial protection of local entities.

1.2. Annual Statements and Accounts

The annual statements and accounts for the 2003 fiscal year are comprised of the following documents:

- Balance Sheet
- Statement of Revenue and Expenses
- Budget Statement:
 - Summary of status of the revenue account budget
 - Summary of status expense account budget
 - Budget Results
- Notes to the annual statements and accounts.

The figures contained in the documents composing these annual statements and accounts are expressed in thousands of euros, unless otherwise stated.

The balance sheet has basically been drawn up according to the models established by the Local Government Accounting Standards of July 17, 1990. By contrast, the statement of revenue and expenses has been drawn up in more detail than required by said Standards in order to provide more thorough information on revenue and expenses and, thereby, offer a faithful rendering of the net worth and financial position of the City of Barcelona and the results of its operations over the fiscal year, in accordance with the accounting principles and standards applied in the sphere of public administration accounting.

The budget settlement was approved by a Decree issued by the Mayor's Office on February 27, 2004. The general accounts will be submitted to the Municipal Council Plenum for approval within the established terms.

Note 2 - Valuation Criteria

The most significant accounting procedures applied to the formulation of the annual accounts are set out hereunder:

2.1. Tangible Fixed Assets

These include the city's assets and those in the public domain directly assigned for the provision of public services, which together constitute the City's long-term investments.

The assessment criteria for fixed assets are as follows:

a) Lands and Buildings. Additions made prior to January 1, 1992, are assessed according to an expert appraisal of their current real market value made by an independent appraisal company. For property declared to be of historic-artistic interest, this appraisal corresponds to the cost of reconstruction. To this end, with regard to non-financial fixed assets, the document on accounting principles issued by the Commission on Public Accounting Principles and Standards defines replacement value as "the sum of the expenses necessary for the construction of

an asset of identical nature and characteristics. For buildings declared to be of historic-artistic interest, this value shall be that of reconstruction". Subsequent additions are assessed at their purchasing price or, in the case of buildings received free of charge, at their appraised value.

- b) Machinery, installations, fittings, data-processing equipment and vehicles. Those additions made prior to January 1, 1992, which have already been fully amortized, are listed at their current value, as estimated by the City of Barcelona on said date. Subsequent additions are assessed at their purchasing price.
- c) Fixed assets pending classification. Additions are assessed at their purchasing price or cost of construction and are transferred to the "Property Delivered for Public Use" caption under tangible fixed assets upon completion of the investments they require.

Repairs not contributing to an extension of the useful life, as well as maintenance costs, are directly charged to the statement of revenue and expenses. The cost of any enlargements or improvements that extend an asset's useful life are capitalized as an increase in its value.

The annual provision for depreciation is calculated using the straight-line method based on each asset's estimated useful life. For property, this begins the month after its incorporation into the City's Asset Inventory.

	Estimated Years of Useful Life
Buildings	65
Properties Assigned by Municipal Agencies and Third Parties	65
Technical Installations and Machinery	8
Vehicles	5
Fittings	6
Data-processing Equipment	4
Livestock	7
Bibliographic Funds and Others	8

The process of economic depreciation began in fiscal 1992. The estimated years of useful life listed for “Buildings” and “Properties Assigned by Municipal Agencies and Third Parties” are determined according to the criteria of the aforementioned independent appraisal company.

For properties with historic-artistic value, depreciation is calculated based on the cost of the fixed assets that would be required to replace them in terms of their capacity and usefulness. Therefore, the portion of the book value corresponding to the historic-artistic component of these structures, which amounts to 221,574 thousand euros, has been excluded from the calculation, in accordance with the aforementioned independent appraisal. This treatment is justified by the fact that the said historic-artistic component is subject to maintenance, which guarantees its permanent value.

The property assigned by municipal agencies or third parties includes the value of the property assigned to the City of Barcelona by other entities for its operation or use.

2.2. Tangible Fixed Assets Assigned to Municipal Agencies and Third Parties

The caption “Tangible Fixed Assets Assigned by Municipal Agencies and Third Parties” lists the book value of those assets freely assigned by the City of Barcelona to its municipal agencies and companies or to third parties for their operation or use, respectively.

When assets are assigned, their retirement from the inventory is recorded on the balance sheet under the caption “Property Assigned to Municipal Agencies or to Third Parties” (see Note 7), and thus, they cease to be amortized.

2.3. Investments in Infrastructure and Assets for Public Use

The assets delivered for public use include thoroughfare infrastructure (roads, pavement, sidewalks, public lighting, signs), the large facilities for public services (sewers and utility supplies), green spaces, trees, gardens and, in general, all assets constituting public property delivered for the public use of citizens.

Additions made prior to January 1, 1992, are assessed in accordance with the criteria

described in Note 2.1. Subsequent additions are assessed at their purchasing price.

Upon completion of the investments in infrastructures and property for public use, their retirement is registered on the balance sheet with a charge to the "Property Delivered for Public Use" caption (see Note 7).

For the purposes of presentation, the assets caption on the balance sheet shows the assets assigned to municipal agencies or third parties for public use, as well as the corresponding compensatory sums to reflect their retirement. Likewise, Note 3 reflects the movements registered under these captions over the year.

Rule 220.2 of the Local Administration Accounting Standards states that, exceptionally, investments may be retained in the balance sheet even though they have been completed and assigned for public use. On December 31, 1994, in light of the extraordinary nature of the Olympic investments received from HOLSA, the City of Barcelona invoked this exception. Consequently, the assignment of these investments for public use, for an initial cost of 353,533 thousand euros, will be debited to the caption "Property Delivered for Public Use" and credited to the caption "Investments Assigned for Public Use" over a period of time similar to that which would have applied had they been ordinary investments. This period reflects the rate of reduction in associated liability, which is recorded under the caption "Pluri-annual Transfers to HOLSA" on the attached balance sheet.

The balance of the caption "Pluri-annual Transfers to HOLSA" was reduced by 40,076

thousand euros in 2003 with a credit to extraordinary results (see Note 16.6). This corresponds to the amount owed to HOLSA as of December 31, 2003. Additionally, a charge and a credit for this cost were recorded under the captions "Property Delivered for Public Use" and "Investments Assigned for Public Use" respectively (see Note 3).

2.4. Long-term Investment

Financial investments made by the City of Barcelona prior to January 1, 1992, in its municipal agencies and the municipal companies forming part of its group, as well as other shareholdings, are recorded at their technical book value as of December 31, 1991. Subsequent additions are recorded at their purchasing price.

As of December 31, 2003, the differences between the book value and the technical book value of those shareholdings for which there were substantial capital losses have been provided for in the attached statements and accounts (see Note 4).

2.5. On-budget Receivable

These are recorded at their nominal value.

A provision has been established to cover the estimated sum of bad debts.

The amount of this provision is determined by applying the collectibility ratios estimated by the City based on past experience to those tax receivables currently subject to enforced collection proceedings, as well as to receivables related to fines, both within the voluntary

payment period and in the process of forcible collection.

2.6. Capital Transfers

The City of Barcelona applies the following criteria to record received capital transfers, in accordance with the applicable regulation:

- Upon their concession, transfers are temporarily credited to accrual accounts until the investments to which they correspond have been made (see Note 14).
- As these investments are made, the corresponding transfers are moved to the “Received Capital Transfers” account, under long-term liabilities on the balance sheet. For any appraisal of the City’s net worth, these transfers should be considered as additional net worth as of December 31, 2003.

2.7. Deferred Income

Early collection on amounts deferred to years subsequent to the year of collection are recorded under the caption “Deferred Revenue” (see Note 12), save for the portion of such amounts that have been deferred to the immediately following year, which are recorded under the caption “Accrual Accounts” (see Note 14) under liabilities on the balance sheet prior to being credited to results.

2.8. Long-term Provision

The balance of this caption includes the provisions established to cover the economic costs of contingent or possible debts.

2.9. Classification of Long- and Short-term Debts

On the attached balance sheet, those debts maturing in over 12 months are classified as long-term debts. Those maturing in less than 12 months are classified as short-term debts.

2.10. Foreign Loans and Debentures

As of December 31, 2003, the foreign currency risk for those operations initially taken out in foreign currencies has been hedged through swaps for the entire duration of each operation. As a result, they have no future effects for the City’s statement of revenue and expenses.

2.11. Revenue and Expenses

a) Financial Accounting

Revenue and expenses are basically attributed to the statement of revenue and expenses in the fiscal year in which they occur, depending on the real flow of assets and services they represent and independently of the timing of the monetary or financial flow from which they are derived, except for those capital grants and transfers derived from agreements or conventions requiring the treatment described in sections 2.6 and 2.12, respectively.

b) Budget Settlement

Revenue and expenses are incorporated into the budget settlement at the time of the administrative act recognizing the respective rights and obligations.

2.12. Grants and Transfers Derived from Agreements and Conventions

To record the expenses for transfers and grants stemming from agreements subscribed by different parties, be they collaborative agreements, cooperative agreements, contract-programs, or other similar agreements signed to co-finance or develop specific projects or activities (including capital grants to offset accumulated negative results), the grantor's obligation to pay arises at the moment when the debt matures and is liquid and payable on demand, in other words, when the requirements for payment have been met. The recognition of the grantor's payment obligation is recorded upon passage of the resolution by which the beneficiary's right to collect is recognized and quantified (approval of the budgets for each fiscal year).

2.13. Employee Termination Indemnities

The incentives for voluntary early retirement are recorded under the caption "Social Services" in the statement of revenue and expenses.

2.14. Corporate Tax

Pursuant to Law 43/1995 governing corporate tax, the City of Barcelona is exempt for payment of this tax and is not subject to the retention of investment profits.

2.15. Environment

Expenses derived from actions intended to protect and improve the environment are recorded, where applicable, as expenses in the year they are incurred. This notwithstanding, should they entail incorporations to tangible fixed assets as a result of actions to minimize impacts on the environment or to protect and improve it, they are recorded as increased value of the fixed asset in question.

Note 3 - Tangible Fixed Assets and Infrastructures

The movement registered under the different tangible fixed asset and infrastructure accounts was as follows:

(in thousands of euros)	12/31/2002	Additions	Retirements	Transfers	12/31/2003
Land	334,997	16,351	(4,819)	(7,023)	339,506
Buildings	4,430,833	51,840	(5,680)	44,745	4,521,738
Fixed Assets Assigned to Municipal Agencies and Third Parties	610,363	–	–	20,142	630,505
Lands and Properties	5,376,193	68,191	(10,499)	57,864	5,491,749
Vehicles	8,075	1,346	–	–	9,421
Machinery, Equipment, Installations and Tools	19,199	1,905	–	584	21,688
Data-processing Equipment	35,959	371	–	4,508	40,838
Office Furniture and Equipment	20,228	2,087	(707)	123	21,731
Other (Includes Intangibles Fixed Assets)	1,029	778	(57)	–	1,750
Other Fixed Assets	84,490	6,487	(764)	5,215	95,428
Total Tangible Fixed Assets	5,460,683	74,678	(11,263)	63,079	5,587,177
Tangible Fixed Assets Assigned to Municipal Agencies and Third Party	(610,363)	0	0	(20,142)	(630,505)
Fixed Assets Pending Classification	902,434	529,755	(27,753)	(266,259)	1,138,177
Investments in Infrastructures and Assets for Public Use	4,424,549	0	661	243,256	4,668,466
Investments Assigned for Public Use	(4,424,549)	0	(661)	(243,256)	(4,668,466)
Investments for Public Use HOLSA	204,255	0	0	(40,076)	164,179
Gross Tangible Fixed Assets and Infrastructure	5,957,009	604,433	(39,016)	(263,398)	6,259,028
Accumulated Depreciation	(325,216)	(47,245)	1,078	0	(371,383)
Provision for Depreciation of Fixed Assets Pending Classification	(74,855)	(76,274)	0	0	(151,129)
Net Tangible Fixed Assets and Infrastructure	5,556,938	480,914	(37,938)	(263,398)	5,736,516

In accordance with applicable regulations, the City of Barcelona records the value of lands containing any type of building under the caption “Buildings.” Within this caption, 2,263,267 thousand euros, as of December 31, 2003, and 2,237,444 thousand euros, as of December 31, 2002, correspond to the value of lands with buildings.

Additions made over the fiscal year include the following, among others:

- Assets received through free assignment or the redefinition of lots, for an amount of 16,360 thousand euros, credited as revenue under the caption “Extraordinary Results” on the attached statement of revenue and expenses (see Note 16.6).
- Movables assigned to the City of Barcelona by the Institut Municipal d’Educació (Municipal Agency for Education), for an amount of 155 thousand euros (see Note 7).

- The return to municipal assets of the property of the old Born market, valued at 27,078 thousand euros (entered under positive extraordinary results, see Note 16.6), which had been assigned to the Ministry of Education and Culture for the building of the Library of Catalonia, and returned in December 2003.
- Investments in the process of being incorporated into the City's Asset Inventory, investments in movables and actions carried out by decentralized entities pursuant to the terms of the Decree issued by the Mayor's Office on April 3, 1997. Out of the investments made by municipal agencies and companies, a sum of 15,005 thousand euros has been credited to the attached statement of revenue and expenses under positive extraordinary results (see Note 16.6), given that they have been financed by third parties.
- The incorporation of property valued at 13,633 thousand euros, which has been transferred to municipal assets through the winding up of the company PROCIVESA. As of December 31, 2002, 8,213 thousand euros had been incorporated.
- Free assignment of different lots to Patronat Municipal de l'Habitatge (Municipal Housing Agency) and Incasol, which have represented the retirement of assets valued at 1,159 thousand euros and negative extraordinary results for the same amount.
- The retirement of non-capitalized tangible assets pending classification as they deal with payments for compensation on property retired or repayments of stalls of renovated markets, for a total of 11,949 thousand euros (negative extraordinary results, see Note 16.6)

The net balance of transfers for the fiscal year (263,398 thousand euros) has been offset by the net worth accounts (see Note 7), primarily due to the following reasons:

- Free assignment of the use of several buildings and premises or surface rights of different lots (avinguda de la Llum, Casa d'Àsia, Institut Botànic, lots in carrer d'Alí Bei and in Via Favència, etc.) to other entities for an amount of 20,142 thousand euros.
- Delivery for public use of the thoroughfare infrastructure, large facilities for public services, green spaces, etc., for the amount of 243,256 thousand euros.

Disposals made over the fiscal year essentially include:

- The demolition and disposal of assets for restatements for the book value of 1,506 thousand euros, giving a negative extraordinary result of 1,174 thousand euros. Elsewhere, the sale or barter of different municipal buildings, valued at 7,070 thousand euros net, giving rise to a positive extraordinary result of 23,911 thousand euros (see Note 16.6).

