

M 04

Annual Report 2004

# Annual Report City of Barcelona 2004







© Ajuntament de Barcelona  
[www.bcn.es](http://www.bcn.es) (The City Council / Financial Information)

Published by: Gerència Municipal  
Printed by: Imatge i Producció Editorial  
Legal Deposit: B. 20.248-2005  
Exp.: 20050484



# Annual Report 2004

## 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

CiU:

The Hon. Mr. Jaume Ciurana Llevadot  
The Hon. Ms. Teresa M.<sup>a</sup> Fandos Payà  
The Hon. Mr. Joaquim Forn Chiariello  
The Hon. Mr. Eduard García Plans  
The Hon. Ms. Magdalena Oranich Solagran  
The Hon. Ms. Joana M.<sup>a</sup> Ortega Alemany  
The Hon. Mr. Joan Puigdollers Fargas  
The Hon. Ms. Sònia Recasens Alsina  
The Hon. Mr. Xavier Trias Vidal de Llobatera

PP:

The Hon. Ms. Emma Balseiro Carreiras  
The Hon. Mr. Xavier Basso Roviralta  
The Hon. Mr. Jordi Cornet Serra  
The Hon. Ms. Ángeles Esteller Ruedas  
The Hon. Mr. Alberto Fernández Díaz  
The Hon. Ms. María Caridad Mejías Sánchez  
The Hon. Mr. Alberto Villagrasa Gil

ERC:

The Hon. Mr. Xavier Florensa Cantons  
The Hon. Mr. Ricard Martínez Monteagudo  
The Hon. Mr. Jaume Oliveras Maristany  
The Hon. Ms. Pilar Vallugera Balaña

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)  
The Hon. Mr. Francesc Xavier Casas Masjoan (PSC)  
The Hon. Mr. José Ignacio Cuervo Argudín (PSC)  
The Hon. Ms. Assumpta Escarp Gibert (PSC)  
The Hon. Mr. Ignasi Fina Sanglas (ICV-EUiA)  
The Hon. Mr. Xavier Florensa Cantons (ERC)  
The Hon. Mr. Eugeni Forradellas Bombardó (ICV-EUiA)  
The Hon. Mr. Ricard Josep Gomà Carmona (ICV-EUiA)  
The Hon. Mr. Jordi Hereu Boher (PSC)  
The Hon. Mr. Carles Martí Jufresa (PSC)  
The Hon. Mr. Ricard Martínez Monteagudo (ERC)  
The Hon. Mr. Ferran Mascarell Canalda (PSC)  
The Hon. Ms. Immaculada Mayol Beltrán (ICV-EUiA)  
The Hon. Ms. M. Immaculada Moraleda Pérez (PSC)  
The Hon. Mr. Francesc Narváez Pazos (PSC)  
The Hon. Mr. Jaume Oliveras Maristany (ERC)  
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)

# Sumari

<b>8</b>	<b>Letter from the Mayor</b>
<b>11</b>	<b>Foreword</b>
<b>17</b>	<b>1. The Political and Administrative Organisation of the City of Barcelona</b> <ul style="list-style-type: none"><li>1.1. The Structure of the Municipal Government</li><li>1.2. Managerial Organisation</li></ul>
<b>23</b>	<b>2. Barcelona's Economy in 2004</b> <ul style="list-style-type: none"><li>2.1. The Consolidation of Global Economic Growth</li><li>2.2. Satisfactory Growth of the Spanish and Catalan Economies in Quantitative Terms</li><li>2.3. Industry, Logistics and Goods Transport</li><li>2.4. Considerable Expansion of Passenger Transport and Tourism</li><li>2.5. Price and Consumption Indicators on the Increase</li><li>2.6. Construction and Property Market Prices</li><li>2.7. Favourable Evolution of the Labour Market</li></ul>
<b>30</b>	<b>3. The City of Barcelona and its Services</b> <ul style="list-style-type: none"><li>3.1. Introduction</li><li>3.2. Services to Citizens</li><li>3.3. City Services</li><li>3.4. Promotion of Barcelona's Economic Activity</li></ul>
<b>56</b>	<b>4. Management Report</b> <ul style="list-style-type: none"><li>4.1. Human Resources</li><li>4.2. Current Revenue</li><li>4.3. Current Expenses</li><li>4.4. Investments</li><li>4.5. Financing</li><li>4.6. Prospects</li></ul>
<b>73</b>	<b>5. City of Barcelona. 2004 Annual Statements and Accounts</b>
<b>103</b>	<b>6. The City of Barcelona Group. 2004 Consolidated Annual Accounts</b>
<b>137</b>	<b>7. Five-year Data</b>



# Letter from the Mayor

Joan Clos Matheu, Mayor of Barcelona

The year 2004 has served to give a major boost to citizen involvement in local public affairs. Two good examples of this, which are related to each other, are the setting up of the *Consell de Ciutat* (Consultative City Council), a space for civic representation, where the main issues affecting Barcelona will be debated, and the participation, for the first time, of local citizens, organisations and associations in the drawing up of the Municipal Action Programme for 2004-2007 and the District Action Programmes.

The 2004-2007 Municipal Action Programme, which was passed in April 2004, focuses on the services provided for people and the more community-based aspects of living together: civic mindedness, the improvement and maintenance of the public space and affordable housing.

There are many services provided for people such as nursery schools, libraries, old folks' homes, day centres, community centres and sports facilities. In addition to meeting such needs, the City of Barcelona, in conjunction with various civic organisations, caters for emerging social demands such as the reception of newly arrived immigrants, domiciliary services, support for families at risk of social exclusion, and services for older people, families living in poverty and the homeless.

In order to improve the conditions and quality of our life together, we have made a firm commitment to promoting public spiritedness through a plan focusing essentially on cleanliness, noise and mobility. The aim is to deepen people's responsibility towards the surroundings in which they live and relate to each other, and their respect for others, as the city is what we all make of it together.

However it is true that public spiritedness alone is not enough. We have a duty to keep the public space in good order. That is why we have put in place an integral public space maintenance plan involving simultaneous and co-ordinated attention to the different elements that make up this space: lighting, paving, signs, urban furniture and trees.

We have set in train the 2004-2010 Housing Plan with a view to making decent, appropriate housing available to all the city's inhabitants, especially the most underprivileged. The plan takes into account the new types of housing in keeping with society's present needs. It focuses on three lines of action: building affordable, price-controlled housing, refurbishing existing properties and encouraging letting. We are all involved in carrying out the plan, the public sector and the private sector alike.

Barcelona believes in a type of growth grounded in the knowledge-based society. That is why the City promotes use of the new technologies, innovation, research and quality training and education. However, in order to enjoy growth and employment, we also have to be competitive in regard to infrastructures. This

means infrastructures that stretch beyond the municipal boundaries and cover the whole of the metropolitan area.

Over the past few months, we have made progress in negotiating the Municipal Charter with the Central Government with a view to getting it to acknowledge the reality of this metropolitan area and the fact that Barcelona has historically made an effort to fill in for others, to do what no-one else was doing, or was able to do, given the circumstances. As the tier of government closest to the citizens, we demand that the Municipal Charter provides us with greater powers and proportional, transparent and equitable funding.

I hope you will find this annual report of interest. It reviews the City of Barcelona political and administrative organisation, and the most important events of 2004 in regard to the economy, municipal services and finances. And I encourage you to help make this the city we want, a modern, open, cosmopolitan and diverse city, where the people live and work in a state of well-being and prosperity.

A handwritten signature in black ink, consisting of a stylized 'J' and 'C' followed by a period, enclosed within a circular loop.

Joan Clos  
Mayor of Barcelona

# Foreword

**José Cuervo Argudín,**  
Chairman of the Presidency, Finance and  
Territorial Co-ordination Commission



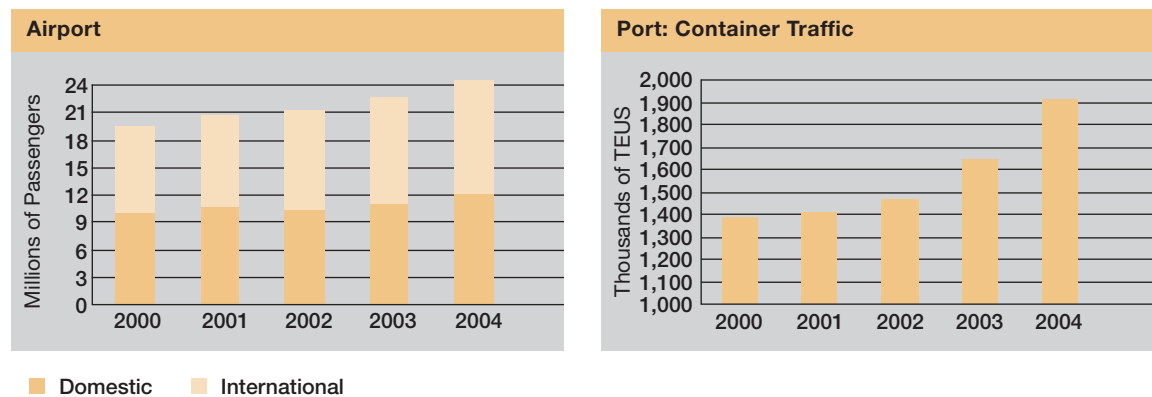


## Economic Framework

The latest estimates put real growth of the global economy in 2004 at well above 4%. This growth is notable both for its intensity and its extension to most of the major economic areas throughout the world. This can be seen in the 9% growth of the Chinese economy, the expansive trend of the economies of Latin America and the emerging Asian economies, and the economic growth registered by the main oil-exporting countries as a result of the increased demand for and rising price of this basic raw material. Growth for the OECD as a whole was around 3.5%.

The fact that the GDP of the European Union grew by just around 2% reveals the difficulty of the European economy to maintain a high growth rate in an environment characterized by the revaluation of the euro and the first symptoms of a slowdown of the global economy as a consequence, among other things, of the high price of oil. The major exceptions to this trend were the behavior of the British and Spanish economies, Spain's GDP growing by 2.7%, chiefly on the back of domestic consumption.

The evolution of the main indicators –transport, communication, tourism, production and employment– in Barcelona in 2004 confirm the city's good economic performance at the present time.



One of the motors driving the city's differential growth was the strong expansion of port traffic. A 13.1% increase took the volume of goods handled during the year up to 40 million tonnes. The port consolidated its strategy of becoming the entry point for imports of natural gas and oil derivatives while at the same time specializing in goods with greater value added.

Barcelona airport, with 24.6 million passengers in 2004, achieved a new historic record, beating the previous year's figure by 7.9%. The growing number of journeys by people and increased trade, together with the impact of the greater availability of cheap flights, were the factors triggering this expansion. Other factors that also played a part were the positive evolution of the Spanish economy compared to that of Europe as a whole, the strength of the euro –which encouraged people living in

Spain to travel abroad–, and the process of increasing operational capacity and improving the facilities being carried out at the airport.

Visitor hospitality services was one of the most dynamic sectors in Barcelona last year. A good example of this is that, during 2004, the figure of ten million overnight hotel stays was exceeded for the first time, 11.5% up on 2003. These overnight stays were generated by 4.5 million visitors.

The registered unemployment rate at the end of 2004 was about 6%. This is slightly better than the estimated rate for Catalonia as a whole and very favorable when compared to the rate of 8.6% for Spain as a whole.

Throughout 2004, the activity and employment rates continued to rise, particularly the percentage of women joining the active population. Although moderate, these increases were sufficient to reduce the number of jobless registered at the employment offices by 3.1%.

## **The City of Barcelona's Group of Companies and Agencies**

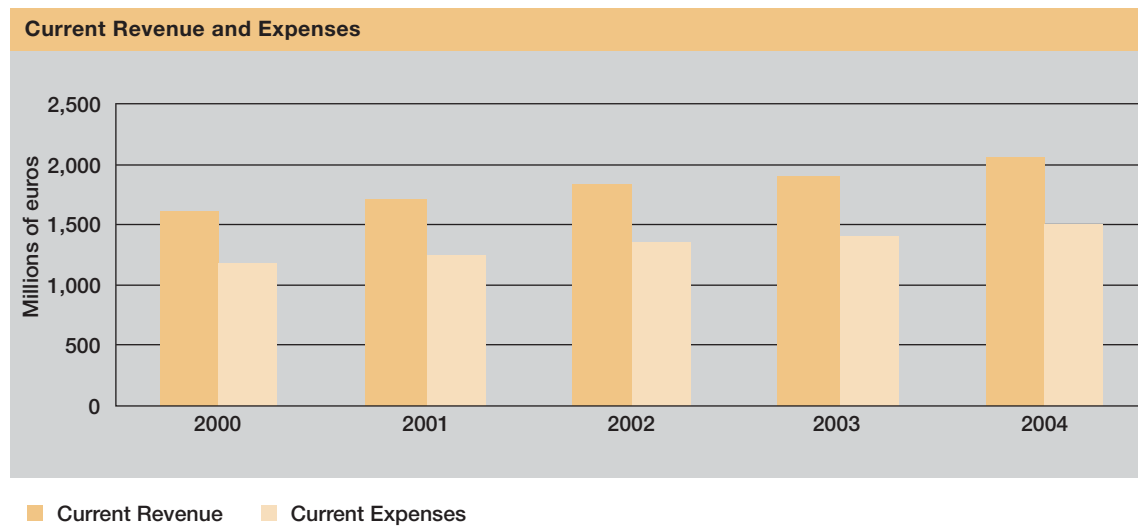
The City of Barcelona manages certain activities through municipal agencies and companies. It does this to make them more efficient through functional specialization. According to this approach, a good part of the City of Barcelona's urban development investment is made on its behalf by municipal companies and mixed private-public joint ventures. In order to co-ordinate the investments among all the municipal operators better, increase the negotiating capacity with the construction companies, and improve execution efficiency, the City of Barcelona has grouped these companies together into Barcelona d'Infraestructures Municipals, SA (formerly Infraestructures del Llevant de Barcelona, SA). The municipal shareholding in the companies Pro Nou Barris, SA, ProEixample, SA, Foment de Ciutat Vella, SA, and 22 Arroba Bcn, SA, has been transferred to this company.

With this restructuring, the reorganization 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.

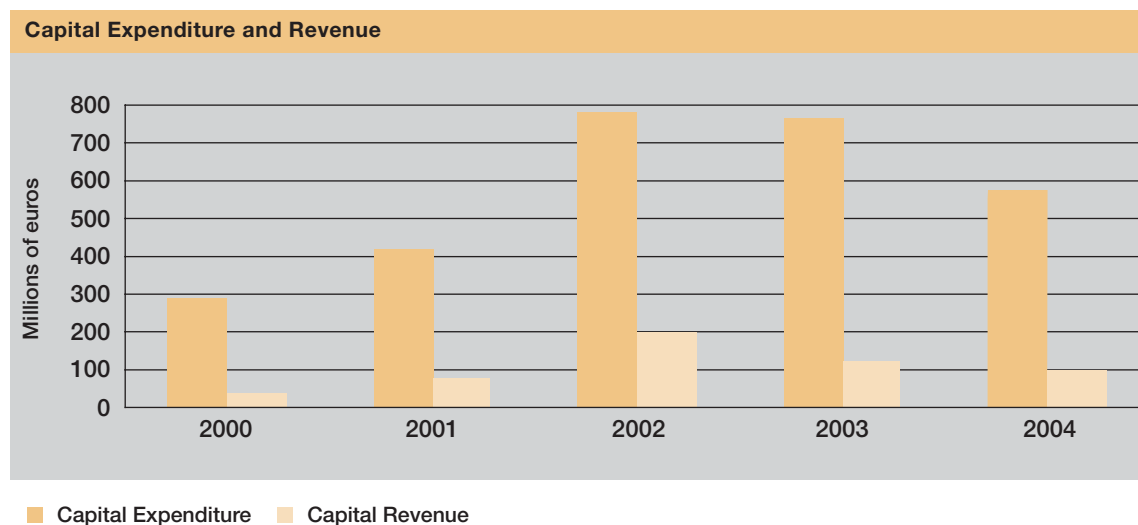
In November 2004, the Municipal Council Plenum passed a motion to set up the Institut Barcelona Esports (Barcelona Sports Agency) which is due to start operating on 1 May 2005. This is a public-sector business organization whose main functions are to encourage people to do sport, publicize sports activity in Barcelona and encourage local neighborhood sports organizations.

## Economic Evolution of the City of Barcelona

Gross savings over the past five years have grown at a cumulative annual rate of 9% due to the fact that the rate of growth of current revenue (5.5% on average) has been greater than that of current expenses (4.8% on average). This was primarily made possible by two factors: an increase in the share in Central Government revenue –including the assignment of Central Government taxes in 2004- of 8.5% a year and a 13.6% reduction in financial expenses. Both these factors have enabled the quality of the services provided to citizens to be improved and an ambitious investment plan to be carried out.

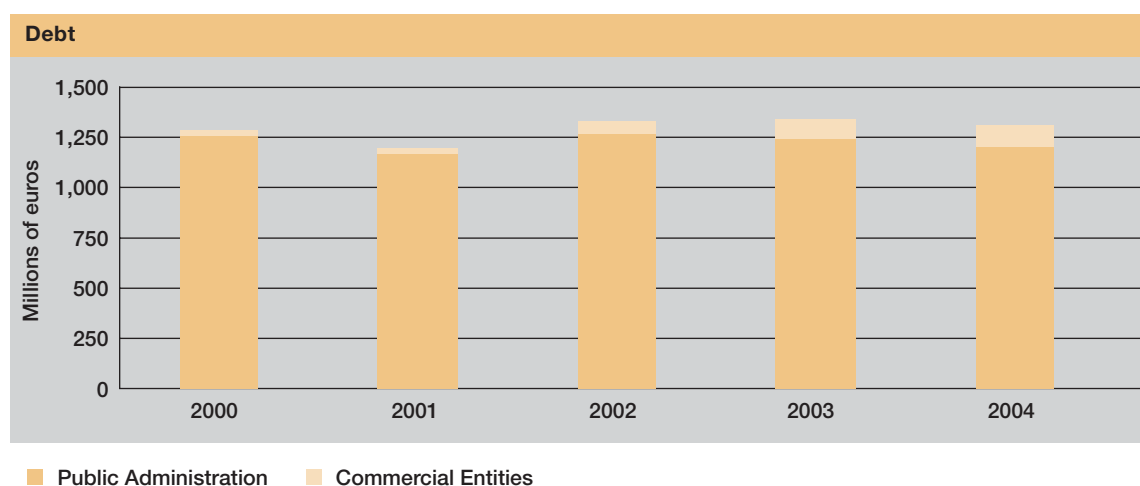


In the five-year period 2000-2004, the City of Barcelona Group allocated 2,835 million euros to financial capital expenses, 80% of which corresponded to direct investments and the remaining 20% to capital transfers.





At the same time as this investment programme was being financed, the City of Barcelona's consolidated debt fell from 1,444 million euros at December 31, 1999, to 1,311 million euros at the end of 2003. As of December 31, 2004, its debt had diminished by 25.3 million euros compared to the year before. This level of debt breaks down, on the one hand, into 1,206.6 million euros of public administration sector debt and, on the other hand, 104.4 million euros of commercial entities' debt. In the course of the year, the debt of the public administration sector –the City of Barcelona and the companies and agencies primarily financed through current transfers from the City– fell by 37.9 million euros, while the debt of the commercial entities –companies and agencies primarily financed through commercial revenue– rose by 12.6 million euros.



I do not want to end without thanking all the people working in the City of Barcelona Group for the hard work and effort they put in day after day, which enables us to gradually improve the quality of municipal services.

# 1



## The Political and Administrative Organisation of the City of Barcelona

The City of Barcelona is organised on two different levels: the political level and the management level. The former, as a representative of the citizens, is divided into different bodies in which local policies are debated and strategic decisions which are regarded as appropriate for the good governance of the city and the provision of municipal services are taken. The management level, on the other hand, deals with the executive management of the Municipal Administration and is responsible for developing and implementing the action plans decided on at the political level. Management of the municipal services and activities is organised on a functional basis into action sectors, on a territorial basis into districts and in terms of functional specialities into municipal agencies and companies.

### 1.1. The Structure of the Municipal Government

According to the Municipal Charter, the government of the municipality of Barcelona is the responsibility of the Municipal Council, the mayor, the Government Commission, the District Councils and the district chairpersons and councillors.

The Municipal Council is the highest body politically representing the citizens in the government of the city. Chaired by the mayor it holds ordinary meetings once a month. Its meetings are open to the public and the media.

The councillors who make up the Municipal Council are elected by the citizens every four years on a proportional representation basis. The most recent local elections were held on 25 May 2003 and the next ones are due in 2007. The current political composition of the Municipal Council,

which is governed by the PSC in coalition with ERC and ICV-EUiA, with 25 out of a total of 41 councillors, is as follows:

	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 carries out the higher functions of deliberating and planning, programming and monitoring, and overseeing the executive functions of government and administration. It passes the municipal action programme, the budget, the annual accounts, bylaws and the urban development plans.

The Municipal Council functions through plenary sessions and commissions. There are six standing commissions, each dealing with a particular sphere. These bodies discuss, study, report on and issue judgements on the matters within their own sphere of competence, and which are submitted to the Plenary of the Municipal Council. They are the first body providing information on and monitoring municipal policies. According to the municipal rules and regulations resulting from the passing of the Barcelona Municipal Charter, these

commissions have certain powers of decision and control, as well as those to do with providing information. They can authorise and award all manner of administrative and private contracts for the Council to formalise, provided the amount involved is less than 20% of the ordinary budget resources. They may also give initial approval to bylaws and regulations related to their respective spheres of action.

These commissions are made up of councillors from all the political groups present in the Municipal Council, but their votes are weighted proportionally. The chair of each commission is elected by the Plenary of the Municipal Council and its monthly meetings are open to the public. The informational commissions passed by the meeting of the Plenary of the Municipal Council on 14 June 2003 are as follows:

Commissions	Sphere of action
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 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.

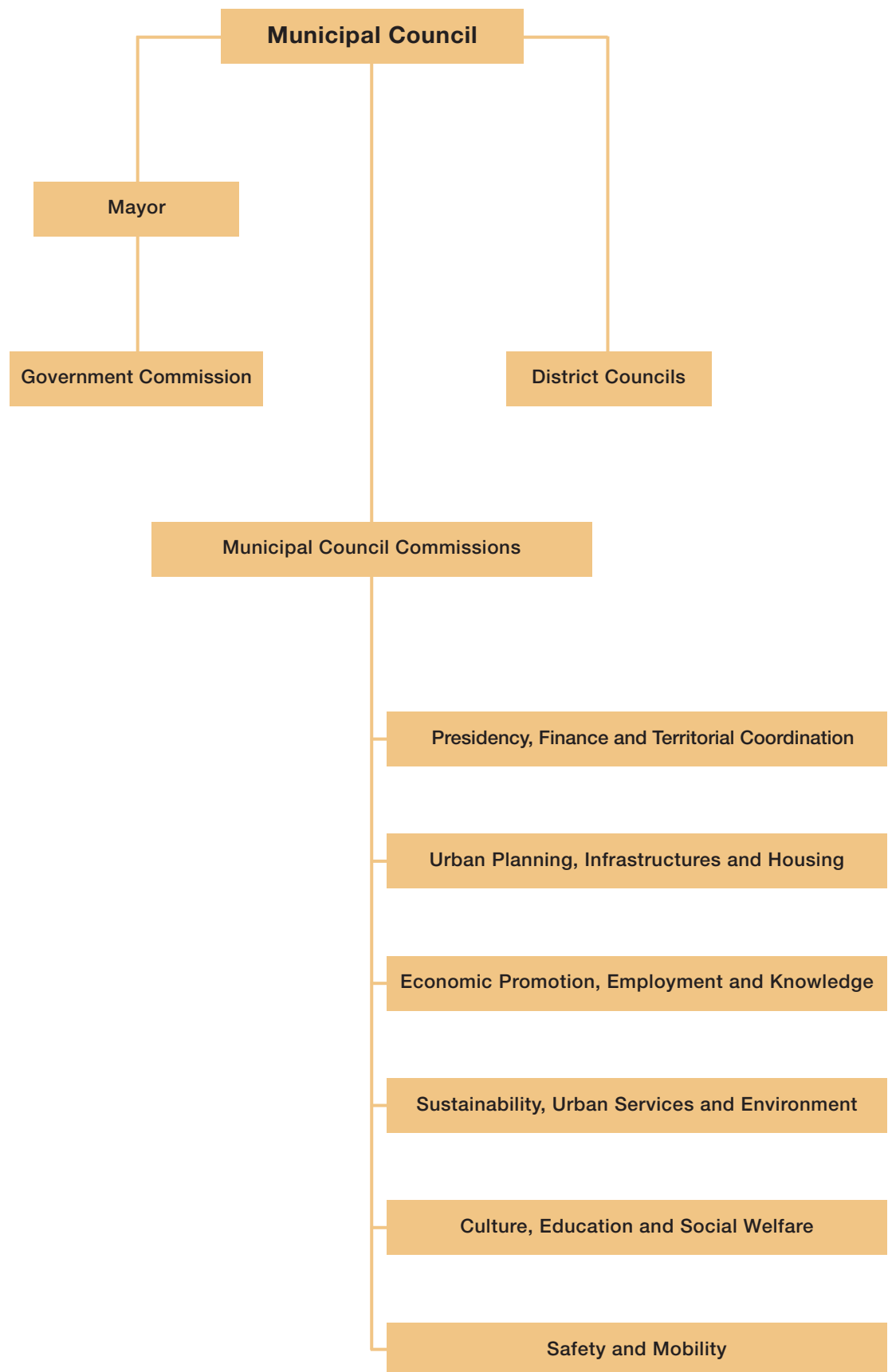
The mayor is the chairperson of the municipal corporation and exercises the powers conferred on him by the Barcelona Municipal Charter, general legislation on local government, specific laws and the municipal rules and regulations. His or her powers comprise the ordinary running of the municipal government, representing the municipality and chairing municipal collegiate bodies.

The Government Commission is chaired by the mayor who appoints the councillors belonging to the governing coalition who sit on it. The Government Commission meets once a month. Depending on the subject and the amount of money involved, the Commission passes, or examines and reports on, the items of business

on the agenda of the Plenary of the Municipal Council or the appropriate Commission of the Municipal Council which will have been previously prepared and informed by the Executive Committee.

Territorial decentralisation follows the pattern of the ten districts into which the city is divided. The highest body in each district is the District Municipal Council, which is chaired by a councillor appointed by the mayor and comprised of fifteen councillors designated by the different political groups on the Municipal Council in proportion to the number of votes obtained by each group in the district in question.





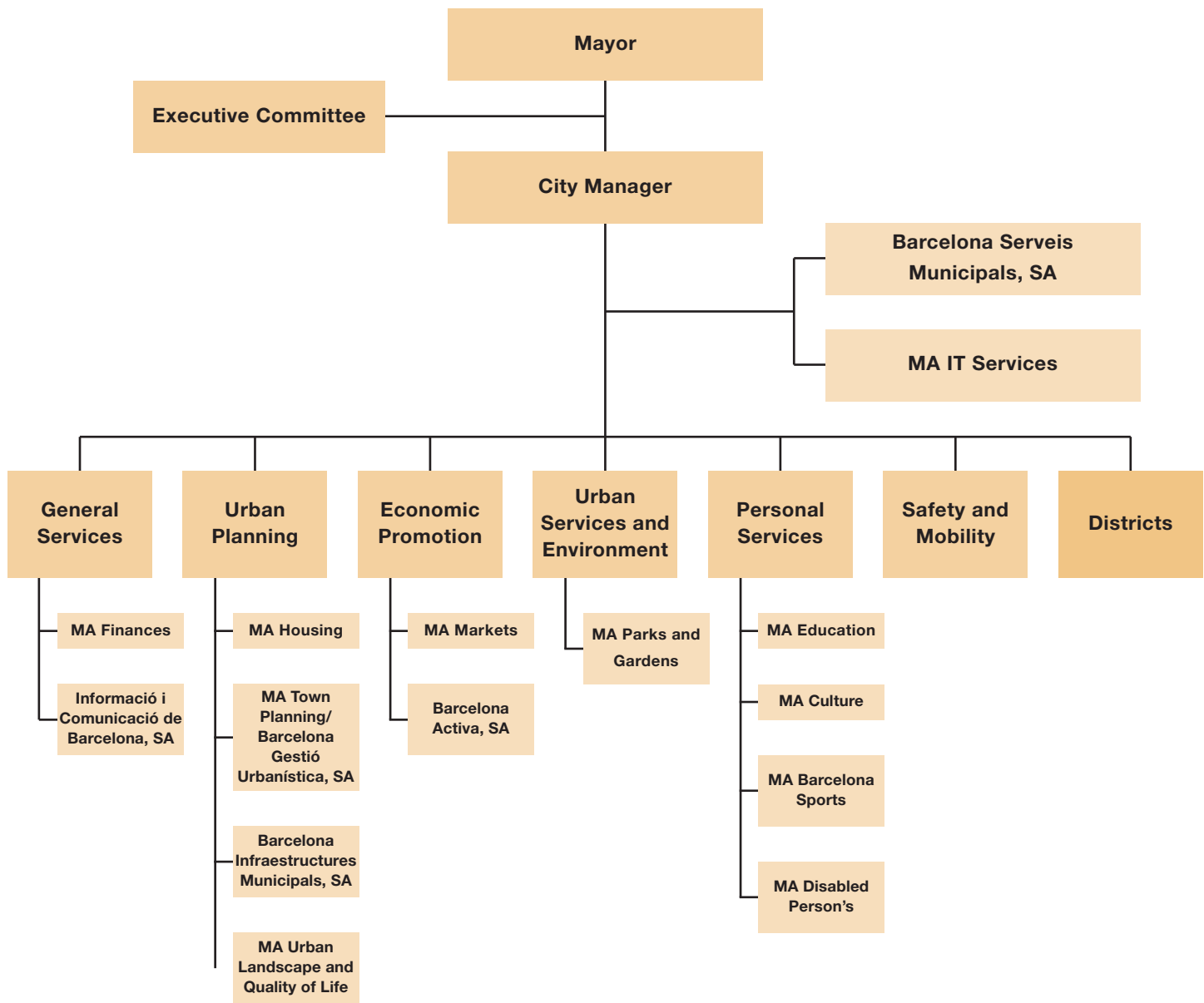
## 1.2. Managerial Organisation

The executive level of the Municipal Government is divided functionally into six sectors of activity –General Services, Urban Planning, Economic Promotion, Urban Services and Environment, Personal Services, and Safety and Mobility– and territorially into ten districts. Each sector of activity and each district is run by a manager and is endowed with the organisational structure and resources necessary to carry out its functions. Executive management of the Municipal Administration is the responsibility of the city manager and the sectors and district managers.

The Executive Committee is the local government executive body. It is chaired by a councillor appointed by the mayor, with the city

manager as vice-chairman. It consists of all the sectors and district managers. Its main duties are: a) to co-ordinate the actions of the different sectors; b) to establish general management criteria; c) to prepare and report on matters that have to be submitted to the different local government bodies; and d) to inform the managers of the political approaches and priorities of the Municipal Government.

The municipal agencies –autonomous bodies dependent on the City– and the municipal companies –limited companies in whose capital the City has a part or complete stake– are functionally integrated into one of the sectors of activity, depending on the services they provide, and are co-ordinated with the manager of the sector in question.



# 2



## 2. Barcelona's Economy in 2004

### 2.1. The Consolidation of Global Economic Growth

According to the latest estimates of the main international organisations, the global economy is expected to have grown by well above 4% in real terms during 2004. If this forecast is confirmed, it will have been one of the most expansive years of the last two decades and no doubt become a benchmark for the future, due to both the intensity of the growth and its extension to most of the major economic areas throughout the world. In spite of the climate of uncertainty generated by the volatility of oil prices and the depreciation of the dollar, this process is expected to continue during 2005.

