

RENTA CORPORACIÓN REACHES AN AGREEMENT TO REFINANCE ITS LONG TERM DEBT

The operation, amounting to 380M€, involves the selling of some of its assets, allowing Renta Corporación to reduce its debt by half.

The 2008 results confirm the existence of an international crisis: with the sale of 244 M€ in assets and after a provision on inventory of 63.8M€, the result has been negative by 111.5 M€.

27th February, 2009.- RENTA CORPORACION Group has reached an agreement with financial institutions. In February 2007 Renta Corporación signed a syndicated loan for 500 M €. The terms and conditions of the new agreement allow Renta Corporación to refinance its long term debt with improved economic conditions that will help in the current market situation. The company has also lowered its debt exposure by selling some assets.

Regarding the deal, Juan Velayos, Renta's CEO emphasizes that "in an atmosphere of confidence in our business model the financial institutions have provided us with much needed stability in the short and long-term, crucial in today's market to get over the current crisis. Without a doubt we have tailored this agreement to the current situation in order to take advantage of the new cycle as soon as there is an upturn in the market. The success of the deal it is been possible mainly because all parties involved made a maximum effort to be flexible at all times. Now we herald the new business cycle on a more secure financial footing". Part of the success of the deal has been possible thanks to the skilful management of Uría Menéñez and N+1 as company advisors.

The new syndicated loan

Reduction of debt by half and sale of assets

The company has sold buildings (including the Head Office) and land for a total of 380 M €. As a consequence the company has reduced its total debt after the deal by more than half, from 695 M€ at 31/12/2008 to approximately 316 M € before the credit line comes into force.

Re-financing the debt

After asset sales, a new long term syndicated loan has been signed for 254 M €. A total of 17 financial institutions are taking part in this new deal. 62.5 M€ remains as an existing bilateral mortgage. As well as this, the deal also gives Renta Corporación access to a credit line of 22 M€ which will provide the company with higher stability.

The terms of the deal will apply for the next 7 years. The first two years (2009 to 2010) will be as grace period, with increasing annual repayments from 2011 to 2015.

Within the agreement framework, Renta Corporación will maintain the running cost reduction as agreed months ago. This measure would decrease structure costs from 30.9 M € to around 19 M € for the 2009 period (39% reduction).

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The international market in 2008 has suffered serious decline. In this regard, the fall in value of the assets have impacted on company sales and results. As a consequence, Renta Corporación has decided to carry out a provision on inventory of 63.8 M€. Although this extraordinary provision has a negative impact on the profit and loss account, the company has chosen to be cautious by adjusting its assets to today's market prices. The company has also made other extraordinary considerable adjustments such as losing investment rights for 24.5M€ and other restructuring costs amounting 93.3M€ before tax. Overall, the final result has been negative by 111.5 M€ for the 2008 period.

In spite of the financial crisis in 2008 Renta Corporación managed to do more than 50 transactions amounting 244 M€ in sales. Income from rents and others amounted to 19.7 M €. The total income comes to 263.9 M €.

One of the decisions taken by the company is to apply cost reduction policies. This measure has had a direct impact on the staff and also in the group's structure. In the last semester staffing levels have been reduced by 27% (from 139 to 102 people in December 2008). A further reduction in recent weeks has reduced Renta Corporación staff to a total of 89 persons.

In 2008, total investment was 130 M €, four times lower than in 2007 (569.6 M€). This is justified firstly by the decision to improve the assets Renta Corporación already had in its portfolio and secondly by only purchasing blue chip assets.

Total inventory and investment rights (portfolio) stood at 349 M€ after the financial institution purchase of some assets as part of the new refinancing deal.

Likewise, at 31 December, 2008 the Company's net equity stood at 91M€. This amount will be increased with a profit sharing loan which will be granted within the refinancing framework.

Finally, the company has started 2009 with new refinancing conditions and with a structural readjustment. 2008 has been a difficult year and Renta Corporación had to make key decisions in order to guarantee viability for the company's future.

For more information
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