As of December 31, 2003, the caption "Fixed Assets Pending Classification" included 90 million euros corresponding to investments made up to that date in the construction of infrastructures for the marina in the area where the events of the Barcelona Universal Forum of Cultures 2004 will be held. Said marina is an assignment from the Directorate General of Ports and Transports of the Generalitat of

Catalonia; therefore, any investments made for its construction will be classified as “Intangible Fixed Assets” once the project has been completed. Upon conclusion of the assignment period in 2031, those buildings, facilities and other elements affecting port services will revert to the port authority.

correspond to the provision for the depreciation of tangible fixed assets in 2003, for the amount of 47,245 thousand euros. The retirements from amortizations correspond to the disposal, transfer and demolition of assets for the amount of 1,078 thousand euros.

The additions in accumulated depreciation

In addition, the following items had been completely written off as of December 31:

	Thousands of euros
Vehicles	2,846
Machinery, Equipment, Installations and Tools	5,250
Data-processing Equipment	8,676
Office Furniture and Equipment	3,763
Other	155
Total	20,690

The provision for the depreciation of fixed assets pending classification, for the amount of 76,274 thousand euros, corresponds to the estimated amount invested in property to be delivered for public use that cannot be inventoried by the City of Barcelona, specifically, the investments being made in the

area where the events of the Barcelona Universal Forum of Cultures 2004 will be held.

It is the policy of the City of Barcelona to contract the insurance policies that it deems necessary to cover the possible risks that could affect the fixed asset elements.

Note 4 - Long-term Financial Investments

The movement registered under the long-term financial investments account over 2003 was as follows:

	12/31/2002	Additions	Retirements	Transfers	12/31/2003
Financial Investments	160,989	8,911	(9,059)	(1,857)	158,984
Financial Investments Underway	–	6,638	–	–	6,638
Long-term Deposits and Guarantees	1,584	–	–	–	1,584
Long-term Disposal of Fixed Assets	–	1,686	–	–	1,686
Provision for Depreciation of Financial Fixed Assets	(2,671)	(2,707)	305	1,857	(3,216)
Total	159,902	14,528	(8,754)	–	165,676

The changes that have occurred throughout the 2003 fiscal year correspond to the following facts:

fiscal year that closed on December 31, 2003.

- The municipal company Barcelona de Serveis Municipals, SA, merged with Parc Zoològic de Barcelona, SA, and Barcelona Promoció d'Instal·lacions Olímpiques, SA, with effect from January 1, 2003. At the same time, the City of Barcelona increased the share capital of the company, paid for through the non-cash contribution of the shares that the City of Barcelona held in the joint venture companies Tractament i Selecció de Residus, SA, Serveis Funeraris de Barcelona, SA, and Mercados de Abastecimientos de Barcelona, SA, and in companies with minority shareholding Catalana d'Iniciatives, CR, SA, Nexus Capital, SA, Clavegueram de Barcelona, SA, and Túnel i Accessos de Barcelona, SA. This increase was executed for an amount of 9,240 thousand euros, with an issue premium of 58,224 thousand euros. The data contained herein which refer to Barcelona de Serveis Municipals are those that are related to their consolidated annual accounts of the
- The company Promoció Ciutat Vella, SA, was dissolved on March 27, 2003, in accordance with the period of activity forecast in its by-laws. The totality of its assets (property earmarked for the re-housing of families affected by the urban improvement taking place in the district) and liabilities (municipal financing of same) were incorporated by the City of Barcelona during the fiscal year.
- From January 1, 2003, the Institut Municipal de Salut Pública de Barcelona (Barcelona Municipal Public Health Institute) became the Agència de Salut Pública de Barcelona (Barcelona Public Health Agency) and joined the Consorci Sanitari de Barcelona (Barcelona Health Consortium). For this reason, it no longer forms part of the consolidation perimeter of these annual accounts for the 2003 fiscal year.
- As of December 31, 2003 an increase in the share capital of the company 22 Arroba Bcn,

SA was taking place for an amount of 6,638 thousand euros, through a non-cash contribution from the City of Barcelona involving the assignment of the right to the use of a lot. This transaction was officially registered on March 8, 2004.

- During the 2003 fiscal year, the company Fira 2000, SA underwent an increase in share capital. The City of Barcelona has subscribed 8,760 thousand euros, thus increasing its shareholding percentage to 12.80%.

- During the 2003 fiscal year, the City of Barcelona subscribed to shares in the companies Générale Location Convenciones Barcelona, SL, which shall manage the Convention Centre and the Auditorium of the Forum Building, and in Barcelona Sagrera Alta Velocitat, SA, a company targeted at executing part of the investment to be made at the high-speed Barcelona-Sagrera train station.

The financial investments made by the City of Barcelona as of December 31, 2003, are summarized in the table below.

Long-term Financial Investments. As of December 31, 2003

Name	Interest Held %	Net Worth as of December 31, 2003, Before Result (1)	2003 Fiscal Year Result (1)	Technical Book Value 12/31/03 (1)	Book Value of the Holding 12/31/03
Municipal Agencies					
Patronat Municipal de l'Habitatge	100	35,910	276	36,186	19,086
Institut Municipal de Persones amb Disminució	100	819	197	1,016	698
Institut de Cultura de Barcelona	100	1,822	15	1,837	182
Fundació Mies Van Der Rohe	100	6,158	(48)	6,110	947
Institut Municipal d'Educació	100	4,670	274	4,944	257
Institut Municipal d'Informàtica	100	100	587	687	-
Institut Municipal d'Urbanisme	100	1,555	121	1,676	562
Institut Municipal d'Hisenda	100	23	559	582	2
Institut Municipal de Parcs i Jardins	100	1,440	86	1,526	-
Institut Municipal de Mercats	100	5,143	306	5,449	-
Institut Municipal del Paisatge Urbà i Qualitat de Vida	100	1,227	21	1,248	-
Total		58,867	2,394	61,261	21,734
Municipal Companies					
Barcelona de Serveis Municipals, SA (2)	100	136,461	16,774	153,235	65,807
Informació i Comunicació de Barcelona, SA	100	1,454	(1,497)	(43)	-
Barcelona Activa, SA	100	2,218	19	2,237	2,012
Pronoubarris, SA	100	514	10	524	60
Infraestructures del Llevant de Barcelona, SA	100	129	181	310	61
22Arroba Barcelona, SA	100	166	29	195	61
Barcelona Gestió Urbanística, SA	100	274	114	388	61
Foment de Ciutat Vella, SA	51	3,218	254	3,472	3,065
Proeixample, SA	51	3,622	112	3,734	3,065
Total		148,056	15,996	164,052	74,192
Interest of Less than 50%					
Barcelona Holding Olímpic, SA (HOLSA)	49	43,292	(413)	42,879	42,878
Barcelona Regional AMDUI, SA	20.63	365	4	369	270
Barcelona Emprèn, SCR, SA	29.27	1,842	(106)	1,736	1,503
Fira 2000, SA	12.80	14,512	(33)	14,479	14,770
Others					421
Total		60,011	(548)	59,463	59,842
Total Financial Investments					155,768
Financial Investments Underway (22 Arroba)					6,638
Long-term Guarantees and Deposits					1,584
Long-term Disposal of Fixed Assets					1,686
Total Long-term Financial Investments					165,676

(1) Adjusted to interest held.

(2) Consolidated data of the group Barcelona de Serveis Municipals, which includes, apart from the parent company, the companies Parc d'Atraccions Tibidabo, SA, and Tecnologies Urbanes de Barcelona, SA (dissolved during the 2003 fiscal year), fully-owned subsidiaries of the company; Serveis Funeraris de Barcelona, SA (51%), Mercados de Abastecimientos de Barcelona, SA (50.68%) and the group Tractament i Selecció de Residus, SA (58.64%), which includes, apart from the company itself, the fully-owned subsidiaries: Selectives Metropolitanas, SA; Solucions Integrals per als Residus, SA; and Carreras i Fontanals, SA.

The attached balance sheet and statement of revenue and expenses for 2003 refer to the City of Barcelona individually. The changes resulting from the application of consolidation criteria to the City of Barcelona's individual annual statements are as follows (in thousands of euros):

	City of Barcelona	Consolidated
Fixed Assets	5,903,513	6,274,654
Current Assets	401,417	603,301
Total Assets	6,304,930	6,877,955
Capital Before Results	3,714,605	3,837,006
Rest of Long-term Liabilities	1,807,426	2,083,693
Current Liabilities	454,481	610,266
Result of Fiscal Year	328,418	346,990
Total Liabilities	6,304,930	6,877,955
Ordinary Revenue	1,697,039	1,907,154
Ordinary Expenses	1,486,546	1,672,190
Extraordinary Results	117,925	112,026
Results of the Fiscal Year	328,418	346,990

The directors intend to draw up separate consolidated annual statements and accounts.

The table below shows the total amounts corresponding to City of Barcelona's transactions and balances with its municipal agencies, municipal companies and with companies in which it holds an interest:

	Current and Capital Transfers	Other Expenses	Revenue	Accounts Receivable	Accounts Payable
Municipal Agencies	265,013	2,512	8,525	4,406	40,010
Municipal Companies	469,437	519	44,455	13,381	104,985
Companies in Which the City Holds an Interest	61,231	39	-	-	5,714
Total	795,681	3,070	52,980	17,787	150,709

Note 5 - Deferred Expenses

As of December 31, 2003, the only deferred expenses were those corresponding to note and bond issues and loan arrangements. The movements registered in the account were as follows:

Loan Arrangement Expenses	
Balance as of December 31, 2002	4,074
Allocation to Results as Financial Expenses	(2,753)
Balance as of December 31, 2003	1,321

The allocation to financial expenses is carried out annually and is calculated linearly until the maturity of the executed operations.

Note 6 - On-budget Receivable

On-budget receivables as of December 31, 2003, were classified according to their nature as shown below:

Item	Receivable (thousands of euros)
Direct Taxes	246,303
Indirect Taxes	4,489
Charges and Other Revenue	226,883
Current Transfers	83,013
Capital Gains	24,574
Disposal of Real Investments	21,767
Capital Transfers	26,890
Total Receivable	633,919

The amounts and movements registered in the account for the provision for bad debts as of December 31, 2003, were as follows:

Balance as of December 31, 2002	302,201
Amount Charged to the Statement of Revenue and Expenses	77,292
Bad Debts Written off	(47,352)
Balance as of December 31, 2003	332,141

The sum for the provision for bad debt is determined by applying the collectibility ratio

estimated by the City based on its past experience to the accounts receivable for taxes and charges for the fiscal year (252,973 thousand euros) and to receivables for fines, both in the voluntary and enforced collection periods (160,427 thousand euros).

Over the course of 2003, the City of Barcelona wrote off a total of 50,228 thousand euros in bad debt, consisting of the balances for taxes and fines and other debts from individuals declared to be insolvent.

Note 7 - Net Worth

The amounts and movements registered in the net worth accounts over the fiscal year ended December 31, 2003, were as follows:

(in thousands of euros)	Net Worth	Property Assigned to Municipal Agencies and Third Parties (see Note 2.2)	Property Delivered for Public Use (see Note 2.3)	Property Assigned by Municipal Agencies and Third Parties (see Note 2.1)	Results Pending Allocation	Total
Initial Balance	8,629,240	(610,363)	(4,424,549)	50,900	333,281	3,978,509
2003 Surplus	-	-	-	-	328,418	328,418
Allocation of 2002 Surplus	333,281	-	-	-	(333,281)	-
Land Assignment	-	(1,818)	-	-	-	(1,818)
Change in Property Assigned to Third Parties	-	(18,324)	-	-	-	(18,324)
Change in Property Assigned by Third Parties	-	-	-	155	-	155
Property Delivered for Public Use	-	-	(243,917)	-	-	(243,917)
Closing Balance	8,962,521	(630,505)	(4,668,466)	51,055	328,418	4,043,023

Note 8 - Capital Transfers

The amounts and movements registered under this caption on the attached balance sheet for the fiscal year ended December 31, 2003, were as follows:

Capital Transfers				Accrued Expenses (see Note 14)			
Balance as of 12/31/02	Debits	Transfers from Accrued Expenses	Balance as of 12/31/03	Balance as of 12/31/02	Transfers Received	Transfer to Capital Transfer	Balance as of 12/31/03
219,351	(2,318)	56,594	273,627	208	57,604	(56,594)	1,218

Note 9 - Long-term Provisions

The "Long-term Provisions" account is intended to cover possible future commitments whose maturities and amounts are not yet known with certainty.

Movement under this caption was as follows:

	Thousands of euros
Balance as of December 31, 2002	40,848
Amount Charged to "Miscellaneous Expenses"	6,000
Transfer Provision for the Procivesa Winding-up	4,596
Balance as of December 31, 2003	51,444

This balance is intended to cover those contingencies of a generic nature that might arise from activity itself, as well as the provisions for court cases and legal claims.

The provision entered for the company Promoció Ciutat Vella, SA, currently wound up, has been incorporated to meet the rulings derived from the litigation proceedings taking place (see Note 4).

Note 10 - Long-term Loans and Debentures

The outstanding capital as of December 31, 2003, corresponding to long-term loans and debentures subscribed by the City of Barcelona can be broken down as follows:

Long-term Loans and Debentures	
Description	Outstanding Capital as of December 31
European Union Market	
• Bank Loans	572,262
• Capital Market	516,996
Subtotal	1,089,258
Non-European Union Markets	
• Capital Market	155,181
Total Long-term Debt	1,244,439

The movement registered under the caption "Long-term Loans and Debentures" during 2003 was as follows:

Balance as of December 31, 2002	1,265,113
Additions:	
• New Operations	70,000
Disposals:	
• Contractual Repayments	(90,674)
Balance as of December 31, 2003	1,244,439

As of December 31, 2003, there were unexecuted stand-by lines for a total of 224 million euros.

Long-term Debt	5.1 %
Short-term Debt	2.4 %

The debt profile by maturities as of December 31, 2003, was as follows:

Maturity	Amount
2004	199,799
2005	218,288
2006	87,147
2007	133,725
2008	121,705
2009	123,523
2010	62,020
2011	3,720
2012	93,721
2013	8,720
2014 and Beyond	192,071
Total	1,244,439

The average interest rate during 2003 was 5.1%, with the following make-up:

As of December 31, 2003, 59.4% of the City of Barcelona's financial debt had a fixed interest rate, and 40.6% had a variable interest rate.

Upon completion of the fiscal year, the accrued and unmatured interest on these loans came to 17,583 thousand euros (see Note 14).

Note 11 - Other Off-budget Payables

The balances for this caption as of December 31, 2003 were as follows:

Deposits Received	7,357
Other Payables	20,305
Payable to Administrations for IAE and IBI	14,503
Other Short-term Off-budget Payables	42,165

Note 12 - Deferred Income

The movement registered under this caption over 2003 was as follows:

(in thousands of euros)	12/31/2002	Additions	Allocated to Results	Transfer to Deferred Income	12/31/2003
Grave Assignments	16,072	-	-	(426)	15,646
Net Present Value of SFB, SA Assets	11,443	-	-	(541)	10,902
Hotel Miramar Levies	5,650	-	-	(120)	5,530
c/ Perú Surface Right	0	2,404	(80)	(80)	2,244
Ca l'Aranyó Surface Right	0	6,638	(88)	(88)	6,462
St. Adrià Marina Levy for Use	0	22,159	(783)	(783)	20,593
Total	33,165	31,201	(951)	(2,038)	61,377

Grave assignments correspond to the portion pending long-term accrual of the amounts received as a result of the dissolution of the Institut Municipal de Serveis Funeraris de Barcelona, with accounting effects as of January 1, 1997, recorded as advance collection on fifty-year grave assignments. These amounts are recorded as revenue according to the straight-line method over the course of the assignment (50 years).