The group of countries belonging to the OECD, representing approximately two thirds of the global economy, ended the year with growth of around 3.5%. This figure consolidates the expansive trend which had begun two years previously and is triple the rate of growth in 2001, the lowest of the past ten years. Outside this sphere, the 9% growth of the Chinese economy and also the expansive trend of the economies of Latin America and the emerging Asian economies are also worth noting. Other factors to be added into the equation include the economic growth registered by the main oil-exporting countries as a result of the increased demand and rising price of this basic raw material.

The European Union's GDP grew by around 2% in 2004, which is well above the average rate for the preceding three years. Nevertheless, for the third year running, growth in the EU, especially in the euro zone, lagged behind the economic upturn in the United States and the OECD as a whole. The slowdown of growth during the second half of the year reveals the inability of the European economy to maintain the rate of the first two quarters of 2004 in an environment characterised by a substantial revaluation of the euro and the first symptoms of a



weakening of the global economy as a consequence, among other things, of the high price of oil. Of the major economies in the European Union, Germany and Italy were the ones with the most sluggish performance, while France, Spain and especially Britain saw the fastest growth.

## **2.2. Satisfactory Growth of the Spanish and Catalan Economies in Quantitative Terms**

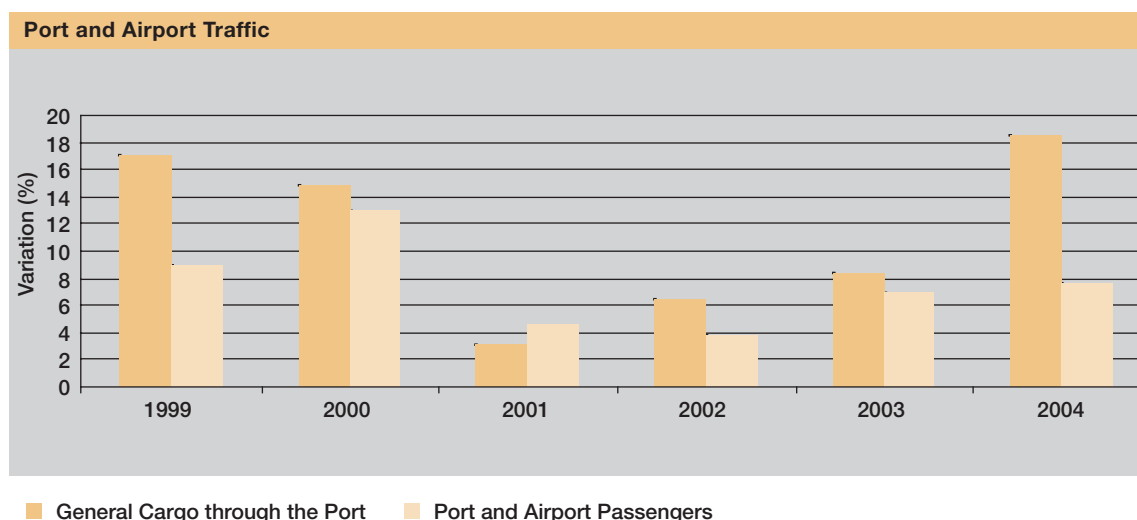
The first official preview of the evolution of Spain's GDP during 2004 puts real growth at 2.7%, two decimal points up on the year before and the highest rate of expansion since 2001. For the tenth consecutive year the Spanish economy had a higher rate of growth than the European Union as a whole. It is none the less true, however, that last year's results showed a notable reduction in this growth differential, something which was relatively predictable in view of the fact that the Spanish economy's growth has been exclusively dependent on domestic demand.

Indeed, the overall figure of 2.7% annual average growth of GDP was based on a 4.4% increase in domestic demand, 1% up on 2003. This accelerated growth rate, which is a notable exception in Europe, served for the most part to encourage foreign trade, as can be seen from the fact that imports of goods and services grew by 9%, double the rate of exports. Two extremely significant trends can be discerned in the way domestic growth has evolved. On the one hand, private consumption and investment

in construction displayed relatively steady growth, continuing along the same lines as the year before, while on the other hand, there was a strong upturn in investment in capital goods. This was the most significant differential feature of the evolution of Spain's GDP last year, alongside the increase in public-sector consumption.

On the supply side, growth of the Spanish economy was the result of a highly generalised and even process of expansion affecting all sectors except agriculture and livestock. All the other productive branches of the economy closed the year with significantly positive growth. However, the picture is less uniform when compared with the year before. Whereas activity in industry displayed a gradual recovery, construction continued to slow down, although it still had the highest growth rate of any sector. The tertiary sector, which is decisive in view of its importance in the economy as a whole, closed the year showing signs of a slowdown in the private-sector services segment, which was amply made up for by the growth in public-sector services.

In Catalonia, the first official estimates put GDP growth at 2.6%, one decimal point below that for Spain as a whole. As one would expect, the evolution of the different sectors in both areas is by and large the same. However, on the assumption that these early estimates are confirmed, industry and construction in Catalonia grew less than in the rest of Spain, while the tertiary sector, performing better in the former than the latter, accounted for most of the growth in GDP.



### 2.3. Industry, Logistics and Goods Transport

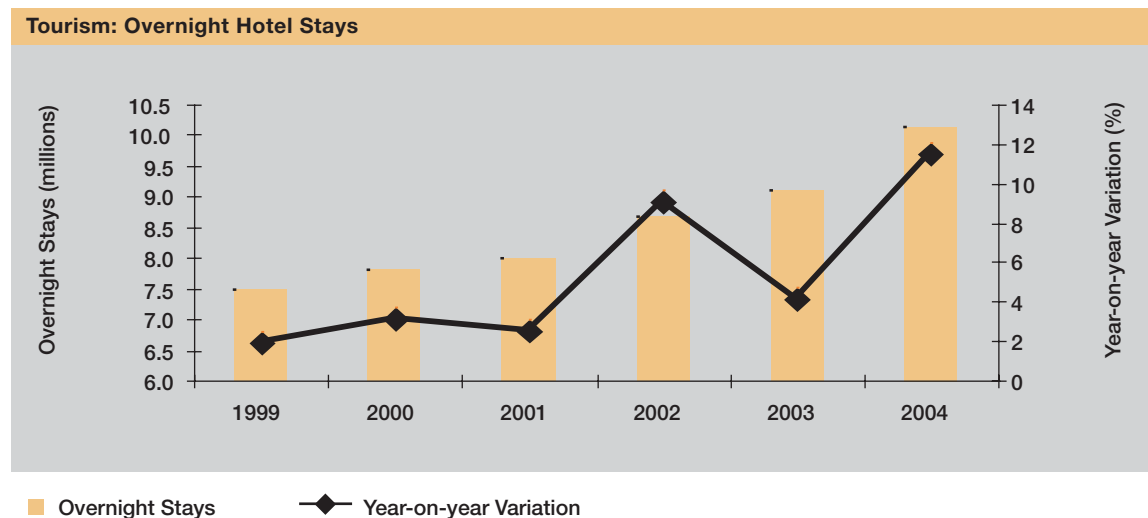
As in the rest of Catalonia and Spain, a significant part of the industrial activity of the metropolitan region is being increasingly affected by mounting competition from the emerging economies which are able to offer unbeatable prices as a result of their low manufacturing costs and the depreciation of the dollar. Although the evolution of industrial activity during the final months of the year revealed the weakness of the upturn in the first six months, growth of industrial production in 2004 was above the annual average for the preceding three years. This was mainly due to the intermediate goods and capital equipment segments rather than consumer goods.

The slight slowdown in the growth of industrial activity during the last third of 2004 has been confirmed by the sluggish performance of the industrial climate index. Whereas sales on the domestic market have remained at the level of previous quarters, exports of manufactured goods have slackened off. This pattern is in line

with the evolution of economic growth for Europe as a whole in a context of rising prices in the oil and other raw materials markets, and the gradual loss of competitiveness of products from the Eurozone due to the strengthening of the euro and, in the case of Spain, of a rise in ex-works prices.

This curtailment of the upturn in industrial output in the metropolitan area during the final months of 2004 did not prevent goods traffic through the port of Barcelona from registering a significant increase. The 40 million tonnes of goods loaded and unloaded at the port –up by 4.5 million tonnes on the previous year– represented an increase of 13.1%, well above the average for the rest of Spain's major ports. The rise in the volume of goods of higher added value transported in containers was even greater. The number of TEUs went up by 260,000 units to over 1.9 million, 16% more than in 2003.

In addition to the strong growth in the import of energy products, the most dynamic commercial traffic segments were those to do with the steel and chemicals industries. The most



significant increases in general load goods were for machinery, vehicles and a wide range of food products. The rise in intercontinental traffic, at the expense of short-haul traffic, is one of the factors that help to explain the moderate fall in the number of ships putting into the city's port.

#### 2.4. Considerable Expansion of Passenger Transport and Tourism

For the first time since 1993, the increase in the number of passengers using the shipping terminals in the port (5.3% in this case) was due to the regular ferry segment. The figure of more than a million cruise passengers in 2003 is going to be a hard record to beat. It now seems necessary to consolidate the volumes already attained following two years with cumulative annual growth rates in excess of 25%.

The increased availability of cheap flights helped to sustain the growth of air passenger traffic at Barcelona airport for yet another year. The 24.6 million passengers who used this facility in 2004 represented a 7.9% increase on

the year before. Although international traffic is still the dominant sector, following the introduction of new routes and operators, domestic traffic, excluding services between Barcelona and Madrid, was up by 10.1%. Parallel to the increased number of passengers, the number of flights rose by 3.3% and goods traffic on international flights also expanded significantly.

One of the most dynamic sectors of Barcelona's economy last year was that of visitor hospitality services. As a result of the holding of the Universal Forum of Cultures, there was significant and, to a certain extent, exceptional growth in activity in passenger transport services, hotels, restaurants, specialist commercial services and cultural and recreational services. This growth, which was detected by most sector-specific surveys, was based essentially on a sustained increase in the number of visitors and overnight stays in hotels. During 2004, the city's hotels charged 4.5 million visitors for more than ten million overnight stays. Taken together, these figures show that there was a slight drop in the average length of stays. Both increases in visitors and

overnight stays were possible as a result of more hotel beds having been made available. Over the past five years, 16,000 more hotel beds have been added, 53% more than those existing in 2000.

## **2.5. Price and Consumption Indicators on the Increase**

In line with the rise in companies' spending on capital goods and the general good health of domestic demand, nearly 270,000 vehicles were registered in the province of Barcelona in 2004, a record figure and 7.6% more than the year before. Besides the upturn in demand by companies in general and vehicle-hire firms in particular, it is unlikely that this volume of sales would have been achieved had it not been for the rise in the number of small-cylinder-capacity motorbikes registered as a result of the introduction of a new law making this much easier than before. The greater proportion of motorbikes among new vehicle registrations and the demand for second-hand vehicles by immigrants seem to be the main factors explaining the fall in the number of cars taken to the scrap yards and the corresponding increase in the number of vehicles on the road.

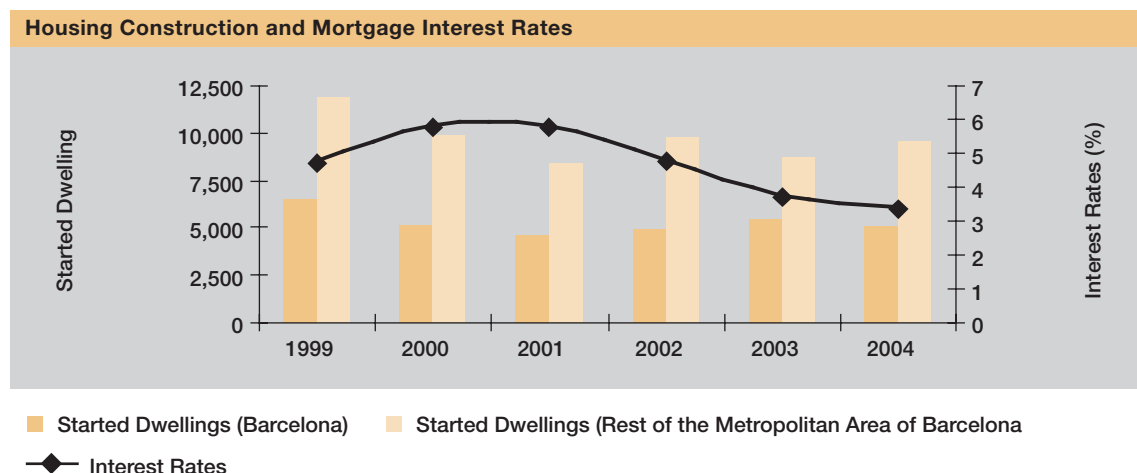
Parallel to the expansive trend displayed by these and other consumption and investment indicators, the year also saw considerable growth of current bank loan balances in the private sector. According to the latest available data published by the Bank of Spain, by the end of last year this credit segment was growing at an annual rate of the order of 20% in real terms. This is slightly faster than the year before, driven by demand from both

companies and households, mostly in the form of mortgage loans.

The robustness of the growth of domestic demand, led by the availability of relatively affordable credit, and the increased prices of oil and other raw materials, together with other factors such as the inflationary spiral of the Spanish housing market, helped to lay the foundations for rising consumer prices over the past year. The effect of this was that the year-on-year increase in the consumer price index (CPI) for the province of Barcelona peaked at around 4% at various times during the year. However, this rise should not be regarded as anything out of the ordinary, bearing in mind that, in terms of the annual average, this evolution of the CPI in 2004 came at the end of a five-year period during which retail prices rose by over 3.5% a year.

## **2.6. Construction and Property Market Prices**

The large number of buildings under construction in the run-up to the Universal Forum of Cultures serves to explain in part the appreciable reduction in the surface area of major building work in Barcelona for which planning permission was granted in 2004. This applies to new building, rehabilitation of old buildings and extensions to existing ones. This explanation is supported by the fact that the covered surface area of one and a half million square metres planned last year is approximately equivalent to the amount planned in each of the two years 2000 and 2001, the period immediately prior to the two years which saw the largest amount of planned building work since 1991.



Housing construction in the city of Barcelona was limited to 5,090 new dwellings, 6% less than in 2003. Looking at these data from a longer-term perspective, the number of new housing starts was roughly the same as the average for the previous five-year period. At the same time, the greater availability of land and prices that were more affordable for the majority of the population explain the 17% increase in such developments in the surrounding metropolitan area. In 2004, work began on constructing more than 43,000 new dwellings in the whole of the metropolitan region, which represents a new annual high since the period 1998-2000.

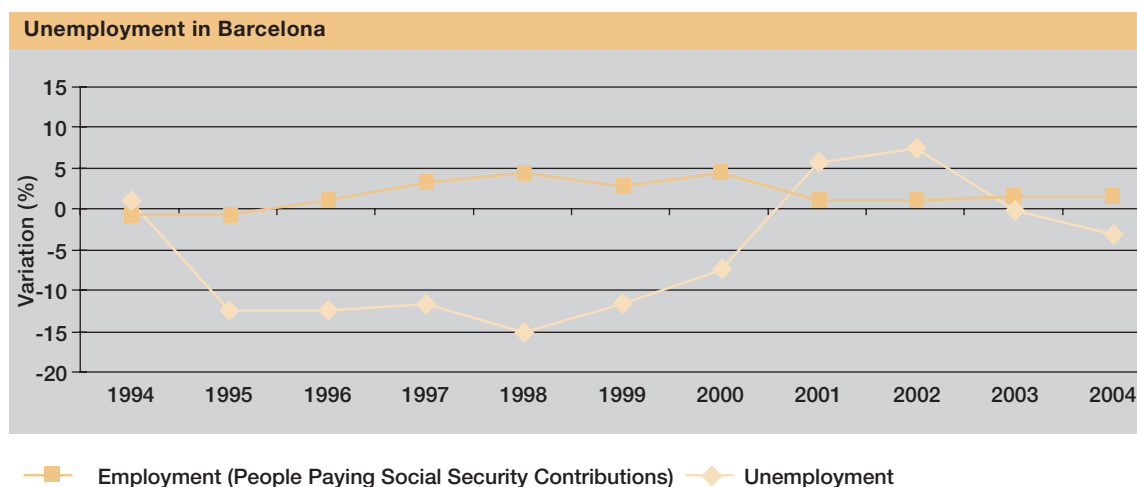
The increased availability of new dwellings throughout the country may lead to the beginnings of a slowdown in the inflationary spiral that has characterised the housing property market over the past several years. According to their rateable values, the nominal value of dwellings in the Barcelona area grew at an annual rate of over 15% in 2004 for the sixth consecutive year. This trend, with slight variations, is common to the majority of the major urban and tourist areas in the country. It is obvious that this trend cannot be kept up

indefinitely and, given the extremely high prices that have been reached and the fact that the option of continuing to lower interest rates has been practically used up, it seems that the end of the upward trend in property prices is within sight.

## 2.7. Favourable Evolution of the Labour Market

From a strictly quantitative viewpoint, the evolution of the main indicators of the labour market in the metropolitan region must be regarded as extremely positive. Enough jobs were created to absorb the net increase in new members of the active population entering the formal employment market and begin to put a brake on the number of unemployed. All this has meant an increase in the activity and employment rates, especially among women, and the stabilisation of the number of jobless after more than three years of sustained growth.

The number of people paying contributions to the Social Security system in the whole of the Barcelona metropolitan area in 2004 was estimated at 2,168,000, up by 2.3% on the



previous twelve-month period. This increase in the number of people officially employed follows on from the rise the year before and is practically the same as real growth in the metropolitan GDP.

However, the stabilisation of the unemployment rate and the total number of registered jobless cannot hide the doubly dual behaviour of the labour market resulting from the transformation process affecting Catalonia's manufacturing base. On the one hand, unemployment among men continues to rise slightly, while unemployment among women has begun to decrease. On the other hand, a reduction in the

number of jobless among the younger members of the active population is accompanied by increased unemployment among the older age-group.

The growth in the number of workers being taken on, which was specially strong throughout the year –although this should be qualified, as the data for last year are not strictly comparable to those of previous years– was mainly attributable to the increase in casual and part-time employment. As women's activity and employment rates increase, the vast majority of new employment contracts are fixed-term and concentrated in the services sector.

# 3



## The City of Barcelona and its Services

### 3.1. Introduction

The services provided by the City of Barcelona can be divided into three major groups. The first consists of services to citizens, i.e. services provided for all the city's inhabitants collectively. The second comprises services to the city as a physical space where people live together. And the third relates to the promotion of the city's economic activity.

### 3.2. Services to Citizens

The City of Barcelona considers it essential for the city's services network to be accessible to everyone and that they should all receive the same high standard of treatment as required by social progress and cohesion. That is why it adapts service provision to take account of the diversity of the population and new social demands, and endeavours to ensure that its services function as instruments of dialogue and exchange among all those living in and sharing the city.

#### Information, Documents and Most Frequent Procedures

Delivering information to the public is a key element in getting people involved in the public affairs of the city. To make communication between local government and the local population more effective, the City of Barcelona has opted for the use of new technologies and personalised attention.



### Information and Citizen Orientation Services

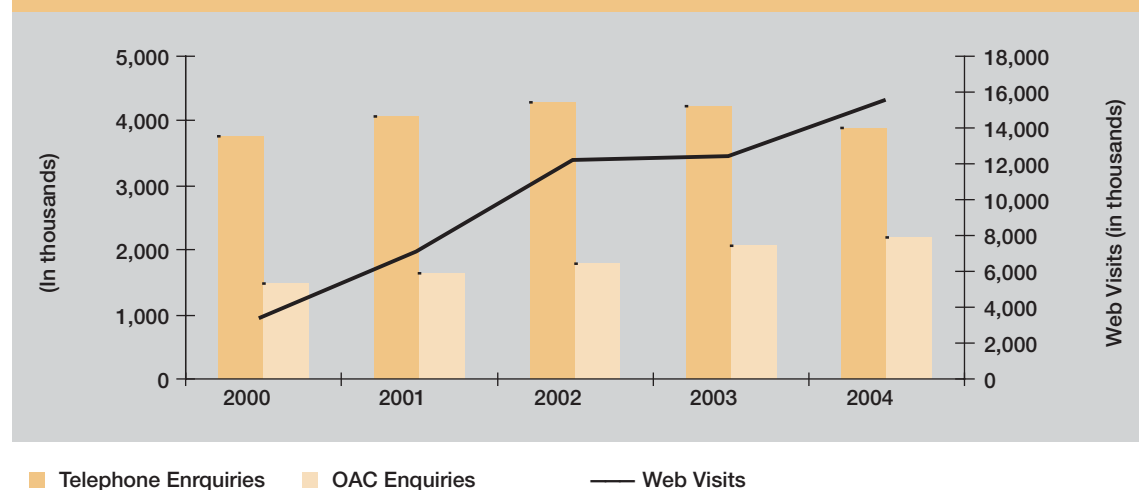
	2000	2001	2002	2003	2004
Citizens' telephone service (010 calls and others)	3,759,996	4,079,871	4,299,705	4,218,420	3,882,137
Offices that attend to the public (OAC enquiries dealt with)	1,469,142	1,621,682	1,804,548	2,073,859	2,185,896
Number of web visits: www.bcn.es website	3,347,199	6,984,326	12,131,074	12,327,194	15,438,280
Administrative procedures carried out over the Internet	11,834	188,320	591,947	983,520	1,132,478

Over the past few years, the culture of attending to the public has taken root within the municipal organisation. As a result, administrative procedures have been simplified, information channels have been improved and expanded, and a unified database of the services and facilities available to people is kept up to date in order to respond more quickly to requests from the public. It is now possible to access information on local services via the Internet, by telephone and in person at any of the more than 30 public information points across the city.

The www.bcn.es portal, which is divided into four main sections –the city, the Council, tourism and business– contains all

manner of information on Barcelona. In 2004, the City of Barcelona started up the *Carpeta del Ciutadà* (Citizen's File), an initiative designed to facilitate the public's access to, and the possibility of dealing with, local government via the Internet. By just typing in their ID (user name and password), any local resident can see their local tax details, when their rates are due, which taxes and fines they have paid and which are still outstanding, and their municipal registration details. In addition, they can carry out various procedures to do with the City of Barcelona and obtain a customised diary of the available recreational, cultural and community activities organised across the city.

### Information and Orientation Services



In 2004, the number of visits to the website went up by 25% compared to 2003, while the number of administrative procedures carried out online increased by 15%. It is now possible to perform directly nearly 70 such procedures and obtain information on over 600 municipal and non-municipal procedures.

As it becomes easier for the public to gain access to the new technologies, the Internet's popularity is gradually gaining ground on other information systems provided by the City of Barcelona, particularly telephone services. Never the less, the "010" helpline dealt with nearly four million calls leading to the completion of just over 500,000 administrative procedures in 2004.

Another way of making dealings with the City of Barcelona easier for the public is by keeping the 14 offices that attend to the public (OACs) around the city open right throughout the day for people to come there in person. The OACs provide a personalised service helping people to carry out administrative procedures or have their enquiries about local government matters answered. In addition, there are 17 different information offices, such as the Ciutat Vella Housing Office, offering advice on particular aspects of citizens' rights.

## **Education**

The Institut Municipal d'Educació (*Education Municipal Agency*) ([www.bcn.es/educacio](http://www.bcn.es/educacio)) is responsible for planning and running the schools directly or indirectly maintained by the City of Barcelona and for directing and co-ordinating the activities of all the agencies and

services that might have a bearing on the education of Barcelona's inhabitants.

During the 2004-2005 academic year, the Agency is in charge of 86 municipal schools and is also responsible for the upkeep and supervision of 231 primary schools belonging to the Catalan Autonomous Government, the Generalitat de Catalunya. Although there are plans to transfer the responsibility for cleaning and providing supplies for these schools to the Agency, these tasks continue to be performed by the municipal districts.

The main actions carried out by the Agency in 2004 were geared to the goals prioritised by the Municipal Action Plan in the education sphere. One of these is to improve the availability of places across the city and increase the proportion of public-sector places. Increasing the number of such places in 2004-2005 has brought the number of pupils up to 14,212, 842 more than in the previous academic year. Besides this, the City of Barcelona publishes *Barcelona és una bona escola* (Barcelona is a fine school), a guide to the schools in the city with a print-run of 220,000, with a view to making it easier to put children's names down and enrol them in the city's state-run or grant-maintained schools.

In order to extend the availability of public-sector education to the pre-school stage (0-3 years old), the City of Barcelona has signed an agreement with the Generalitat de Catalunya to create 1,200 new nursery school places in the period 2004-2007. With the opening of three new nursery schools in Les Corts, La Verneda and Sant Andreu, the number of children in municipal nursery schools has gone up from 2,972 to 3,209.

### Number of Students at Municipal Centres

School Year	Pre-schools	Primary Education	Secondary Education	Fine Arts	Others	Total
2000-2001	2,198	2,570	2,250	3,000	750	10,768
2001-2002	2,276	2,581	2,440	3,201	942	11,440
2002-2003	2,790	2,782	3,306	3,076	1,070	13,024
2003-2004	2,972	2,781	3,442	3,000	1,175	13,370
2004-2005	3,209	2,747	3,820	2,953	1,483	14,212
No. of Centres 2004	52	13	9	6	6	86

The *Pla Jove Formació-Ocupació* (Youth Training-Employment Plan), a scheme designed to strengthen the relationship between education and work by providing suitable training that is compatible with companies' ever-changing needs, was completed by 1,355 young people aged between 16 and 18. *Projecte Èxit* (Success Project), for younger students, supports pupils, teachers and families in making the transition from primary to secondary school more

successfully and thus guaranteeing the young people's access to educational opportunities.

With a view to getting the educational community to take on more responsibility as an agent of social change, several channels for participating in shaping and running education have been opened up through the *Consell Municipal Escolar* (Municipal School Board), the *Consell de la Formació Professional*





Miquel Llongueras Library, in Les Corts

(Occupational Training Board), the *Consell de Coordinació Pedagògica* (Pedagogic Co-ordination Board) and the *Projecte Educatiu de Ciutat* (City Educational Project).

### Culture

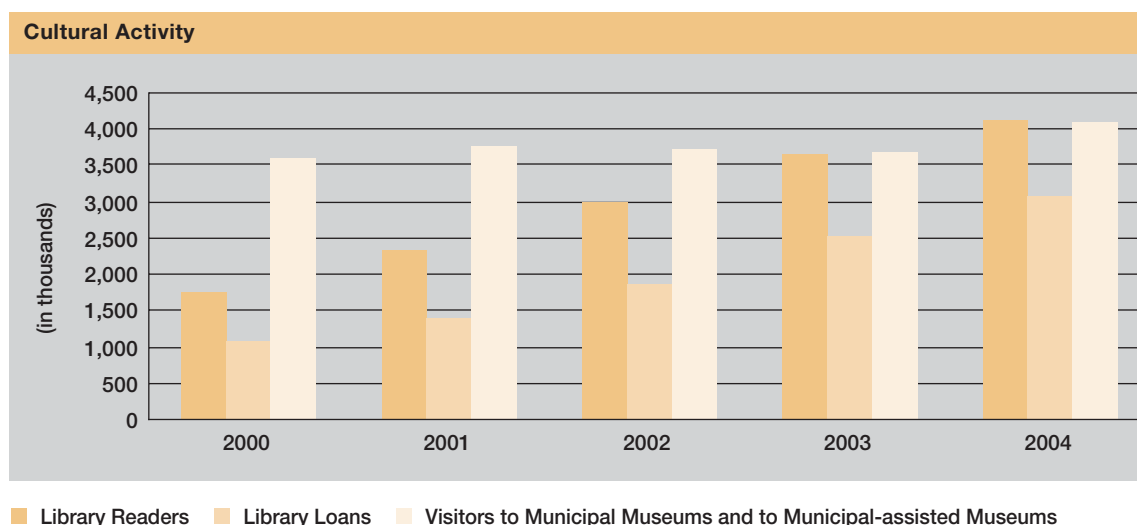
The Institut de Cultura de Barcelona (*Barcelona Agency of Culture*) ([www.bcn.es/cultura](http://www.bcn.es/cultura)) is the institution that promotes culture in the city, which it does through programmes of its own and by giving support to various cultural agents. Its mission is to design and implement cultural policies promoting the city's economic development and social cohesion while fostering the involvement and creativity of its citizens. In addition to this, it is the body responsible for planning and running municipal services in the cultural sphere.

The actions carried out by the Agency in 2004 were in keeping with the Municipal Action Plan's strategic goal of putting culture at the centre of the city's development by means of cultural policies based on values, creativity, harmonious living together and public spiritedness.

Fòrum Ciutat (*City Forum*) was held last year as part of the Universal Forum of Cultures 2004. It attracted over three million people to the cultural activities in Barcelona in addition to those who visited the Universal Forum site between 9 May and 26 September. Fòrum Ciutat meant a major increase in the number of cultural activities in the city and was supported by a million people who visited the 23 exhibitions held in different museums and art galleries, one and a half million who took part in the activities held in open spaces, such as the Piromusical music and firework display, and the 430,000 spectators who saw the 139 shows put on in different theatres in the city.

Barcelona's municipal and municipal-assisted museums received over 4.1 million visitors in 2004, almost 450,000 more than the year before. The Museu Picasso (*Picasso Museum*), which was designated as a Museum of National Interest in 2004, was the most popular art museum in the city, attracting 1.15 million visitors. Following a long process of refurbishment, the Museu Nacional d'Art de Catalunya (*National Art Museum of Catalonia-MNAC*) opened up all its collections covering a thousand years of art, from the Romanesque





period to the 20th century, to the public. It now has a surface area of 45,000 square metres (12,793 of which are used for displaying its collections) and almost 6,000 items on show, making it the biggest museum in Catalonia. It is housed in the Palau Nacional, which was originally built for the Universal Exhibition of 1929, on Montjuïc.

Barcelona stages a festival cycle combining popular and traditional culture, on the one hand, with contemporary culture, on the other. More than 100,000 people took part in the Cavalcade of the Three Wise Men which had cultural diversity as its central theme. The programme for the festivities of Santa Eulàlia, one of Barcelona's joint patron saints, included over

110 activities in which 1,200 children and 1,300 adults from organisations devoted to popular culture participated together with the bands from each of the city's ten municipal districts. The Music Festival, which was enjoyed by more than 86,000 people, consisted of a parade of over 3,000 musicians down the Ramblas to the sea, and Naumàquia (Naumachy), a concert performed by the foghorns of the ships in the port and the bells of the city's churches. The cycle of traditional festivities culminated in La Mercè 2004 comprising over 600 hours of entertainment provided by more than 500 performers in 26 different spaces. The festivities ended with a huge firework display over the sea that also marked the closing of the Universal Forum of Cultures.

Cultural Activity	2000	2001	2002	2003	2004
<b>Orquestra de Barcelona i Nacional de Catalunya (OBC) (Orchestra)</b>					
No. of concerts	141	84	117	128	132
No. of spectators	173,334	145,247	190,917	225,494	202,353
<b>Auditori (Auditorium)</b>					
No. of concerts	354	274	249	277	311
No. of spectators	321,090	324,363	316,189	335,093	393,907
<b>Palau de la Música Catalana (Concert Hall)</b>					
No. of concerts	228	186	196	193	220
No. of spectators	242,506	271,011	282,050	268,201	317,674
<b>Liceu (Opera House)</b>					
No. of performances	137	147	164	195	240
No. of spectators	243,280	274,867	303,596	314,100	355,734

The Grec 2004 Barcelona Summer Festival was held in a different setting from usual, as it was included in the Universal Forum of Cultures. Under the name of *Fòrum Grec 04*, 19 plays, 15 concerts, two operas, six dance shows, the Dance Days festival, the Cinema and Swimming film cycle and six conversations in the Libraries of Barcelona were staged between 25 June and 15 August. A cultural programme combining multidisciplinary, large-format festivals with minority-interest, alternative initiatives also featured the Primavera Sound festival, which attracted 40,000 spectators, Sònar 2004, which drew more than 85,000 participants, the Barcelona Music Action (BAM) festival and the 8th Barcelona Experimental Music Festival (LEM).