As a result of the sale of 49% of the shares in Serveis Funeraris de Barcelona, SA, in 1998, the City of Barcelona incorporated the sum of 14,508 thousand euros into its balance as deferred income, a sum equal to the current net value (through application of a restatement rate of 4% to the depreciation flows) of the municipal assets, in accordance with the agreement regulating the operation and

management of such assets. The City of Barcelona annually transfers the accrued portion of this revenue to the caption "Concessions and Special Uses" of the attached statement of revenue and expenses (see Note 14).

During the 2003 fiscal year, the City of Barcelona received a total of 22,159 thousand euros for the assignment of the right to manage and operate the Sant Adrià marina until February 28, 2031. Upon this date the City of Barcelona must return the works made in port services to the Directorate General of Ports and Transports of the Generalitat of Catalonia. Every year the City of Barcelona transfers the accrued amount of this revenue to the caption "Concessions and Special Uses", applying the straight-line method over the course of the 28 year concession period.

Note 13 - Public Entities

The breakdown of these accounts is as follows:

	Debit	Credit
VAT Compensation from Treasury	26,296	-
Personal Income Tax	-	5,600
Social Security	-	17,221
Balance as of December 31, 2003	26,296	22,821

The caption VAT compensation from Treasury (debit balance) corresponds to the regularisation of VAT that is deductible from some investments carried out in the Forum 2004 area for the 2000-2003 period. These deductions were made once a favourable response from the Directorate General of Taxes was received.

Note 14 - Accrued Expenses

The account "Accrued Expenses," listed under liabilities on the attached balance sheet, reflects the City of Barcelona's definite liabilities as of December 31, 2003, in accordance with their accrual periods and regardless of the date of requirement or payment on demand, as well as the capital grants given to the City pending allocation. It has the following composition:

Unmatured Accrued Interest as of December 31, 2003	17,583
Bonus Payments to Be Made to Personnel in 2004 for Attendance and Punctuality in 2003, as well as the June holiday bonus	15,333
Accrued Expenses to Be Paid for Purchase of Fixed Assets	11,029
Capital Transfers (see Note 8)	1,218
Results of Municipal Agencies and Companies	779
Prepaid Income on Can Tunis Nou Housing Intervention	6,010
Short-term Transfer of Deferred Income (see Note 12)	2,038
Total	53,990

Note 15 - Other Information

As of December 31, 2003, the guarantees provided by the City of Barcelona to cover credit operations came to 12,728 thousand euros.

The fees received by PricewaterhouseCoopers Auditores, S.L., and Gabinete Técnico de Auditoría y Consultoría, SA, for auditing services and the expenses incurred for the provision thereof in fiscal 2003 came to 471 thousand euros. Pursuant to the terms of the adjudication of the audit tender, these fees, invoiced to the City of Barcelona, include those of the municipal agencies and companies forming a part of the City group, and the appropriate portions thereof will be duly charged to each of them.

Note 16 - Statement of Results for the 2003 Fiscal Year

16.1. Personnel Expenses

This entry includes the wages and salaries of City of Barcelona personnel, social security and other welfare expenses.

16.2. Welfare Benefits

Welfare benefits include, among other things, the 1,696 thousand euros paid by the City in 2003 as grants to class D and E employees, as well as to the cleaning staff, parking attendants and night watchmen. Likewise, this entry includes the expenses accrued over fiscal 2003 derived from the Early Retirement Incentive Plan approved by the City Council Plenum on October 17, 2003, which amount to 3,760 thousand euros.

16.3. Works, Supplies and Subcontracted Services

This entry corresponds to the purchase of goods and services needed for municipal activities to run smoothly, as well as for the conservation and maintenance of investments. It includes the service contracts signed by the City of Barcelona with different private companies to ensure the city's good working order, such as those for refuse collection and street cleaning.

16.4. Current Transfers (Expenses)

For those activities carried out by municipal agencies and companies corresponding to the provision of public services that fall within the scope of operation of the City, through their direct management as delegated by the City, pursuant to the terms of current legislation (the Law regulating base law for local legislation and the Regulations for the works,

activities and services of local entities), the City transfers the budgetary financing. This is reflected in the caption "Current Transfers," listed under expenses on the attached statement of revenue and expenses.

Said transfer is established bearing in mind the suppositions of a balanced budget set out in the Law governing local taxation.

16.5. Capital Transfers (Expenses)

This entry includes the contributions made by the City of Barcelona, out of its budget or on behalf of third parties, to municipal agencies, municipal companies and other third parties to finance investment processes.

16.6. Extraordinary Results

The breakdown of the extraordinary results is as follows:

	Expenses	Revenue
Pluri-annual Transfers to HOLSA (see Note 2.3)	–	40,076
Return to Municipal Assets of the Born Market (see Note 3)	–	27,078
Free Receipt of Assets and Lot Redefinition (see Note 3)	–	16,360
Receipt of Investment Projects (see Note 3)	–	15,005
Sale and Barter of Property (see Note 3)	–	23,911
Non-capital Expenses for Deliveries (see Note 3)	11,949	–
Other Extraordinary Results	5,572	13,016
Net Extraordinary Result		117,925

16.7. Sales and Operating Revenue

This entry mainly includes the charges and public prices earned for the provision of services, as well as property rentals.

16.8. Revenue from Property and Business

The revenue from property and business essentially comprises holdings and profit-sharing, public prices for the private use or special operation of municipal assets in the public domain (such as parking lots, newsstands, outdoor tables for bars and restaurants, etc.), fines and other penalties for offences.

16.9. Production-related Taxes

These taxes include the following: property tax, levied on property; tax on economic activities, levied on certain businesses, in accordance with the type of activity, the space occupied and the location; taxes on construction, installations and works, levied according to the cost of the project for which the license has been solicited.

16.10. Income and Wealth Taxes

This caption includes the tax on motor vehicles, which is levied on their ownership, regardless of class or category.

16.11. Current Transfers (revenue)

The share corresponding to municipalities in the Central Government's tax revenue is received through an unconditional grant, called the Share in Central Government Revenue (PIE), intended to supplement the tax revenue collected by the local tax authorities. This entry also includes the earmarked transfers received from the Central Government, the autonomous community and the municipal agencies and companies.

16.12. Capital Taxes

The tax on the increase in land value is a direct tax levied on the increase in value that land might experience, made evident upon its transfer.

Note 17 - Statement of Changes in Financial Position for the 2003 and 2002 Fiscal Years

(in thousands of euros)

Applications of Funds	2003 Fiscal 2002 Fiscal		Source of Funds	2003 Fiscal 2002 Fiscal	
	Year	Year		Year	Year
Financial Expenses for New Operations and Debt Substitution	-	918	Funds from Operations	391,750	379,264
Acquisition of Fixed Assets:			Sale of Tangible Fixed Assets	46,907	102,270
• Net Tangible Fixed Assets	545,835	559,801	Disposal of Financial Fixed Assets	9,059	2,237
• Financial Fixed Assets	17,235	1,205	Long-term Transfer Provision	4,596	
Redemption of Long-term Loans, Debentures and Received Loans	90,674	87,291	Capital Transfers	56,594	60,992
Pluri-annual Transfers to HOLSA	40,076	33,078	Net Change in Long-term Guarantees and Deposits	893	1,094
Reclassification of Accrued Revenue	2,038	1,111	Deferred Income	31,201	5,770
			Long-term Debts	70,000	200,102
			Reclassification of Long-term Provisions	-	4,808
Total Funds Applied	695,858	683,404	Total Funds Obtained	611,000	756,537
Sources of Funds in Excess of Applications of Funds (Increase in Working Capital)	-	73,133	Application of Funds in Excess of Sources of Funds (Decrease in Working Capital)	84,858	-
Total	695,858	756,537	Total	695,858	756,537

Change in Working Capital	2003		2002	
	Increase	Decrease	Increase	Decrease
Accounts Receivable	71,164	-	5,469	-
Accounts Payable	4,426	-	-	112,952
Cash	-	147,704	179,960	-
Accrued Expenses	-	12,744	3,656	-
Total	75,590	160,448	186,085	112,952
Increase/(Decrease) in Working Capital	(84,858)	-	-	73,133

The funds obtained from operations were as follows:

(in thousands of euros)	2003	2002
Net Surplus for the Fiscal Year	328,418	333,281
Provision for Depreciation	47,245	45,256
Deferred Expenses (see Note 5)	2,753	6,418
Provisions for Fixed Assets Pending Classification (see Note 3)	76,274	42,659
Long-term Provisions (see Note 9)	6,000	15,005
Financial Investment Provision (see Note 4)	2,707	-
Deferred Income Transferred to Results	(951)	
Allocation of the Provision for Financial Fixed Assets	(305)	-
Net Result of Tangible Fixed Assets	(68,073)	(59,944)
Capital Transfers Allocated to Results	(2,318)	(3,411)
Funds Generated Through Operations	391,750	379,264

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**The City of Barcelona Group
2003 Consolidated Annual
Accounts**

A free translation of the report on the consolidated annual accounts originally issued in Catalan and prepared in accordance with generally accepted accounting principles for governmental entities in Spain. In the event of a discrepancy, the Catalan language version prevails

AUDITORS' REPORT ON CONSOLIDATED ANNUAL ACCOUNTS

To the Mayor-President of
the Barcelona City Council:

We have audited the consolidated annual accounts of the BARCELONA CITY COUNCIL AND MUNICIPAL AGENCIES AND CITY-OWNED COMPANIES, which comprise the Consolidated Group, consisting of the consolidated balance sheet as of December 31, 2003, the consolidated statement of revenues and expenses, and the related notes to the consolidated annual accounts for the year then ended, the preparation of which is the responsibility of the Directors of the Corporation. Our responsibility is to express an opinion on these consolidated annual accounts taken as a whole based on our audit work performed in accordance with generally accepted auditing standards in Spain which require the examination, on a test basis, of evidence supporting the consolidated annual accounts and evaluation of their overall presentation, the accounting principles used as applicable to governmental entities in Spain and the estimates made.

For comparative purposes only, the Directors of the Corporation have presented for each item of the consolidated balance sheet, the consolidated statement of revenues and expenses and the consolidated statement of changes in financial position, the corresponding amounts for the previous year as well as the amounts for 2003. Our opinion refers exclusively to the consolidated annual accounts for 2003. On April 9, 2003, we issued our audit report on the 2002 consolidated annual accounts in which we expressed an unqualified opinion.


In our opinion, the consolidated accompanying annual accounts for the year 2003 give, in all material respects, a true and fair view of the net worth and financial position of the BARCELONA CITY COUNCIL AND MUNICIPAL AGENCIES AND CITY-OWNED COMPANIES (Consolidated Group) as of December 31, 2003, and of the results of its operations as reflected in the consolidated statement of revenues and expenses and its source and application of fund for the year then ended, and contain all the information necessary for their interpretation and comprehension, in conformity with generally accepted accounting principles and standards for governmental entities in Spain, applied on a basis consistent with that of the preceding year.

PricewaterhouseCoopers Auditores, S.L.


Xavier Brossa Galofré
Partner

April 28, 2004

Gabinete Técnico
de Auditoría y Consultoría, S.A.


Enric Ribas Miràngels
Partner

The City of Barcelona Group
Consolidated Balance Sheets as of December 31, 2003 and 2002

(in thousands of euros)

Assets		As of December 31, 2003	As of December 31, 2002
	Note		
Intangible Fixed Assets	4.a	38,662	44,193
Intangible Fixed Assets		51,224	54,404
Provisions and Depreciations		(12,562)	(10,211)
Tangible Fixed Assets and Infrastructures	4.b	6,105,541	5,880,853
Tangible Fixed Assets		6,057,309	5,888,670
Tangible Fixed Assets Assigned to Municipal Agencies and Third Parties		(630,505)	(610,363)
Accumulated Depreciation and Provisions		(671,709)	(531,410)
Fixed Assets Pending Classification in Progress		1,186,267	929,701
Infrastructures and Assets for Public Use		4,668,466	4,424,549
Investments Assigned for Public Use		(4,668,466)	(4,424,549)
Investments for Public Use HOLSA	3.3	164,179	204,255
Long-term Investments		92,707	73,069
Interests in Associated Companies	5	44,984	45,484
Other Financial Investments	6	47,723	27,585
Long-term Trade Receivable	3.6	34,452	35,805
Fixed Assets		6,271,362	6,033,920
Deferred Expenses	7	3,292	6,122
Inventories	3.5	46,004	38,727
Provisions		(2,280)	(2,512)
		43,724	36,215
Accounts Receivable	8	753,998	666,905
Provisions	8	(342,285)	(311,526)
		411,713	355,379
Short-term Financial Investments		37,415	14,478
Cash		108,622	254,945
Accrued Expenses		1,827	2,863
Current Assets		603,301	663,880
TOTAL ASSETS		6,877,955	6,703,922

Notes 1-20 of the attached annual report form an integral part of the consolidated balance sheet as of December 31, 2003.

The City of Barcelona Group
Consolidated Balance Sheets as of December 31, 2003 and 2002

(in thousands of euros)

Liabilities		As of December 31, 2003	As of December 31, 2002
	Note		
Capital		4,183,996	4,101,584
Net Worth	9.1	3,714,605	3,645,240
Net Worth		8,962,521	8,629,252
Property Assigned to Municipal Agencies and Third Parties		(630,505)	(610,363)
Property Delivered for Public Use		(4,668,466)	(4,424,549)
Property Assigned by Municipal Agencies and Third Parties		51,055	50,900
Income Allocable to the City of Barcelona	9.2	346,990	346,119
Consolidated Income		357,204	351,502
Income Allocable to Minority Interests	11	(10,214)	(5,383)
Consolidation Reserves	10	122,401	110,225
Minority Interests	11	63,977	57,908
Capital Transfers	12	304,083	242,225
Deferred Income	13	109,616	85,137
Provisions for Contingencies and Expenses	14	65,815	61,101
Long-term Loans and Debentures	15	1,336,231	1,324,197
Long-term Guarantees and Deposits		705	9,174
Other Long-term Payables	3.6	39,087	40,094
Pluriannual Transfers to HOLSA	3.3	164,179	204,255
Long-term Liabilities		6,267,689	6,125,675
Bank Debt	15	87	3,154
Accounts Payable		347,043	355,047
Payable to Public Agencies	16	54,963	55,098
Other		145,802	121,503
Accrued Expenses	17	62,371	43,445
Current Liabilities		610,266	578,247
TOTAL LIABILITIES		6,877,955	6,703,922

Notes 1-20 of the attached annual report form an integral part of the consolidated balance sheet as of December 31, 2003.