Following the opening of the Francesca Bonnemaison library in Ciutat Vella and the Bon Pastor library in Sant Andreu, Barcelona now has 30 municipal libraries which dealt with more than 1.4 million users and handled over three million loans in 2004, 23% more than the year before.

Barcelona Plató provides a wide range of services facilitating audiovisual production in Barcelona. This municipal office participates in the main European audiovisual festivals and markets in order to promote the city as a location for filming, meeting producers working on a local, regional or all-Spain level, and strengthening relations with the institutions involved in the audiovisual field. As a result of such relations, the 17th European Film Awards prize-giving ceremony was held in Barcelona in 2004. Besides this, there were 402 shoots in the city, up 45% on the year before, with Parc Güell, the Sagrada Família, Port Vell, La Boqueria market, La Pedrera and Parc de la Ciutadella as the most popular locations.

The 20th International Poetry Festival was held in Barcelona in 2004 with seven days of recitals and shows that drew an audience of over 5,000 people.

In collaboration with the city's ten districts, the cultural co-operation programme run by the

Barcelona Agency of Culture helped to strengthen and spread culture right across the city through the + A prop (*Closer*) cycle and its operational tool, the Taula de Cultura (*Culture Platform*).

At the international level, Barcelona was chosen to chair the Eurocities' Culture Committee during the next two years. Moreover, as a result of an initiative by the City of Porto Alegre and the City of Barcelona, the Agenda 21 for Culture was presented to the United Nations agencies Habitat and Unesco at the World Urban Forum. This enshrines the commitment of the world's cities to work for social inclusion through cultural development.

### **Personal Social Services**

The City of Barcelona endeavours to make the best conditions for living and co-existing available to all its inhabitants and seeks to combat every kind of exclusion, inequality, poverty and discrimination. In its pursuit of improved social welfare and greater social cohesion, it provides social services aimed at the general population and others which target specific groups such as the elderly, youth and children, women, immigrants, the economically and socially disadvantaged, and people with disabilities, whose particular characteristics mean that they require specialised care and attention.

The services for the general population comprise individual social services –initial referrals at social work offices, domiciliary services, emergency social work services– and services designed to foster community and

social development through community centres and local social centres in collaboration with other agents such as all kinds of local groups, associations and NGOs.

The 2004-2007 Municipal Action Plan drew up a new integrated scheme for domiciliary services for older people, dependent people and families with specific needs. Domiciliary services cover such things as meals-on-wheels, cleaning, laundry, home repairs and the provision of household goods. In 2004, 4,480 homes received some kind of home help, 4.8% more than in 2003.

The growing number of elderly people in the city means that this is a priority segment of the population for social services. The aim is, on the one hand, to foster cohesion, involvement and greater use of the city by these people and, on the other, to improve the cover and quality of the services and facilities, domiciliary help and tele-assistance; in short, to ensure that all older people have the conditions for a decent life.

The policies of the City of Barcelona aimed at young people lay special stress on promoting the conditions allowing them access to housing, education and employment as well as making available facilities and spaces suited to their needs.

Children's services are geared to promoting social development, improving quality of life, and providing care and protection for minors who need it. Play centres and children's development centres, holiday schemes and farm schools are examples of the services for this age-group.





Casal Roser local community centre, in Poble-sec (Sants-Montjuïc)

Gender equality policies seek to promote equal opportunities, participation and quality of life for women and prevent violence against them.

The increasing number of immigrants living in Barcelona has raised the need to meet new social requirements. Although part of the municipal services for immigrants are provided through the social services aimed at the whole

population, this group has specific needs such as learning the language, which is a key tool as a first step towards integration. That is why the City of Barcelona arranges language-learning programmes in collaboration with the Consorci de Normalització Lingüística de Barcelona (*Barcelona Language Normalisation Consortium*) and offers translation facilities in over 30 languages, both in person and over the telephone.

Social Welfare					
	2000	2001	2002	2003	2004
<b>Population in General</b>					
No. of Call-outs Carried out by Primary Social Care Teams	129,676	139,591	140,437	132,765	132,969
No. of Users Dealt with at Social Services Centres	34,758	36,642	41,066	39,456	38,429
No. of Homes with Home Assistance	3,836	4,276	4,126	4,275	4,480
No. of Call-outs Carried out by Municipal Response Centre for Social Emergencies (CMAUS)	4,930	3,742	2,925	4,201	2,627
<b>Poverty and Homelessness</b>					
No. of Clients Dealt with by Social Insertion Teams (SIS)	2,143	2,545	2,613	3,477	3,459
No. of Night Refuge Stays by Homeless People	83,401	67,426	75,292	83,390	81,741
No. of Meals Served in Food Shelters	173,471	192,930	215,138	246,179	253,240
<b>Infancy</b>					
No. of Children Attended to Through High Social Risk (EAIA)	3,296	3,257	3,369	3,374	3,086
No. of Immigrant Minors Without Relatives Attended To	166	142	104	127	89
<b>Foreign immigrants</b>					
No. of Persons Attended to at Care to Immigrants, Foreigners and Refugees Service (SAIER)	7,085	8,190	10,188	14,947	17,141
<b>Elderly</b>					
No. of Pink Card Beneficiaries (Subsidised Public Transportation)	248,614	250,254	252,836	261,846	263,501
<b>Integration of Disabled Persons</b>					
No. of Claims (information-assessment)	4,750	4,820	6,636	7,524	12,160
No. of Special Transport Service Trips	93,978	92,461	101,033	130,311	155,063

As part of the drive to achieve social inclusion, an active approach is taken to marginalisation and poverty. It is not simply a matter of providing canteens, hostels and shelters, but also of implementing effective social rehabilitation policies. In addition to strengthening its own social services provision, the City of Barcelona is committed to involvement and networking. In other words, to establishing a culture and set norms of

collaboration with the organisations operating in the field of social inclusion. Such collaboration is necessary to respond to emerging social needs such as, for example, preventing newly arrived immigrants from becoming sidelined from society.

The Institut Municipal de Persones amb Disminució (*Disabled Persons' Agency*) ([www.bcn.es/imd](http://www.bcn.es/imd)) runs the City's policies aimed

at helping people with some kind of physical, mental or sensory disability to become socially integrated, based on the principles of normalising services and acknowledging differences. The services provided include interdisciplinary young children's teams delivering comprehensive care for children aged 0 to 6 years old with disabilities or at risk of having them; labour advising; hostels, warden-controlled flats and specially adapted apartments; specialist advice on access and mobility; transport and passes for using specially adapted minibuses; and support and primary care supplied by the municipal districts.

### **Citizen Involvement**

Barcelona wants to be a participatory city, one in which its citizens are able to express their opinions and ideas about the things of greatest interest and concern to them. With this in mind, a City Consultative Council was set up in March 2004 as the City of Barcelona's highest consultative and participatory body where members of the public and members of the City debate the main affairs of the city. The City Consultative Council is made up of public and political personalities, fifteen citizens chosen at random from a pre-registered list, and members of associations and sector-specific or district citizen councils. Its main duties are: to issue reports, take initiatives, advise the City of Barcelona in defining its major political and management guidelines, receive and debate the Municipal Action Programme, general regulations, municipal budgets, management indicators and major projects, as well as give support to the different city-wide sector-specific councils and citizen district councils.

The City Consultative Council meets ordinarily every six months. At its first session it discussed the budget for 2005 and the progress report on the housing white paper, and announced that it was commissioning three reports on public space and living together, immigration and housing to be debated at future meetings of the Consultative Council.

With a view to making further progress in regard to democratisation of, and participation in, civic affairs, at the end of the year the Consultative Council approved the appointment of Barcelona's first Commissioner for Local Administration, or ombudswoman. The mission of this institution is to oversee the fundamental rights and freedoms of the citizens of Barcelona and everyone else in the city, even if they are not residents.

### **Funeral services**

The city's funeral services are run by Serveis Funeraris de Barcelona, SA, ([www.sfbasa.es](http://www.sfbasa.es)), a joint private- and public-sector company in which the City of Barcelona holds a majority stake. Its function is to manage, develop and run the city's funeral services, cremation services and cemeteries, comprehensively covering the demands of private individuals (including charity and subsidised services, in view of the fact that it is an essential service that must be provided in all cases) and insurance companies operating in this field. The funeral services are divided into two basic units: funeral services as such and cemeteries. Serveis Funeraris de Barcelona provides services that range from dealing with the administrative procedures in the case of death to conducting the ceremonies accompanying burials and cremations.

At the present time it has 67 viewing rooms in three funeral parlours (Sancho d'Àvila, Collserola and Les Corts), two cremation centres with six ovens (Montjuïc and Collserola) and nine cemeteries (Montjuïc,

Collserola, Les Corts, Sant Gervasi, Sarrià, Sants, Sant Andreu, Horta and Poblenou). There are plans to open a new funeral parlour with ten viewing rooms in Sant Gervasi in 2005.

Funeral Services					
	2000	2001	2002	2003	2004
No. of Funeral Services	20,213	20,330	20,203	20,770	19,244
Cremations	6,008	6,404	6,407	6,246	5,540

During 2004 the company renewed its ISO-9001-2000 certificate and continued to improve its facilities by resurfacing pathways and roads, enlarging waiting rooms and viewing rooms, building new vaults for funeral urns, and graves, and rebuilding burial vaults in the various different cemeteries.

In addition, the company set in train various cultural initiatives, such as the exhibition entitled "Un passeig pel cementiri del Poblenou" (*A Stroll through Poblenou Cemetery*) in Casa Ametller, to bring it closer to the city's inhabitants. The Cemeteries Route –a tourist route through Barcelona's two monumental cemeteries, Poblenou and Montjuïc– is a way of familiarising the public with their architectural and artistic heritage.

## Sports

Barcelona is a city characterised by encouragement of people to practise sport as an element of social cohesion. In this way the City of Barcelona helps

to catalyse and channel the sports sector in the city.

The City provides information for the general public and the specialist sectors on both the public and private sports facilities in the city; promotes the practice of sport through different schemes, such as school sports or actions aimed at specific groups such as older people, people with disabilities or groups at risk of social exclusion; and organises sports events in different formats such as popular street events, the Ciutat de Barcelona trophies and international competitions enabling Barcelona to maintain its status as a benchmark for participatory and spectator sport.

In order to achieve the City's goals in the sports sphere, in November 2004 the Plenary Municipal Council passed a resolution to set up the Institut Barcelona Esports (*Barcelona Sports Agency*) which is due to start operating in May 2005. This is a public entity whose main functions are to foster the practice of sport, spread information about sport in Barcelona and encourage local sports organisations and associations.

Sport					
	2000	2001	2002	2003	2004
<b>Olympic Facilities</b>					
– No. of Events	309	319	459	411	367
– No. of Spectators (thousands)	2,021	1,955	2,163	2,358	2,347
<b>Municipal Sports Facilities</b>					
– No. of Facilities (1)	123	124	125	125	115
– No. of Members (thousands)	150	154	162	168	180
<b>Popular Sports Events Organised by the City</b>					
– No. of Events	38	43	21	78	70
– No. of Participants (thousands)	165	222	139	188	149

(1) It accounts management units, which may integrate one or more facilities. During 2004 some facilities were integrated with the aim of a management improvement.

The Agency will operate within the framework of the Strategic Sports Plan which was passed in 2003 following participation by all the sectors to do with physical exercise and sports in the city. The goals of the plan revolve around three main axes: consolidating Barcelona internationally as a sports city, attracting sports-related business for its growth potential and its knock-on effect on the economy and employment as a whole, and promoting sport as a socially unifying force.

### 3.3. City Services

#### Maintenance of Services and Urban Infrastructures

The City of Barcelona provides a comprehensive cleaning and selective waste collection service to achieve a cleaner, tidier and more sustainable city that makes efficient use of its natural resources. As not all streets and squares are used to the same extent, the cleaning carried out depends on their particular circumstances and is determined by such factors as the amount of people and vehicle traffic passing

through them, the commercial and cultural activity that takes place there, and whether they are in areas used for leisure and recreational activities. Different cleaning systems –manual, mechanical or a mixture of manual and mechanical sweeping, or hosing– are used depending on the characteristics of each street and neighbourhood. Specific treatments are also employed to clean chewing gum and stains off the pavement, clean up dog excrement, clean vertical tunnel walls, get rid of bills and advertising posters, empty litter bins and remove tags and other graffiti from public spaces.

In the collection of urban waste, the City of Barcelona distinguishes between undifferentiated domestic waste collection and selective domestic and commercial waste collection. Undifferentiated household rubbish is collected using different systems, such as large containers in the street, door-to-door collection of full bin liners left in the street and pneumatic disposal points, suited to the particular make-up of each neighbourhood. Selective domestic waste collection applies to paper, glass,

packaging and organic waste, while selective commercial waste collection covers waste generated by shops, hotels, restaurants and offices, as well as hospitals, schools and the like. In addition to these, the City provides other related services such as door-to-door collection of old furniture and junk, and the *Roba amiga* second-hand clothing scheme, and has a network of waste collection and recycling centres known as Green Points.

Waste from the city is dealt with at the level of the metropolitan area and treatment covers incineration, controlled dumps and ecoparks with sorting and composting facilities. The ecoparks are waste treatment complexes

including several different kinds of installations for recovering energy from the different types of waste in accordance with environmentally friendly and sustainability criteria. Entry into service of the Montcada i Reixac ecopark in May 2004 alongside the Barcelona ecopark in Zona Franca made it possible to reduce the amount of solid urban waste disposed of in the controlled dumps by almost a third. The Mediterrani ecopark is expected to start operating in 2005. When it does so, the three ecoparks together will be able to treat 60% of the waste from the metropolitan area, a further 33% will be dealt with at the energy recovery plant, leaving just 7% to be taken to the controlled landfills.

Lighting, Paving, Channelling and Cleaning					
	2000	2001	2002	2003	2004
<b>Lights (units)</b>	153,298	157,665	160,504	162,791	165,024
– Road Lighting	127,369	131,806	134,620	137,047	139,261
– Artistic Lighting	5,027	4,957	4,982	4,842	4,861
– City Tunnels Lighting	10,524	10,524	10,524	10,524	10,524
– Ring Road Lighting	10,378	10,378	10,378	10,378	10,378
<b>Street Paving (m²)</b>	303,213	599,515	858,985	293,565	173,753
<b>Piping (m)</b>	202,726	214,507	181,930	167,814	161,895
<b>Cleaning and Waste Collection</b>					
– Urban Waste (tonnes)	818,859	836,852	850,278	860,337	870,600
– Selective Collection (tonnes)	97,890	142,485	217,040	319,959	368,436
• Glass	15,112	16,773	18,256	20,053	21,675
• Paper	29,046	51,489	52,323	57,200	65,163
• Containers	6,547	8,030	9,504	10,644	11,696
• Furniture	21,799	22,768	23,949	28,222	30,322
• Organic waste	15,832	29,799	48,634	74,684	82,829
• Clothing	21	24	117	498	1,489
• Other Waste in Waste Recycling Centres	8,458	11,716	13,508	13,912	14,195
• Selective collection at Mercabarna	1,075	1,885	4,180	7,046	7,953
• Others: Selective from Parks	–	–	–	865	551
• Rejected Fraction to Methanisation	–	–	46,569	106,801	132,563
<b>Selective Collection/Total (%)</b>	<b>11.9</b>	<b>17.0</b>	<b>25.5</b>	<b>37.2</b>	<b>42.3</b>

Upkeep of public spaces is one of the priority goals in the current Municipal Action Plan with a view to having an operational city and better

quality public space that will contribute to the public's well-being and optimise the use of resources in an environmentally friendly way.



With this in mind, a Comprehensive Public Space Improvement Plan for 2004-2007 was passed last year. It consists in simultaneously carrying out a set of actions in streets throughout the city including road surfacing and structures, signalling, pavements, urban furniture, the sewage system, street cleaning, traffic lights, urban greenery, public drinking fountains, lighting, etc. Over the four-year period, these actions will be carried out on 30% of the public thoroughfares in Barcelona and

affect 1,600 streets with a total length of 450 kilometres.

The City of Barcelona has also set its sights on ensuring the quality of the city's environment. Well aware that the air we breathe influences the quality of urban life, it has put in place an atmospheric pollution monitoring network to make sure that the reference values stipulated in the relevant Spanish and European regulations are complied with.

Maintenance and Urban Services					
	2000	2001	2002	2003	2004
<b>Sanitation and Environmental Control</b>					
– Length of Drainage Network (km)	1,315	1,335	1,490	1,509	1,526
– Cleaning Drains Network (km)	2,389	2,418	2,241	2,374	2,326
<b>Energy Plant of Besòs</b>					
– Incinerations (tonnes)	272,134	300,524	187,176	360,193	328,832
– Electricity Production (MWh)	117,574	129,802	79,977	174,037	155,409
<b>Control of Noise Pollution</b>					
– No. Vehicles Inspected	5,418	5,187	5,545	4,885	3,766

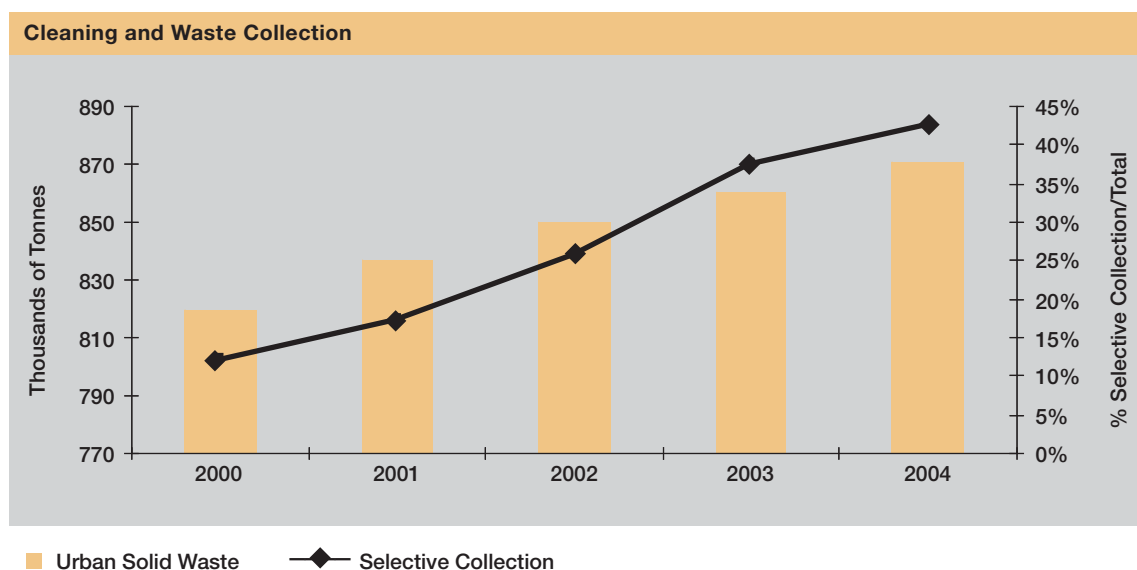
The city's sewer system plays a decisive role the quality of the urban water cycle. Every day Barcelona's sewer network receives 500,000 cubic metres of sewage, 75% of which is treated at the Besòs plant and the rest in the Prat de Llobregat plant. Cleaning and maintenance of this network ensures optimum functioning so that all the waste water is able to flow unobstructed from the different points at which it enters to its final destination without any solid obstacles blocking its way. The seven city's 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, on the other, they allow retained water to be treated before spillage into the sea. This helps the

preservation of the aquatic and marine ecosystems.

Barcelona is a city with a lot of groundwater. The level and quality of the water are constantly monitored so that it can be sustainably used to water parks and gardens, supply the ornamental fountains, clean the streets and cleanse the sewers.

One of the challenges facing Barcelona in order for it to become a more comfortable city to live in is to reduce noise pollution. The BCN! Sense Soroll (*Barcelona! No Noise*) programme combines surfacing roads with noise-reducing asphalt and covering over thoroughfares such as Ronda del Mig and la Gran Via, with making





grants available for soundproofing buildings, promoting environmental education and awareness, and campaigns to prevent the activities of pavement cafés and establishments offering night-time entertainment from interfering with local residents' sleep and rest. Lastly, making Barcelona a more comfortable city also means developing renewable energy sources and improving energy efficiency. As a result of measures such as the building of the photovoltaic plant in the Forum with a surface area of 3,600 square metres, Barcelona now has 24,531 square metres of solar panels, which produces energy savings equivalent to the power consumed by a town of 35,000 inhabitants.

### Spaces in Contact with Nature

Barcelona's green assets are rather diverse. To begin with, a distinction needs to be made between the woodlands, first and foremost Parc de Collserola, and the 1,040 hectares of urban green made up of the trees lining the streets, the more than 60 urban parks, the gardens in neighbourhoods and squares, the courtyards

between blocks of buildings and allotments in the city. In addition to this, Barcelona has over four kilometres of beaches integrated into the fabric of the city and equipped with the necessary amenities and facilities.

The Institut Municipal de Parcs i Jardins (*Municipal Agency of Parks & Gardens*) ([www.bcn.es/parcsijardins](http://www.bcn.es/parcsijardins)) manages Barcelona's green assets from an overall perspective running from planning to maintenance. Ensuring the quality of the city's green spaces is a key goal embracing the conservation of the vegetation, the design of the spaces, provision of facilities suited to the different uses of the parks and squares, and safety. These areas are managed in accordance with sustainability criteria: rational use of water by employing automated watering systems and making use of groundwater; recycling vegetable waste through composting; bringing the spaces into line with ecological criteria by selecting indigenous species that are better adapted to an urban environment and increasing botanical diversity; and introducing fauna to the parks and gardens.



La Ciutadella Park, in Ciutat Vella

Public Spaces and Urban Facilities					
	2000	2001	2002	2003	2004
<b>Urban Green</b>					
– Urban Green Zone (ha)	984	989	1,007	1,036	1,040
– No. of Trees on Public Thoroughfare	149,254	150,912	152,230	155,279	155,433
– Irrigation Through Sprinkling (000s m <sup>2</sup> )	1,982	2,085	2,157	2,236	2,505
<b>Other Spaces</b>					
– No. of Children's Play Areas	587	586	575	624	645

One of Parks & Gardens' main lines of action is to improve access to Barcelona's green spaces and beaches for people with reduced mobility. In 2004, architectural barriers hindering such access were removed from Parc de l'Oreneta, Jardins de Vil·la Amèlia, Parc de Ca n'Altimira, Jardins de Rosa Luxemburg, Parc de la Creueta del Coll, Parc de Sant Martí, Parc de l'Estació del Nord, Bosquet dels Encants, Jardins de Joan Brossa and Parc de l'Espanya Industrial.

The organisation of school activities, guided tours of different spaces in the city, exhibitions and talks to do with nature; holding popular festivals such as the Autumn and Spring Festivals; and the Christmas tree collection campaign are good examples of the

environmental education and awareness campaigns run by the Agency. Besides this, the Laberint d'Horta Training Centre specialises in courses for both professional and amateur gardeners.

On the other hand, the Botanical Garden of Barcelona and the Botanical Institute of Barcelona work together to conserve Catalonia's flora and carry out scientific research in the field of biology.

#### **The Zoological Gardens of Barcelona**

Barcelona zoo ([www.zoobarcelona.com](http://www.zoobarcelona.com)), situated in Parc de la Ciutadella, is over 100 years old and has more than 4,300 animals

belonging to 413 different species, primarily primates, dolphins and felines. The way the zoo has been conceived has gradually evolved over the years. Today, it has three main lines of action: the preservation of endangered species, research and environmental education.

Barcelona zoo takes part in various international programmes for the reproduction and maintenance of endangered species and their eventual introduction back into nature. In the research sphere it carries out scientific research studies together with universities, natural parks and other institutions interested in animal preservation. Environmental education is mainly aimed at schools, but also the general public. Every year over 50,000 children take part in the activities specially arranged for youngsters which are run by educators who are experts in zoology. Training courses and popularising courses in zoology are also put on for adults.

In spite of the fact that the death of the popular albino gorilla known as Floquet de Neu (*Snowflake*) caused a drop in the number of visitors to the zoo in 2004, the number of families belonging to Zooclub –membership of which allows them to go to the zoo as often as they like for a fixed annual amount– rose to more than 22,000 families including about 75,000 people.

### **Transport and Traffic**

In order to develop a more sustainable city, Barcelona has opted to promote public

transport, the use of bicycles and walking. To encourage people to use these means of transport, the City of Barcelona's website ([www.bcn.es](http://www.bcn.es)) enables users to access real-time information on traffic conditions on the main roads, road works and other activities affecting traffic, the location of car parks, the best ways of making journeys on public transport and how to get about by bike or on foot.

The number of passengers using public transport in the metropolitan area in 2004 rose to 865.8 million, up by 3.4% on the year before. The number using the rail network –the Metro, Ferrocarrils de la Generalitat de Catalunya (FGC) and RENFE suburban services grew by 3.1%. Users of public road transport –buses and trams– increased by 3.9%, partly as a result of the more than 7.6 million tram passengers. The number of journeys made using integrated tickets went up by 4.6% and these now represent 70% of all journeys within the system.

In 2004, trams came back into use as part of the public transport network –Metro, buses, FGC and Suburban RENFE– for the first time since 1971. Two lines were inaugurated: Trambaix, which links the end of Diagonal to five municipalities in the Baix Llobregat, and Trambesòs, which runs between Sant Adrià del Besòs and Vila Olímpica via Plaça de les Glòries. Trambaix has three different routes with a total length of 12 kilometres containing 25 stops. Trambesòs, on the other hand, is 6.5 kilometres long at the moment and has 14 stops. Both lines have stops linking up with the Metro network and RENFE suburban services.

## Mobility

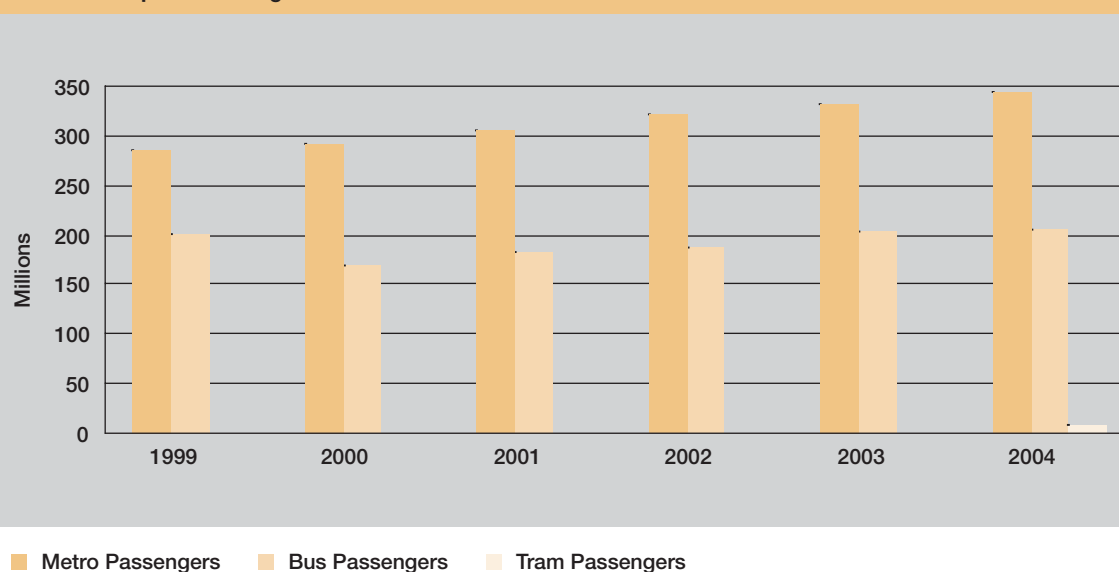
	2000	2001	2002	2003	2004
<b>Urban Mobility</b>					
– No. of Passengers on the Metro (000s)	291,977	305,105	321,365	331,980	343,324
– No. of Passengers on Buses (000s)	169,289	184,025	186,103	203,710	205,048
– No. of Passengers on Trams (000s)	–	–	–	–	7,660
– Bus / Taxi Lane (km)	77	92	93	98	98
– Cycling Lane (km)	110	116	119	122	124
<b>Parking Spaces</b>					
– No. of Loading and Unloading Areas	7,112	7,452	8,432	8,950	9,177
– No. of Surface Parking Spaces	151,458	148,363	148,097	147,068	181,198
– No. of AREA Spaces (blue zone)	6,148	6,628	6,910	6,933	7,158
– No. of Motorbike Parking Spaces	8,590	10,153	12,317	13,171	17,759

Trams were re-introduced on the basis of their advantages in three areas. As far as the environment is concerned, they do not pollute the atmosphere, they incorporate energy-saving systems and they are silent. As regards traffic, they do not cause hold-ups. And from the users' point of view, they are quick, easy to access and improve the city's public transport links.

Besides these, Barcelona provides a variety of public transport services of a tourist nature for

both residents and visitors from all over as a way of getting to know different places in the city. These include services, such as the Bus Turístic and Tombus, enabling people to ride round the city; those that link up with Parc del Tibidabo –the Tramvia Blau and funicular and Montjuïc –the funicular and port cable car; the Aerobus, linking the airport and Barcelona; and those serving the port of Barcelona –the Portbus, the catamarans, the *Golondrinas* and the sight-seeing helicopter.

## Public Transport Passengers





The City of Barcelona, together with more than 30 other European cities, has signed up to the European Road Safety Charter, launched by the European Union, which lays down a commitment to co-operate in reducing the road accident rate by 50% in the period 2000-2010. The 2004-2007 Municipal Road Safety Plan passed by the City of Barcelona was designed along these lines. The priority objectives for the two-year period 2004-2005 are to control speed limits by installing more radars on the roads into and out of the city and on other roads in the basic network; to gradually calm traffic by studying road design with a view to reducing the maximum speed to 30 kph on streets and in areas that are not part of the basic road traffic network; to increase respect for traffic lights, crossroads and pedestrian crossings and precincts by conducting awareness campaigns aimed at drivers and pedestrians and carrying out actions to enforce road discipline; and encouraging calm behaviour and compliance with basic safety measures such as the use of safety belts and helmets, breathalyser tests and campaigns against improper use of cell phones. In 2004, the number of accidents in Barcelona, including the ring roads, fell by 4%, while the number of injured and dead fell by 4.2% and 8.7% respectively.

### **3.4. Promotion of Barcelona's Economic Activity**

#### **Promotion of Housing and Urban Landscape Improvement**

Housing is one of the municipal government's priorities during this term of office. The 2004-2010 housing plan is designed to make decent,

suitable housing available to all citizens, especially the most underprivileged, in co-ordination with the rest of the metropolitan area. In order to achieve this, it pursues three lines of action: building subsidised or affordable housing, refurbishing existing stock and encouraging letting. Tackling the housing problem requires the involvement and co-ordination of all the public administrations and the private sector.

The City of Barcelona manages council land to ensure that there is enough available to implement the housing plan and, through the Patronat Municipal de l'Habitatge (*Municipal Housing Board*) ([www.pmhb.org](http://www.pmhb.org)), develops flats intended especially for young people and the elderly. In 2004, the Municipal Housing Board awarded a total of 1,255 dwellings.

In the case of the elderly, sheltered housing in flats is made available for people who are still independent. These are specially adapted flats that are provided with personal support services (tele-assistance, cleaning), social support and certain communal amenities such as living rooms that can be used for different purposes (as a library, to meet relatives) and laundry facilities. At the present time there are 357 such apartments already in use, 252 under construction and 281 at the drawing board stage. The rents charged are below market prices.

The projects carried out by the Municipal Housing Board adhere to environmentally friendly and energy-saving parameters such as the installation of solar panels for heating sanitary water, the use of recyclable construction materials, internal layouts that

ensure through-ventilation, the installation of low-energy consumption lifts and taps that control water flow.

In 2004, the *Oficina de l'Habitatge de Ciutat Vella (Ciutat Vella Housing Office)* was opened to supply information on housing, provide advice and support to citizens on problems to do with renting and flat ownership, and how to go about having dwellings refurbished to make them more inhabitable.

The *Institut Municipal del Paisatge Urbà i la Qualitat de Vida (Municipal Agency of Urban Landscape and Quality of Life)* ([www.bcn.es/paisatgeurba](http://www.bcn.es/paisatgeurba)) acts to protect and improve the urban landscape in three different ways.

In the first place, it conducts campaigns to assist with protecting and improving buildings, both by providing grants directly and by

channelling contributions from the private sector, especially from companies interested in sponsoring projects for restoring the features of some of the city's emblematic sights.

As part of the *Barcelona, posa't guapa* campaign, subsidies were granted for a total of 3,692 actions in 2004, 76% of which were for rehabilitation programmes affecting interiors (wells, staircases and entrance halls) or exteriors (façades, terrace roofs and main roofs). The other actions belonged to programmes for sustainable development of dwellings, such as fitting double glazing and solar panels; improving access with grants for installing lifts and adapting dwellings for people with reduced mobility; improving installations that spoil the quality and dignity of the landscape (aerials, air conditioning appliances); and restoring artistically valuable original elements such as stained glass windows, sgraffiti, grilles, railings and doors.

Restoration, Housing and Urban Landscape Improvement					
	2000	2001	2002	2003	2004
<b>Housing Stock of the <i>Patronat Municipal de l'Habitatge</i></b>					
– Dwellings to let handled	3,367	3,507	3,550	4,248	5,268
– Dwellings for sale handled	4,180	3,632	3,211	3,105	2,932
– Shop units	533	485	441	457	457
– m <sup>2</sup> of land available	23,780	41,790	6,620	34,580	36,300
<b><i>Barcelona, posa't guapa</i> Campaign</b>					
– No. of Grant Registrations	2,420	2,649	2,339	3,180	2,766
– No. of Grant Files Conferred	1,210	1,617	1,993	1,907	1,847
– m <sup>2</sup> of Restored Façades and Roofs (000s)	512	715	560	703	800

Secondly, the Agency is responsible for managing use of the urban landscape in accordance with the relevant bylaws. In other words, it makes sure that advertising elements are properly sited, issues landscape impact reports on permits for the normal use of the urban landscape, such as shop signs and advertising on party walls and building site fences, and permit applications for exceptional uses. The Agency enters into agreements with organisations wishing to put up advertising canvases and signs and in 2004 it concluded 106 of these, 16% more than the year before. The money obtained from sponsorship and compensation for use of the landscape is allocated to restoring landscape assets.

In addition to the work of conserving and improving Barcelona's urban landscape heritage, the Agency has a third goal, which is to promote the values of the landscape and spread information about the city's architectural heritage and the importance of preserving it. It does this by means of the Urban Landscape Routes and a large number of publications. In 2004, designated as Design Year, a new route was inaugurated comprising the 100 best places linked to design and architecture in Barcelona. The Design Route has become one of the most successful, together with the Modernisme Route and the Gaudí Route.

### **Promotion of the City's Economic Activity**

The City of Barcelona implements several measures through its economic promotion sector to attract economic activity to the city. On an international level, in 2004 it organised business bridges in Saint Petersburg, Toulouse

and New York with a view to establishing trade and business contracts, promoting Barcelona and its companies abroad, and studying new models of economic and business development. It sent business prospecting missions to Miami, Dortmund and Quebec; it took part in various major international trade fairs and conferences of sectorial and strategic interest concerning transport and logistics, local development agencies, hi-tech industry, property and airports; and it organised seminars on and presentations of Barcelona for foreign business delegations visiting the city.

Through Barcelona Negocis (*Business Barcelona*) ([www.bcn.es/barcelonanegocis](http://www.bcn.es/barcelonanegocis)) it deals with enquiries from professionals, institutions and foreign investors wishing to set up or do business in Barcelona.

As well as studying the economic situation in Barcelona and its area of influence through conjunctural indicators, reports and sectorial studies or surveys of companies and economic agents operating in the Barcelona, the City of Barcelona regularly produces publications and studies aimed at disseminating, communicating and promoting Barcelona's economic potential, business opportunities and projects.

With a view to strengthening Barcelona's competitive advantages over other cities, the City of Barcelona promotes public-private collaboration platforms in relation to economic sectors of strategic importance to the city such as logistics, biomedicine, design and aerospace-activities with high added value and major growth potential. By taking this approach of getting companies, professional organisations, institutions and administrations





La Boqueria Market, in Ciutat Vella

involved together, common strategies can be defined for boosting these economic sectors with the Barcelona brand as a distinctive feature.

### **Fostering Employment and Entrepreneurial Initiative**

Barcelona Activa ([www.barcelonactiva.es](http://www.barcelonactiva.es)) is the City of Barcelona's local development agency that promotes and supports the setting up of microcompanies. Over the past few years Barcelona Activa has succeeded in deploying a network of facilities enabling it to provide a range of specialist support. In 2004, it set in train the 2004-2007 Action Plan geared to meeting the needs of the diverse groups for which it caters in regard to seeking employment or promotion, setting up or consolidating companies, improving job skills, or technology training for professional development.

In 2004, over 126,000 users participated in the different areas of work, more than 50% of whom were women. A breakdown by age shows that approximately 19% were under 25 and nearly a

third over 40. More than half of those who took part were unemployed and a slight majority had a university education. As regards participants' origin, 24% were immigrants.

In 2004, 30,759 people took part in activities to encourage entrepreneurial initiative and consolidate companies, while assistance was provided to 1,065 new business projects and support given to help consolidate 249 companies. Although the business projects covered a wide range of sectors, reflecting the reality of city-based firms, it is of note that a large number of projects were linked to trade and technological projects accounted for a growing share.

The profile of the promoters of these new business projects reveals an equal number of men and women. The vast majority of the entrepreneurs were aged between 25 and 40 and had had a university education.

The Viver d'empreses (*Company Incubator*) run by Barcelona Activa, giving start-ups a base from which they can begin to develop, has become established as a model producing extremely positive results. It is estimated that

84% of the companies leaving the incubator four years after starting up are still in business. This is a much higher proportion than the average for Spain and Europe, where less than 40% of new companies fail to make it beyond their third year.

Altogether, there were 114 companies in the Incubator and the Centre d'Empreses (*Centre of Companies*) in Fòrum Nord –which caters for companies in the innovation and new technologies sector– providing a total of 779 jobs.

#### Participants in the Activities of Barcelona Activa

	2000	2001	2002	2003	2004
Total Number of Participants	76,576	77,974	98,069	109,790	126,941
Promotion of Entrepreneurial Initiative	12,190	11,800	16,967	20,869	27,425
Porta 22, Espai Noves Ocupacions ( <i>Place of New Jobs</i> )	–	–	–	6,063	26,154
Cibernàrium	42,427	36,483	40,273	44,027	49,774

Schemes combining training with work experience, such as the vocational training centres known as *escoles taller* and *cases d'ofici* where students are taught a trade, are among the most important of those providing access to, inclusion into and improvement of employment. This is because hands-on experience has proven to be one of the most effective methods of acquiring new competences, skills and knowledge.

has set up to provide information and training in the realm of computer skills. It is a multiple space centred on the world of the Internet that is open to allcomers –professionals, companies and students. It attracts more and more users every year, with nearly 50,000 people availing themselves of its facilities in 2004.

#### Commerce and Urban Industry Renewal

Last year was the first full year Porta 22, l'Espai de les Noves Ocupacions (*Place of New Jobs*), which provides training and information regarding new job opportunities and new work cultures, was in operation. In the course of the year, over 26,000 people made use of this innovative space which now has more than 800 job profiles in its list of job descriptions.

Barcelona has a dynamic local trading sector that is constantly being renewed and adapted to meet public demand and in which shops and municipal markets exist side by side. The extensive network of municipal markets, comprising 40 food and six non-food markets, is unique in Europe and has an important history and tradition of serving the public. These markets are not just shopping spaces, but also places of culture and where people mix together.

Spreading information and skills are key factors for turning the new technologies and their applications into instruments of professional development for people and companies. The Cibernàrium is the environment Barcelona Activa

Over the past few years, the Institut Municipal de Mercats (*Municipal Agency of Markets*) ([www.bcn.es/mercatsmunicipals](http://www.bcn.es/mercatsmunicipals)) has been

carrying out a comprehensive refurbishment programme to adapt them to the 21st century. It has improved their infrastructures and services, and made available new features and amenities such as home deliveries, restaurants, crèches, bookshops and public spaces. They are also being equipped with car parks and other facilities to make shopping at the markets easier. A new line of action is the promotion of specialisation with a view to providing better-quality products and the introduction of biological products and fair trade items. The principal aim is for these markets to continue to be the main focus for the sale of fresh produce with improved personalised service while contributing to healthy, balanced eating in accordance with the Mediterranean diet.

During 2004, the new markets of La Marina and Fort Pienc established themselves on a

commercially sound footing and partial improvements of many different kinds were made to 23 other markets across the city. In order to promote use of the markets, a new website was set up and a newsletter, *Infomercats*, published. Continuing the policy of helping to improve the environment, modernisation of the markets has led to less and less waste being generated and more and more of it being recycled. All the municipal markets now collect and recycle organic waste, while collection of inorganic waste –paper, glass, plastic and wood– is being gradually introduced.

Mercabarna ([www.mercabarna.es](http://www.mercabarna.es)), a company in which the City of Barcelona is the major shareholder, is in charge of promoting, constructing and running Barcelona's central wholesale markets, managing the abattoir and improving the marketing circle of food products.

Mercabarna (Wholesale Market)					
	2000	2001	2002	2003	2004
<b>Trading Tonnes</b>					
– Fruit and Vegetables	897,240	912,888	922,782	961,294	967,009
– Fresh Fish	81,089	82,070	79,131	78,827	80,712
– Slaughtered Cattle	27,249	26,793	24,873	25,500	29,007
– Frozen and Others	84,943	88,366	98,585	95,204	97,854

Mercabarna's food unit includes over 900 food companies. Around 400 of these are engaged in wholesale trade, while around 500 –located in the Zona d'Activitats Complementàries (*Complementary Activities Zone*)– are engaged in handling, preparing, packaging, preserving, selling and distributing fresh food products and other specialist services. Setting up this Complementary Activities Zone in Mercabarna has enabled the wholesale

markets to adapt to the changing requirements of the new forms of distribution.

#### Tourist Promotion

Tourist activity in the city continues to grow year after year. In 2004, over four and a half million people visited us and there were 10.1 million overnight stays in hotels. More than 45,000 hotel beds are now available.

One indicator of the effect of tourism on the city's economy is the fact that payments made using international credit cards in Barcelona grew by 11% over the year before. It is estimated that purchases account for 44% of the total amount spent by foreign tourists in the

city. The people at the Barcelona Shopping Line offices, belonging to the Consorci de Turisme de Barcelona (Barcelona Tourist Consortium) ([www.barcelonaturisme.com](http://www.barcelonaturisme.com)) are working to position Barcelona as an international shopping city.

### Tourist Promotion

	2000	2001	2002	2003	2004
<b>Consorci de Turisme de Barcelona (Barcelona Tourist Consortium)</b>					
– No. of Enquiries to the Tourist Office (000s)	1,119	1,272	1,721	1,738	2,008
– No. of Visitors (000s)	3,141	3,379	3,581	3,848	4,550
– No. of Users of the Tourist Bus (000s)	859	983	1,132	1,223	1,475

The Barcelona Convention Bureau –a business programme run by the Barcelona Tourist Consortium– recorded 1,146 meetings in 2004 with a total of 360,335 delegates, 26% more than in 2003.

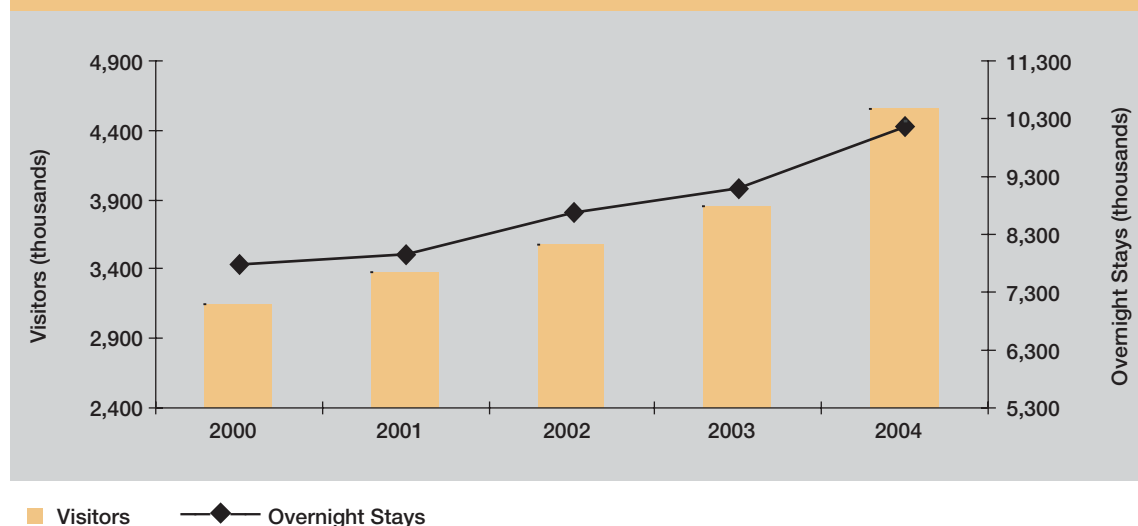
The Barcelona Tourist Consortium also has other programmes related to training *Barcelona Outdoor & Corporate Training*, health *BCN Centre Salut*, and sport *BCN Sports*.

In 2004 the Tourist Bus added the Forum Route to its two already existing routes. Overall, the

number of users grew by approximately 20%, bringing the figure close to a million and a half. Another tourist product that is developing very well –with growth of 44% in 2004– is *Barcelona Walking Tours*. These are guided tours through the Gothic quarter and the Barcelona of Picasso.

The ten permanent and five seasonal information points run by the Servei d'Atenció al Turista (*Tourist Information Service*) dealt with 1,343,113 people who generated two million enquiries.

### Visitors to the City





# 4



## Management Report

The 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 their sources of financing.

### 4.1. Human Resources

The municipal workforce, which includes the personnel of the City of Barcelona and the municipal agencies and companies, increased by 44 workers in 2004 to a total of 12,410 people. Over the last five years, the workforce has grown by 161 people in net terms, while 297 people have opted to take advantage of the early retirement plan.

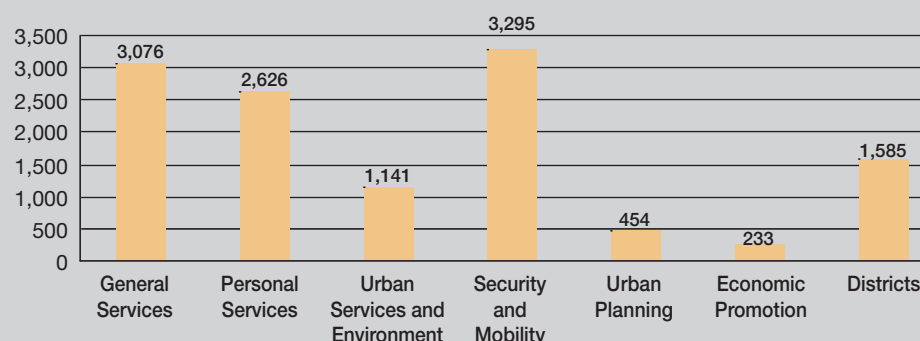
#### Personnel of the City of Barcelona and its Municipal Agencies and Companies

	12.31.00	12.31.01	12.31.02	12.31.03	12.31.04
City of Barcelona	6,753	6,683	6,638	6,689	6,657
Municipal Agencies and Companies	5,291	5,390	5,407	5,677	5,753
<b>Total</b>	<b>12,044</b>	<b>12,073</b>	<b>12,045</b>	<b>12,366</b>	<b>12,410</b>

The policy of bringing down the average age of the Municipal Police Force and the fire brigade was continued in 2004 with a view to making these groups more operational and capable of responding better to citizens' demands. In absolute terms, the sectors that increased their workforce the most were Personal Services and Economic Promotion, particularly personnel dealing with education, culture, and the promotion of small firms and employment.

Once again last year, the City of Barcelona carried out a personnel training programme. In 2004 the City allocated 2.05% of its gross payroll budget to personnel training. The programme involved 20,021

**Breakdown of the Personnel of the City of Barcelona Group as of 12.31.2004**



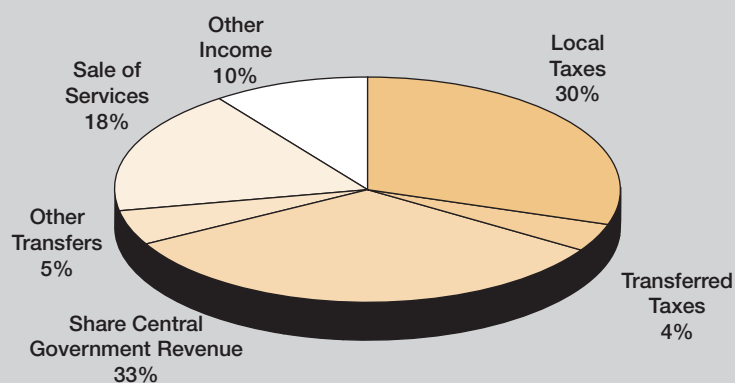
participants and a total of 109,544 hours' teaching time, respectively 24% and 21% more than the year before. These figures include the training given to 2,128 workers as part of the training plan the City of Barcelona presents to the *Instituto Nacional de Administración Pública* (National Institute of Public Administration) for subsidization purposes, within the framework of the *Acuerdo Nacional de Formación Continuada* (National Agreement on Ongoing Training).

## 4.2. Current Revenue

The consolidated current revenue of the City of Barcelona was made up of local income (62.3% of the total), current transfers (37.4%) and financial revenue (0.3%). Local income, in turn, was comprised of local taxes, taxes transferred by the Central Government (shared taxes), sales of services (fees, public prices and rents), income from property and business (licenses, public uses, fines and profit shares) and other income such as special contributions.

In 2004 the breakdown of consolidated current revenue was as follows:

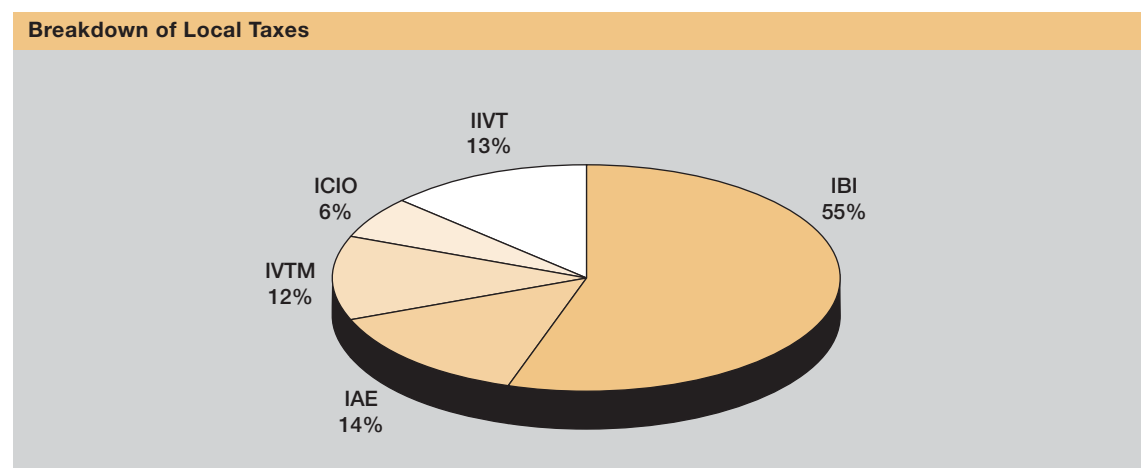
**Breakdown of Current Revenue**





Local taxes consist of the property tax (IBI), the economic activities tax (IAE) –which was partially suppressed by Law 51/2002, amending the Law Regulating Local

Taxation–, the mechanical traction vehicles tax (IVTM), the construction tax (ICIO) and the tax on the increase in land value (IIVT).



The share in Central Government revenue represented 87% of current transfers. The main development in 2004 was that the system for sharing in Central Government revenue applicable to municipalities of more than 75,000 inhabitants and provincial capitals was altered. The new system is divided into two parts. On the one hand, there is the transfer of Central Government taxes collected in, or attributable to, the municipality (shared taxes) and which are therefore classified as local taxes. The taxes transferred are 1.6875% of income tax, 1.7897% of value added tax and 2.0454% of the special taxes on beer, wine and fermented beverages, intermediate products, alcohol and derived beverages, hydrocarbons and tobacco.

On the other hand, there is a complementary financing fund consisting of a subsidy intended for meeting the general needs of the city which is classified as a current transfer. The complementary fund in 2004, which is the base year, was the difference between the amount

resulting from applying the rate of increase of Central Government taxes between 2003 and 2004 to the share in Central Government revenue in 2003, and the Central Government taxes transferred in 2004. The complementary fund will increase each year at the same rate as Central Government taxes. This complementary fund also includes compensation for the partial suppression of the tax on economic activities and the share in Central Government revenue corresponding to the Mancomunitat de Municipis de Barcelona (*Municipal Association of the Barcelona Metropolitan Area*). From 2004, it is the municipality itself that has to reach an agreement with Mancomunitat on the proportion of this share to be transferred to it. The other current transfers are transfers for specific purposes from Central Government, the Autonomous Community and other entities.

During the last five years, current revenue has grown at a cumulative annual rate of 5.5%. This

increase was made possible to a large extent by the growth of the share in Central Government revenue going to both the City of Barcelona and the Municipal Association of the Barcelona Metropolitan Area. This share grew by an annual average of 5.8% and by 8.5% if the transfer of Central Government taxes (shared taxes) in 2004 is taken into account. In this period, local taxes, excluding shared taxes, have scarcely increased, going up by just 0.3%, as a result of the City of Barcelona's wish not to put up taxes

and the partial suppression of the tax on economic activities (IAE). Whereas income from the IAE has fallen by an annual average of 11.9% due to the changes in it, property tax revenue has grown by 4% as a result of improved collection and the gradual introduction of the new property values approved in 2001. Revenue from the tax on construction activities has increased at an annual rate of 14%, reflecting the development of the building industry.

<b>Current Revenue (thousands of euros)</b>					
	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
Property Tax	285,595	288,758	303,460	319,100	333,329
Tax on Economic Activities	162,369	162,892	164,277	89,248	84,817
Tax on Motor Vehicles	76,509	76,254	76,197	74,350	74,686
Tax on Construction Activities	18,758	22,538	21,136	32,208	34,484
Tax on Increases in Land Values	69,104	65,043	74,114	79,086	80,055
<b>Subtotal</b>	<b>612,335</b>	<b>615,485</b>	<b>639,184</b>	<b>593,992</b>	<b>607,371</b>
Shared taxes: Income tax, VAT and Special taxes	-	-	-	-	89,923
<b>Total Local Taxes</b>	<b>612,335</b>	<b>615,485</b>	<b>639,184</b>	<b>593,992</b>	<b>697,294</b>
Revenue from Sale of Services	243,500	271,643	302,348	330,400	369,663
Revenue from Property and Business	96,976	127,898	140,302	136,115	155,956
Other Revenue	28,290	28,529	37,837	33,864	57,569
<b>Total Local Revenue</b>	<b>981,101</b>	<b>1,043,555</b>	<b>1,119,671</b>	<b>1,094,371</b>	<b>1,280,482</b>
Share in Central Government Revenue	503,684	531,896	562,000	662,082	669,241
Transfers from other Administrations	110,147	118,426	133,802	142,670	100,336
<b>Total Current Transfers</b>	<b>613,832</b>	<b>650,322</b>	<b>695,802</b>	<b>804,752</b>	<b>769,577</b>
<b>Financial Revenue</b>	<b>8,543</b>	<b>10,171</b>	<b>10,693</b>	<b>8,031</b>	<b>5,630</b>
<b>Total Current Revenue</b>	<b>1,603,476</b>	<b>1,704,048</b>	<b>1,826,166</b>	<b>1,907,154</b>	<b>2,055,689</b>

In 2004, current revenue rose by 7.8% compared to 2003. Local taxes grew by 2.3%. The items showing the greatest growth were the tax on construction activities, revenue from which grew by 7.1% as a consequence of the construction market in Barcelona, and property tax, revenue from which went up 4.5% due to the gradual

introduction of the new property values approved in 2001.

Taken as a whole, sales of services, income from property and business, and other revenue grew by 16.5%. The main reasons for this were the increased revenue from selective refuse collection, especially from commercial

establishments, the fees for recovering illegally parked cars that had been towed away, assignments, the share in gross revenue from public utility companies –gas, water, electricity and telephony– and sales of the services of the municipal agencies and companies.

In 2004, the City's share in Central Government revenue grew by 1.1%. As already mentioned, 2004 was the first year in which the new system for sharing in Central Government revenue was implemented and so this item does not include the shared taxes. On the

other hand, it does include current transfers from Central Government to the Municipal Association of the Barcelona Metropolitan Area. This latter reclassification means that the remaining current transfers exhibited negative growth in 2004. If total current transfers and shared taxes, on the one hand, are compared to total current transfers in 2003, on the other, the increase is 6.8%. In 2004, the City of Barcelona received 90 million euros under the heading of shared taxes and 669 million euros under the heading of the complementary fund.

Current Revenue (in percentages)					
	2000	2001	2002	2003	2004
Property Tax	17.8	16.9	16.6	16.7	16.2
Tax on Economic Activities	10.1	9.6	9.0	4.7	4.1
Tax on Motor Vehicles	4.8	4.5	4.2	3.9	3.6
Tax on Construction Activities	1.2	1.3	1.2	1.7	1.7
Tax on Increases in Land Values	4.3	3.8	4.0	4.1	3.9
<b>Subtotal</b>	<b>38.2</b>	<b>36.1</b>	<b>35.0</b>	<b>31.1</b>	<b>29.5</b>
Shared taxes: Income tax, VAT and Special taxes	-	-	-	-	4.4
<b>Total Local Taxes</b>	<b>38.2</b>	<b>36.1</b>	<b>35.0</b>	<b>31.1</b>	<b>33.9</b>
Revenue from Sale of Services	15.2	15.9	16.6	17.3	18.0
Revenue from Property and Business	6.0	7.5	7.6	7.2	7.6
Other Revenue	1.8	1.7	2.1	1.8	2.8
<b>Total Local Revenue</b>	<b>61.2</b>	<b>61.2</b>	<b>61.3</b>	<b>57.4</b>	<b>62.3</b>
Share in Central Government Revenue	31.4	31.2	30.8	34.7	32.5
Transfers from other Administrations	6.9	6.9	7.3	7.5	4.9
<b>Total Current Transfers</b>	<b>38.3</b>	<b>38.2</b>	<b>38.1</b>	<b>42.2</b>	<b>37.4</b>
<b>Financial Revenue</b>	<b>0.5</b>	<b>0.6</b>	<b>0.6</b>	<b>0.4</b>	<b>0.3</b>
<b>Total Current Revenue</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

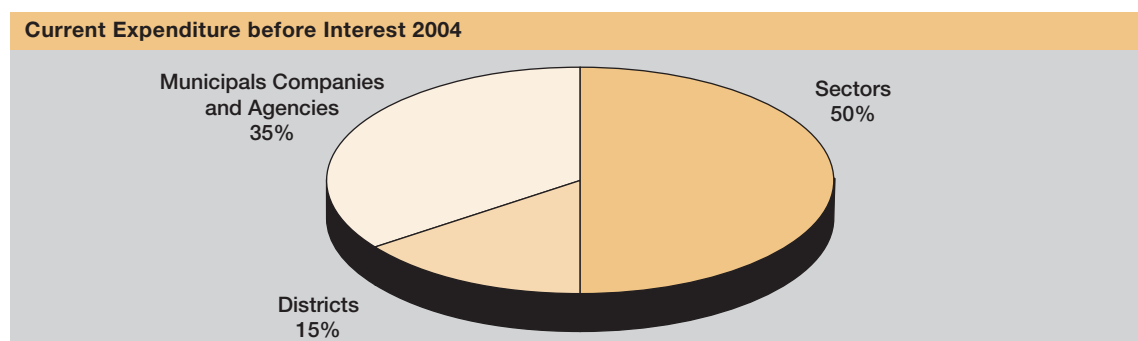
### 4.3. Current Expenses

The wide variety of services the City of Barcelona provides for its citizens, either directly or in a decentralized fashion through

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



In the period 2000-2004, current expenses went up by an annual average of 4.8%, 0.7% less than growth in current revenue. This increase in current expenditure was a consequence of the policy of improving the services delivered by the City, provided that gross savings exceed 25% of current expenditure. That is why there has been such a reduction in financial expenses

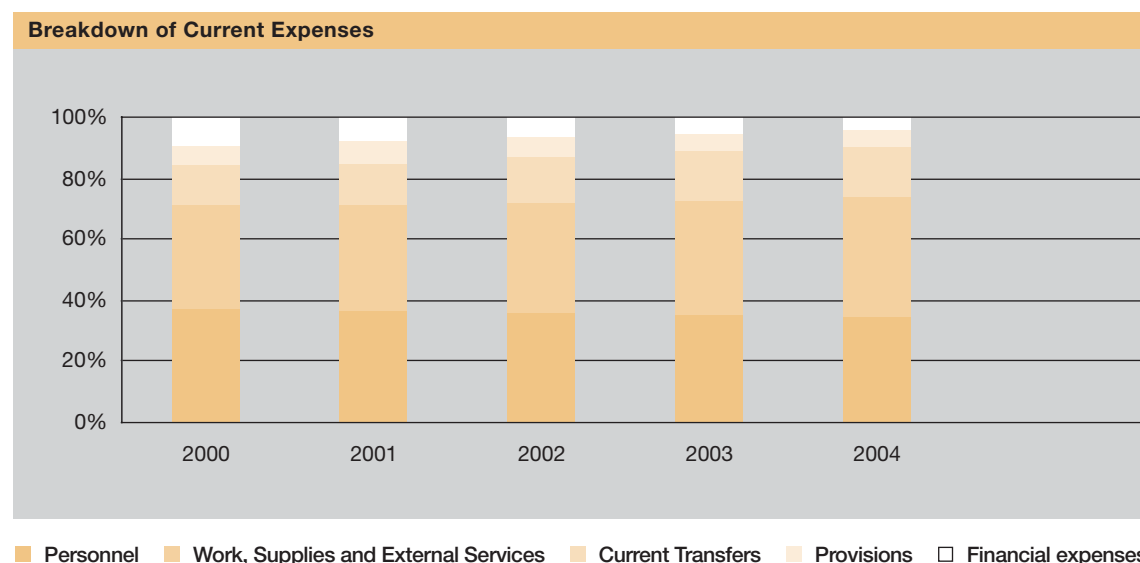
over the past period, down by an annual average of 13.6%. The expenditure items that have grown the most are related to cleaning the public highway, office cleaning and expenditure on upkeep and maintenance. Personnel expenses grew at an annual rate of 3.5%, slightly above inflation for the period, which was 3.3%.