The City of Barcelona Group
Consolidated Statement of Revenue and Expenses for the Year Ended December 31, 2003 and 2002
(in thousands of euros)

Expenses	Note	2003	2002	Revenue	Note	2003	2002
Personnel Expenses	19.1	493,273	481,799	Taxes	19.4	598,384	642,910
Works, Supplies and Subcontracted Services	19.2	516,203	489,849	Sale of Services	19.5	268,861	246,354
Financial Expenses		71,147	87,871	Revenue from Property and Business	19.6	192,501	189,874
Current Transfers	19.3	235,048	201,895	Current Transfers	19.7	804,752	695,802
Provision to Allowance of Bad Debts and Others	8	79,975	85,742	Financial Revenue		13,184	17,115
Share in Operating Result of Companies Accounted for by the Equity Method.	2.2	515	621	Other Revenue		29,472	34,111
TOTAL OPERATING EXPENSES		1,396,161	1,347,777	TOTAL OPERATING REVENUE		1,907,154	1,826,166
Operating Result Before Capital Transfers		510,993	478,389				
Capital Transfers	19.3	114,702	100,841				
Operating Result After Capital Transfers		396,291	377,548				
Provisions for Depreciation of Fixed Assets	4	72,455	66,368				
Provisions for Depreciation of Fixed Assets Pending Classification	4.b	76,274	42,659				
Extraordinary Expenses	19.8	28,067	52,117	Extraordinary Revenue	19.8	140,093	143,617
Pre-tax Consolidated Surplus		359,588	360,021				
Corporate Income Tax	16	2,384	8,519				
Consolidated Surplus		357,204	351,502				
Surplus Allocated to Minority Interest	11	10,214	5,383				
Surplus for the Year Allocated to the City of Barcelona		346,990	346,119				
TOTAL		2,047,247	1,969,783	TOTAL		2,047,247	1,969,783

Notes 1-20 of the attached annual report form an integral part of the statement of revenue and expenses as of December 31, 2003.

City of Barcelona and its Municipal Agencies and Companies
Notes to the Consolidated Annual Statements for the Year Ended December 31, 2003

Note 1 - The Nature of the Consolidated Group

The City of Barcelona Group is comprised of the City of Barcelona, its municipal agencies and municipal companies that complement the City's activities through functional specialization and management improvement in order to offer maximum efficiency within public services.

Note 2 - Basis of Presentation and Consolidation Principles

2.1. Accounting Policies

The consolidated annual accounts are drawn up based on the audited individual annual accounts of each of the consolidated entities. The annual accounts of the City of Barcelona and its municipal agencies are prepared according to the accounting principles set out for public administrations in current Spanish legislation, in particular:

- a) Law 7/1985, of April 2, governing base law for local legislation.
- b) Royal Decree Law 781/1986, of April 18, approving the amendment to current provisions for local legislation.
- c) Law 8/1987, of April 15, on municipal and local legislation in Catalonia.

- d) Law 39/1988, of December 28, governing local taxation.
- e) Royal Decree 500/1990, implementing Law 39/1988.
- f) The Local Government Accounting Standards, dated July 17, 1990.
- g) Documents on accounting principles issued by the Commission on Public Accounting Principles and Standards, created by Resolution of the State Secretariat for the Treasury on December 28, 1990.
- h) Order, of June 28, 1999, on the implementation of Decree 94/1995, of February 21, on the financial protection of local entities.

The annual accounts of the municipal companies are drawn up in accordance with the Corporations Law, as amended, and with the directives set out in the Spanish National Chart of Accounts, approved by Royal Decree 1643/90.

The figures contained in the documents comprising these annual statements and accounts are expressed in thousands of euros.

The consolidated balance sheet has basically been drawn up according to the models established by the Local Government Accounting Standards, of July 17, 1990. By contrast, the statement of revenue and expenses has been drawn up in more detail than that required by said Standards, for the purpose of providing more thorough information on revenue and expenses and, thereby, offering a

faithful rendering of the net worth and financial position of the City of Barcelona and the results of its operations over the fiscal year, in accordance with the accounting principles and standards applied in the sphere of public administration accounting.

The budget settlements corresponding to the City of Barcelona and its municipal agencies were approved by the Decrees issued by the Mayor's Office on February 27, 2004. The

General Account of the City of Barcelona and its municipal agencies, as well as the annual accounts of the municipal companies, will be submitted to the Municipal Council Plenum for approval within the established statutory period.

2.2. Consolidation Principles

The fully consolidated municipal agencies and municipal companies are as follows:

Name	Interest Held %	Net Worth as of 12/31/03 Before Results (1)	2003 Fiscal Year Result (1)	Technical Book Value as of 12/31/03 (1)	Book Value of the Holding (*)
Municipal Agencies					
Patronat Municipal de l'Habitatge	100	35,910	276	36,186	19,086
Institut Municipal de Persones amb Disminució	100	819	197	1,016	698
Fundació Mies Van der Rohe	100	6,158	(48)	6,110	947
Institut Municipal d'Informàtica	100	100	587	687	-
Institut Municipal d'Urbanisme	100	1,555	121	1,676	562
Institut Municipal d'Hisenda	100	23	559	582	2
Institut Municipal de Mercats	100	5,143	306	5,449	-
Institut Municipal de Parcs i Jardins	100	1,440	86	1,526	-
Institut Municipal d'Educació	100	4,670	274	4,944	257
Institut de Cultura de Barcelona	100	1,822	15	1,837	182
Institut Municipal del Paisatge Urbà i Qualitat de Vida	100	1,227	21	1,248	-
Subtotal Municipal Agencies		58,867	2,394	61,261	21,734
Municipal Companies					
Group Barcelona de Serveis Municipals (2)	100	136,461	16,774	153,235	65,807
Informació i Comunicació de Barcelona, SA	100	1,454	(1,497)	(43)	-
Barcelona Activa, SA	100	2,218	19	2,237	2,012
Pro Nou Barris, SA	100	514	10	524	60
Infraestructures del Llevant de Barcelona, SA	100	129	181	310	61
22 Arroba Bcn, SA	100	166	29	195	61
Societat Municipal Barcelona Gestió Urbanística, SA	100	274	114	388	61
ProEixample, SA	51.00	3,622	112	3,734	3,065
Foment de Ciutat Vella, SA	51.00	3,218	254	3,472	3,065
Subtotal Municipal Companies		148,056	15,996	164,052	74,192
Total		206,923	18,390	225,313	95,926

(*) Included in the individual financial statements of the City of Barcelona as of December 31, 2003.

(1) Adjusted according to the proportion of the interest held.

(2) Consolidated data on the Barcelona de Serveis Municipals group, which includes, in addition to the parent company, the companies Parc d'Atraccions Tibidabo, SA, and Tecnologies Urbanes de Barcelona, SA (dissolved during the 2003 fiscal year), fully-owned subsidiaries of the company; Serveis Funeraris de Barcelona, SA (51%), Mercados de Abastecimientos de Barcelona, SA (50,68%), and the group Tractament i Selecció de Residus, SA (58,64%), which includes, apart from the company itself, the fully-owned subsidiaries: Selectives Metropolitanas, SA, Solucions Integrals per als Residus, SA, and Carreras i Fontanals, SA.

Pursuant to article 289.2 of Decree 179/1995, dated June 13, approving the Regulations for the works, activities and services of local entities, once the periods of life stipulated in the by-laws of the mixed-capital companies Mercabarna, SA, Proeixample, SA, and Foment de Ciutat Vella, SA, have expired, all of their assets in conditions of normal use, as well as their liabilities, will revert to the City of Barcelona. Likewise, the assets and liabilities for the provision of cemetery and cremation services will revert to the City of Barcelona once the term of management assigned to Serveis Funeraris de Barcelona, SA, has expired

The changes in the values shown in the previous table produced over the 2003 fiscal year are due to the following:

- The municipal company Barcelona de Serveis Municipals, SA, merged with Parc Zoològic de Barcelona, SA, and Barcelona Promoció d'Instal·lacions Olímpiques, SA, with effect from January 1, 2003. At the same time, the City of Barcelona increased the share capital of the company, paid for through the non-cash contribution of the shares that the City of Barcelona held in the joint venture companies Tractament i Selecció de Residus, SA, Serveis Funeraris de Barcelona, SA, and Mercados de Abastecimientos de Barcelona, SA, and in companies with minority shareholding: Catalana d'Iniciatives, CR, SA; Nexus Capital, SA; Clavegueram de Barcelona, SA, and Túnel i Accessos de

Barcelona, SA. This increase was executed for an amount of 9,240 thousand euros, with an issue premium of 58,224 thousand euros. The data contained herein which refer to Barcelona de Serveis Municipals are those that are related to their consolidated annual accounts of the fiscal year that closed on December 31, 2003.

- The company Promoció Ciutat Vella, SA, was dissolved on March 27, 2003, in accordance with the period of activity forecast in its articles of association. The totality of its assets (property earmarked for the re-housing of families affected by the urban improvement taking place in the district) and liabilities (municipal financing of same) were incorporated by the City of Barcelona during the fiscal year.
- From January 1, 2003, the Institut Municipal de Salut Pública de Barcelona (Barcelona Municipal Public Health Institute) became the Agència de Salut Pública de Barcelona (Barcelona Public Health Agency) and joined the Consorci Sanitari de Barcelona (Barcelona Health Consortium). For this reason, it no longer forms part of the consolidation perimeter of these annual accounts for the 2003 fiscal year.

The entities consolidated by the equity method (as the City of Barcelona holds more than 20% of their share capital but is not a majority or controlling shareholder) include the following mixed-capital companies:

Name	Interest Held %	Net Worth as of 12/31/03 Before Results (1)	2003 Fiscal Year Results (1)	Technical Book Value 12/31/03 (1)	Book Value of the Holding (*)
Barcelona Holding Olímpic, SA (HOLSA) (2)	49.00	43,292	(413)	42,879	42.878
Barcelona Emprèn, SCR, SA (2) (3)	29.27	1,842	(106)	1,736	1,503
Barcelona Regional, AMDUI, SA (2) (4)	20.63	365	4	369	270
Total		45,499	(515)	44,984	44,651

(*) Included in the individual statements of the City of Barcelona as of December 31, 2003.

(1) Adjusted according to the percentage of interest held.

(2) Audited annual accounts for 2003 fiscal year.

(3) The City of Barcelona holds a direct interest of 24.39% and an indirect interest, through the Institut de Cultura de Barcelona, of 4.88%.

(4) The City of Barcelona holds a direct interest of 17.65% and an indirect interest, through Mercabarna, SA, of 2.98%.

The remaining interests of less than 20% held by the City of Barcelona in corporations, as well as its interests in metropolitan entities, associations of municipalities, consortia and foundations, are not subject to consolidation as there exist no long-term financial investments that give rise to a fixed and established degree of dependence. Instead, they are assessed as explained in Note 3.4.

When applying consolidation methods, the following principles are borne in mind:

- a) Third parties holding interests in the Group (mixed companies) are considered minority interests.
- b) All significant balances and transactions between consolidated entities are eliminated in the process of consolidation.
- c) All significant aspects of the entries included in the individual annual accounts of the entities comprising the consolidated group are subject to prior homogenisation, both with regard to temporary provisions, where applicable, and to the assessment criteria applied.

Note 3 - Valuation Criteria

The most significant accounting criteria applied in the preparation of the annual accounts are the following:

3.1. Tangible and Intangible Fixed Assets

a) Intangible Fixed Assets

Intangible fixed assets basically included:

- Administrative concessions. These mainly correspond to the concessions granted by third parties to Barcelona de Serveis Municipals, SA, and refer to the four parking lots currently in use, the Barcelona Nord bus station and the shopping centre at the Hospital del Mar. Concession periods range from 30 to 50 years. These rights are recorded at the purchasing value of the assets to which they correspond, which primarily includes the cost of constructing the aforementioned parking lots and facilities.
- Data-processing programs. These are recorded at their purchasing price.

Maintenance expenses are recorded as they occur through debits to the results.

The annual provision for the depreciation of administrative concessions is calculated by applying the straight-line method to the useful life of the corresponding assets, beginning one month from when the asset in question is put into use, as shown in the following chart:

	Estimated Years of Useful Life
Civil Works	49
Machinery, Installations, Tools and Furniture	12-15

For those assets operated under concession whose useful life is greater than the concession period, the corresponding provisions are made for reversion funds, for the purpose of covering the net book value of the revertible assets on the date of reversion (see Note 14).

The annual provision for the depreciation of data-processing applications is calculated applying the straight-line method to their useful life, which is estimated at 4 years.

b) Tangible Fixed Assets

These include the city’s assets and those in the public domain directly assigned for the provision of public services, which together comprise the City group’s long-term investments.

Attention should be drawn to the following assessment criteria for tangible fixed assets:

City of Barcelona

- Lands and Buildings. Additions made prior to January 1, 1992, are assessed according to an expert estimate of the current real market value made by an independent appraisal company. For properties of historic-artistic interest, this value is equivalent to the cost of replacement. To this end, with regard to non-financial fixed assets, the document on accounting principles issued by the Commission on Public Accounting Principles and Standards defines replacement value as “the sum of the expenses necessary for the construction of an asset of identical nature and characteristics. In the case of buildings declared to be of historic-artistic interest, this value shall be that of reconstruction”. Subsequent additions are assessed at their purchasing price or, in case of buildings received free of charge, at their appraised values.
- Machinery, installations, data-processing equipment and vehicles. These are listed at their purchasing price.
- Fixed assets pending classification. Additions are assessed at their purchasing price or cost of construction and are transferred to the “Property Delivered for Public Use” caption under tangible fixed assets upon completion of the investments they require.

Municipal Agencies and Companies

- Tangible fixed assets are valued at their purchasing price, except for those corresponding to Mercabarna, SA, which are shown updated in accordance with the provisions of State Budget Laws 50/1979,

74/1980 and 9/1983 and Royal Decree Law 7/1996, which, in 1996, signified an impact of 24,281 thousand euros. As of December 31, 2003, the net effect was 17,533 thousand euros, entailing a charge to the caption “Provision for Depreciation of Fixed Assets” on the 2003 statement of revenue and expenses for the amount of 626 thousand euros; the charge to this caption for 2004 is estimated at 619 thousand euros.

Repairs not contributing to an extension of the useful life, as well as maintenance costs, are charged directly to the statement of revenue and expenses. The cost of any additions or improvements extending the useful life of an asset is capitalized as an increase in its value.

The annual provision for the depreciation of tangible fixed assets is calculated by applying the straight-line method to each asset’s estimated useful life, basically beginning one month upon its incorporation into the inventory:

	Estimated Years of Useful Life
Buildings	33-65
Technical Installations and Machinery	8-16
Vehicles	5-10
Fittings	6-13
Data-processing Equipment	4-6
Others	8-10

The City of Barcelona’s process of economic depreciation began in 1992. The estimated years of useful life corresponding to the caption “Buildings” are determined according to the

criteria of the aforementioned independent appraisal.