Current Expenses (thousands of euros)					
	2000	2001	2002	2003	2004
Personnel Expenses	442,922	459,789	481,799	493,273	517,555
Work, Supplies and External Services	399,312	428,132	489,849	516,203	592,007
Current Transfers	149,448	177,698	201,895	235,048	244,600
Provisions	82,495	84,329	85,742	79,975	83,480
Financial Expenses	105,784	101,627	87,871	71,147	60,598
<b>Total Current Expenses</b>	<b>1,179,961</b>	<b>1,251,575</b>	<b>1,347,156</b>	<b>1,395,646</b>	<b>1,498,240</b>

In 2004, current expenses increased by 7.4%, with works, supplies and subcontracted services growing almost double. The items registering the biggest increases were again cleaning and maintenance, especially of public

lighting, social services, education and culture. Personnel expenses grew faster than inflation due to re-grading and increases in the workforce, while financial expenses fell by 14.8%.

Current Expenses (in percentages)					
	2000	2001	2002	2003	2004
Personnel Expenses	37.5	36.7	35.8	35.3	34.6
Work, Supplies and External Services	33.8	34.2	36.3	37.0	39.5
Current Transfers	12.7	14.2	15.0	16.8	16.3
Provisions	7.0	6.7	6.4	5.8	5.6
Financial Expenses	9.0	8.1	6.5	5.1	4.0
<b>Total Current Expenses</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>



#### 4.4. Investments

In the past five years, the City of Barcelona, together with its agencies and municipal companies, has made capital expenditure of 2,835 million euros amounting to an annual average of 567 million euros. Some 2,263 million euros of this total capital outlay went on direct investment; 543 million on capital transfers, mainly to HOLSA, the Metropolitan Transport

Authority, the Universal Forum of Cultures Barcelona 2004 Consortium and cultural facilities; and 29 million on increases in capital.

Capital revenue in the same period was 537 million euros, of which 57% came from asset management, i.e. the sale of land, buildings and parts of the public highway surplus to requirements, and the sale of housing and business premises, mainly by the Patronat

Municipal de l'Habitatge (Municipal Agency for Housing). The remaining 43% of capital revenue came from transfers, largely from the European Union for environmental projects such as, for example, the construction of selective waste collection centers, rainwater tanks and recycling plants, and the erection of sound

barriers. It also included contributions by the Generalitat de Catalunya, mainly for education and sports facilities, and transfers from other organizations and institutions for developing public spaces. All together, capital revenue financed 19% of capital expenditure during this period.

<b>Capital Revenue and Expenses (thousands of euros)</b>					
	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
<b>Direct Investments</b>					
General Use	85,410	172,681	352,186	341,422	218,940
Related to Services	105,075	153,314	312,687	300,918	220,611
<b>Total Direct Investments</b>	<b>190,485</b>	<b>325,995</b>	<b>664,873</b>	<b>642,340</b>	<b>439,551</b>
<b>Capital Transfers</b>					
HOLSA	49,758	51,747	53,817	55,970	58,209
Metropolitan Transport Authority	24,179	24,617	24,179	24,179	25,388
Non-municipal entities	21,384	15,512	22,470	34,975	57,142
<b>Total Transfers</b>	<b>95,321</b>	<b>91,877</b>	<b>100,466</b>	<b>115,124</b>	<b>140,739</b>
<b>Financial Investments</b>	<b>3,005</b>	<b>3,005</b>	<b>13,409</b>	<b>8,910</b>	<b>255</b>
<b>Total Capital Expenses</b>	<b>288,810</b>	<b>420,877</b>	<b>778,748</b>	<b>766,374</b>	<b>580,545</b>
<b>Capital Revenue</b>					
Capital Transfers	15,891	40,743	70,723	75,632	28,894
Asset Management	20,957	35,772	128,921	49,439	69,750
<b>Total Capital Revenue</b>	<b>36,848</b>	<b>76,515</b>	<b>199,644</b>	<b>125,071</b>	<b>98,644</b>
<b>Net Investment</b>	<b>251,962</b>	<b>344,362</b>	<b>579,104</b>	<b>641,303</b>	<b>481,901</b>

In 2004, capital expenditure came to 581 million euros, less than the two previous years, when an exceptional investment effort had been made, but similar to the average for the past five years. Under the heading of capital transfers,

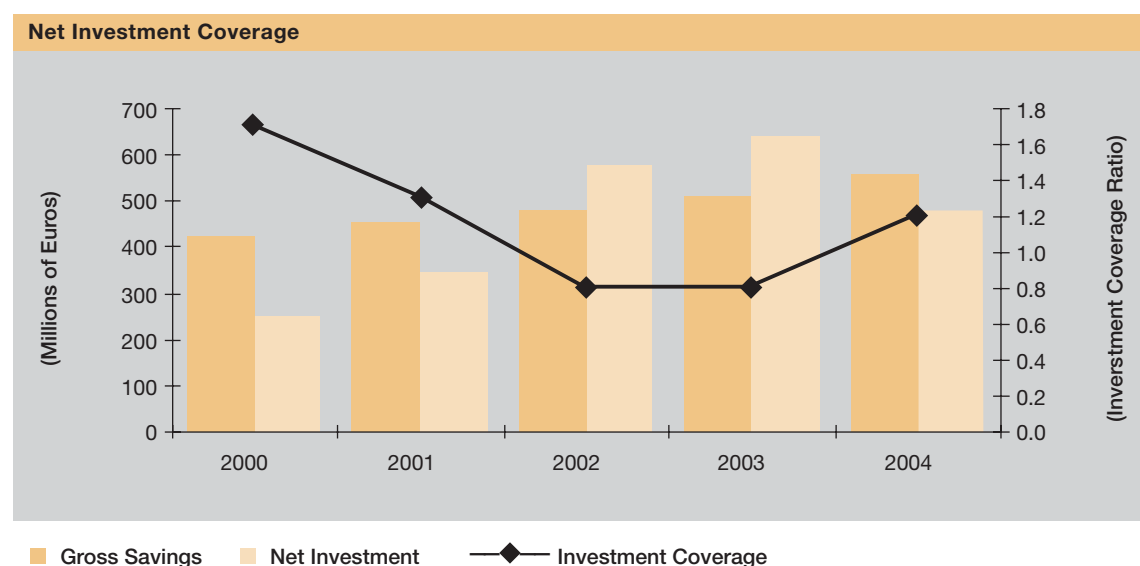
there was a notable increase in transfers to other entities, including extraordinary contributions of 29 million euros to the Universal Forum of Cultures Barcelona 2004 Consortium.



Capital Revenue and Expenses (in percentages)					
	2000	2001	2002	2003	2004
<b>Direct Investments</b>					
General Use	33.9	50.1	60.8	53.2	45.4
Related to Services	41.7	44.5	54.0	46.9	45.8
<b>Total Direct Investments</b>	<b>75.6</b>	<b>94.7</b>	<b>114.8</b>	<b>100.1</b>	<b>91.2</b>
<b>Capital Transfers</b>					
HOLSA	19.7	15.0	9.3	8.7	12.1
Metropolitan Transport Authority	9.6	7.1	4.2	3.8	5.3
Non-municipal entities	8.5	4.5	3.9	5.5	11.8
<b>Total Transfers</b>	<b>37.8</b>	<b>26.7</b>	<b>17.4</b>	<b>18.0</b>	<b>29.2</b>
<b>Financial Investments</b>	<b>1.2</b>	<b>0.9</b>	<b>2.3</b>	<b>1.4</b>	<b>0.1</b>
<b>Total Capital Expenses</b>	<b>114.6</b>	<b>122.2</b>	<b>134.5</b>	<b>119.5</b>	<b>120.5</b>
<b>Capital Revenue</b>					
Capital Transfers	6.3	11.8	12.2	11.8	6.0
Asset Management	8.3	10.4	22.3	7.7	14.5
<b>Total Capital Revenue</b>	<b>14.6</b>	<b>22.2</b>	<b>34.5</b>	<b>19.5</b>	<b>20.5</b>
<b>Net Investment</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Investment in 2004 was financed without the need to increase debt. Investment coverage,

measured as the ratio of gross savings over net investments, was 1.2 in 2004.



## 4.5. Financing

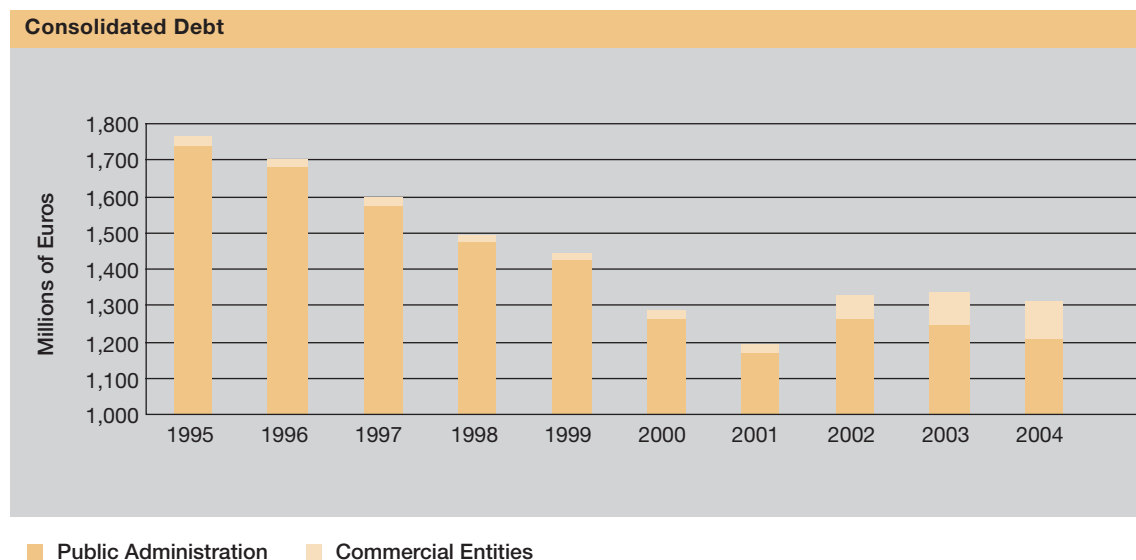
The consolidated debt of the City of Barcelona Group as of December 31, 2004 was 1,311 million euros, down by 25.3 million euros on the year before. This figure breaks down, on the one hand, into 1,206.6 million euros of Public Administration sector debt and, on the other, a debt of 104.4 million euros corresponding to the commercial entities. According to Law 18/2001 of December 12 governing budgetary stability, commercial entities are those that are financed

in the main through commercial revenue. In the case of the City of Barcelona, these are Barcelona de Serveis Municipals, SA, and the Patronat Municipal de l'Habitatge (Municipal Agency for Housing).

The reduction of the total debt in 2004 was greater than initially forecast. During the last year, the Public Administration sector debt was reduced by 37.9 million euros, while the commercial entities' debt increased by 12.6 million euros.

### Consolidated Financial Debt (thousands of euros)

	12.31.00	12.31.01	12.31.02	12.31.03	12.31.04
Public Administration	1,261,742	1,168,312	1,265,113	1,244,525	1,206,640
Commercial Entities	22,332	24,428	62,239	91,793	104,387
<b>Total Debt</b>	<b>1,284,074</b>	<b>1,192,740</b>	<b>1,327,352</b>	<b>1,336,318</b>	<b>1,311,027</b>



## Public Administration

New debt contracted by the City of Barcelona in 2004 amounted to 222 million euros, 162 million of which was allocated to financing capital expenses for the year and 60 million to prepaying long-term debt. The operations carried out were as follows: withdrawing of a bilateral 12 million euro loan arranged the year before, withdrawing of the 20 million euros pending from the loan signed in 2002 with the European Investment Bank, a seven-year public debt issue of 100 million euros –the first such issue since debt issues by municipalities have been zero-rated for the purposes of financial institutions’ solvency coefficients–, a 30 million euro six-year bilateral loan and a 60 million “schuldschein” loan. This last-mentioned operation was used to prepay debt of the same amount.

Total amortization came to 260 million euros. In addition to prepaying a loan of 60 million euros taken out in 1995, 200 million euros were amortized in accordance with their contractual and issue terms and conditions, particularly the 120 million euro bond issue of 1994 and the “schuldschein” loan of 77 million euros which was also taken out in 1994.

## Commercial Entities

The increase of 12.6 million euros in the commercial entities’ debt is explained by a combination of two developments. On the one hand, the Patronat Municipal de l’Habitatge increased its debt by 19.3 million euros as a result of the municipal government’s drive to boost its housing policy, while on the other, the consolidated debt of Barcelona de Serveis Municipals, SA was reduced by 6.7 million euros.

Consolidated Financial Debt (thousands of euros)					
	12.31.00	12.31.01	12.31.02	12.31.03	12.31.04
<b>European Union Market</b>					
Bank Loans	414,662	462,648	567,506	664,141	675,644
Private Placements	262,787	186,622	276,621	240,374	260,000
Public Bond Issues	347,084	327,823	327,823	276,622	220,202
<b>Subtotal</b>	<b>1,024,533</b>	<b>977,092</b>	<b>1,171,950</b>	<b>1,181,137</b>	<b>1,155,846</b>
<b>Non-European Union Market</b>					
Private Placements	104,360	60,466	221	0	0
Public Bond Issues	155,181	155,181	155,181	155,181	155,181
<b>Subtotal</b>	<b>259,541</b>	<b>215,647</b>	<b>155,402</b>	<b>155,181</b>	<b>155,181</b>
<b>Total Debt</b>	<b>1,284,074</b>	<b>1,192,740</b>	<b>1,327,352</b>	<b>1,336,318</b>	<b>1,311,027</b>
<b>Long-term Debt</b>	<b>1,275,095</b>	<b>1,186,702</b>	<b>1,324,198</b>	<b>1,336,231</b>	<b>1,311,027</b>
<b>Short-term Debt</b>	<b>8,979</b>	<b>6,038</b>	<b>3,154</b>	<b>87</b>	<b>0</b>

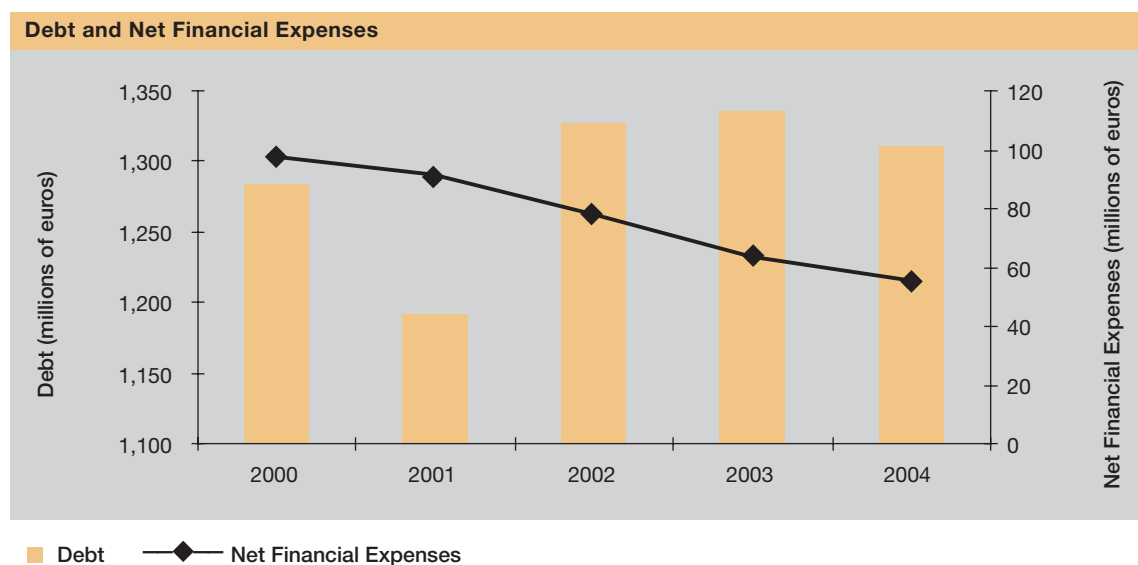
As much as 88% of the consolidated debt of the City of Barcelona as of December 31, 2004 had originated in the European Union, while the other 12% came from a public issue in the United States in 1995. This issue was completely amortized in February 2005 without

being affected by any change in the exchange rate, as the risk of such a change had been covered by a swap contract. Just over half the consolidated debt is with banks, while the remainder was contracted in different capital markets.

Consolidated Financial Debt (in percentages)					
	12.31.00	12.31.01	12.31.02	12.31.03	12.31.04
<b>European Union Market</b>					
Bank Loans	32.3	38.8	42.8	49.7	51.6
Private Placements	20.5	15.6	20.8	18.0	19.8
Public Bond Issues	27.0	27.5	24.7	20.7	16.8
<b>Subtotal</b>	<b>79.8</b>	<b>81.9</b>	<b>88.3</b>	<b>88.4</b>	<b>88.2</b>
<b>Non-European Union Market</b>					
Private Placements	8.1	5.1	0.0	0.0	0.0
Public Bond Issues	12.1	13.0	11.7	11.6	11.8
<b>Subtotal</b>	<b>20.2</b>	<b>18.1</b>	<b>11.7</b>	<b>11.6</b>	<b>11.8</b>
<b>Total Debt</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Long-term Debt</b>	<b>99.3</b>	<b>99.5</b>	<b>99.8</b>	<b>100.0</b>	<b>100.0</b>
<b>Short-term Debt</b>	<b>0.7</b>	<b>0.5</b>	<b>0.2</b>	<b>0.0</b>	<b>0.0</b>

In 2004 net financial expenses came to 55 million euros. Compared to the 137 million euros spent on this item in 1999, this represents a decrease of 53% in five years.

The long-term debt ratings given to the City of Barcelona by the different credit rating agencies have not changed: AA by Fitch and Standard & Poor's, and Aa2 by Moody's Investors Service.



## 4.6. Prospects

Capital expenditure forecast for the five-year period 2005-2009 is 2,929 million euros. This investment plan is subject to two financial conditions. The first is that gross savings, i.e. resources generated after interest, come to at least 25% of current revenue. The second condition is that consolidated debt, including guarantees, is less than 80% of current revenue.

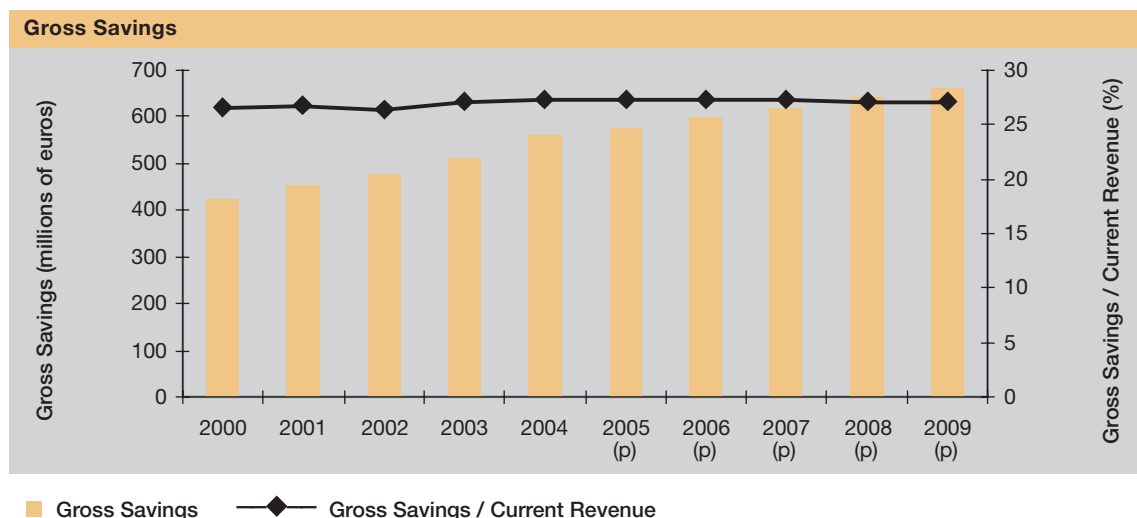
The macroeconomic hypotheses employed in making the forecasts are as follows. The Consumer Price Index (CPI) is expected to rise by 3% in 2005 and by 2.5% a year in subsequent years. Over the whole of the period 2005-2009, GDP is predicted to grow by an average of 3% a year in real terms and collection of Central Government taxes is forecast to rise by an annual average 6%. Regarding interest rates, the three-month EURIBOR (Euro Interbank Offered Rate) is projected to average 3% in 2005 and 3.5% over the rest of the period.

The current revenue forecast for the coming years is based on the following assumptions:

1. The figures for 2005 are based on the initial budget for this financial year.
2. Between 2006 and 2009, local taxes, excluding those assigned by the Central Government (shared taxes), which are expected to increase at the same rate as the taxes collected by Central Government, i.e. 6%, will grow, on average, half a percentage point less than inflation.
3. The new property values will continue to be implemented in regard to property tax. In

2005 the general tax rate has been lowered from 0.85% to 0.75% of the property value. A specific rate of tax will be levied on the 10% of properties with the highest property values in regard to every type of use other than residential. The tax rate is expected to continue to fall in subsequent years as the new property values are gradually applied.

4. In 2005, the rates levied for the taxes on increases in land value and construction activities are 30% and 3.25% respectively. It is forecast that these rates will stay the same in subsequent years. The rates applied in the case of motor vehicle tax and the tax on economic activities are the same as in 2004.
5. It is estimated that between 2006 and 2009, taxes transferred by Central Government (shared taxes) as a whole will grow at an annual average of 6% as will the revenue earned by Central Government through tax collection.
6. Revenue from the sale of services, revenue from property and business, and other revenue will grow at the same rate as the consumer price index.
7. In the period 2006-2009 the City's share of Central Government revenue will increase at the same rate as the revenue earned by Central Government through tax collection, i.e. at an average of 6%.
8. Transfers from other administrations will increase, in general, at the same rate as the consumer price index.



The estimate of current expenses in 2005 is based on the initial budget for the year. For the period 2006-2009, the growth forecast rests on the following assumptions:

1. Personnel expenses will grow in line with the inflation forecast.
2. Works, supplies and subcontracted services, and current transfers will grow, in general, at the rate of inflation plus 2.5 percentage points, providing the reduction in financial expenses allows this. Transfer to the Municipal Association of the Barcelona Metropolitan Area of part of the City's share in Central Government revenue will grow at the same rate as the City's share. Current transfers to the Metropolitan Transport Authority have been estimated on the basis of a first draft of the 2005-2008 Contract-Programme which is still at the discussion stage.
3. The provision for bad debts has been estimated by applying conversion coefficients drawn from past experience to accounts receivable based on how old they

are, taking the forecast for local taxes and the fines balance into account.

4. Financial expenses have been estimated on the basis of the amount and structure of the expected debt and assuming that the three-month EURIBOR will average 3.0% in 2005 and 3.5% a year between 2006 and 2009.

The projected direct investment for the period 2005-2009 is 2,527 million euros, 86% of projected capital expenditure. The remaining 14% corresponds to increases in capital and capital transfers. Capital transfers to HOLSA end in 2007. Capital transfers to the Metropolitan Transport Authority include those resulting from the transport companies' historical debt and settlement of the 2000-2004 contract-programme. The other capital transfers were mainly for cultural facilities and, in particular, in 2005 include a transfer of 13 million euros to the Universal Forum of Cultures Barcelona 2004 Consortium at the beginning of this year.

The direct investment programme comprises over 800 actions of varying scope, focusing,



among other things, on urban renovation and the provision of facilities in the different districts; the housing plan, by obtaining and developing land; the mobility plan; the environment (green areas, renewable

energies and ecoparks); cultural, sports, educational and social welfare facilities; and actions on Montjuïc and the Tibidabo, and in the area surrounding the future Sagrera station.

<b>Capital Revenue and Expenses (thousands of euros)</b>					
	<b>2005 (f)</b>	<b>2006 (f)</b>	<b>2007 (f)</b>	<b>2008 (f)</b>	<b>2009 (f)</b>
<b>Total Direct Investments</b>	<b>418,128</b>	<b>465,462</b>	<b>495,308</b>	<b>565,376</b>	<b>582,337</b>
<b>Capital Transfers</b>					
HOLSA	60,537	62,958	27,075	0	0
Metropolitan Transport Authority	30,305	28,590	28,590	28,591	28,591
Non-municipal entities	23,433	15,300	14,900	15,800	15,800
<b>Total Transfers</b>	<b>114,275</b>	<b>106,848</b>	<b>70,565</b>	<b>44,391</b>	<b>44,391</b>
<b>Financial Investments</b>	<b>3,000</b>	<b>3,000</b>	<b>10,000</b>	<b>3,000</b>	<b>3,000</b>
<b>Total Capital Expenses</b>	<b>535,403</b>	<b>575,310</b>	<b>575,873</b>	<b>612,767</b>	<b>629,728</b>
<b>Capital Revenue</b>					
Capital Transfers	24,843	25,836	4,961	2,000	2,000
Asset Management	20,300	21,300	22,400	23,300	25,000
<b>Total Capital Revenue</b>	<b>45,143</b>	<b>47,136</b>	<b>27,361</b>	<b>25,300</b>	<b>27,000</b>
<b>Net Investment</b>	<b>490,260</b>	<b>528,174</b>	<b>548,512</b>	<b>587,467</b>	<b>602,728</b>

Projected capital revenue over the next five years is 172 million euros, of which 60 million are expected to come from capital transfers, mainly from the European Union, and 112 million euros from asset management. Capital transfers are expected to be less than over the past few years, as the City of Barcelona, like the other Spanish administrations, is not expected to receive any more grants from the European Union after 2007.

The resources expected to be generated by the City of Barcelona, its agencies and municipal companies over the next few years will enable it to finance the investment plan and at the same time reduce its consolidated debt.

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

<b>Consolidated Financial Debt as of 31 December (millions of euros)</b>						
	<b>2004</b>	<b>2005 (f)</b>	<b>2006 (f)</b>	<b>2007 (f)</b>	<b>2008 (f)</b>	<b>2009 (f)</b>
Public Administration	1,207	1,153	1,101	1,060	1,008	1,005
Commercial Entities	104	149	178	203	250	248
<b>Total Debt</b>	<b>1,311</b>	<b>1,302</b>	<b>1,279</b>	<b>1,263</b>	<b>1,258</b>	<b>1,253</b>
<b>Guarantees</b>	<b>12</b>	<b>10</b>	<b>8</b>	<b>6</b>	<b>5</b>	<b>3</b>
<b>Total Debt and Guarantees</b>	<b>1,323</b>	<b>1,312</b>	<b>1,287</b>	<b>1,269</b>	<b>1,263</b>	<b>1,256</b>
<b>Total Risk/Current Revenue (%)</b>	<b>64.4</b>	<b>61.6</b>	<b>58.3</b>	<b>55.5</b>	<b>53.2</b>	<b>50.9</b>

City of Barcelona Group Economic and financial position and forecast (in thousands of euros)										
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
	Actual	Actual	Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast
1. Current Revenue Before Financial Income	1,594,933	1,693,877	1,815,473	1,899,123	2,050,059	2,122,866	2,201,194	2,283,119	2,368,833	2,458,537
2. Current Expenses Before Financial Expenses	1,074,177	1,149,948	1,259,285	1,324,499	1,437,642	1,501,073	1,560,459	1,622,455	1,687,184	1,754,774
3. Primary Savings	520,756	543,929	556,188	574,624	612,417	621,793	640,735	660,664	681,649	703,762
Financial Revenue	8,543	10,171	10,693	8,031	5,630	5,799	5,944	6,093	6,244	6,401
Financial Expenses	105,784	101,627	87,871	71,147	60,598	52,523	49,686	49,087	48,853	48,754
4. Gross Saving	423,515	452,473	479,010	511,508	557,449	575,069	596,993	617,670	639,040	661,409
5. Net Investment	251,962	344,362	579,104	641,303	481,901	490,260	528,174	548,512	587,467	602,728
6. Surplus (Deficit)	171,553	108,111	(100,094)	(129,795)	75,548	84,809	68,819	69,158	51,573	58,680
Additional Cash Resources	(12,946)	(18,579)	(35,650)	118,530	(55,398)	(76,135)	(45,873)	(52,833)	(46,922)	(52,818)
7. Cash Surplus (Deficit)	158,607	89,532	(135,744)	(11,265)	20,149	8,674	22,946	16,325	4,651	5,862
Assumption of Debt	1,497	1,803	1,132	2,299	5,142	0	0	0	0	0
8. Net (Increase) Decrease of Debt	160,104	91,335	(134,612)	(8,966)	25,291	8,674	22,946	16,325	4,651	5,862
9. Total Debt Outstanding at Year-end	1,284,074	1,192,740	1,327,352	1,336,318	1,311,027	1,302,353	1,279,407	1,263,082	1,258,431	1,252,569

5

**City of Barcelona  
2004 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, 2004, 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 2004. Our opinion refers exclusively to the annual accounts for 2004. On April 28, 2004, we issued our audit report on the 2003 annual accounts in which we expressed an unqualified opinion.


In our opinion, the accompanying annual accounts for the year 2004 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, 2004, 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.

Xavier Brossa Galofré  
Partner

April 27, 2005

Gabinete Técnico  
de Auditoría y Consultoría, S.A.

  
Enric Ribas Miràngels  
Partner

**City of Barcelona**  
**Balance Sheets as of December 31, 2004 and 2003**

(in thousands of euros)

<b>Assets</b>		<b>As of December 31, 2004</b>	<b>As of December 31, 2003</b>
	<b>Note</b>		
<b>Tangible Fixed Assets and Infrastructures</b>		<b>5,605,084</b>	<b>5,736,516</b>
Tangible Fixed Assets	3	6,030,354	5,587,177
Tangible Fixed Assets Assigned to Municipal Agencies and Third Parties	3	(631,120)	(630,505)
Accumulated Depreciation	3	(417,706)	(371,383)
Fixed Assets Pending Classification	3	500,126	987,048
Investments in Infrastructures and Assets for Public Use	3	5,094,079	4,668,466
Investments Assigned for Public Use	3 and 7	(5,094,079)	(4,668,466)
Investments Assigned for Public Use: HOLSA	2.3 and 3	123,430	164,179
Long-term Financial Investments	4	176,578	165,676
<b>Fixed Assets</b>		<b>5,781,662</b>	<b>5,902,192</b>
<b>Deferred Expenses</b>	5	<b>1,221</b>	<b>1,321</b>
On-budget Receivable	6	669,097	633,919
Allowance for Bad Debt	6	(395,051)	(332,141)
		274,046	301,778
Other Off-budget Receivable		10,216	11,735
Public Entities Receivable	13	40,912	26,296
Cash		87,794	61,608
<b>Current Assets</b>		<b>412,968</b>	<b>401,417</b>
<b>TOTAL ASSETS</b>		<b>6,195,851</b>	<b>6,304,930</b>

Notes 1-17 of the attached annual report form an integral part of the balance sheet as of December 31, 2004.

## City of Barcelona

### Balance Sheets as of December 31, 2004 and 2003

(in thousands of euros)

Liabilities		As of December 31, 2004	As of December 31, 2003
	<b>Note</b>		
<b>Net Worth</b>	<b>7</b>	<b>4,052,779</b>	<b>4,043,023</b>
Net Worth		9,333,527	8,962,521
Property Assigned to Municipal Agencies and Third Parties		(631,120)	(630,505)
Property Delivered for Public Use		(5,094,079)	(4,668,466)
Property Assigned by Municipal Agencies and Third Parties		51,678	51,055
Results Pending Allocation		392,773	328,418
Capital Transfers	8	246,316	273,627
Long-term Provisions	9	66,009	51,444
Long-term Loans and Debentures	10	1,206,640	1,244,439
Long-term Guarantees and Deposits		13,221	12,360
Deferred Income	12	70,564	61,377
Pluri-annual Transfers to HOLSA	2.3	123,430	164,179
<b>Long-term Liabilities</b>		<b>5,778,959</b>	<b>5,850,449</b>
Accounts Payable		269,675	325,844
Payable to Public Entities	13	22,499	22,821
Other Off-budget Payables	11	47,493	42,165
Accrued Expenses	14	57,663	53,990
Suspense Account Items		19,562	9,661
<b>Current Liabilities</b>		<b>416,892</b>	<b>454,481</b>
<b>TOTAL LIABILITIES</b>		<b>6,195,851</b>	<b>6,304,930</b>

Notes 1-17 of the attached annual report form an integral part of the balance sheet as of December 31, 2004.



# City of Barcelona

## Statements of Revenue and Expenses for the Fiscal Years Ended as of December 31, 2004 and 2003 (see Note 16)

(in thousands of euros)

Expenses	2004	2003	Revenue	2004	2003
<b>Personnel Expenses</b>	<b>282,051</b>	<b>273,556</b>	<b>Sales and Revenue</b>	<b>88,817</b>	<b>78,569</b>
Wages and Salaries	220,439	212,233	Sales of Common Goods	528	494
Compensation for Services	1,882	1,817	Charges on Services	34,691	45,473
Social Security Expenses	59,194	59,037	Charges for Services: Municipal Agencies	32,959	28,577
Other Welfare Expenses	536	469	Rent and Revenue from Real Estate	375	364
			Public Prices for Sale of Services	20,264	3,661
<b>Financial Expenses</b>	<b>56,214</b>	<b>67,299</b>	<b>Revenue from Property and Business</b>	<b>224,529</b>	<b>199,738</b>
Interest	56,214	67,299	Interest	2,036	3,532
			Profit Sharing	17,013	5,153
<b>Taxes</b>	<b>184</b>	<b>87</b>	Surcharge on Collection Proceedings	9,431	9,480
			Late Payment Surcharge	7,540	7,916
			Fines	96,817	90,278
<b>Works, Supplies and Subcontracted Services</b>	<b>371,883</b>	<b>327,808</b>	Charge on Use of Public Domain	49,877	46,025
Rent	11,328	10,316	Charges on Use of Public Domain: MAs	16,602	15,514
Maintenance and Repair	12,046	15,976	Administrative Concessions and Special Uses	25,213	21,840
Supplies	23,964	22,304	<b>Production-related Taxes</b>	<b>453,346</b>	<b>441,102</b>
Communications	6,920	7,285	Property Tax (IBI)	334,035	319,641
Subcontracted Works	248,638	230,947	Tax on Economic Activity (IAE)	84,820	89,253
Miscellaneous Expenses	68,987	40,980	Tax on Construction, Installations and Work	34,484	32,237
			Replaced Taxes	7	(29)
<b>Welfare Benefits</b>	<b>1,557</b>	<b>1,696</b>	<b>Income and Wealth Tax</b>	<b>74,704</b>	<b>74,379</b>
			Tax on Motor Vehicles	74,704	74,379
<b>Current Transfers</b>	<b>522,225</b>	<b>489,487</b>	<b>Current Transfers</b>	<b>854,523</b>	<b>799,623</b>
To Municipal Agencies and Companies	276,654	248,389	Share in Central Government Revenue	699,607	655,552
To Municipal Agencies and Companies for Charges	43,594	43,699	From Central Government as IAE Compensation	59,557	57,082
To IMAS (health services)	11,436	2,940	Other Central Government Agencies	2,778	3,495
To Consortia and Communities	158,145	158,699	From the Generalitat	48,846	47,455
Other Current Transfers	32,396	35,760	From Local Entities	39,156	32,672
			Foreign Transfers	1,172	1,844
			Sundry Specific-purpose Transfers	3,407	1,523
			<b>Capital Taxes</b>	<b>84,447</b>	<b>83,478</b>
			On the Increase in Land Values	80,055	79,086
			Special Contributions	4,392	4,392
<b>Provision to Allowance for Bad Debt</b>	<b>79,542</b>	<b>77,292</b>	<b>Other Revenue</b>	<b>40,873</b>	<b>20,150</b>
<b>TOTAL OPERATING EXPENSES</b>	<b>1,313,656</b>	<b>1,237,225</b>	<b>TOTAL OPERATING REVENUE</b>	<b>1,821,239</b>	<b>1,697,039</b>
<b>Operating Surplus (Before Capital transfers)</b>	<b>507,583</b>	<b>459,814</b>			
<b>Capital Transfers</b>	<b>143,262</b>	<b>123,095</b>			
To Municipal Agencies and Companies and Other Bodies	143,262	123,095			
<b>Operating Surplus (After Capital transfers)</b>	<b>364,321</b>	<b>336,719</b>			
<b>Negative Extraordinary Results</b>	<b>-</b>	<b>-</b>	<b>Positive Extraordinary Results</b>	<b>75,998</b>	<b>41,651</b>
Depreciation	46,996	47,245	(Note 16.6)		
Provision for Depreciation of Financial Fixed Assets	550	2,707			
<b>RESULT FOR THE YEAR</b>	<b>392,773</b>	<b>328,418</b>			
<b>TOTAL</b>	<b>1,897,237</b>	<b>1,738,690</b>	<b>TOTAL</b>	<b>1,897,237</b>	<b>1,738,690</b>

Notes 1-17 of the attached annual report form an integral part of the 2004 statement of revenue and expenses.

## Budget Result

(in thousands of euros)

### Net Non-financial On-budget Receivable

Revenue (Cap. 1 to 7)	1,872,619
Revenue (Cap. 8)	–
<b>Total</b>	<b>1,872,619</b>

### Net Non-financial On-budget Payables

Expenses (Cap. 1 to 7)	(1,676,606)
Expenses (Cap. 8)	(5,516)
<b>Total</b>	<b>(1,682,122)</b>

<b>Gross Saving</b>	<b>190,497</b>
---------------------	----------------

### Adjustments

Revenue (Cap. 9)	175,221
Expenses (Cap. 9)	(199,799)
<b>Change in Financial Liabilities (Cap. 9)</b>	<b>(24,578)</b>

<b>Net Saving</b>	<b>165,919</b>
-------------------	----------------

### Adjustments

Positive Financial Deviations	(6,224)
Negative Financial Deviations	3,410
Payables Financed with Treasury Surplus	1,505

<b>Adjusted Budget Result</b>	<b>164,610</b>
-------------------------------	----------------

## 2004 Budget Settlement

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

Caption		Initial Budget	Final Budget	Net Receivables	Receipts
1	Direct Taxes	541,812	541,812	573,621	539,839
2	Indirect Taxes	28,943	28,943	34,485	33,300
3	Charges and Other Revenues	205,222	221,656	297,500	201,282
4	Current Transfers	830,792	854,967	854,523	763,486
5	Capital Gains	42,375	50,878	56,032	36,734
6	Disposal of Real Property	35,000	36,683	41,492	40,632
7	Capital Transfers	12,900	13,399	14,966	6,169
8	Financial Assets	0	5,092	0	0
9	Financial Liabilities	143,000	162,000	175,221	175,221
Total		1,840,044	1,915,430	2,047,840	1,796,663

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

Caption		Initial Budget	Final Budget	Payables	Paid
1	Personnel Expenses	280,839	283,194	271,123	268,868
2	Expenses Common Goods and Services	329,283	353,063	347,468	246,717
3	Financial Expenses	79,503	64,679	59,818	59,801
4	Current Transfers	500,681	525,057	520,727	442,962
6	Real Property	339,341	55,391	52,234	38,023
7	Capital Transfers	107,598	427,486	425,236	361,334
8	Financial Assets	3,000	6,761	5,516	5,516
9	Financial Liabilities	199,799	199,799	199,799	199,799
Total		1,840,044	1,915,430	1,881,921	1,623,020

## Notes to the Annual Statements and Accounts for the Year Ended December 31, 2004

### 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 2004 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) Legislative Decree 2/2003, of April 28, approving the Amended Text of the Municipal Law of the Local Government System of Catalonia.
- d) Legislative Royal Decree 2/2004, of March 5, approving the Amended Text of the Law Regulating Local Taxation (Law 39/1988, of December 28).
- 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 2004 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 of the expense account budget
  - Budget Results
- Notes

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

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 to the sphere of public administration accounting.

The budget settlement was approved by a Decree issued by the Mayor's Office on February 28, 2005. The general accounts will be submitted to the Municipal Council Plenum for approval within the established time limits.

### 1.3. Comparability of the Information

For the purposes of presenting the annual statements and accounts, and in order to ensure that the accounts for 2004 are comparable with those for fiscal year 2003, the following amendments have been made to the latter:

- The amounts under the captions "Wages and Salaries" and "Welfare Benefits" in the statement of revenue and expenses have been increased and diminished respectively by 3,760 thousand euros.
- The amounts under the captions "Provision for Depreciation of Fixed Assets Pending Classification" and "Fixed Assets Pending Classification" in the balance sheet assets have been increased and diminished respectively by 151,129 thousand euros.

## 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) Land 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 221,573 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 and Third Parties” (see Note 7), and thus, they cease to be amortized.

### **2.3. Investments in Infrastructures 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 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 40,749 thousand euros in 2004 with a credit to extraordinary results (see Note 16.6). This corresponds to the amount owed to HOLSA as of December 31, 2004. 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, 2004, 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 ratio 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**

Upon their concession, capital transfers are recorded under the "Capital Transfers" caption in the liabilities column of the balance sheet and moved to assets when the investment they were financing is assigned for public use. For any appraisal of the City's net worth, these transfers should be considered as additional net worth as of December 31, 2004.

## **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 has been deferred to the immediately following year, which is 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, 2004, 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, co-operative agreements, contract-programmes, 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. 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. Corporate Tax**

Pursuant to Legislative Royal Decree 4/2004 of March 5, approving the amended text of the Company Tax Act, the City of Barcelona is exempt from payment of this tax and is not subject to the retention of earnings on its moveable capital.

**2.14. 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 infrastructures accounts was as follows:

	12.31.2003	Additions	Retirements	Transfers	12.31.2004
Land	339,506	27,699	(2,552)	(47,773)	316,880
Buildings	4,521,738	31,982	(29,394)	451,888	4,976,214
Fixed Assets Assigned to Municipal Agencies and Third Parties	630,505	620	–	(5)	631,120
Land and Properties	5,491,749	60,301	(31,946)	404,110	5,924,214
Vehicles	9,421	227	–	–	9,648
Machinery, Equipment, Installations and Tools	21,688	610	–	1,176	23,474
Data-processing Equipment	40,838	3,432	–	2,196	46,466
Office Furniture and Equipment	21,731	1,906	–	–	23,637
Others (includes Intangible Fixed Assets)	1,750	1,223	(75)	17	2,915
Other Fixed Assets	95,428	7,398	(75)	3,389	106,140
<b>Total Tangible Fixed Assets</b>	<b>5,587,177</b>	<b>67,699</b>	<b>(32,021)</b>	<b>407,499</b>	<b>6,030,354</b>
<b>Tangible Fixed Assets Assigned to Municipal Agencies and Third Parties</b>	<b>(630,505)</b>	<b>(620)</b>	<b>–</b>	<b>5</b>	<b>(631,120)</b>
<b>Fixed Assets Pending Classification</b>	<b>987,048</b>	<b>347,805</b>	<b>(98,101)</b>	<b>(736,626)</b>	<b>500,126</b>
<b>Investments in Infrastructures and Assets for Public Use</b>	<b>4,668,466</b>	<b>56,323</b>	<b>(586)</b>	<b>369,876</b>	<b>5,094,079</b>
<b>Investments Assigned for Public Use</b>	<b>(4,668,466)</b>	<b>(56,323)</b>	<b>586</b>	<b>(369,876)</b>	<b>(5,094,079)</b>
<b>Investments for Public Use HOLSA</b>	<b>164,179</b>	<b>–</b>	<b>–</b>	<b>(40,749)</b>	<b>123,430</b>
<b>Gross Tangible Fixed Assets and Infrastructure</b>	<b>6,107,899</b>	<b>414,884</b>	<b>(130,122)</b>	<b>(369,871)</b>	<b>6,022,790</b>
<b>Accumulated Depreciation</b>	<b>(371,383)</b>	<b>(46,996)</b>	<b>673</b>	<b>–</b>	<b>(417,706)</b>
<b>Net Tangible Fixed Assets and Infrastructure</b>	<b>5,736,516</b>	<b>367,888</b>	<b>(129,449)</b>	<b>(369,871)</b>	<b>5,605,084</b>

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, 2,319,867 thousand euros, as of December 31, 2004, and 2,263,267 thousand euros, as of December 31, 2003, correspond to the value of lands with buildings.

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

- 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, to the value of 326,369 thousand euros. Out of the investments made by the municipal agencies and companies, a sum of 20,946 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.

- Receipt of assets worth 52,886 thousand euros, given free of charge, which have been credited as revenue in the “Extraordinary Results” caption in the attached statement of revenue and expenses (see Note 16.6).

Disposals made over the fiscal year include:

- Disposal of fixed assets to the value of 25,980 thousand euros.
- Reclassification of fixed assets pending classification valued at 57,376 thousand euros, from which extraordinary profit has been obtained, to “Sales and Revenue”.

Transfers during the fiscal year had the following balancing entries:

Property Delivered for Public Use (note 7)	369,876
Property Assigned to Municipal Agencies and Third Parties	(5)
<b>Total</b>	<b>369,871</b>

The additions in accumulated depreciation correspond to the provision for the depreciation of tangible fixed assets in 2004, for the amount of 46,996 thousand euros.

The retirements from amortizations correspond to the disposal, transfer and demolition of assets for the amount of 673 thousand euros.

In addition, the following items had been completely written off as of 31 December, 2004:

Vehicles	3.584
Machinery, Equipment, Installations and Tools	7.521
Data-processing Equipment	17.724
Office Furniture and Equipment	6.485
Others	331
<b>Total</b>	<b>35.645</b>

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 2004 was as follows:

	12.31.2003	Additions	Retirements	Transfers	12.31.2004
Financial Investments	158,984	4,103	–	6,638	169,725
Financial Investments Underway	6,638	–	–	(6,638)	–
Long-term Deposits and Guarantees	1,584	–	–	–	1,584
Long-term Disposal of Fixed Assets	1,686	5,425	–	–	7,111
Provision for Depreciation of Financial Fixed Assets	(3,216)	(40)	1,414	–	(1,842)
<b>Total</b>	<b>165,676</b>	<b>9,488</b>	<b>1,414</b>	<b>–</b>	<b>176,578</b>

The main changes that have occurred throughout the 2004 fiscal year correspond to the following facts:

- The setting up of Barcelona d'Infrastructures Municipals, SA, which is responsible for executing the investments in public infrastructure works, led to a re-organization

of the companies involved in carrying out this type of work (Proeixample, SA; Foment de Ciutat Vella, SA; Pro Nou Barris, SA and 22@ Barcelona, SA) and the transfer to it of the shares the City of Barcelona had held in them, for a total amount of 12,889 thousand euros, as detailed in the table below:

Company	Amount in thousands of euros
Proeixample, SA	3,065
Foment de Ciutat Vella, SA	3,065
Pro Nou Barris, SA	60
22@ Barcelona, SA	6,699
<b>Total</b>	<b>12,889</b>

- Serveis Funeraris de Barcelona, S.A carried out an increase in capital of 4,809 thousand euros with an issue premium of 2,565 thousand euros. The City of Barcelona made a non-monetary contribution consisting in allowing a new funeral parlor to be built and operated on the site of Carrer Carles Riba 10-12. This contribution was valued at 3,761 thousand euros, of which 2,435 thousand euros correspond to the increase in capital and 1,308 thousand euros to the issue premium.

thousand euros and to reduce its share capital by 1,387 thousand euros charged to accumulated losses under negative results in previous years.

- Informació i Comunicació de Barcelona, SA decided to increase its share capital by 1,500

- GL Events CCIB, SL carried out the increases in capital, for a sum of 240,180 euros, planned since the date when the company was incorporated, at the moment when it started to operate the Conventions Center and the Forum Building.

The financial investments made by the City of Barcelona as of December 31, 2004, are summarized in the table below:



## Long-term Financial Investments

(As of December 31, 2004)

Name	Interest Held %	Net Worth as of 12.31.2004, Before Result (1)	2004 Fiscal Year Result (1)	Technical Book Value 12.31.04 (1)	Book Value of the Holding 12.31.04 (*)
<b>Municipal Agencies</b>					
Patronat Municipal de l'Habitatge	100	36,185	794	36,979	19,086
Institut Municipal de Persones amb Disminució	100	1,016	255	1,271	698
Institut de Cultura de Barcelona	100	1,837	555	2,392	182
Fundació Mies Van Der Rohe	100	6,110	80	6,190	946
Institut Municipal d'Educació	100	4,945	650	5,595	257
Institut Municipal d'Informàtica	100	254	299	553	–
Institut Municipal d'Urbanisme	100	1,675	116	1,791	562
Institut Municipal d'Hisenda	100	390	494	884	513
Institut Municipal de Parcs i Jardins	100	1,527	29	1,556	–
Institut Municipal de Mercats	100	5,449	1	5,450	–
Institut Municipal del Paisatge Urbà i Qualitat de Vida	100	1,248	48	1,296	–
<b>Total</b>		<b>60,636</b>	<b>3,321</b>	<b>63,957</b>	<b>22,244</b>
<b>Municipal Companies</b>					
Barcelona de Serveis Municipals, SA, Group (2)	100	153,235	5,536	158,771	69,568
Barcelona d'Infraestructures Municipals, SA, Group	100	14,873	272	15,145	12,949
Informació i Comunicació de Barcelona, SA	100	1,457	80	1,537	1,500
Barcelona Activa, SA	100	2,237	22	2,259	2,013
Barcelona Gestió Urbanística, SA	100	388	111	499	60
<b>Total</b>		<b>172,190</b>	<b>6,021</b>	<b>178,211</b>	<b>86,090</b>
<b>Interest of Less than 50%</b>					
Barcelona Holding Olímpic, SA (HOLSA)	49	42,878	893	43,771	42,879
Barcelona Emprèn CR, SA	29.27	1,736	(206)	1,530	1,503
Barcelona Sagrera Alta Velocitat, SA	25	150	–	150	150
Barcelona Regional AMDUI, SA	20.63	421	2	423	271
Fira 2000, SA	12.77	14,445	(225)	14,220	14,220
GL Events CCIB, SL	12.00	240	262	502	241
Others					285
<b>Total</b>		<b>59,776</b>	<b>737</b>	<b>60,514</b>	<b>59,549</b>
<b>Total Financial Investments</b>					<b>167,883</b>
<b>Long-term Guarantees and Deposits</b>					<b>1,584</b>
<b>Long-term Disposal of Fixed Assets</b>					<b>7,111</b>
<b>Total Long-term Financial Investments</b>					<b>176,578</b>

(\*) Included in the individual financial statements of the City of Barcelona as of December 31, 2004.

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

(2) The net book value of the investment includes the holding the City of Barcelona has in Serveis Funeraris de Barcelona, SA which will be transferred to Barcelona de Serveis Municipals, SA during fiscal 2005, at its book value.

The details concerning the groups Barcelona de Serveis Municipals, SA and Barcelona d'Infraestructures Municipals, SA are shown in the table below (as of december 31, 2004):

Name	Interest Held %	Net Worth as of 12.31.2004, Before Result (1)	2004 Fiscal Year Result (1)	Net worth as of 12.31.04 (1)
<b>Barcelona de Serveis Municipals Group</b>				
Barcelona de Serveis Municipals, SA	100	144,770	3,781	148,551
Parc d'Atraccions Tibidabo, SA	100	4,380	(772)	3,608
Tractament i Selecció de Residus, SA	58.64	29,600	1,237	30,837
Selectives Metropolitanes, SA (2)	58.64	798	127	925
Solucions Integrals per als Residus, SA (2)	58.64	743	376	1,119
Carreras i Fontanals, SA (2)	58.64	71	(6)	65
Serveis Funeraris de Barcelona, SA (3)	51.00	6,664	4,893	11,557
Mercabarna, SA	50.69	27,400	1,054	28,454
<b>Barcelona d'Infraestructures Municipals Group</b>				
Barcelona d'Infraestructures Municipals, SA	100	14,873	251	15,124
Pro Nou Barris, SA	100	524	7	531
22 Arroba Bcn, SA	100	6,832	63	6,895
ProEixample, SA	51.00	3,734	177	3,911
Foment de Ciutat Vella, SA	51.00	3,472	33	3,505

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

(2) Holding through Tractament i Selecció de Residus, SA.

(3) The percentage of the holding has been calculated taking into consideration the City of Barcelona's direct holding in this company which will be passed over to Barcelona de Serveis Municipals, SA during fiscal 2005.

The attached balance sheet and statement of revenue and expenses for 2004 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	5,782,883	6,181,721
Current Assets	412,968	590,796
<b>Total Assets</b>	<b>6,195,851</b>	<b>6,772,517</b>
Capital Before Results	3,660,006	3,800,946
Rest of Long-term Liabilities	1,726,180	2,043,748
Current Liabilities	416,892	524,453
Result of Fiscal Year	392,773	403,370
<b>Total Liabilities</b>	<b>6,195,851</b>	<b>6,772,517</b>
Ordinary Revenue	1,821,239	2,055,689
Ordinary Expenses	1,504,464	1,729,832
Extraordinary Results	75,998	77,513
<b>Result of the Fiscal Year</b>	<b>392,773</b>	<b>403,370</b>

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

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

	Current and Capital Transfers	Other Expenses	Revenue	Accounts Receivable	Accounts Payable
Municipal Agencies	257,527	921	7,532	45,253	3,329
Municipal Companies	74,123	921	56,294	50,790	12,850
Companies in which the City Holds an Interest	64,270	212	604	6,088	2
<b>Total</b>	<b>395,920</b>	<b>2,054</b>	<b>64,430</b>	<b>102,131</b>	<b>16,181</b>

## Note 5 – Deferred Expenses

As of December 31, 2004, 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	
<b>Balance as of December 31, 2003</b>	<b>1,321</b>
Allocation to Results as Financial Expenses	(100)
<b>Balance as of December 31, 2004</b>	<b>1,221</b>

The allocation to results as 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, 2004, were classified according to their nature as shown below:

Item	Receivable
Direct Taxes	246,481
Indirect Taxes	5,192
Charges and Other Revenue	274,525
Current Transfers	99,745
Capital Gains	21,479
Disposal of Real Investments	1,772
Capital Transfers	19,903
<b>Total Receivable</b>	<b>669,097</b>

The amounts and movements registered in the account for the bad debt provision as of December 31, 2004, were as follows:

<b>Balance as of December 31, 2003</b>	<b>332,141</b>
Amount Charged to the Statement of Revenue and Expenses	79,542
Bad Debts Written off	(16,632)
<b>Balance as of December 31, 2004</b>	<b>395,051</b>

The sum for the bad debt provision is determined by applying the collectibility ratio estimated by the City based on past experience to the accounts receivable for taxes and charges for the fiscal year (252,594 thousand euros) and to receivables for fines, both in the voluntary and enforced collection periods (192,211 thousand euros).

Over the course of 2004, the City of Barcelona wrote off 30,190 thousand euros in bad debt, consisting of the balances for taxes and fines and other bad debts from individuals declared to be insolvent, which was charged to extraordinary results.

## Note 7 – Net Worth

The amounts and movements registered in the net worth accounts over the fiscal year ended December 31, 2004, were as follows:

	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
<b>Initial Balance</b>	<b>8,962,521</b>	<b>(630,505)</b>	<b>(4,668,466)</b>	<b>51,055</b>	<b>328,418</b>	<b>4,043,023</b>
2004 Surplus	–	–	–	–	392,773	392,773
Allocation of 2003 Surplus	328,418	–	–	–	(328,418)	–
Change in Property Assigned to Third Parties	–	(615)	–	–	–	(615)
Change in Property Assigned by Third Parties	–	–	–	623	–	623
Capital Transfers (note 8)	42,588	–	–	–	–	42,588
Property Delivered for Public Use by Transfer (note 3)	–	–	(369,876)	–	–	(369,876)
Additions during the Year Delivered for Public Use (note 3)	–	–	(56,323)	–	–	(56,323)
Retirements during the Year Delivered for Public Use (note 3)	–	–	586	–	–	586
<b>Closing Balance</b>	<b>9,333,527</b>	<b>(631,120)</b>	<b>(5,094,079)</b>	<b>51,678</b>	<b>392,773</b>	<b>4,052,779</b>

## Note 8 – Capital Transfers

The amounts and movements under this caption on the attached balance sheet for the fiscal year ended December 31, 2004, were as follows:

Balance as of 12.31.03	Transfers Received	Transfers to Net Worth (note 7)	Reassignment Accrued Balances to 2003 and before	Transfers to Extraordinary Results	Balance as of 12.31.04
273,627	14,965	(42,588)	1,218	(906)	<b>246,316</b>

## 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:

<b>Balance as of December 31, 2003</b>	<b>51,444</b>
Amount Charged to “Miscellaneous Expenses”	30,259
Application of Provision to its Intended Purpose	(15,694)
<b>Balance as of December 31, 2004</b>	<b>66,009</b>

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

## Note 10 – Long-term Loans and Debentures

The outstanding capital as of December 31, 2004, corresponding to long-term loans and debentures subscribed by the City of Barcelona can be broken down as follows:

<b>Long-term Loans and Debentures</b>	
<b>Description</b>	<b>Outstanding Capital as of December 31</b>
European Union Market	
• Bank Loans	571,257
• Capital Market	480,202
<b>Subtotal</b>	<b>1,051,459</b>
Non-European Union Market	
• Capital Market	155,181
<b>Total Long-term Debt</b>	<b>1,206,640</b>

The movement registered under the caption “Long-term Loans and Debentures” during 2004 was as follows:

<b>Balance as of December 31, 2003</b>	<b>1,244,439</b>
Additions:	
• New Operations	222,000
Disposals:	
• Contractual Repayments	(199,799)
• Reductions due to Debt Replacement	(60,000)
<b>Balance as of December 31, 2004</b>	<b>1,206,640</b>

As of December 31, 2004, there were unexecuted stand-by lines for a total of 248 million euros.

The debt profile by maturities as of December 31, 2004, was as follows:

<b>Maturity</b>	<b>Amount</b>
2005	158,288
2006	87,147
2007	133,725
2008	121,705
2009	123,523
2010	92,020
2011	103,720
2012	93,721
2013	20,720
2014	92,754
2015 and Beyond	179,317
<b>Total</b>	<b>1,206,640</b>

The average interest rate during 2004 was 4.4%.

The City of Barcelona's financial debt as of December 31, 2004, comprised 59.6% at a fixed interest rate and 40.4% at variable interest rate.

## **Note 11 – Other Off-budget Payables**

The balances for this caption as of December 31, 2004, were:

Deposits Received	9,883
Other Payables	19,847
Payable to Administrations for IAE and IBI	17,763
<b>Other Short-term Off-budget Payables</b>	<b>47,493</b>



## Note 12 – Deferred Income

The movement registered under this caption over 2004 was as follows:

<b>Balance as of December 31, 2003</b>	<b>61,377</b>
Additions during the Year	11,470
Transfers to Accrued Expenses (note 14)	(2,283)
<b>Balance as of December 31, 2004</b>	<b>70,564</b>

The balance as of December 31, 2004, corresponds to income received in advance for the charge for the use of assets belonging to the City of Barcelona. The income received in advance is transferred annually to the profit and loss account by the straight-line method during the period corresponding to the assignment, whose limit is set at 2047.

The additions during the year refer to the following operations:

c/ Perú Surface Right Charge	1,596
Charge for Use of St. Adrià Marina	546
Rambla Prim, 14 Surface Right Charge	5,582
Fourth Funeral Parlor Charge	3,746
<b>Total</b>	<b>11,470</b>

## Note 13 – Public Entities

The breakdown of these accounts is as follows:

	<b>Debit</b>	<b>Credit</b>
VAT Compensation from Treasury	40,912	–
Personal Income Tax	–	5,451
Social Security	–	17,053
Others	–	(5)
<b>Balance as of December 31, 2004</b>	<b>40,912</b>	<b>22,499</b>

The caption “VAT Compensation from Treasury” corresponds to the application for rebate made on January 31, 2005.

## 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, 2004, in accordance with the accrual periods and regardless of the date of requirement or payment on demand. Its composition is as follows:

Unmatured Accrued Interest as of December 31, 2004	14,147
Bonus Payments to Be Made to Personnel in 2005 for Attendance and Punctuality in 2004, as well as the June Holiday Bonus	15,241
Accrued Expenses to Be Paid for Purchase of Fixed Assets	6,605
Transfers to Group Companies	1,497
Prepaid Income on Can Tunis Nou Housing Intervention	7,513
Short-term Transfer of Deferred Income (see note 12)	2,283
Claims and Disputes	10,290
Others	87
<b>Total</b>	<b>57,663</b>

## Note 15 – Other Information

As of December 31, 2004, the guarantees provided by the City of Barcelona to cover credit operations came to 10,676 thousand euros.

The fees received by PricewaterhouseCoopers Auditores, S.L. and Gabinete Técnico de Auditoría y Consultoría, S.A., for auditing services and the expenses incurred for the provision thereof in fiscal 2004 came to 561 thousand euros, including VAT. 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 2004 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 the 1,157 thousand euros paid by the City in 2004 as grants to class D and E employees, as well as to the cleaning staff, parking attendants and night watchmen, and the Municipal Police Force gold medal.

### 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 of Barcelona, 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)	–	40,749
Free Receipts (see note 3)	–	52,886
Receipt of Investment Projects (see note 3)	–	20,946
Deferred Charges Written Off (see note 6)	30,190	–
Extraordinary Results, Fixed Assets	22,857	–
Allocation of Long-term Provisions	–	11,290
Other Extraordinary Results	–	3,174
<b>Net Extraordinary Result</b>		<b>75,998</b>

**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 Tax**

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

**16.11. Current Transfers (Revenue)**

The share corresponding to the 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 urban land value is a direct tax levied on the increase in value that land experiences and which manifests itself upon transfer of ownership.

## Note 17 – Funding Tables for Fiscal 2004 and 2003

Application of Funds	2004 Fiscal Year	2003 Fiscal Year	Source of Funds	2004 Fiscal Year	2003 Fiscal Year
Acquisition of Fixed Assets:			Funds from Operations	406,081	396,346
Net Tangible Fixed Assets	326,369	545,835	Sale of Tangible Fixed Assets	25,980	46,907
Financial Fixed Assets	10,942	17,235	Disposal of Financial Fixed Assets	–	9,059
Redemption of Long-term Loans, Debentures and Received Loans	259,799	90,674	Net Change in Long-term Guarantees and Deposits	861	893
Reclassification of Accrued Revenue	–	2,038	Capital Transfers	14,965	56,594
Pluri-annual Transfers to HOLSA	40,749	40,076	Deferred Income	11,470	31,201
			Long-term Debts	222,000	70,000
<b>Total Funds Applied</b>	<b>637,859</b>	<b>695,858</b>	<b>Total Funds Obtained</b>	<b>681,357</b>	<b>611,000</b>
Sources of Funds in Excess of Applications of Funds (Increase in Working Capital)	43,498	–	Application of Funds in Excess of Sources of Funds (Decrease in Working Capital)	–	84,858
<b>Total</b>	<b>681,357</b>	<b>695,858</b>	<b>Total</b>	<b>681,357</b>	<b>695,858</b>

Change in Working Capital	2004		2003	
	Increase	Decrease	Increase	Decrease
Accounts Receivable	–	14,635	71,164	–
Accounts Payable	29,978	–	4,426	–
Cash	26,186	–	–	147,704
Accrued Expenses	1,969	–	–	12,744
<b>Total</b>	<b>58,133</b>	<b>14,635</b>	<b>75,590</b>	<b>160,448</b>
<b>Increase in Working Capital</b>	<b>43,489</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Decrease in Working Capital</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>84,858</b>

The funds obtained from the operations were as follows:

	2004	2003
<b>Net Surplus for the Fiscal Year</b>	<b>392,773</b>	<b>328,418</b>
Provision for Depreciation (see note 3)	46,996	47,245
Deferred Expenses (see note 5)	100	2,753
Long-term Provisions (see note 9)	30,259	6,000
Financial Investment Provision (see note 4)	550	2,707
Deferred Income Transferred to Results (see note 12)	(2,283)	(951)
Allocation of the Provision for Financial Fixed Assets (see note 4)	(510)	(305)
Net Result of Tangible Fixed Assets	(45,204)	8,201
Capital Transfers Allocated to Results (see note 8)	(906)	(2,318)
Long-term Provisions Allocated (see note 9)	(15,694)	–
Long-term Provision Transfer	–	4,596
<b>Funds Generated Through Operations</b>	<b>406,081</b>	<b>396,346</b>

6

**The City of Barcelona Group  
2004 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, 2004, 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 2004. Our opinion refers exclusively to the consolidated annual accounts for 2004. On April 28, 2004, we issued our audit report on the 2003 consolidated annual accounts in which we expressed an unqualified opinion.