For properties with historic-artistic value, depreciation is calculated based on the cost of the fixed assets that would be required to replace them in terms of their capacity and usefulness. Therefore, the portion of the book value corresponding to the historic-artistic component of these structures, which amounts to 221,574 thousand euros, has been excluded from the calculation, in accordance with the aforementioned independent appraisal. This treatment is justified by the fact that the said historic-artistic component is subject to maintenance, which guarantees its permanent value.

The fixed assets assigned by municipal agencies and third parties shows the value of the assets assigned to the City of Barcelona, for their operation or use, coming from other entities.

3.2. Tangible Fixed Assets Assigned to Municipal Agencies and Third Parties

The caption “Tangible Fixed Assets Assigned by Municipal Agencies and Third Parties” shows the book value of those assets freely assigned by the City of Barcelona to its municipal agencies and companies or to third parties for their operation or use, respectively.

When an asset is assigned, the retirement is recorded through a charge to the heading “Property Assigned to Municipal Agencies and Third Parties” on the balance sheet (see Note 9.1) and, thus, it ceases to be amortized.

3.3. Investments in Infrastructure and Assets for Public Use

The property delivered for public use makes up the thoroughfare infrastructure (roads, pavement, sidewalks, public lighting, signs), large facilities for public services (sewers and utility supplies), green spaces, trees, gardens and, in general, all assets constituting public property delivered for the public use of citizens.

Those additions made prior to January 1, 1992, are assessed according to the criteria described in Note 3.1.b). Subsequent additions are assessed at their purchasing price.

Upon completion of the investments in infrastructures and property for public use, their retirement is registered on the balance sheet with a charge to the "Property Delivered for Public Use" caption (see Note 9.1).

For the purposes of presentation, the assets caption on the balance sheet shows the assets assigned to municipal agencies or third parties for public use, as well as the corresponding compensatory sums to reflect their retirement. Likewise, Note 4.b) reflects the movements registered under these captions over the year.

Rule 220.2 of the Local Administration Accounting Standards states that, exceptionally, investments may be retained in the balance sheet even though they have been completed and assigned for public use. On December 31, 1994, in light of the extraordinary nature of the Olympic investments received from HOLSA, the City of Barcelona invoked this exception. Consequently, the assignment of these investments for public use, for an initial cost of 353,533 thousand euros,

will be debited to the caption "Property Delivered for Public Use" and credited to the caption "Investments Assigned for Public Use" over a period of time similar to that which would have applied had they been ordinary investments. This period reflects the rate of reduction in associated liability, which is recorded under the caption "Pluriannual Transfers to HOLSA" on the attached balance sheet.

The balance of the caption "Pluriannual Transfers to HOLSA" was reduced by 40,076 thousand euros in 2003 with a credit to extraordinary results (see Note 19.8). This corresponds to the amount of HOLSA debts as of December 31, 2003. In addition, the accounts "Property Delivered for Public Use" and "Investments Assigned for Public Use HOLSA" were debited and credited, respectively, for the aforementioned costs (see Note 4.b).

3.4. Investments and Short-term Financial Investments

Equity securities representing more than 20% of the share capital in dependent companies that are not fully consolidated are assessed by applying the equity method criteria mentioned in Note 2.2 to the audited annual accounts.

All other securities are recorded on the balance sheet at their purchasing price. The differences between the book values and technical book values of those shareholdings to experience substantial losses as of December 31, 2003, are provided for in the attached statements and accounts.

Short-term financial investments are registered at their purchase price or selling-up price, if less.

3.5. Inventories

Inventories as of December 31, 2003, mainly correspond to lands to be used for construction activities and real estate promotions, both currently underway and completed, which are recorded at their purchasing price or production cost, depending on the direct costs incurred.

Where appropriate, the necessary provision for depreciation is used to reduce these values to their real market value.

3.6. Accounts Receivable

These are recorded at their nominal value. An allowance has been established to cover bad debts, based on the following criteria:

- In the case of the City of Barcelona, the provision for bad debt is determined by applying the collectibility ratio estimated by the City based on its past experience to the tax receivables currently under forcible collection and the receivables for fines in both the voluntary and enforced collection periods.
- In the case of municipal agencies and companies, this allowance is made for those receivables whose recovery is deemed uncertain.
- The caption "Long-term Trade Receivables" on the attached consolidated balance sheet includes mainly the debts to be collected. They are recorded at their nominal value, due to their correlation to the caption "Other Long-term Accounts Payable" under liabilities on the same balance sheet. The maximum maturity date of these debts is 2035.

3.7. Capital Transfers

The following criteria are applied to record received capital transfers, in accordance with the applicable legislation:

- Upon their concession, transfers are temporarily credited to accrual accounts until the investments to which they corresponded are made (see Note 17).
- As these investments are made, the transfers are shifted to the caption "Capital Transfers" from balance sheet liabilities. For appraisals of the Group's net worth, these transfers should be considered to be additional net worth as of December 31, 2003.
- Moreover, the City of Barcelona's dependent entities annually shift a portion of the transfers received to extraordinary results, depending on the depreciation rate of the assets they finance.

3.8. Deferred Income

Early collection on amounts deferred to years subsequent to the year of collection are recorded under the caption "Deferred Revenue" (see Note 13), save for the portion of such amounts that have been deferred to the immediately following year, which are recorded under the caption "Accrual Accounts" (see Note 17) under liabilities on the balance sheet prior to being credited to results.

3.9. Classification of Long- and Short-term Debts

On the attached balance sheet, debts maturing in over 12 months are classified as long-term

debts, and debts maturing in less than 12 months are classified as short-term debts.

3.10. Foreign Loans and Debentures

As of December 31, 2003, the foreign currency risk for those operations initially taken out in foreign currencies has been hedged through swaps for the entire duration of each operation. As a result, they have no future effects for the Group's statement of revenue and expenses.

3.11. Revenue and Expenses

Revenue and expenses are primarily recorded in the statement of revenue and expenses in the fiscal year in which they occur, depending on the real flow of assets and services they represent and independently of the timing of the monetary or financial flow from which they are derived, except for those capital grants and transfers derived from agreements or conventions requiring the treatment described in sections 3.7 and 3.12, respectively.

3.12. Grants and Transfers Derived from Agreements and Conventions

To record the expenses for transfers and grants stemming from agreements subscribed by different parties, be they collaborative agreements, cooperative agreements, contract-programs, or other similar agreements signed to co-finance or develop specific projects or activities (including capital transfers to offset accumulated negative results), the grantor's obligation to pay arises at the moment when the debt matures and is liquid and payable on demand, in other words, when the requirements

for payment have been met. The recognition of the grantor's payment obligation is recorded upon passage of the resolution by which the beneficiary's right to collect is recognized and quantified (approval of the budgets for each fiscal year).

3.13. Provisions for Contingencies and Expenses

The balance of this caption reflects the provisions established to cover the economic costs of contingent or probable debts, as well as provisions recorded by dependent companies to cover their pension commitments.

3.14. Employee Termination Indemnities

Incentives for voluntary retirement are recorded under the caption "Social Services" on the statement of revenue and expenses.

3.15. Corporate Tax

Pursuant to article 9 of Law 43/1995, on the corporate tax, the City of Barcelona and its municipal agencies are exempt from this tax. Moreover, article 146 of said law prohibits the withholding of profits obtained by such entities.

For municipal companies, the corporate tax is calculated based on their book result, which need not necessarily be the same as their fiscal result, the latter being construed as the taxable income for the tax, given that the corresponding long-term differences are taken into account. Pursuant to article 32 of Law 43/1995, on the corporate tax, and article 25 of the Law on local

taxation, private municipal companies are eligible for a 99% rebate on the taxes paid on their earnings from activities classified as public service under this legislation.

3.16. Environment

Expenses derived from actions intended to protect and improve the environment are recorded, where applicable, as expenses in the year they are incurred. This notwithstanding, should they entail incorporations to tangible fixed assets as a result of actions to minimize impacts on the environment or to protect and improve it, they are recorded as increased value of the fixed asset in question.

3.17. Consolidated Goodwill

The attached consolidated balance sheet includes goodwill less amortization for the amount of 1,878 thousand euros. These funds stem from the positive consolidation difference arising between the amount paid for the acquisition of the shares in the company Parc d'Atraccions Tibidabo, SA, and this company's net worth on the date of its acquisition, during the 2002 fiscal year.

Goodwill is amortized linearly over a period of 20 years, as this is the period for which it is estimated that it will contribute to the obtaining of profits for the group.

Note 4 - Intangible Fixed Assets, Tangible Fixed Assets and Infrastructures

a) Intangible Fixed Assets

The movement registered in the different accounts under intangible fixed assets was as follows:

	12/31/02	Additions	Retirements	Transfers	12/31/03
Start-up Expenses	49	–	(33)	–	16
R & D Expenses	921	–	(36)	–	885
Concessions, Patents, Licences and Trademarks	44,853	1,890	(2,734)	(5,546)	38,463
Data-processing Applications	5,449	1,516	(39)	1,018	7,944
Rights on Goods Under Financial Leasing	1,830	1,038	–	1	2,869
Others	1,302	13,021	(509)	(12,767)	1,047
Intangible Fixed Assets	54,404	17,465	(3,351)	(17,294)	51,224
Accumulated Depreciation	(10,211)	(4,795)	69	2,375	(12,562)
Net Intangible Fixed Assets	44,193	12,670	(3,282)	(14,919)	38,662

The main entry under the caption “Concessions” (20,234 thousand euros) corresponds to the parking lots managed by Barcelona de Serveis Municipals, SA, (see Note 3.1.a), the cumulative depreciation of which came to 6,739 thousand euros.

The following items had been completely written off as of December 31, 2003:

	Thousands of euros
R & D Expenses	845
Concessions, Patents and Trademarks	2,951
Data-processing Applications	1,589
Others	118
Total	5,503

b) Tangible Fixed Assets and Infrastructures

The movement registered in the different accounts for tangible fixed assets and infrastructures was as follows:

	12/31/02	Additions	Retirements	Transfers	12/31/03
Lands and Buildings (*)	5,013,402	64,016	(12,332)	61,209	5,126,295
Fixed Assets Assigned to Municipal Agencies and Third Parties	610,363	0	0	20,142	630,505
Land and Properties	5,623,765	64,016	(12,332)	81,351	5,756,800
Vehicles	11,636	1,346	(30)	(21)	12,931
Machinery, Equipment, Installations and Tools	153,730	10,020	(2,667)	5,531	166,614
Data-processing Equipment	46,959	874	(947)	3,200	50,086
Office Furniture and Equipment	47,210	4,293	(2,460)	4,463	53,506
Other	5,370	6,884	(914)	6,031	17,371
Other Fixed Assets	264,905	23,417	(7,018)	19,204	300,508
Total Tangible Fixed Assets	5,888,670	87,433	(19,350)	100,555	6,057,308
Tangible Fixed Assets Assigned to Municipal Agencies and Third Parties	(610,363)	0	0	(20,142)	(630,505)
Fixed Assets Pending Classification	929,701	576,043	(40,761)	(278,715)	1,186,268
Infrastructures and Assets for Public Use	4,424,549	0	661	243,256	4,668,466
Investments Assigned for Public Use	(4,424,549)	0	(661)	(243,256)	(4,668,466)
Investments for Public Use: HOLSA	204,255	0	0	(40,076)	164,179
Gross Tangible Fixed Assets and Infrastructures	6,412,263	663,476	(60,111)	(238,378)	6,777,250
Accumulated Depreciation and Provisions	(531,410)	(144,491)	6,327	(2,135)	(671,709)
Net Tangible Fixed Assets and Infrastructures	5,880,853	518,985	(53,784)	(240,513)	6,105,541

(*) In accordance with applicable legislation, group entities record the value of lands containing any type of building under the caption “Buildings.” This caption includes 2,640,718 thousand euros, as of December 31, 2003, and 2,626,171 thousand euros, as of December 31, 2002, corresponding to the value of lands containing buildings.

The additions made over the fiscal year include, among others:

- Assets received through free assignment or the redefinition of lots, for an amount of 16,360 thousand euros, credited as revenue under the caption “Extraordinary Results” on the attached statement of revenue and expenses (see Note 19.8).
- Movables assigned to the City of Barcelona by the Institut Municipal d’Educació (Municipal Agency for Education) for the amount of 155 thousand euros (see Note 9.1).
- The return to municipal assets of the property of the old Born market, valued at 27,078 thousand euros (entered under positive extraordinary results, see Note 19.8), which had been assigned to the Ministry of Education and Culture for the building of the Library of Catalonia, and returned in December 2003.
- Investments in the process of being incorporated into the City’s Asset Inventory, investments in movables and actions carried out by decentralized entities pursuant to the terms of the Decree issued by the Mayor’s Office on April 3, 1997. Out of the investments made by municipal agencies and companies, the sum of 14,326 thousand euros has been credited to the attached statement of revenue and expenses under positive extraordinary results (see Note 19.8), given that they have been financed by third parties.
- Housing built on behalf of the Patronat Municipal de l’Habitatge (Municipal Housing Agency).
- The building of new parking lots, adaptation of the new car scrap yard and various installations at Barcelona zoo, carried out by Barcelona de Serveis Municipals, SA.
- Construction works of the 7@ facilities, which house the Porta 22 headquarters and those of Barcelona Activa, SA, carried out by said company.
- Installation of a new packaging line at the recycling plant at Gavà and building of a sawmill plant, carried out by Tractament i Selecció de Residus, SA.
- New programme production system of Barcelona Televisió, undertaken by Informació i Comunicació de Barcelona, SA, and construction of new sets by 22 Arroba Bcn, SA.

The disposals carried out over the fiscal year primarily include:

- The demolition and disposal of assets for restatements for the book value of 1,506 thousand euros, producing a negative extraordinary result of 1,174 thousand euros. Likewise, the sale or barter of different municipal buildings, leading to a positive extraordinary result of 24,030 thousand euros (see Note 19.8).
- The free assignments of several sites to Incasol, which represented the disposal of assets valued at 511 thousand euros and negative extraordinary results for the same amount.
- The retirement of non-capitalized tangible assets pending classification, as they deal

with payments for compensation on property retired or repayments for market stalls of renovated markets, for a total of 12,880 thousand euros (negative extraordinary results, see Note 19.8)

- Assignment of the right to use parking lots, awarded by Barcelona de Serveis Municipals, SA.

The main components of the transfers for the fiscal year are mainly offset by the net worth accounts (see Note 9.1), primarily due to the following reasons:

- Free assignment of the use of several business premises or surface rights of different lots (avinguda de la Llum, Casa d'Àsia, Institut Botànic, lots in carrer d'Alí Bei and in Via Favència, etc.) to other entities for an amount of 20,142 thousand euros.
- Delivery for public use of the thoroughfare infrastructure, large facilities for public services, green spaces, etc., for the amount of 243,256 thousand euros.

The elements totally written off as of December 31, 2003 are the following:

	Thousands of euros
Buildings	189
Vehicles	4,159
Machinery, Equipment, Installations and Tools	28,681
Data-processing Equipment	11,831
Office Furniture and Equipment	10,552
Other	6,694
Total	62,106

As of December 31, 2003, the caption "Fixed Assets Pending Classification" included 90 million euros corresponding to investments made up to that date in the construction of infrastructures for the marina in the area where the events of the Universal Forum of Cultures Barcelona 2004 will be held. Said marina is an assignment from the Directorate General of Ports and Transports of the Generalitat of Catalonia; therefore, any investments made for its construction will be classified as "Intangible Fixed Assets" once the project has been completed. Upon conclusion of the assignment period in 2031, those buildings, facilities and other elements affecting port services will revert to the port authority.

The additions in accumulated depreciation correspond to the provision for the depreciation of tangible fixed assets in 2003, for the amount of 67,660 thousand euros. The retirements from amortizations correspond to the disposal, transfer and demolition of assets for the amount of 5,895 thousand euros.

The provision for the depreciation of fixed assets pending classification, for the amount of 76,274 thousand euros, corresponds to the estimated amount invested in property to be delivered for public use that cannot be inventoried by the City of Barcelona, specifically, the investments being made in the area where the events of the Universal Forum of Cultures Barcelona 2004 will be held.

It is the policy of the Group to contract the insurance policies that it deems necessary to cover the possible risks that could affect the fixed asset elements.

Note 5 - Interests in Associated Companies

This heading reflects the investments made in dependent companies that could not be fully consolidated, but, rather, were consolidated by the equity method, as shown in the following chart:

Barcelona Holding Olímpic, SA (Holsa)	42,879
Barcelona Emprèn, SCR, SA	1,736
Barcelona Regional, AMDUI, SA	369
Total	44,984

Note 6 - Other Financial Investments

The balance of this caption reflects the interests of less than 20% held in different companies by the City of Barcelona and the entities belonging to its Group, as well as other credits and long-term deposits and guarantees, as shown in the following chart:

Investment Portfolio	31,110
Deposits and Guarantees	1,960
Other Long-term Loans	14,653
Total	47,723

The securities portfolio can be broken down as follows:

	Net Book Value of the Holding as of 12/31/02	Additions	Retirements	Transfers	Provisions	Net Book Value of the Holding as of 12/31/03	% Interest Held by the City of Barcelona as of 12/31/03
Fira 2000, SA	6,010	8,760	-	-	-	14,770	12.80
Catalana d'Iniciatives, CR, SA (1)	4,131	2,096	-	1,613	(551)	7,289	13.45
Túnels i Accessos de Barcelona, SA (1)	3,568	-	-	-	-	3,568	2.82
Nexus Capital, SA (1)	1,613	-	-	(1,613)	-	-	-
Ecoparc de Barcelona, SA (1)	1,472	-	-	-	-	1,472	11.73
Ecoparc del Besòs, SA (1)	771	-	-	-	-	771	5.86
Ecoparc del Mediterrani, SA (1)	960	-	-	-	-	960	11.73
Clavegueram de Barcelona, SA (1)	631	-	-	-	-	631	17.50
Hotel Miramar, SA (1)	668	-	-	-	(8)	660	10.00
Barcelona Tecnologia, SA	174	-	-	-	-	174	10.74
Others	813	159	(113)	-	(44)	815	-
Total Investment Portfolio	20,811	11,015	(113)	-	(603)	31,110	

(1) Interest held through the Barcelona de Serveis Municipals group.

During the 2003 fiscal year, the company Fira 2000, SA underwent an increase in share capital. The City of Barcelona has subscribed 8,760 thousand euros, thus increasing its shareholding percentage to 12.80%.

The retirement of the financial investment in the company Nexus Capital, SA, is caused by its merger with Catalana d'Iniciatives, CR, SA; the latter absorbing the former.

During the 2003 fiscal year, the City of Barcelona subscribed to shares in the companies Générále Location Convenciones Barcelona, SL, which shall manage the Convention Centre and the Auditorium of the Forum Building, and in Barcelona Sagrera Alta Velocitat, SA, a company targeted at executing part of the investment to be made in the high-speed Barcelona-Sagrera train station.

Other long-term credits can be broken down as follows:

Public Treasury Receivable for Early Corporate Tax	5,990
Term Deposits	4,800
Long Term Clients and Receivables	2,551
European Grants 2005-2006	1,312
Total	14,653

Note 7 - Deferred Expenses

The balance of this caption corresponds, on the one hand, to note and bond issue and loan arrangement expenses, which registered the following movements:

Loan Arrangement Expenses	
Balance as of December 31, 2002	4,074
Allocation to Results as Financial Expenses	(2,753)
Balance as of December 31, 2003	1,321

The allocation to results as financial expense is made annually and is calculated in a linear manner until the maturity of the formalised operations.

On the other hand, it includes the goodwill stemming from the acquisition, on March 19, 2002, of 100% of the share capital of Parc d'Atraccions Tibidabo, SA, by Barcelona de

Serveis Municipals, SA. This goodwill stems from the positive consolidation difference arising between the amount paid for the acquisition of the shares and the net worth of the acquired company, and it will be amortized linearly over a period of 20 years, as this is the period for which it is estimated that it will contribute to the obtaining of profits for the group. The movement registered under this caption in 2003 was as follows:

	Goodwill
Balance as of December 31, 2002	1,982
Amortization for the Year	(104)
Balance as of December 31, 2003	1,878

The remainder of the balance for this caption, 93 thousand euros as of December 31, 2003, corresponds to the financial expenses of financial leasing operations.

Note 8 - Accounts Receivable

Accounts receivable are classified as follows:

a) By the City of Barcelona	654,478
Direct Taxes	246,303
Indirect Taxes	4,469
Charges and Other Revenue	217,629
Current Transfers	82,345
Capital Gains	24,574
Disposal of Real Investments	21,402
Capital Transfers	26,890
Other	30,866
b) By Municipal Agencies and Companies	99,520
Total Receivable	753,998

The amounts and movements registered in the account for the provision for bad debts were as follows:

Balance as of December 31, 2002	311,526
Amount Charged to Statement of Revenue and Expenses	79,284
Bad Debts Written Off	(48,402)
Allocation to Extraordinary Results	(123)
Balance as of December 31, 2003	342,285

The provision for bad debt is determined by applying the collectibility ratios estimated by the City of Barcelona based on its past experience to the receivables for taxes and charges in the enforced collection period (252,973 thousand euros) and to the receivables for fines, both in the voluntary and enforced collection periods (160,427 thousand euros).

The provision for the fiscal year, 79,284 thousand euros, is shown under liabilities on the consolidated statement of revenue and expenses, along with other provisions for sundry items amounting to 691 thousand euros.

Over the course of the 2003 fiscal year, the City of Barcelona wrote off a total of 50,288 thousand euros in bad debt, comprised of accounts for taxes and fines, as well as other debts pertaining to individuals declared to be insolvent.

Note 9 - Net Worth and Results

9.1. Net Worth

The amounts and movements registered in the net worth accounts during the fiscal year were as follows:

	Net Worth	Property Assigned to Municipal Agencies and Third Parties (see Note 3.2)	Property Delivered for Public Use (see Notes 3.3 and 4.b)	Property Assigned by Municipal Agencies and Third Parties (see Note 3.2)	Total
Initial Balance	8,629,252	(610,363)	(4,424,549)	50,900	3,645,240
Allocation of City of Barcelona Results, 2002 Fiscal Year	333,281	-	-	-	333,281
Change in Net Worth of Municipal Agencies and Companies	-	-	-	155	155
Land Assignment	-	(1,818)	-	-	(1,818)
Change in Property Assigned to Third Parties	-	(18,324)	-	-	(18,324)
Property Delivered for Public Use	-	-	(243,917)	-	(243,917)
Other Movements	(12)	-	-	-	(12)
Closing Balance	8,962,521	(630,505)	(4,668,466)	51,055	3,714,605

Property assigned by municipal agencies and third parties reflects the value of those assets assigned to the City of Barcelona by other entities for operation or use.

The change in the net worth of municipal agencies and companies wholly corresponds to the incorporation, as property assigned to the City of Barcelona, of assets freely assigned to the City by the Institut Municipal d'Educació (Municipal Agency for Education).

9.2. Results

The consolidated result allocable to the City of Barcelona can be broken down as follows:

Results of City of Barcelona	328,418
Aggregate Result of Municipal Agencies and Companies	30,882
Share in Results by Equity Method	(515)
Elimination of Dividends	(4,307)
Consolidation Adjustments	2,726
Consolidated Results	357,204
Results Allocable to Minority Interests Before Interim Dividends	(10,214)
Results Allocable to the City of Barcelona	346,990

Note 10 - Consolidation Reserves

The consolidation reserves and their movement can be broken down as follows:

	Balance as of 12/31/02	2002 Result (a)	Dividends, Transfers and Other	Balance as of 12/31/03
Fully Consolidated	110,453	14,930	(2,133)	123,250
PM de l'Habitatge	16,688	473	210	17,371
IM de Persones amb Disminució	86	56	14	156
Fundació Mies Van der Rohe	(1)	87	-	86
IM d'Informàtica	(54)	279	(55)	170
IM d'Urbanisme	1,368	113	(74)	1,407
IM d'Hisenda	284	20	(97)	207
IM de Mercats	7,342	49	(2,436)	4,955
IM de Parcs i Jardins	1,271	171	363	1,805
IM d'Educació	4,143	390	(31)	4,502
Institut de Cultura de Barcelona	2,543	89	(467)	2,165
IM de Salut Pública	865	6	-	871
IM del Paisatge Urbà i Qualitat de Vida	1,220	7	-	1,227
Group Barcelona de Serveis Municipals (b)	65,495	12,149	(4,407)	73,237
Informac. i Comunicac. de Barcelona, SA	453	14	1,474	1,941
Barcelona Activa, SA	6,981	86	3,373	10,440
Pro Nou Barris, SA	65	389	-	454
Infraestruct. del Llevant de Barcelona, SA	30	38	-	68
22 Arroba Bcn, SA	1	104	-	105
SM Barcelona Gestió Urbanística, SA	69	145	-	214
Promoció Ciutat Vella, SA	1,159	-	-	1,159
Foment de Ciutat Vella, SA	56	97	-	153
ProEixample, SA	389	168	-	557
By the Equity Method	(228)	(621)	-	(849)
Barcelona Holding Olímpic, SA	(306)	(573)	-	(879)
Barcelona Emprèn, SCR, SA	77	(52)	-	25
Barcelona Regional, AMDUI, SA	1	4	-	5
Total	110,225	14,309	(2,133)	122,401

(a) Adjusted according to the proportion of interest held.

(b) With regard to the Barcelona de Serveis Municipals group, the information has been added to the companies that merged with Barcelona de Serveis Municipals, SA, during the 2003 fiscal year (Parc Zoològic de Barcelona, SA, and Barcelona Promoció d'Instal·lacions Olímpiques, SA) and its subsidiaries Tractament i Selecció de Residus, SA, Serveis Funeraris de Barcelona, SA, and Mercabarna, SA (see Note 2.2).

To calculate the consolidation reserves, the book and technical book values of the interests held, the dividends collected over the 2003 fiscal year and other consolidation adjustments were used to homogenize the receivables and payables between the City of Barcelona and some of its municipal agencies and companies.

The main components of the “Dividends, Transfers and Other” column correspond to the

dividends from previous fiscal years on the dependent companies Serveis Funeraris de Barcelona, SA, and Mercabarna, SA, integrated within the group Barcelona de Serveis Municipals, and to the correction in the existing temporary difference between the provision for capital transfers and the execution of the works and services they are intended to finance.

Note 11 – Minority Interests

This caption reflects the portion of the net worth and results for the fiscal year of those municipal companies included in the consolidation belonging to shareholders or associates who are not members of the consolidated Group. It can be broken down as follows:

	Balance as of 12/31/02	Dividend 2002 Fiscal Year	2003 Fiscal Year Result	Interim Dividend Fiscal Year 2003	Balance as of 12/31/03
ProEixample, SA	3,479	–	106	–	3,585
Foment de Ciutat Vella, SA	3,092	–	245	–	3,337
Tractament i Selecció de Residus, SA	20,359	–	1,543	–	21,902
Serveis Funeraris de Barcelona, SA	3,836	(2,021)	7,607	(1,525)	7,897
Mercabarna, SA	27,142	(599)	713	–	27,256
Total	57,908	(2,620)	10,214	(1,525)	63,977

Note 12 - Capital Transfers

The amounts and movements registered under this caption on the attached balance sheet for the fiscal year ended December 31, 2003, were as follows:

Balance as of December 31, 2002	242,225
Additions	74,622
Transfer to Short-term Accruals	(3,099)
Transfer from Short-term Accruals	847
Transfer to Extraordinary Revenue by Correlation with Depreciation	(5,060)
Transfer to Fiscal Year Results	(134)
Retirements for Delivery of Assets	(5,318)
Balance as of December 31, 2003	304,083

Note 13 - Deferred Income

As of December 31, 2003, this caption had the following composition (see Note 3.8):

	Balance as of 12/31/02	Additions	Allocation to Income for Year	Transfers to Short-term	Delivery of Assets to the City	Balance as of 12/31/03
Grave Assignments	31,167	3,007	(25)	(753)	–	33,396
Urban Planning Fees	16,173	24,163	–	(6,702)	(19,509)	14,125
Cemetery and Cremation Service Management Concession	11,443	–	–	(541)	–	10,902
Initial Concession of Commercial Spaces at Mercabarna	10,441	153	(508)	–	–	10,086
Levies Received for Usage Rights	11,997	26,590	(984)	(983)	–	36,620
Other	3,916	621	(50)	–	–	4,487
Total	85,137	54,534	(1,567)	(8,979)	(19,509)	109,616

Grave assignments correspond to the portion pending long-term accrual of the amounts received as a result of the dissolution of the Institut Municipal de Serveis Funeraris de Barcelona, with accounting effects as of January 1, 1997, recorded as advance collection on two-year grave leases and fifty-year grave assignments. These amounts are recorded as revenue according to the straight-line method for a period of two years or over the course of the assignment (50 years), respectively.

The urban planning fees correspond to the amounts to be liquidated or that have already been liquidated by the owners of the lots included in the urban planning cooperation actions promoted by SM Barcelona Gestió Urbanística, SA, and 22 Arroba Bcn, SA. This caption is credited by the entities once payment of the fees can be demanded, and it is debited upon delivery of the actions they finance to the City of Barcelona. The corresponding fixed

asset is activated by the City of Barcelona through a credit to extraordinary results only in the case of public works.

As a result of the sale of 49% of the shares in Serveis Funeraris de Barcelona, SA, in the 1998 fiscal year, and in accordance with the agreement regulating the management and operation of municipal assets, the City of Barcelona incorporated 14,508 thousand euros as the current net value of those shares held by the municipality into its balance as deferred income (through application of a restatement rate of 4% to the depreciation flows). The accrued amount of said revenue is transferred every year to the attached statement of revenue and expenses.

Entrance fees charged in the initial assignment of sales outlets and commercial spaces at Mercabarna, SA, are recorded as revenue in accordance with the straight-line method over the period of assignment.