In our opinion, the consolidated accompanying annual accounts for the year 2004 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, 2004, 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 27, 2005

Gabinete Técnico  
de Auditoría y Consultoría, S.A.

  
Enric Ribas Miràngels  
Partner



**The City of Barcelona Group**  
**Consolidated Balance Sheets as of December 31, 2004 and 2003**

(in thousands of euros)

<b>Assets</b>		<b>As of December 31, 2004</b>	<b>As of December 31, 2003</b>
	<b>Note</b>		
Intangible Fixed Assets	4 a)	47,005	38,662
Intangible Fixed Assets		61,781	51,224
Provisions and Depreciations		(14,776)	(12,562)
Tangible Fixed Assets and Infrastructures	4 b)	5,995,141	6,105,480
Tangible Fixed Assets		6,563,185	6,057,309
Tangible Fixed Assets Assigned to Municipal Agencies and Third Parties		(631,120)	(630,505)
Accumulated Depreciation and Provisions		(591,305)	(520,580)
Fixed Assets Pending Classification in Progress		530,951	1,035,077
Infrastructures and Assets for Public Use		5,094,079	4,668,466
Investments Assigned for Public Use		(5,094,079)	(4,668,466)
Investments for Public Use HOLSA	3.3	123,430	164,179
Long-term Investments		102,257	92,707
Interests in Associated Companies	5	52,523	44,984
Other Financial Investments	6	49,734	47,723
Long-term Trade Receivable	3.6	37,318	34,452
<b>Fixed Assets</b>		<b>6,181,721</b>	<b>6,271,301</b>
<b>Deferred Expenses</b>	<b>7</b>	<b>3,090</b>	<b>3,292</b>
Inventories	3.5	42,086	46,004
Provisions		(1,805)	(2,280)
		40,281	43,724
Accounts Receivable	8	744,415	712,188
Provisions	8	(404,890)	(342,285)
		339,525	369,903
Public Administrations	16	50,350	41,810
Short-term Financial Investments		24,203	37,415
Cash		131,954	108,622
Accrued Expenses		1,393	1,827
<b>Current Assets</b>		<b>587,706</b>	<b>603,301</b>
<b>TOTAL ASSETS</b>		<b>6,772,517</b>	<b>6,877,894</b>

Notes 1-20 of the attached annual report form an integral part of the consolidated balance sheet as of December 31, 2004.

## The City of Barcelona Group

### Consolidated Balance Sheets as of December 31, 2004 and 2003

(in thousands of euros)

Liabilities		As of December 31, 2004	As of December 31, 2003
	<b>Note</b>		
Capital		4,204,316	4,183,935
Net Worth	9.1	3,655,202	3,710,424
Net Worth		9,333,527	8,962,521
Property Assigned to Municipal Agencies and Third Parties		(631,120)	(630,505)
Property Delivered for Public Use		(5,094,079)	(4,668,466)
Property Assigned by Municipal Agencies and Third Parties		46,874	46,874
Income Allocable to the City of Barcelona	9.2	403,370	346,990
Consolidated Income		410,525	357,204
Income Allocable to Minority Interests	11	(7,155)	(10,214)
Consolidated Reserves	10	145,744	126,521
Minority Interests	11	69,029	63,977
Capital Transfers	12	284,012	304,083
Deferred Income	13	121,372	109,616
Provisions for Contingencies and Expenses	14	81,013	65,815
Long-term Loans and Debentures	15	1,311,027	1,336,231
Long-term Guarantees and Deposits		14,542	13,065
Other Long-term Payables	3.6	39,323	39,087
Pluri-annual Transfers to HOLSA	3.3	123,430	164,179
<b>Long-term Liabilities</b>		<b>6,248,064</b>	<b>6,279,988</b>
Bank Debt	15	-	87
Accounts Payable		280,406	347,043
Payable to Public Agencies	16	44,882	54,963
Other Non-trade Payables		131,440	133,441
Accrued Expenses	17	67,725	62,371
<b>Current Liabilities</b>		<b>524,453</b>	<b>597,906</b>
<b>TOTAL LIABILITIES</b>		<b>6,772,517</b>	<b>6,877,894</b>

Notes 1-20 of the attached annual report form an integral part of the consolidated balance sheet as of December 31, 2004.

**The City of Barcelona Group**  
**Consolidated Statement of Revenue and Expenses for the Years Ended December 31, 2004 and 2003**  
(in thousands of euros)

Expenses	Note	2004	2003	Revenue	Note	2004	2003
Personnel Expenses	19.1	517,555	493,273	Taxes	19.4	611,770	598,384
Works, Supplies and Subcontracted Services	19.2	592,007	516,203	Sale of Services	19.5	299,935	268,861
Financial Expenses		60,598	71,147	Revenue from Property and Business	19.6	225,684	197,654
Current Transfers	19.3	244,600	235,048	Current Transfers	19.7	859,500	804,752
Provision to Allowance of Bad Debts and Others	8	83,480	79,975	Financial Revenue		5,630	8,031
				Other Revenue		52,470	29,472
Share in Operating Result of Companies Accounted for by the Equity Method		-	515	Share in Operating Result of Companies Accounted for by the Equity Method	2.2	700	-
<b>TOTAL OPERATING EXPENSES</b>		<b>1,498,240</b>	<b>1,396,161</b>	<b>TOTAL OPERATING REVENUE</b>		<b>2,055,689</b>	<b>1,907,154</b>
<b>Operating Result Before Capital Transfers</b>		<b>557,449</b>	<b>510,993</b>				
Capital Transfers	19.3	140,739	114,702				
<b>Operating Result After Capital Transfers</b>		<b>416,710</b>	<b>396,291</b>				
Provision for Depreciation of Fixed Assets	4	77,137	72,455				
Extraordinary Expenses	19.8	55,876	104,341	Extraordinary Revenue	19.8	133,389	140,093
<b>Pre-tax Consolidated Surplus</b>		<b>417,086</b>	<b>359,588</b>				
Corporate Income Tax	3.14	6,561	2,384				
<b>Consolidated Surplus</b>		<b>410,525</b>	<b>357,204</b>				
Surplus Allocated to Minority Interest	11	7,155	10,214				
<b>Surplus Allocated to the City of Barcelona</b>		<b>403,370</b>	<b>346,990</b>				
<b>TOTAL</b>		<b>2,189,078</b>	<b>2,047,247</b>	<b>TOTAL</b>		<b>2,189,078</b>	<b>2,047,247</b>

Notes 1-20 of the attached annual report form an integral part of the Statement of revenue and expenses as of December 31, 2004.

**City of Barcelona and its Municipal Agencies and Companies Consolidated Annual Statements for the Year 2004**

**Note 1 – 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 to offer maximum efficiency in service to citizens.

**Note 2 – Basis of Presentation and Consolidated Principles**

**2.1. Accounting Policies**

The consolidated annual accounts are drawn up based on the audited individual 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) Legislative Decree 2/2003, of April 28, approving the Amended Text of the Municipal

Law of the Local Government System of Catalonia.

- d) Legislative Royal Decree 2/2004, of March 5, approving the Amended Text of the Law Regulating Local Taxation (Law 39/1988, of December 28).
- 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 General Accounting Plan, approved by Royal Decree 1643/90.

The figures contained in the documents composing 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

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

The budget statements corresponding to the City of Barcelona and its municipal agencies were approved by the Decrees issued by the Mayor's Office on February 28, 2005. 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. Consolidated Principles

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

Name	Interest Held %	Net Worth as of 12.31.2004, Before Result (1)	2004 Fiscal Year Result (1)	Technical Book Value 12.31.04 (1)	Book Value of the Holding 12.31.04 (*)
<b>Municipal Agencies</b>					
Patronat Municipal de l'Habitatge	100	36,185	794	36,979	19,086
Institut Municipal de Persones amb Disminució	100	1,016	255	1,271	698
Fundació Mies Van der Rohe	100	6,110	80	6,190	946
Institut Municipal d'Informàtica	100	254	299	553	–
Institut Municipal d'Urbanisme	100	1,675	116	1,791	562
Institut Municipal d'Hisenda	100	390	494	884	513
Institut Municipal de Mercats	100	5,449	1	5,450	–
Institut Municipal de Parcs i Jardins	100	1,527	29	1,556	–
Institut Municipal d'Educació	100	4,945	650	5,595	257
Institut de Cultura de Barcelona	100	1,837	555	2,392	182
Institut Municipal del Paisatge Urbà i Qualitat de Vida	100	1,248	48	1,296	–
<b>Subtotal Municipal Agencies</b>		<b>60,636</b>	<b>3,321</b>	<b>63,957</b>	<b>22,244</b>
<b>Municipal Companies</b>					
Grup Barcelona de Serveis Municipals (2)	100	153,235	5,536	158,771	69,568
Grup Barcelona d'Infraestructures Municipals	100	14,873	272	15,145	12,949
Informació i Comunicació de Barcelona, SA	100	1,457	80	1,537	1,500
Barcelona Activa, SA	100	2,237	22	2,259	2,013
Societat Municipal Barcelona Gestió Urbanística, SA	100	388	111	499	61
<b>Subtotal municipal companies</b>		<b>172,190</b>	<b>6,021</b>	<b>178,211</b>	<b>86,091</b>
<b>Total</b>		<b>232,826</b>	<b>9,342</b>	<b>242,168</b>	<b>108,335</b>

(\*) Included in the individual financial statements of the City of Barcelona as of December 31 de 2004.

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

(2) The net book value of the investment includes the holding the City of Barcelona has in Serveis Funeraris de Barcelona, SA which will be transferred to Barcelona de Serveis Municipals, SA during fiscal 2005, at its book value.

The details of the consolidated annual accounts of the Barcelona de Serveis Municipals and Barcelona d'Infraestructures Municipals groups are shown in the table below (Details as of December 31, 2004):

Name	Interest Held %	Net Worth as of 12.31.2004, Before Result (1)	2004 Fiscal Year Result (1)	Net Worth as of 12.31.04 (1)
<b>Barcelona de Serveis Municipals Group</b>				
Barcelona de Serveis Municipals, SA	100	144,770	3,781	148,551
Parc d'Atraccions Tibidabo, SA	100	4,380	(772)	3,608
Tractament i Selecció de Residus, SA	58.64	29,600	1,237	30,837
Selectives Metropolitanes, SA (2)	58.64	798	127	925
Solucions Integrals per als Residus, SA (2)	58.64	743	376	1,119
Carreras i Fontanals, SA (2)	58.64	71	(6)	65
Serveis Funeraris de Barcelona, SA (3)	51.00	6,664	4,893	11,557
Mercabarna, SA	50.69	27,400	1,054	28,454
<b>Barcelona d'Infraestructures Municipals Group</b>				
Barcelona d'Infraestructures Municipals, SA	100	14,873	251	15,124
Pro Nou Barris, SA	100	524	7	531
22 Arroba Bcn, SA	100	6,832	63	6,895
ProEixample, SA	51.00	3,734	177	3,911
Foment de Ciutat Vella, SA	51.00	3,472	33	3,505

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

(2) Holding via Tractament i Selecció de Residus, SA.

(3) The percentage of the holding has been calculated taking into consideration the City of Barcelona's direct holding in this company which will be passed over to Barcelona de Serveis Municipals, SA during fiscal 2005.

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 Mercados de Abastecimientos de Barcelona, 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 during fiscal 2004 in what is included in the consolidated accounts were due to the following developments:

- The City of Barcelona carried out a restructuring of its public investment management companies, as a result of which the former Infraestructures del Llevant de Barcelona, SA changed its name to Barcelona d'Infraestructures Municipals, SA, and

expanded its corporate object to become the head of the group of the City's public investment management companies. The company carried out an increase of capital, paid up by means of a non-monetary contribution consisting of the shares the City of Barcelona possessed in Pro Nou Barris, SA, 22 Arroba Bcn, SA, ProEixample, SA and Foment de Ciutat Vella, SA.

- As a consequence of the preceding point, the by-laws of Societat Municipal Barcelona Gestió Urbanística, SA, were amended to make this company the management body responsible for obtaining land for the execution of the City of Barcelona's Housing Program.
- Prior to this restructuring, the City of Barcelona had increased the share capital of 22 Arroba Bcn, SA, by 6,638 thousand euros, which it paid up by means of a non-monetary contribution consisting of the right of use for 75 years of the surface area of a plot of land owned by the City to be employed for building and operating an audiovisual production complex in the 22@ technology district. At the same time, 22 Arroba Bcn, SA used this surface use right to subscribe 49% of the capital of the new company Mediacomplex, SA, the other 51% being subscribed by private shareholders and paid up in cash.
- Serveis Funeraris de Barcelona, SA carried out an increase in capital of 2,452 thousand euros with an issue premium of 1,308

thousand euros. The private shareholders in the company paid up 49% of the increase in cash, while the remaining 51% was provided by a non-monetary contribution by the City of Barcelona consisting in the assignment, for 50 years, of the right to use a plot of land belonging to the City for the purposes of building and operating a new funeral parlor. This interest of the City of Barcelona in the company is of a transitory nature and at the time these annual accounts were drawn up, an increase in the share capital of Barcelona de Serveis Municipals, SA is being carried out that is to be paid up by a non-monetary contribution by the City of Barcelona consisting in the shares it holds in Serveis Funeraris de Barcelona, SA as a result of the increase in capital of that company. In view of the transitory nature of this situation, the figures for Barcelona de Serveis Municipals, SA include those for Serveis Funeraris de Barcelona, SA as though the former already possessed 51% of the shares in the latter.

- Informació i Comunicació de Barcelona, SA decided to increase its share capital by 1,500 thousand euros and to reduce its share capital by 1,387 thousand euros charged to accumulated losses under negative results in previous years.

The entities consolidated by the equity method (as the City of Barcelona holds, directly or indirectly, 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 12.31.2004, Before Result (1)	2004 Fiscal Year Result (1)	Net Worth as of 12.31.04 (1)
Barcelona Holding Olímpic, SA (HOLSA) (2)	49.00	42,878	893	43,771
Mediacomplex, SA (2) (3)	49.00	6,638	11	6,649
Barcelona Emprèn, SCR, SA (2) (4)	29.27	1,736	(206)	1,530
Barcelona Sagrera Alta Velocitat, SA	25.00	150	0	150
Barcelona Regional, AMDUI, SA (2) (5)	20.63	421	2	423
<b>Total</b>		<b>51,823</b>	<b>700</b>	<b>52,523</b>

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

(2) Audited annual accounts for 2004 fiscal year.

(3) Indirect shareholding via 22 Arroba Bcn, SA belonging to the Barcelona d'Infraestructures Municipals Group.

(4) 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%.

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

In 2003 Barcelona Sagrera Alta Velocitat, SA, was incorporated. The object of this company, in which the City of Barcelona held a 25% stake, is to facilitate and co-ordinate the execution of the actions involved in developing the railways and public transport, and promoting and managing urban transformations resulting from the works of restructuring the railway system in the La Sagrera-Sant Andreu area of Barcelona.

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 homogenization, both with regard to temporary provisions, where applicable, and to the assessment criteria applied.

### 2.3. Comparability of the Information

For the purposes of presenting the consolidated annual accounts, and in order to ensure that the accounts for 2004 are comparable with those for fiscal 2003, the following reclassifications have been made in the latter:

- The amounts under the headings “Accumulated Depreciation and Provisions” and “Fixed Assets Pending Classification in Progress” in the assets column of the consolidated balance sheet have been increased and diminished respectively by 151,129 thousand euros.
- The amount under the heading “Property Assigned to Municipal Agencies and Third Parties” in the liabilities column of the consolidated balance has been decreased by 4,181 thousand euros, while the amount under the heading “Consolidated Reserves” has been increased by 4,120 thousand euros and the amount under the heading “Fixed Assets Pending Classification in Progress” has been diminished by 61 thousand euros.

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

### Note 3 – Valuation Criteria

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

#### 3.1. Intangible and Tangible Fixed Assets

##### a) Intangible Fixed Assets

Intangible fixed assets basically include:

- 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 center at the Hospital del Mar. Concession periods range from 30 to 50 years. These rights are

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

constitute the local economic group's long-term investments.

Regarding the assessment criteria for fixed assets, it is necessary to distinguish:

#### The City of Barcelona

- Land and Buildings. Additions made prior to January 1, 1992, are assessed according to an expert estimate of their 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 the case of buildings received free of charge, at their appraised value.
- 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 corresponding tangible fixed assets caption or "Property Delivered for Public Use" caption 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 2004, the net effect was 16,837 thousand euros, entailing a charge to the caption "Provision for Depreciation of Fixed Assets" on the 2004 consolidated statement of revenue and expenses of 612 thousand euros; the charge to this caption for 2005 is estimated at 610 thousand euros.

Repairs not contributing to an extension of the useful life, as well as maintenance costs, are charged directly to the consolidated statement of revenue and expenses. The cost of any additions or improvements extending the useful life of an asset are 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 based on 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 221,573 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 shows the value of the property 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 Infrastructures and Assets for Public Use**

The property delivered for public use makes up the 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 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 consolidated 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 consolidated 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 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 consolidated balance sheet.

The balance of the caption "Pluri-annual Transfers to HOLSA" was reduced by 40,749 thousand euros in 2004 with a credit to extraordinary results (see Note 19.8). This corresponds to the amount of HOLSA debts as of December 31, 2004. In addition, the accounts "Property Delivered for Public Use" and "Investments Assigned for Public Use" 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, on the basis of the annual accounts.

All other securities are recorded on the consolidated balance sheet at their purchasing price. The differences between the book value and the technical book value of those shareholdings to experience substantial losses

as of December 31, 2004, are provided for in the attached consolidated annual accounts.

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

### **3.5. Inventories**

Inventories as of December 31, 2004, 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 debts 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 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, capital transfers are recorded under the “Capital Transfers” caption in the liabilities column of the balance sheet and moved to assets when the investment they were financing is assigned for public use. For appraisals of the Group’s net worth, these transfers should be considered to be additional net worth as of December 31, 2004.
- 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 have financed.

### **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 has been deferred to the immediately following year, which is 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 consolidated 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, 2004, 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, co-operative 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).

### **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. Corporate Tax**

Pursuant to Legislative Royal Decree 4/2004 of March 5, approving the amended text of the Company Tax Law, the City of Barcelona is exempt from payment of this tax and is not subject to the withholding of profits from its investments.

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 the above-mentioned amended corporate tax law and article 25 of the Law on local taxation, private municipal companies are eligible for a 99% rebate on taxes paid on their earnings from activities classified as public service under this legislation.

### **3.15. 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.

### **3.16. Consolidated Goodwill**

The attached consolidated balance sheet includes goodwill for the amount of 1,775 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, S.A., 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:

	12.31.03	Additions	Retirements	Transfers	12.31.04
Start-up Expenses	16	–	–	–	16
R+D Expenses	885	–	–	–	885
Concessions, Patents, Licenses and Trademarks	38,463	5,481	(2,239)	6,877	48,582
Data-processing Applications	7,944	8,247	(305)	(6,478)	9,408
Rights on Goods Under Financial Leasing	2,869	604	–	(1,062)	2,411
Others	1,047	9,621	(115)	(10,074)	479
<b>Intangible Fixed Assets</b>	<b>51,224</b>	<b>23,953</b>	<b>(2,659)</b>	<b>(10,737)</b>	<b>61,781</b>
<b>Accumulated Depreciation</b>	<b>(12,562)</b>	<b>(6,064)</b>	<b>661</b>	<b>3,189</b>	<b>(14,776)</b>
<b>Net Intangible Fixed Assets</b>	<b>38,662</b>	<b>17,889</b>	<b>(1,998)</b>	<b>(7,548)</b>	<b>47,005</b>

The main entry under the caption “Concessions” (20,930 thousand euros) corresponds to the parking lots managed by Barcelona de Serveis Municipals, SA under this formula (see Note 3.1.a), the cumulative depreciation of which came to 6,984 thousand euros.

The following items had been completely written off as of December 31, 2004:

	Thousands of euros
R+D Expenses	854
Concessions, Patents and Trademarks	4,105
Data-processing Applications	2,016
Others	118
<b>Total</b>	<b>7,093</b>

## b) Tangible Fixed Assets and Infrastructures

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

	12.31.03	Additions	Retirements	Transfers	12.31.04
Lands and Buildings (*)	5,126,295	61,579	(37,207)	463,339	5,614,006
Fixed Assets Assigned to Municipal Agencies and Third Parties	630,505	620	–	(5)	631,120
Land and Properties	5,756,800	62,199	(37,207)	463,334	6,245,126
Vehicles	12,931	196	–	505	13,632
Machinery, Equipment, Installations and Tools	166,614	3,968	(2,408)	3,347	171,521
Data-Processing Equipment	50,086	4,086	(19)	2,206	56,359
Office Furniture and Equipment	53,507	3,283	(356)	758	57,192
Others	17,371	1,904	(1,007)	1,087	19,355
Other Fixed Assets	300,509	13,437	(3,790)	7,903	318,059
<b>Total Fixed Assets</b>	<b>6,057,309</b>	<b>75,516</b>	<b>(40,997)</b>	<b>471,357</b>	<b>6,563,185</b>
<b>Tangible Fixed Assets Assigned to Municipal Agencies and Third Parties</b>	<b>(630,505)</b>	<b>(620)</b>	<b>–</b>	<b>5</b>	<b>(631,120)</b>
<b>Fixed Assets Pending Classification</b>	<b>1,035,077</b>	<b>398,318</b>	<b>(106,102)</b>	<b>(796,342)</b>	<b>530,951</b>
<b>Infrastructures and Assets for Public Use</b>	<b>4,668,466</b>	<b>56,323</b>	<b>(586)</b>	<b>369,876</b>	<b>5,094,079</b>
<b>Investments Assigned for Public Use</b>	<b>(4,668,466)</b>	<b>(56,323)</b>	<b>586</b>	<b>(369,876)</b>	<b>(5,094,079)</b>
<b>Investments for Public Use: HOLSA</b>	<b>164,179</b>	<b>–</b>	<b>–</b>	<b>(40,749)</b>	<b>123,430</b>
<b>Gross Tangible Fixed Assets and Infrastructures</b>	<b>6,626,060</b>	<b>473,334</b>	<b>(147,099)</b>	<b>(365,849)</b>	<b>6,586,446</b>
<b>Accumulated Depreciation and Provisions</b>	<b>(520,580)</b>	<b>(71,381)</b>	<b>3,412</b>	<b>(2,756)</b>	<b>(591,305)</b>
<b>Net Tangible Fixed Assets and Infrastructures</b>	<b>6,105,480</b>	<b>401,953</b>	<b>(143,687)</b>	<b>(368,605)</b>	<b>5,995,141</b>

(\*) In accordance with applicable regulations, the group entities record the value of lands containing any type of building under the caption “Buildings”. This caption includes 2,674,423 thousand euros, as of December 31, 2004, and 2,640,718 thousand euros, as of December 31, 2003, corresponding to the value of lands containing buildings.

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

- Receipt of assets worth 52,886 thousand euros, given free of charge, which have been credited as revenue in the “Extraordinary Results” caption in the attached consolidated statement of revenue and expenses (see Note 19.8).
- 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 the municipal agencies and companies, the sum of 20,888 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).
- New installations in the zoo, including sea lions, penguins, chimpanzees, toilets, dolphinarium, replacing halogen gas in the Olympic Stadium and Palau Sant Jordi, fitting new seats in Barcelona Teatre Musical, the acquisition of new parking meters by A.R.E.A., and the replacement of data-processing equipments elements by Barcelona de Serveis Municipals, SA.
- Installation of a new line for dealing with voluminous items at the wood shredding plant in the municipality of Viladecans and automation of a bridge crane in the Besòs plant.

The disposals carried out over the fiscal year primarily include:

- Disposal of assets to the value of 25,980 thousand euros.
- Reclassifications of fixed assets pending classification to the corresponding caption by nature amounting to 57,376 thousand euros, from which extraordinary revenue has been obtained.
- Rights to use parking spaces granted 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).

The elements totally written off as of December 31, 2004 are the following:

Thousands of euros	
Buildings	276
Vehicles	5,209
Machinery, Equipment, Installations and Tools	37,523
Data-processing Equipment	21,367
Office Furniture and Equipment	14,120
Others	7,799
<b>Total</b>	<b>86,294</b>

The policy of the Group is to contract the insurance policies, which are considered necessary in order 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)	43,771
Mediacomplex, SA	6,649
Barcelona Sagrera Alta Velocitat, SA	150
Barcelona Emprèn, SCR, SA	1,530
Barcelona Regional, AMDUI, SA	423
<b>Total</b>	<b>52,523</b>

## 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 the Municipal Group, as well as other credits and long-term deposits and guarantees, as shown in the following chart:

Investment Portfolio	30,636
Deposits and Guarantees	1,982
Other Long-term Loans	17,116
<b>Total</b>	<b>49,734</b>

The securities portfolio can be broken down as follows:

	Net Book Value of the Holding as of 12.31.03	Additions	Retirements	Transfers	Provisions	Net Book Value of the Holding as of 12.31.04	% Interest Held by the City of Barcelona as of 12.31.04
Fira 2000, SA	14,770	–	–	–	(550)	14,220	12.77
Catalana d'Iniciatives, CR, SA (1)	7,289	–	–	–	–	7,289	13.45
Túnel i Accessos de Barcelona, SA (1)	3,568	–	–	–	–	3,568	2.82
Ecoparc de Barcelona, SA (1)	1,472	–	–	–	(320)	1,152	11.73
Ecoparc del Mediterrani, SA (1)	960	–	–	–	–	960	11.73
Clavegueram de Barcelona, SA (1)	631	–	–	–	–	631	17.50
Hotel Miramar, SA (1)	660	–	–	–	–	660	10.00
Ecoparc del Besòs, SA (1)	771	–	(385)	–	–	386	2.93
GL Events CCIB, SL	–	241	–	–	–	241	12.00
Districlima, SA (1)	60	159	–	–	–	219	11.73
Barcelona Tecnologia, SA	176	–	–	–	–	176	10.74
Gestora Metropolitana de Runes, SA (1)	135	–	–	–	–	135	26.39
Altres participacions < 100 milers	367	156	(24)	–	(82)	417	–
Fons d'inversió	251	600	–	(269)	–	582	–
<b>Total Investment Portfolio</b>	<b>31,110</b>	<b>1,156</b>	<b>(409)</b>	<b>(269)</b>	<b>(952)</b>	<b>30,636</b>	

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

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

Public Treasury Receivable for Early Corporate Tax	4,995
Term Deposits	6,552
Long-term Clients and Receivables	4,379
European Grants 2006	1,190
<b>Total</b>	<b>17,116</b>

## Note 7 – Deferred Expenses

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

	Loan Arrangement Expenses
<b>Balance as of December 31, 2003</b>	<b>1,321</b>
Allocation to Results as Financial Expenses	(100)
<b>Balance as of December 31, 2004</b>	<b>1,221</b>

The allocation to results as financial expense is made annually and is calculated in a linear manner until the maturity of the formalized 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 2004 was as follows:

	Goodwill
<b>Balance as of December 31, 2003</b>	<b>1,878</b>
Amortization for the Year	(103)
<b>Balance as of December 31, 2004</b>	<b>1,775</b>

The remainder of the balance for this caption, 94 thousand euros as of December 31, 2004,

corresponds to the financial expenses of financial leasing operations.

## Note 8 – Accounts Receivable

Accounts receivable are classified as follows:

<b>a) By the City of Barcelona</b>	<b>662,431</b>
Direct Taxes	246,481
Indirect Taxes	5,192
Charges and Other Revenue	260,689
Current Transfers	97,371
Capital Gains	21,479
Disposal of Real Investments	1,772
Capital Transfers	19,903
Other	9,544
<b>b) By Municipal Agencies and Companies</b>	<b>81,984</b>
<b>Total Receivable</b>	<b>744,415</b>

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

<b>Balance as of December 31, 2003</b>	<b>342,285</b>
Amount Charged to Statement of Revenue and Expenses	81,163
Bad Debts Written Off	(17,689)
Allocation to Extraordinary Results	(869)
<b>Balance as of December 31, 2004</b>	<b>404,890</b>

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 (252,594 thousand euros) and to the receivables for fines, both in the voluntary and enforced collection periods (192,211 thousand euros).

The provision for the fiscal year, 81,163 thousand euros, is shown under liabilities on the consolidated statement of revenue and expenses, along with other provisions for sundry items amounting to 2,317 thousand euros.

Over the course of the 2004 fiscal year, the City of Barcelona wrote off a total of 30,190 thousand euros in bad debt, comprised of accounts for taxes and fines, as well as other bad debts pertaining to individuals declared to be insolvent (see Note 19.8).

## 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 i 4.b)	Property Assigned to Municipal Agencies and Third Parties	TOTAL
<b>Initial Balance</b>	<b>8,962,521</b>	<b>(630,505)</b>	<b>(4,668,466)</b>	<b>46,874</b>	<b>3,710,424</b>
Allocation of City of Barcelona Results, 2003	328,418	–	–	–	328,418
Change in Net Worth of Municipal Agencies and Companies	–	(615)	–	–	(615)
Conveyance of Capital Transfers (Note 12)	42,588	–	–	–	42,588
Property Delivered for General Use	–	–	(425,613)	–	(425,613)
<b>Final Balance</b>	<b>9,333,527</b>	<b>(631,120)</b>	<b>(5,094,079)</b>	<b>46,874</b>	<b>3,655,202</b>

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.

### 9.2. Results

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

Results of the City of Barcelona	392,773
Aggregate Result of Municipal Agencies and Companies	16,914
Share in Results by Equity Method	700
Consolidation Adjustments	138
Consolidated Results	410,525
Results Allocable to Minority Interests Before Interim Dividends	(7,155)
<b>Results Allocable to the City of Barcelona</b>	<b>403,370</b>

## Note 10 – Consolidation Reserves

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

	Balance as of 12.31.03	Result 2003 (a)	Dividends, Transfers and Other	Balance as of 12.31.04
<b>Fully Consolidated</b>	<b>127,370</b>	<b>21,553</b>	<b>(3,054)</b>	<b>145,869</b>
PM de l'Habitatge	17,371	276	3,138	20,785
IM de Persones amb Disminució	156	197	(19)	334
Fundació Mies Van der Rohe	86	(48)	–	38
IM d'Informàtica	2,123	587	(21)	2,689
IM d'Urbanisme	1,407	122	(251)	1,278
IM d'Hisenda	1,890	559	(34)	2,415
IM de Mercats	4,955	306	(89)	5,172
IM de Parcs i Jardins	1,805	86	(364)	1,527
IM d'Educació	4,986	274	(47)	5,213
Institut de Cultura de Barcelona	2,165	16	(209)	1,972
IM de Salut Pública	871	–	(871)	–
IM del Paisatge Urbà i Qualitat de Vida	1,227	21	(3)	1,245
Barcelona de Serveis Municipals Group (b)	73,237	19,935	(5,781)	87,391
Barc. d'Infraestructures Mpals. Group (c)	1,337	586	(25)	1,898
Informació i Comunicació de Barcelona, SA	1,941	(1,497)	2,298	2,742
Barcelona Activa, SA	10,440	19	370	10,829
SM Barcelona Gestió Urbanística, SA	214	114	13	341
Promoció Ciutat Vella, SA	1,159	–	(1,159)	–
<b>By the Equity Method</b>	<b>(849)</b>	<b>(509)</b>	<b>1,233</b>	<b>(125)</b>
Barcelona Holding Olímpic, SA	(879)	(413)	1,292	–
Barcelona Emprèn, SCR, SA	25	(100)	(59)	(134)
Barcelona Regional, AMDUI, SA	5	4	–	9
<b>Total</b>	<b>126,521</b>	<b>21,044</b>	<b>(1,821)</b>	<b>145,744</b>

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

(b) Barcelona de Serveis Municipals Group includes the information regarding the parent company and the companies in which it holds an interest (Tractament i Selecció de Residus, SA, Serveis Funeraris de Barcelona, SA and Mercabarna, SA) aggregated together.