Levies for surface rights collected in advance are transferred to results in accordance with the straight-line method over the valid term of said rights. During the 2003 fiscal year, the City of Barcelona received a total of 22,159 thousand euros for the assignment of the right to manage and operate the Sant Adrià marina until February 28, 2031. Upon this date the City of Barcelona must return the works made in port services to the Directorate General of Ports and Transports of the Generalitat of Catalonia. Every year the City of Barcelona transfers the accrued amount of this revenue to the statement of revenue and

expenses, applying the straight-line method over the course of the 28 year concession period.

The amount transferred to short term is the one set to be applied to the statement of revenue and expenses for the 2004 fiscal year, and is shown in the caption "Accrued Expenses" of the liabilities of the balance sheet for the fiscal year ended December 31, 2003 (see Note 17).

The retirements for delivery correspond to the cooperative actions transferred to the City of Barcelona by the group's managerial bodies.

Note 14 - Provisions for Contingencies and Expenses

The composition and movement of this caption during the 2003 fiscal year was as follows:

	Balance as of 12/31/02	Provisions and Transfers	Allocations	Balance as of 12/31/03
Ongoing Court Cases and Legal Claims	45,627	6,151	(6)	51,772
Major Overhauls	11,162	1,041	(5,479)	6,724
Unappropriated Earnings	1,412	218	-	1,630
Others	2,900	3,014	(225)	5,689
Total	61,101	10,424	(5,710)	65,815

The provisions for major overhauls include funds created by Barcelona de Serveis Municipals, SA, in order to cover pluriannual repair expenses and the partial replacement of certain fixed assets items.

The balances for the provision for court cases and legal claims and for other provisions are intended to cover a variety of possible future commitments, whose maturity dates and amounts cannot yet be known.

Note 15 - Issue of Notes and Other Negotiable Securities and Bank Debts

The outstanding capital as of December 31, 2003, corresponding to long-term loans and debentures subscribed by the City of Barcelona Group can be broken down as follows:

Description	Outstanding Capital
European Union Market	
• Bank Loans	664,054
• Capital Market	516,996
Subtotal	1,181,050
Non-European Union Markets	
• Capital Market	155,181
Subtotal	155,181
Total Long-term Debt	1,336,231

The movement registered under the caption “Long-term Loans and Debentures” during 2003 was as follows:

Balance as of December 31, 2002	1,324,197
Additions:	
• New Operations	106,814
Disposals:	
• Contractual Repayments	(92,481)
• Amortization by Substitution or Assignment	(2,299)
Balance as of December 31, 2003	1,336,231

The debt profile by maturities as of December 31, 2003, was as follows:

Maturity	Amount
2004	204,824
2005	223,482
2006	93,033
2007	139,661
2008	127,448
2009	129,090
2010	66,899
2011	8,689
2012	95,761
2013	10,796
2014 and Beyond	236,548
Total	1,336,231

The account “Bank Debt” under current liability, for the amount of 87 thousand euros, reflects the outstanding capital as of December 31, corresponding to loans and credits maturing in less than twelve months.

As of December 31, 2003, there existed unexecuted stand-by lines for a total of 240,125 thousand euros.

The average interest rate over the 2003 fiscal year was 5.0% and had the following composition:

Long-term Debt	5.0%
Short-term Debt	2.4%

As of December 31, 2003, 55.4% of the long-term consolidated financial debt had a fixed interest rate, and 44.6% had a variable interest rate.

At the close of the fiscal year, the accrued and unmatured interests for these loans came to 17,583 thousand euros, included in the caption “Accrued Expenses” under liabilities (see Note 17).

Note 16 - Public Agencies

This account can be broken down as follows:

Item	Debit Balance	Credit Balance
Social Security	–	25,845
Value Added Tax	38,596	16,402
Personal Income Tax	–	9,768
Corporate Tax	3,073	1,987
Other	141	961
Total	41,810	54,963

The debit balance is included in the caption “Receivables” of the consolidated balance sheet.

The amounts included in the caption “Corporate Tax” on the consolidated statement of revenue and expenses correspond to the companies and amounts shown below:

Serveis Funeraris de Barcelona, SA	1,031
Barcelona de Serveis Municipals, SA	842
Foment de Ciutat Vella, SA	269
ProEixample, SA	118
Mercabarna, SA	88
22 Arroba Bcn, SA	16
Barcelona Activa, SA	10
Pro Nou Barris, SA	5
Tractament i Selecció de Residus, SA	4
Infraestructures del Llevant de Barcelona, SA	1
Total	2,384

Inspection is pending for Group companies of those fiscal years not prescribed for all applicable taxes. No significant additional liabilities are expected to be accrued by the companies as a result of possible inspections.

Note 17 - Accrued Expenses

The account “Accrued Expenses,” listed under liabilities on the attached balance sheet, reflects the City of Barcelona’s definite liabilities as of December 31, 2003, in accordance with their accrual periods and regardless of the date of requirement or payment on demand, as well as the capital grants given to the Group pending allocation. It has the following composition:

Current Transfers	1,622
Grave Assignment	1,154
Urban Planning Fees for Infrastructure Actions	8,899
Capital Transfers	6,807
Prepaid Income on Can Tunis Nou Housing Intervention	6,010
Other Advance Revenue	5,767
Accredited Unmatured Interest as of December 31, 2003	17,583
Depreciation on Assets Operated by Serveis Funeraris de Barcelona, SA	541
Current Transfers Given	1,200
Accrued Amounts Payable for Acquisition of Fixed Assets	11,029
Other Deferred Expenses	1,759
Total	62,371

Accredited and unmatured payments to personnel are shown under the caption "Other non-trade payables" and amount to 29,356 thousand euros.

Note 18 - Other Information

As of December 31, 2003, the guarantees provided by the group to cover credit operations came to 14,577 thousand euros.

The fees received by PricewaterhouseCoopers Auditores, SL, and Gabinete Técnico de Auditoría y Consultoría, SA, for auditing services and the expenses incurred for the provision thereof in the 2003 fiscal year came to 471 thousand euros. Pursuant to the terms of the adjudication of the audit tender, these fees, invoiced to the City of Barcelona, include those of the municipal agencies and companies forming a part of the City group, and the appropriate portions thereof will be duly charged to each of them.

Note 19 - Statement of Revenue and Expenses

19.1. Personnel Expenses

This entry includes the wages and salaries of group personnel, social security payments and other welfare expenses.

The rest of welfare expenses include, among others, the amounts paid by the City of Barcelona in 2003 as grants to class D and E employees, as well as to the cleaning staff, parking attendants and night watchmen, for the amount of 1,696 thousand euros. Likewise, this entry includes the expenses accrued over the 2003 fiscal year derived from the early retirement incentive plan approved by the Municipal Council Plenum on September 27, 2003, which amount to 3,760 thousand euros.

19.2. Work, Supplies and Subcontracted Services

This entry corresponds to the purchase of goods and services needed for municipal

activities to run smoothly, as well as for the conservation and maintenance of investments. It includes the service provision contracts subscribed by the Group with different private companies in order to enhance the functioning of the city, such as, for example, those for refuse collection and street cleaning.

19.3. Current and Capital Transfers (Expenses)

These entries include the current and capital transfers made by the Group, from its own budget or on behalf of third parties, to external entities, companies and individuals in order to finance their operating expenses or investments. The following entities were the main recipients:

Current Transfers	235,048
Municipal Association of the Barcelona Metropolitan Area	64,993
Consortia	53,908
Non-profit Organisations	45,249
Water Services and Waste Treatment Metropolitan Entity (EMSHTR)	30,473
Metropolitan Transportation Authority (ATM)	25,932
Companies	7,856
Autonomous Government	2,972
Others	3,665
Capital transfers	114,702
Barcelona Holding Olímpic, SA	55,970
Consortia	27,861
Metropolitan Transportation Authority (ATM)	24,179
Others	6,692
Total	349,750

19.4. Taxes

This caption includes local taxes that are collected by the City of Barcelona, distributed as follows:

a) Production-related Taxes

These taxes include the following: property tax, levied on property; tax on economic activities, levied on certain businesses, in accordance with the type of activity, the space occupied and the location; taxes on construction activities, installations and works, levied according to the cost of the project for which the license is solicited. This caption can be broken down as follows:

Property Tax (IBI)	319,100
Tax on Economic Activities (IAE)	89,248
Tax on Construction, Installations and Works, and Other Replaced Taxes	32,208
Total	440,556

b) Income and Wealth Taxes

This caption includes the tax on motor vehicles, which is levied on the ownership thereof, irrespective of the vehicle's class or category; the amount reached 74,350 thousand euros during the 2003 fiscal year.

c) Capital Taxes

This tax incorporates the 79,086 thousand euros corresponding to the tax on the increase in urban land values, a direct tax levied on the increases registered in the value of these lands

made evident upon their transfer. The rest of this caption's balance corresponds to special contributions for the amount of 4,392 thousand euros.

19.5. Sale of Services

This caption includes the charges and public prices invoiced for the provision of services and the revenue obtained by the entities within the sphere of their regular activities.

19.6. Revenue from Property and Business

The revenue from property and business basically includes fines and penalties for offences, interest and late payment surcharges, income from concessions and special uses and profit shares. The caption can be broken down as follows:

Fines	90,278
Charges for Use of Public Domain	46,025
Concessions and Special Uses	38,802
Interest and Surcharges	17,396
Total	192,501

19.7. Current Transfers (Revenue)

The municipality receives its share of the Central Government's tax revenue through an unconditional grant called the Share in Central Government Revenue (PIE), intended to supplement the tax revenue collected by local tax authorities. This caption likewise includes the ear-marked grants from the European Union, Central Government, autonomous community and local entities, as shown below:

Central Government	665,837
Central Government (for the Municipal Association of the Barcelona Metropolitan Area)	50,552
Generalitat of Catalonia	49,950
Local entities	32,387
Other entities	6,026
Total	804,752

19.8. Extraordinary Results

Extraordinary results can be broken down as follows:

	Note	Expenses	Revenue
Pluriannual Transfers to HOLSA	3.3	–	40,076
Return to Municipal Assets of the Born Market	4.b	–	27,078
Sale of Various Properties	4.b	–	24,030
Free Assignment and Receipt of Assets and Lot Redefinition	4.b	–	16,360
Receipt of Investment Projects	4.b	–	14,326
Non-capitalized Investment Expenses	4.b	12,880	–
Other Extraordinary Results	–	15,187	18,223
Total		28,067	140,093
Net Extraordinary Result			112,026

Note 20 - Statements of Changes in Financial Position for the 2003 and 2002 Fiscal Years

Applications of Funds	2003	2002	Source of Funds	2003	2002
	Fiscal Year	Fiscal Year		Fiscal Year	Fiscal Year
			Funds from Operations	437,243	422,216
Financial Expenses for New Operations and Debt Substitution	-	922			
Goodwill Obtained from First Consolidation	-	2,068			
Acquisition of Fixed Assets:			Disposal of Fixed Assets:		
• Tangible and Intangible	632,353	624,369	• Tangible	64,856	99,848
• Financial	19,638	-	• Financial	-	9,268
Minority Interests	-	2,392	Minority Interests	6,069	-
Allocation of Capital Grants for Delivery of Assets	7,570	15,262	Capital Transfers	74,622	66,220
Transfer of Deferred Income to Short-term	8,979	3,303	Deferred Income	54,534	32,145
Allocation of Long-term Provisions	5,710	22,229			
Redemption of Long-term Loans, Debentures and Received Loans	94,780	104,625	Loans and Other Long-term Debts	106,814	242,120
Long-term Guarantees and Deposits	8,468	-	Long-term Guarantees and Deposits	-	1,767
Allocation of Deferred Income for Delivery of Assets	19,509	17,259	Cancellation of Long-term Receivables	1,353	1,873
Other Long-term Payables	1,007	3,615	Provisions for Contingencies and Expenses	-	4,808
Pluriannual Transfers to HOLSA	40,076	33,078			
Total Funds Applied	838,090	829,122	Total Funds Obtained	745,491	880,265
Sources of Funds in Excess of Applications of Funds (Increase in Working Capital)	-	51,143	Applications of Funds in Excess of Sources of Funds (Decrease in Working Capital)	92,599	-
Total	838,090	880,265	Total	838,090	880,265

Change in Working Capital	2003		2002	
	Increase	Decrease	Increase	Decrease
Inventories	7,509	-	-	685
Accounts Receivable	56,334	-	30,973	-
Accounts Payable	-	13,093	-	146,279
Short-term Financial Investments	22,937	-	-	19,017
Cash	-	146,323	189,435	-
Accrued Expenses	-	19,963	-	3,284
Total	86,780	179,379	220,408	169,265
Decrease in Working Capital		92,599		
Increase in Working Capital			51,143	

The funds obtained from operations were as follows:

	Note	2003	2002
Net Surplus for the Fiscal Year		346,990	346,119
Net Results on Tangible Fixed Assets	19.8	(65,553)	(52,568)
Provision for Depreciation		72,455	66,368
Provisions for Fixed Assets Pending Classification		76,831	42,659
Provisions for Contingencies and Expenses	14	10,424	22,392
Deferred Expenses	7	2,857	6,504
Allocation of Long-term Provisions		–	(2,181)
Deferred Income Transferred to Statement of Revenue and Expenses	13	(1,567)	(1,879)
Capital Grants Transferred to Results	12	(5,194)	(5,198)
Funds from Operations		437,243	422,216

7

Five-year Data

City of Barcelona (1999-2003)

	1999	2000	2001	2002	2003	Annual Growth (%)
Personnel	6,943	6,753	6,683	6,638	6,689	-1.1%

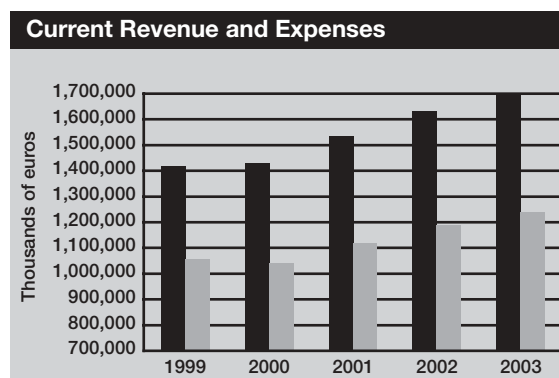
Economic Position (thousands of euros)

Current Revenue	1,417,595	1,431,725	1,534,756	1,631,204	1,697,039	4.3%
Current Expenses	1,057,258	1,039,288	1,118,378	1,187,549	1,237,225	3.6%
Gross Saving	360,337	392,437	416,378	443,655	459,814	6.5%
Net Investments	283,251	236,847	330,756	517,074	571,594	20.4%
Cash Surplus (Deficit)	42,756	152,916	88,235	-112,810	20,674	-26.8%