(c) Barcelona d'Infraestructures Municipals Group includes the information regarding the parent company and the companies in which it holds an interest (Pro Nou Barris, SA, 22 Arroba Bcn, SA, ProEixample, SA and Foment de Ciutat Vella, SA) aggregated together (see Note 2.2).



To calculate the consolidation reserves, the book and technical book values of the interests held, the dividends collected over the 2004 fiscal year and other consolidation adjustments were used to homogenize receivables and payables between the City of Barcelona and some of its dependent companies.

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

to the dividends from previous fiscal years of the dependent companies Serveis Funeraris de Barcelona, SA and Mercabarna, SA, integrated within the Barcelona de Serveis Municipals Group, and to the correction in the existing temporary difference between provision for capital transfers and the execution of the works and services financed by them.

## Note 11 – Minority Interests

The balance of this caption reflects the proportion of the net worth and results for the fiscal year of those dependent 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 12.31.03	Dividends 2003 Fiscal Year	2004 Fiscal Year Result	Interim Dividend Fiscal Year 2004	Increase in Capital	Balance as of 12.31.04
ProEixample, SA	3,585	–	171	–	–	3,756
Foment de Ciutat Vella, SA	3,337	–	31	–	–	3,368
Tractament i Selecció de Residus, SA	21,902	–	1,226	–	–	23,128
Serveis Funeraris de Barcelona, SA	7,897	(3,583)	4,701	(1,525)	3,613	11,103
Mercabarna, SA	27,256	(608)	1,026	–	–	27,674
<b>Total</b>	<b>63,977</b>	<b>(4,191)</b>	<b>7,155</b>	<b>(1,525)</b>	<b>3,613</b>	<b>69,029</b>

## Note 12 – Capital Transfers

The amounts and movements registered under this caption on the attached balance sheet for the fiscal year ended December 31, 2004, were as follows:

<b>Balance as of December 31, 2003</b>	<b>304,083</b>
Additions	30,550
Transfer to Short-term Accruals	1,389
Transfer to Current Revenue	(1,173)
Transfer to Net Worth	(42,588)
Transfer to Extraordinary Revenue by Correlation with Depreciation	(4,496)
Retirements for Delivery of Assets	(3,753)
<b>Balance as of December 31, 2004</b>	<b>284,012</b>

## Note 13 – Deferred Income

The movement and composition of this caption during fiscal 2004 were as follows (see Note 3.8):

<b>Balance as of December 31, 2003</b>	<b>109,616</b>
Additions	25,698
Transfer to Revenue for the Year	(838)
Transfer to Short-term	(3,950)
Delivery of Assets to the City of Barcelona	(9,154)
<b>Balance as of December 31, 2004</b>	<b>121,372</b>

By nature, 109,516 thousand euros correspond to revenue received in advance for the usage rights of assets under municipal ownership and 11,856 thousand euros to urban development fees payable by the owners of sites included in the urban planning co-operation actions, which co-finance municipal investments in the territory falling within the co-operation sphere. The revenue received in advance is transferred annually to the consolidated statement of revenue and expenses in accordance with the

straight-line method over the period corresponding to the assignment or award, which is set at 2047 at the latest. The urban development fees are charged for deliveries to the City of Barcelona of actions financed by them. Only in the case of public works does the City activate the corresponding fixed assets, which it credits to extraordinary results.

The most significant additions correspond to the charges for surface rights in Carrer Perú, Rambla Prim 14 and those paid by 22 Arroba Bcn, SA and Serveis Funeraris de Barcelona, SA.

The amount transferred to short term is the one set to be applied to the consolidated statement of revenue and expenses for the 2005 fiscal year and is shown in the caption “Accrued Expenses” of the liabilities of the balance sheet for the fiscal year ended December 31, 2004.

The retirements for delivery correspond to the co-operative 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 2004 fiscal year were as follows:

	Balance as of 12.31.03	Provisions and Transfers	Allocations	Balance as of 12.31.04
Court Cases and Legal Claims	51,772	30,338	(15,783)	66,327
Major Overhauls	6,724	993	(1,351)	6,366
Unappropriated Earnings	1,630	221	–	1,851
Others	5,689	1,134	(354)	6,469
<b>Total</b>	<b>65,815</b>	<b>32,686</b>	<b>(17,488)</b>	<b>81,013</b>

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.

The provision for court cases and legal claims has been charged to the caption "Works, Supplies and Subcontracted Services".

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

## Note 15 – Issue of Notes and Other Negotiable Securities and Bank Debts

The outstanding capital as of December 31, 2004, corresponding to long-term loans and debentures subscribed by the City of Barcelona can be broken down as follows:

Description	Outstanding Capital
<b>European Union Market</b>	
– Bank Loans	675,643
– Capital Market	480,203
<b>Subtotal</b>	<b>1,155,846</b>
<b>Non-European Union Market</b>	
– Capital Market	155,181
<b>Subtotal</b>	<b>155,181</b>
<b>Total Long-term Debt</b>	<b>1,311,027</b>

The movement registered under the caption "Long-term Loans and Debentures" during 2004 was as follows:

<b>Balance as of December 31, 2003</b>	<b>1,336,231</b>
Additions:	
– New Operations	247,111
Disposals:	
– Contractual Repayments	(202,818)
– Early Amortization and Amortization by Debt Replacement and Assignment	(69,497)
<b>Balance as of December 31, 2004</b>	<b>1,311,027</b>

The debt profile by maturities as of December 31, 2004, was as follows:

Maturity	Amount
2005	159,724
2006	89,419
2007	139,749
2008	129,216
2009	131,046
2010	99,422
2011	111,210
2012	96,299
2013	23,393
2014	100,023
2015 and Beyond	231,526
<b>Total</b>	<b>1,311,027</b>

As of December 31, 2004, there existed unexecuted stand-by lines for a total of 262,212 thousand euros.

The average interest rate over the 2004 fiscal year was 4.3%.

As of December 31, 2004, 54.9% of the long-term consolidated financial debt had a fixed interest rate and 45.1% had a variable interest rate.

## Note 16 – Public Agencies

This account can be broken down as follows:

Item	Debit Balance	Credit Balance
Social Security	8	26,002
Value Added Tax	45,835	5,697
Personal Income Tax	–	10,344
Corporate Tax	3,902	1,880
Others	605	959
<b>Total</b>	<b>50,350</b>	<b>44,882</b>

The caption “Value Added Tax” corresponds mainly to the refund application lodged by the City of Barcelona on January 31, 2005.

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

## Note 17 – Accrued Expenses

The account “Accrued Expenses”, listed under liabilities on the attached consolidated balance sheet, reflects the Group’s definite liabilities as of December 31, 2004, 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	7,940
Grave Assignments	2,314
Urban Planning Fees for Infrastructure Actions	7,882
Prepaid Income on Can Tunis Nou Housing Intervention	7,513
Other Advance Revenue	6,058
Accredited Unmatured Interest as of December 31, 2004	14,147
Claims and Disputes	10,290
Current Transfers Given	2,266
Accrued Amounts Payable for Acquisition of Fixed Assets	6,605
Other Deferred Expenses	2,710
<b>Total</b>	<b>67,725</b>

Accredited and unmatured payments to personnel are shown under the caption “Other Non-trade Payables” and amount to 30,089 thousand euros.

## Note 18 – Other Information

As of December 31, 2004, the guarantees provided by the group to cover credit operations came to 12,347 thousand euros.

The fees received by PricewaterhouseCoopers Auditores, S.L. and Gabinete Técnico de Auditoría y Consultoría, S.A., for auditing services and the expenses incurred for the provision thereof in fiscal 2004 came to 561 thousand euros, including VAT. 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.

### 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 contracts subscribed by the Group with different private companies 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:

<b>Current Transfers</b>	<b>244,600</b>
Municipal Association of the Barcelona Metropolitan Area and EMSHTR	103,635
Consortia	51,993
Non-profit Organizations	48,896
Metropolitan Transportation Authority	26,597
Companies	9,621
Autonomous Government	2,988
Other	870
<b>Capital Transfers</b>	<b>140,739</b>
Barcelona Holding Olímpic, SA	58,209
Consortia	44,007
Metropolitan Transportation Authority	25,388
Metropolitan Water Services and Waste Treatment Agency (EMSHTR)	4,207
Other	8,928
<b>Total</b>	<b>385,339</b>

### 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, installations and works, levied according to the cost of the project for which the license has been solicited. This caption can be broken down as follows:

Property Tax (IBI)	333,329
Tax on Economic Activities (IAE)	84,817
Tax on Construction, Installations and Works and Other Replaced Taxes	34,484
Others	7
<b>Total</b>	<b>452,637</b>

#### **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 74,686 thousand euros during the 2004 fiscal year.

#### **c) Capital Taxes**

This tax incorporates 80,055 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. It also includes 4,392 thousand euros corresponding to special contributions.

#### **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 the 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	96,817
Charges for Use of Public Domain	69,728
Concessions and Special Uses	25,155
Share of Profits	17,013
Interest and Surcharges	16,971
<b>Total</b>	<b>225,684</b>

#### **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 earmarked grants from the European Union, Central Government, autonomous community and local entities, as shown below:

Central Government	762,231
Generalitat de Catalunya	53,290
Local Entities	39,363
European Union	2,631
Private Companies	1,342
Non-profit Institutions	401
Other Entities	242
<b>Total</b>	<b>859,500</b>

## 19.8. Extraordinary Results

Extraordinary results can be broken down as follows:

	Note	Expenses	Revenue
Pluri-annual Transfers to HOLSA	3.3	–	40,749
Receipts Free of Charge	4.b	–	52,886
Receipt of Investment Projects	4.b	–	20,888
Application of Long-term Provisions	14	–	11,407
Cancellation of Rights and Obligations	8	30,620	–
Extraordinary Results from Fixed Assets	4.b	24,564	–
Other Extraordinary Results	–	692	7,459
<b>Total</b>		<b>55,876</b>	<b>133,389</b>
<b>Net Extraordinary Result</b>		<b>77,513</b>	



## Note 20 – Statements of Changes in Financial Position for the 2004 and 2003 Fiscal Years

Applications of Funds	2004 Fiscal Year	2003 Fiscal Year	Source of Funds	20034 Fiscal Year	2003 Fiscal Year
			Funds from Operations	453,989	360,412
Acquisition of Fixed Assets:			Disposal of Fixed Assets:		
– Tangible and Intangible	407,830	632,353	– Tangible	42,976	141,687
– Financial	10,343	19,638	– Financial	678	–
Minority Interests	5,716	–	Minority Interests	3,613	6,069
Capital Transfers	–	7,570	Capital Transfers	31,939	74,622
Transfer of Deferred Income to Short-term	3,950	8,979	Deferred Income	25,689	54,534
Application of Long-term Provisions	6,081	5,710			
Redemption of Long-term Loans, Debentures and Received Loans	272,315	94,780	Loans and Other Long-term Debts	247,111	106,814
Long-term Guarantees and Deposits	–	8,468	Long-term Guarantees and Deposits	1,477	–
Application of Deferred Income for Delivery of Assets	–	19,509			
Other Long-term Payables	–	1,007	Other Long-term Payables	236	–
Long-term Receivables	2,866	–	Cancellation of Long-term Receivables	–	1,353
Pluri-annual Transfers to HOLSA	40,749	40,076			
<b>Total Applications</b>	<b>749,850</b>	<b>838,090</b>	<b>Total Sources</b>	<b>807,708</b>	<b>745,491</b>
Sources of Funds in Excess of Applications of Funds (Increase in Working Capital)	57,858	–	Applications of Funds in Excess of Sources of Funds (Decrease in Working Capital)	–	92,599
<b>Total</b>	<b>807,708</b>	<b>838,090</b>	<b>Total</b>	<b>807,708</b>	<b>838,090</b>

Change in Working Capital	2004		2003	
	Increase	Decrease	Increase	Decrease
Inventories	–	3,443	7,509	–
Accounts Receivable	–	21,838	56,334	–
Accounts Payable	78,807	–	–	13,093
Short-term Financial Investments	–	13,212	22,937	–
Cash	23,332	–	–	146,323
Accrued Expenses	–	5,788	–	19,963
<b>TOTAL</b>	<b>102,139</b>	<b>44,281</b>	<b>86,780</b>	<b>179,379</b>
<b>Decrease in Working Capital</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>92,599</b>
<b>Increase in Working Capital</b>	<b>57,858</b>	<b>–</b>	<b>–</b>	<b>–</b>

The funds obtained from operations were as follows:

	Note	2004	2003
<b>Net Surplus for the Fiscal Year</b>	–	<b>403,370</b>	<b>346,990</b>
Net Results on Tangible Fixed Assets	19.8	(49,210)	(65,553)
Provision for Depreciation	–	77,445	72,455
Provisions for Contingencies and Expenses	14	32,686	10,424
Deferred Expenses	7	203	2,857
Application of Long-term Provisions	–	(11,407)	–
Deferred Income Transferred to Statement of Revenue and Expenses	13	(838)	(1,567)
Capital Grants Transferred to Results	12	(5,669)	(5,194)
Provisions for Financial Investments	6	952	–
Result of Minority Interests	11	7,157	–
Share by Equity Method	2.2	(700)	–
<b>Funds from Operations</b>		<b>453,989</b>	<b>360,412</b>

7

Five-year Data

## City of Barcelona (2000-2004)

	2000	2001	2002	2003	2004	Annual Growth (%)
<b>Personnel</b>	<b>6,753</b>	<b>6,683</b>	<b>6,638</b>	<b>6,689</b>	<b>6,657</b>	<b>-0.8%</b>

### Economic Position (thousands of euros)

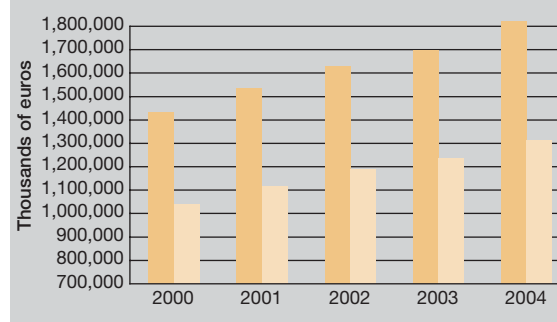
Current Revenue	1,431,725	1,534,756	1,631,204	1,697,039	1,821,239	5.1%
Current Expenses	1,039,288	1,118,378	1,187,549	1,237,225	1,313,656	4.4%
Gross Saving	392,437	416,378	443,655	459,814	507,583	7.1%
Net Investments	236,847	330,756	517,074	571,594	432,129	8.8%
Cash Surplus (Deficit)	152,916	88,235	-112,810	20,674	37,799	-2.4%

<b>Total Debt as of 12/31</b>	<b>1,240,537</b>	<b>1,152,303</b>	<b>1,265,113</b>	<b>1,244,439</b>	<b>1,206,640</b>	<b>-2.4%</b>
-------------------------------	------------------	------------------	------------------	------------------	------------------	--------------

### Ratios

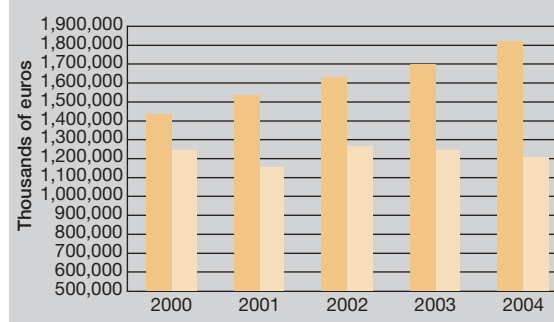
Gross Saving / Current Revenue (%)	27.4	27.1	27.2	27.1	27.9
Interest Coverage (x)	5.1	5.6	6.7	8.2	10.4
Capital Expenditure Coverage (x)	1.7	1.3	0.9	0.8	1.2
Capital Expenditure / Total Expenses (%)	19.4	25.1	36.5	34.8	26.9
Debt / Current Revenue (%)	86.6	75.1	77.6	73.3	66.3
Debt / Primary Saving (x)	2.5	2.3	2.4	2.4	2.1
Average Life of Long-term Debt (years)	4.7	4.8	5.6	5.2	5.9

### Current Revenue and Expenses



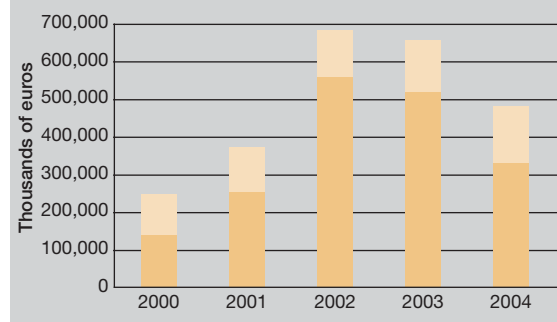
■ Current Revenue ■ Current Expense

### Current Revenue and Total Debt



■ Current Revenue ■ Total Debt as of 12/31

### Direct and Indirect Capital Expenditures



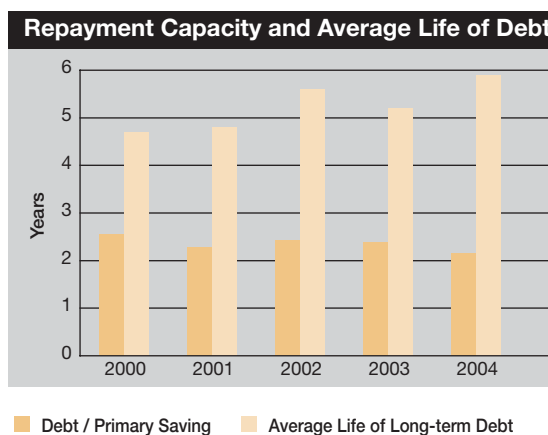
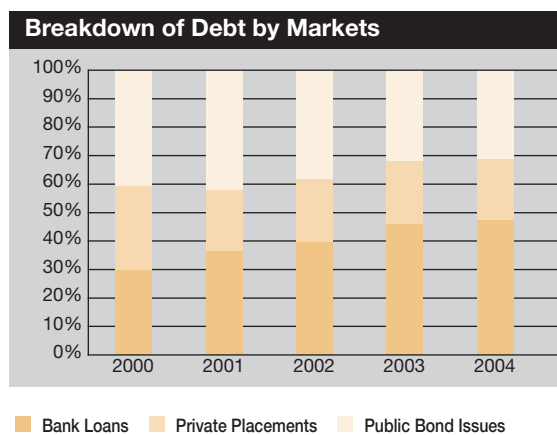
■ Direct Capital Expenditure ■ Indirect Capital Expenditure

### 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 (2000-2004)

	2000	2001	2002	2003	2004	Annual Growth (%)
<b>Balance Summary (thousands of euros)</b>						
Fixed Assets	5,254,348	5,250,240	5,556,938	5,736,516	5,605,084	0.9%
Long-term Financial Investments	157,135	160,934	159,902	165,676	176,578	3.6%
Deferred Expenses	1,725	9,574	4,074	1,321	1,221	-12.5%
Long-term Accounts Receivable	0	0	0	0	0	0.0%
<b>Fixed Assets</b>	<b>5,413,208</b>	<b>5,420,748</b>	<b>5,720,914</b>	<b>5,903,513</b>	<b>5,782,883</b>	<b>0.9%</b>
Accounts Receivable	282,981	263,176	268,645	339,809	325,174	-0.1%
Cash	32,887	32,352	209,312	61,608	87,794	32.8%
<b>Current Assets</b>	<b>315,868</b>	<b>295,528</b>	<b>477,957</b>	<b>401,417</b>	<b>412,968</b>	<b>3.5%</b>
<b>Total Assets</b>	<b>5,729,076</b>	<b>5,716,276</b>	<b>6,198,871</b>	<b>6,304,930</b>	<b>6,195,851</b>	<b>1.1%</b>
Net Worth	3,652,134	3,764,221	3,978,509	4,043,023	4,052,779	2.4%
Capital Transfers Received	150,998	165,639	219,351	273,627	246,316	11.3%
Long-term Loans and Debentures	1,240,537	1,152,302	1,265,113	1,244,439	1,206,640	-2.4%
Pluriannual Transfers to HOLSA	266,771	237,333	204,255	164,179	123,430	-16.4%
Other Long-term Liabilities	39,282	59,914	85,480	125,181	149,794	24.5%
<b>Long-term Liabilities</b>	<b>5,349,723</b>	<b>5,379,409</b>	<b>5,752,708</b>	<b>5,850,449</b>	<b>5,778,959</b>	<b>1.1%</b>
Accounts Payable	379,353	336,867	446,163	454,481	416,892	0.5%
Short-term Loans	0	0	0	0	0	0.0%
<b>Current Liabilities</b>	<b>379,353</b>	<b>336,867</b>	<b>446,163</b>	<b>454,481</b>	<b>416,892</b>	<b>0.5%</b>
<b>Total Liabilities</b>	<b>5,729,076</b>	<b>5,716,276</b>	<b>6,198,871</b>	<b>6,304,930</b>	<b>6,195,851</b>	<b>1.1%</b>



## Public Administration Debt (2000-2004)

	2000	2001	2002	2003	2004	Annual Growth (%)
<b>Debt (millions of euros)</b>						
Central Government	313,068	312,938	314,963	309,866	313,324	0.9%
Regional Government	39,363	43,598	46,377	48,909	51,915	7.5%
Local Authorities	19,936	20,323	21,652	23,057	24,344	4.5%
Spanish Municipalities	14,960	15,385	16,444	17,783	18,929	5.1%
City of Barcelona	1,241	1,152	1,265	1,244	1,207	-2.4%

Source: Bank of Spain ([www.bde.es/infoest](http://www.bde.es/infoest)) and City of Barcelona

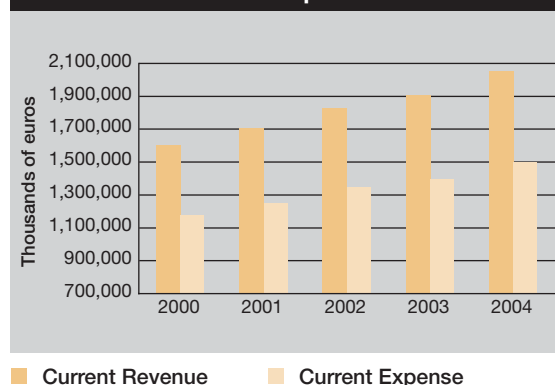
## City of Barcelona Group (2000-2004)

	2000	2001	2002	2003	2004	Annual Growth (%)
<b>Personnel</b>	<b>12,044</b>	<b>12,073</b>	<b>12,045</b>	<b>12,366</b>	<b>12,410</b>	<b>0.3%</b>
<b>Economic Position (thousands of euros)</b>						
Current Revenue	1,603,476	1,704,048	1,826,166	1,907,154	2,054,989	5.5%
Current Expenses	1,179,961	1,251,575	1,347,156	1,395,646	1,498,240	4.8%
Gross Saving	423,515	452,473	479,010	511,508	556,749	7.3%
Net Investment	251,962	344,362	579,104	641,303	481,901	10.8%
Cash Surplus (Deficit)	158,607	89,532	-135,743	-11,266	20,149	-14.2%
<b>Total Consolidated Debt as of 12/31</b>	<b>1,284,074</b>	<b>1,192,740</b>	<b>1,327,351</b>	<b>1,336,318</b>	<b>1,311,027</b>	<b>-1.9%</b>

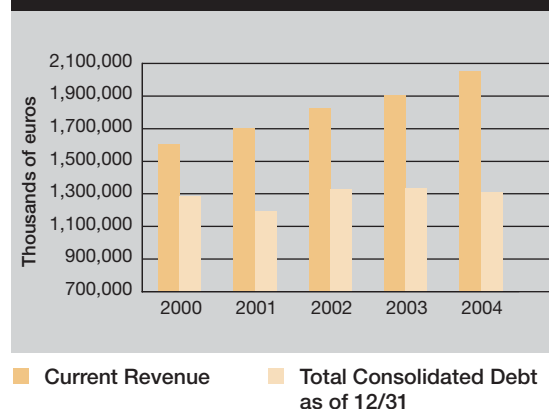
### Ratios

Gross Saving / Current Revenue (%)	26.4	26.6	26.2	26.8	27.1
Interest Coverage (x)	5.6	6.5	7.8	9.8	11.1
Capital Expenditure Coverage (x)	1.7	1.3	0.8	0.8	1.2
Capital Expenditures / Total Expenditures (%)	19.7	25.2	36.6	35.4	27.9
Debt / Current Revenue (%)	80.1	70.0	72.7	70.1	63.8
Debt / Primary Saving (x)	2.5	2.2	2.4	2.3	2.1
Average Life of Long-term Debt (years)	4.8	5.0	5.8	5.6	6.4

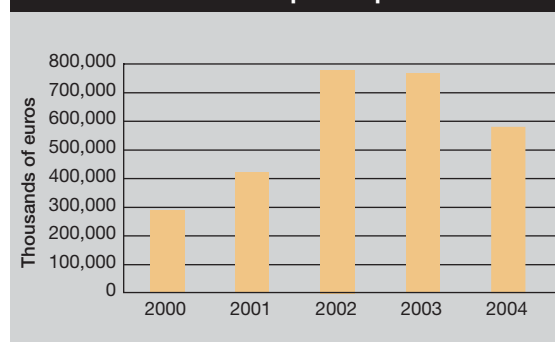
**Current Revenue and Expenses**



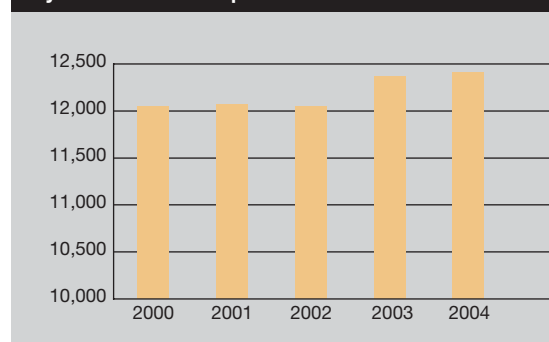
**Current Revenue and Total Debt**



**Consolidated Gross Capital Expenditure**

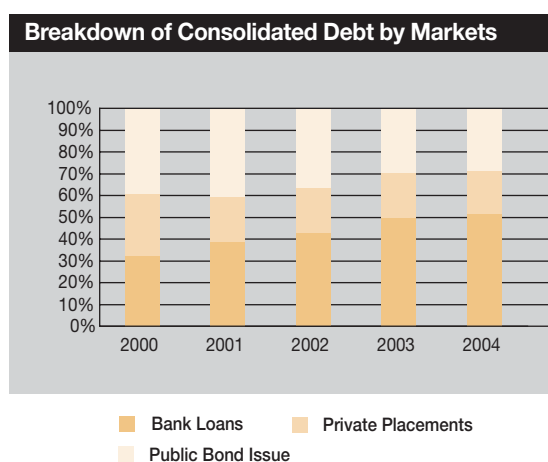
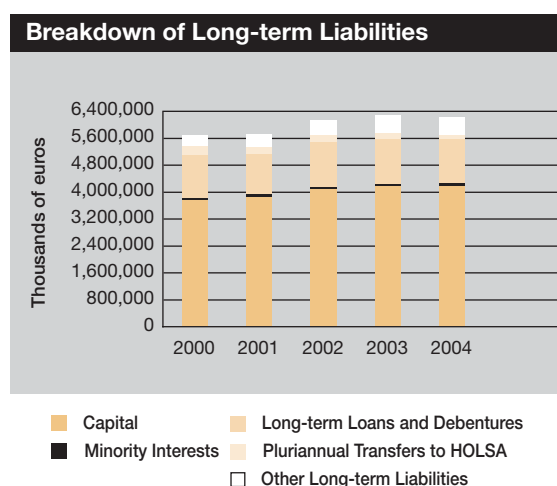


**City of Barcelona Group Personnel**



## City of Barcelona Group (2000-2004)

	2000	2001	2002	2003	2004	Annual Growth (%)
<b>Balance Summary (thousands of euros)</b>						
Intangible Fixed Assets	26,306	30,715	44,193	38,662	47,005	16.1%
Tangible Fixed Assets and Infrastructures	5,547,004	5,545,469	5,880,853	6,105,541	5,995,141	1.1%
Financial Intangible Assets	78,210	82,337	73,069	92,707	102,257	8.0%
Accounts Receivable for Long-term Trade Operations	37,996	37,678	35,805	34,452	37,318	-5.1%
Deferred Expenses	1,731	9,636	6,122	3,292	3,090	5.2%
<b>Fixed Assets</b>	<b>5,691,247</b>	<b>5,705,835</b>	<b>6,040,042</b>	<b>6,274,654</b>	<b>6,184,811</b>	<b>1.2%</b>
Inventories	28,199	36,900	36,215	43,724	40,281	5.9%
Accounts Receivable	337,282	327,941	358,242	413,540	391,268	-0.8%
Cash	97,845	99,005	269,423	146,037	156,157	17.6%
<b>Current Assets</b>	<b>463,326</b>	<b>463,846</b>	<b>663,880</b>	<b>603,301</b>	<b>587,706</b>	<b>3.0%</b>
<b>Total Assets</b>	<b>6,154,573</b>	<b>6,169,681</b>	<b>6,703,922</b>	<b>6,877,955</b>	<b>6,772,517</b>	<b>1.4%</b>
Capital	3,764,415	3,874,665	4,101,585	4,183,996	4,204,316	2.6%
Minority Interests	57,559	60,300	57,908	63,977	69,029	3.2%
Long-term Loans and Debentures	1,275,095	1,186,702	1,324,197	1,336,231	1,311,027	-1.7%
Pluriannual Transfers to HOLSA	266,771	237,333	204,255	164,179	123,430	-16.4%
Other Long-term Liabilities	313,650	381,325	437,730	519,306	540,262	10.6%
<b>Long-term Liabilities</b>	<b>5,677,491</b>	<b>5,740,325</b>	<b>6,125,675</b>	<b>6,267,689</b>	<b>6,248,064</b>	<b>1.4%</b>
Accounts Payable	468,102	423,318	575,093	610,179	524,453	1.2%
Short-term Loans	8,979	6,038	3,154	87	0	-100.0%
<b>Current Liabilities</b>	<b>477,081</b>	<b>429,356</b>	<b>578,247</b>	<b>610,266</b>	<b>524,453</b>	<b>0.6%</b>
<b>Total Liabilities</b>	<b>6,154,573</b>	<b>6,169,681</b>	<b>6,703,922</b>	<b>6,877,955</b>	<b>6,772,517</b>	<b>1.4%</b>



## Consolidated Debt of the City of Barcelona: Public Administration and Commercial Entities (2000-2004)

	2000	2001	2002	2003	2004	Annual Growth (%)
<b>(millions of euros)</b>						
Public Administration	1,262	1,168	1,265	1,245	1,207	-3.3%
Commercial Entities	22	25	62	92	104	42.1%
<b>Total Debt</b>	<b>1,284</b>	<b>1,193</b>	<b>1,327</b>	<b>1,336</b>	<b>1,311</b>	<b>-1.9%</b>