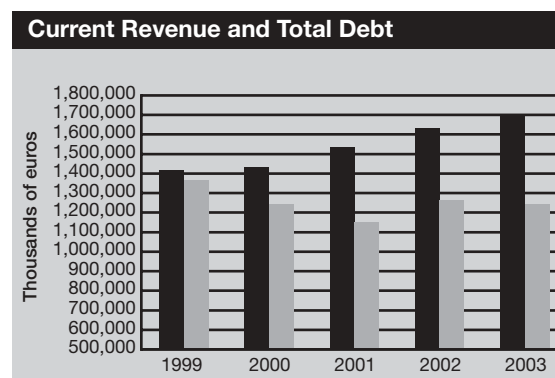
Total Debt as of 12/31	1,364,152	1,240,537	1,152,303	1,265,113	1,244,439	-2.2%
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Ratios

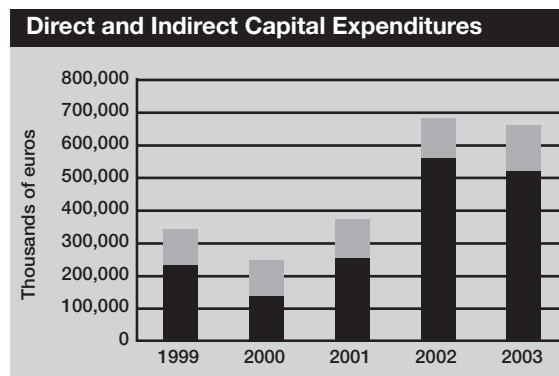
Gross Saving / Current Revenue (%)	25.4	27.4	27.1	27.2	27.1
Interest Coverage (x)	4.2	5.1	5.6	6.7	8.2
Capital Expenditure Coverage (x)	1.3	1.7	1.3	0.9	0.8
Capital Expenditure / Total Expenses (%)	24.5	19.4	25.1	36.5	34.8
Debt / Current Revenue (%)	96.2	86.6	75.1	77.6	73.3
Debt / Primary Saving (x)	2.9	2.5	2.3	2.4	2.4
Average Life of Long-term Debt (years)	5.2	4.7	4.8	5.6	5.2



■ Current Revenue ■ Current Expenses



■ Current revenue ■ Total Debt as of 12/31



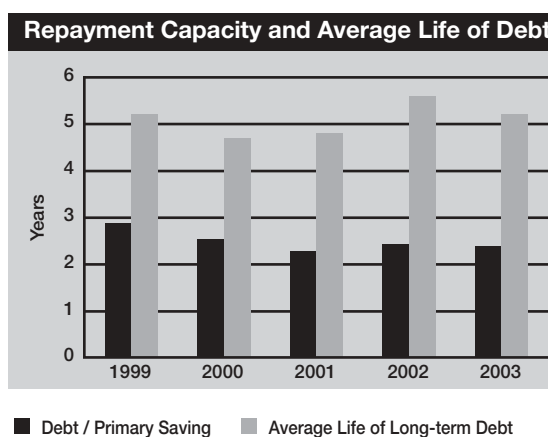
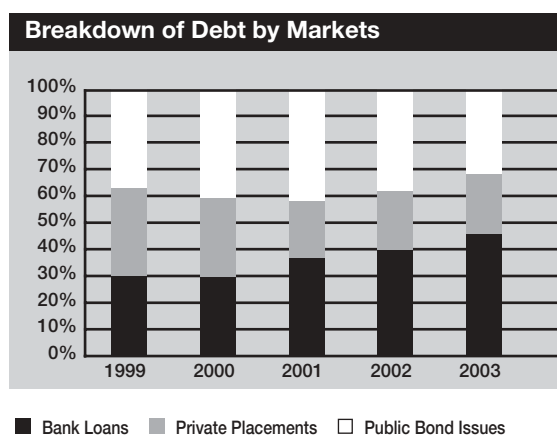
■ Direct Capital Expenditure
■ Indirect Capital Expenditure

Debt Ratings:

Moody's Investors Service: Aa2 (December 2003)
Standard & Poor's: AA (April 2003)
Fitch: AA (November 2001)
Rating & Investment Information: AA+ (July 1988)

City of Barcelona (1999-2003)

	1999	2000	2001	2002	2003	Annual Growth (%)
Balance Summary (thousands of euros)						
Fixed Assets	5,367,242	5,254,348	5,250,240	5,556,938	5,736,516	0.6%
Long-term Financial Investments	148,083	157,135	160,934	159,902	165,676	3.3%
Deferred Expenses	2,380	1,725	9,574	4,074	1,321	-14.7%
Long-term Accounts Receivable	0	0	0	0	0	0.0%
Fixed Assets	5,517,706	5,413,208	5,420,748	5,720,914	5,903,513	0.7%
Accounts Receivable	327,005	282,981	263,176	268,645	339,809	-0.5%
Cash	21,228	32,887	32,352	209,312	61,608	16.5%
Current Assets	348,232	315,868	295,528	477,957	401,417	1.3%
Total Assets	5,865,938	5,729,076	5,716,276	6,198,871	6,304,930	0.7%
Net Worth	3,598,446	3,652,134	3,764,221	3,978,509	4,043,023	1.6%
Capital Transfers Received	144,489	150,998	165,639	219,351	273,627	18.6%
Long-term Loans and Debentures	1,364,153	1,240,537	1,152,302	1,265,113	1,244,439	-2.2%
Pluriannual Transfers to HOLSA	302,303	266,771	237,333	204,255	164,179	-12.8%
Other Long-term Liabilities	50,106	39,282	59,914	85,480	125,181	11.7%
Long-term Liabilities	5,459,498	5,349,723	5,379,409	5,752,708	5,850,449	0.7%
Accounts Payable	406,440	379,353	336,867	446,163	454,481	0.1%
Short-term Loans	0	0	0	0	0	0.0%
Current Liabilities	406,440	379,353	336,867	446,163	454,481	0.1%
Total Liabilities	5,865,938	5,729,076	5,716,276	6,198,871	6,304,930	0.7%



Public Administration Debt (1999-2003)

	1999	2000	2001	2002	2003	Annual Growth (%)
Debt (millions of euros)						
Central Government	299,084	312,837	312,764	314,752	309,604	1.7%
Regional Government	36,224	38,337	40,735	41,654	43,565	4.6%
Local Authorities	19,718	20,172	20,740	22,074	23,243	3.8%
Spanish Municipalities	14,894	15,193	15,799	16,864	17,967	4.2%
City of Barcelona	1,417	1,241	1,152	1,265	1,244	-2.2%

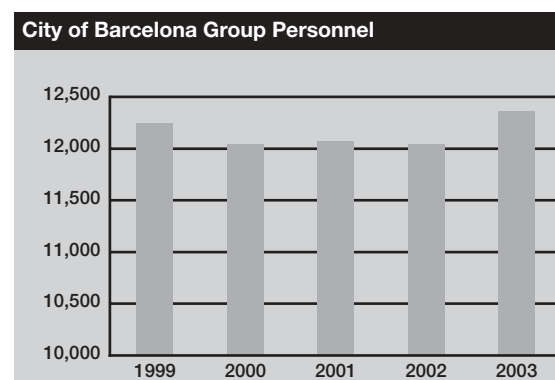
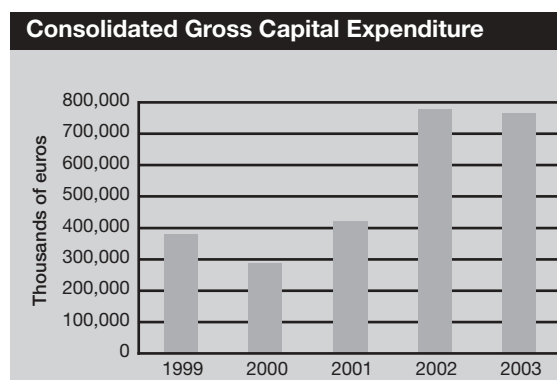
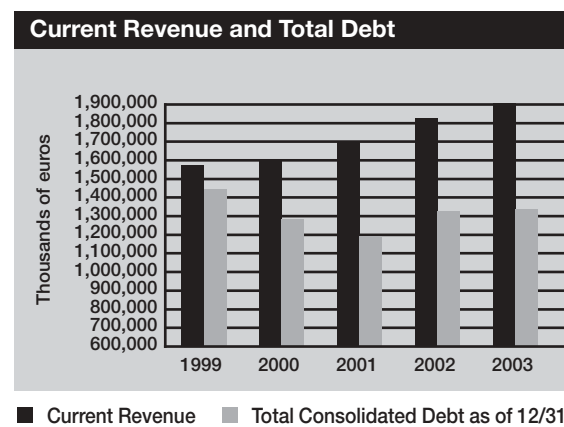
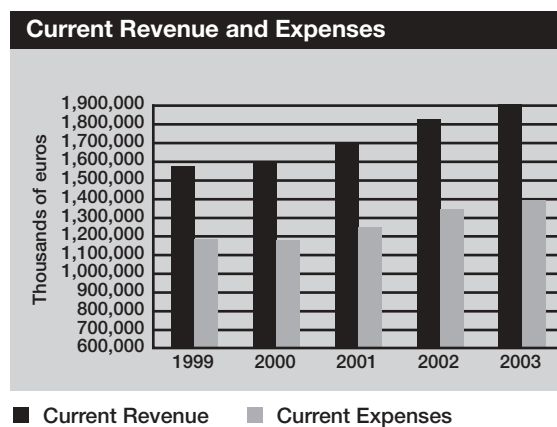
Source: Bank of Spain: www.bde.es/infoest and City of Barcelona

City of Barcelona Group (1999-2003)

	1999	2000	2001	2002	2003	Annual Growth (%)
Personnel	12,249	12,044	12,073	12,045	12,366	-0.3%
Economic Position (thousands of euros)						
Current Revenue	1,575,127	1,603,476	1,704,048	1,826,166	1,907,154	4.7%
Current Expenses	1,182,870	1,179,961	1,251,575	1,347,156	1,395,646	3.8%
Gross Saving	392,257	423,515	452,473	479,010	511,508	7.2%
Net Investment	289,057	251,962	344,362	579,104	641,303	22.4%
Cash Surplus (Deficit)	43,411	158,607	89,532	-135,743	-11,266	-164.3%
Total Consolidated Debt as of 12/31	1,444,177	1,284,074	1,192,740	1,327,351	1,336,318	-2.2%

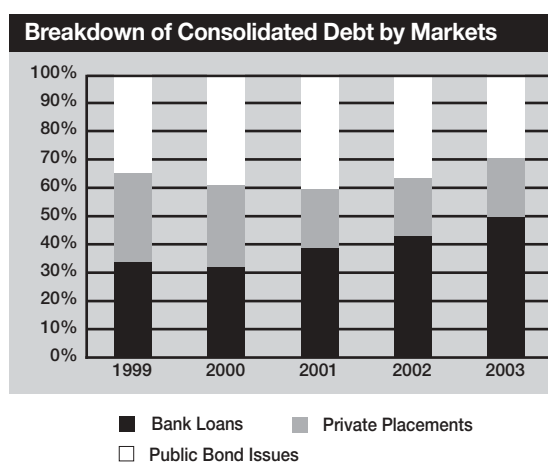
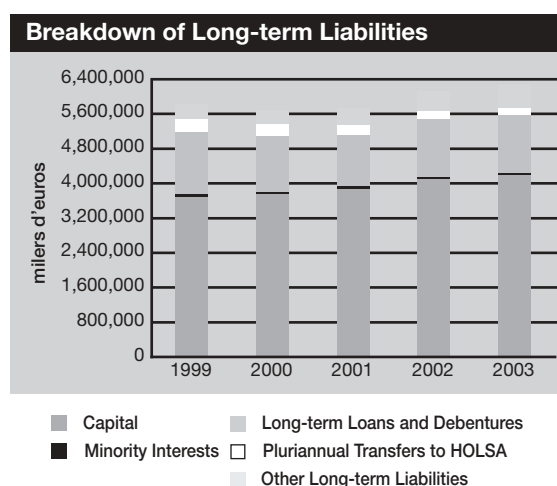
Ratios

Gross Saving / Current Revenue (%)	24.9	26.4	26.6	26.2	26.8
Interest Coverage (x)	4.5	5.6	6.5	7.8	9.8
Capital Expenditure Coverage (x)	1.4	1.7	1.3	0.8	0.8
Capital Expenditures / Total Expenditures (%)	24.2	19.7	25.2	36.6	35.4
Debt / Current Revenue (%)	91.7	80.1	70.0	72.7	70.1
Debt / Primary Saving (x)	2.9	2.5	2.2	2.4	2.3
Average Life of Long-term Debt (years)	5.3	4.8	5.0	5.8	5.6



City of Barcelona Group (1999-2003)

	1999	2000	2001	2002	2003	Annual Growth (%)
Balance Summary(thousands of euros)						
Intangible Fixed Assets	22,237	26,306	30,715	44,193	38,662	17.0%
Tangible Fixed Assets and Infrastructures	5,680,466	5,547,004	5,545,469	5,880,853	6,105,541	0.8%
Financial Intangible Assets	69,543	78,210	82,337	73,069	92,707	8.9%
Accounts Receivable for Long-term Trade Operations	48,466	37,996	37,678	35,805	34,452	-7.7%
Deferred Expenses	2,398	1,731	9,636	6,122	3,292	2.0%
Fixed Assets	5,823,110	5,691,247	5,705,835	6,040,042	6,274,654	0.9%
Inventories	30,279	28,199	36,900	36,215	43,724	1.5%
Accounts Receivable	407,739	337,282	327,941	358,242	413,540	-1.3%
Cash	69,501	97,845	99,005	269,423	146,037	13.3%
Current Assets	507,519	463,326	463,846	663,880	603,301	1.5%
Total Assets	6,330,629	6,154,573	6,169,681	6,703,922	6,877,955	0.9%
Capital	3,703,088	3,764,415	3,874,665	4,101,585	4,183,996	1.8%
Minority Interests	59,098	57,559	60,300	57,908	63,977	2.0%
Long-term Loans and Debentures	1,430,553	1,275,095	1,186,702	1,324,197	1,336,231	-2.0%
Pluriannual Transfers to HOLSA	302,303	266,771	237,333	204,255	164,179	-12.8%
Other Long-term Liabilities	326,927	313,650	381,325	437,730	519,306	10.9%
Long-term Liabilities	5,821,968	5,677,491	5,740,325	6,125,675	6,267,689	0.9%
Accounts Payable	495,036	468,102	423,318	575,093	610,179	1.8%
Short-term Loans	13,625	8,979	6,038	3,154	87	-61.5%
Current Liabilities	508,661	477,081	429,356	578,247	610,266	1.4%
Total Liabilities	6,330,629	6,154,573	6,169,681	6,703,922	6,877,955	0.9%



Consolidated Debt of the City of Barcelona: Public Administration and Commercial Entities (1999-2003)

	1999	2000	2001	2002	2003	Annual Growth (%)
(millions of euros)						
Public Administration	1,426	1,262	1,168	1,265	1,245	-3.3%
Commercial Entities	18	22	25	62	92	40.1%
Total Debt	1,444	1,284	1,193	1,327	1,336	-2.2%

