



# ANNUAL REPORT 2016







Santísima Trinidad 5, Madrid





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# LETTER FROM THE CHAIRMAN

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## Dear shareholders,

The 2016 financial year was a significant year for the Renta Corporación Group. After 6 years of company assets being lower than the share capital, this year—after applying net profit—the company has managed to redress the balance sheet.

Although lower than initially estimated, net operating profit stood at 4 million euros and operating profit reached 9 million euros. The increasing growth this year ended with a last quarter that signalled a change of trend with respect to previous ones, expected to continue during 2017.

The group's balance sheet continues to display a solvent capital structure and net financial debt, excluding the equity loan, of 6.8 million euros, the same as in the previous financial year.

In the area of operations we have closed the year with a business portfolio of 215 million euros, not including the 45 million euros managed by the Kennedy Wilson fund, all in the cities of Madrid and Barcelona.

As for financing, the group has continued to have access to the banking market and has continued to exploit alternative avenues through partnerships with funds.

FY 2016 has also been important for laying the group's groundwork for growth in the coming years. As part of the continued policy geared toward the analysis and identification of opportunities, the group has developed a new line of business aimed at managing real estate. Part of this new activity is the ongoing negotiation with the APG pension

fund which is close to being finalised, as I have announced earlier, aimed at creating a SOCIMI (Real Estate Investment Trust) specialising in the residential segment.

As always, on behalf of the Board of Directors, I am pleased to acknowledge and thank the entire of Renta Corporación team for your dedication and you, Ladies and Gentlemen, our shareholders for your trust in this Group. You may be assured of our strong commitment to continue working to provide the highest possible shareholder value.

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**Luis Hernández de Cabanyes**  
Renta Corporación Chairman





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# CORPORATE GOVERNANCE



Throughout 2016, Renta Corporación has continued focusing on and reviewing the set of standards governing its action policies and corporate governance transparency, with the aim of upholding high standards in this area and proper recognition from our shareholders, investors and customers.

The Company's internal regulations and compliance with the Good Governance Code are set out in the Statutes, the Regulations of the General Meeting of Shareholders, the Regulations of the Board of Directors, the Internal Code of Conduct for Stock Market Operations and the Code of Conduct.

All of these standards are part of the organisation's corporate culture which must press onward in the development of values, in professional standards and business transparency to continue building a company capable of continuing to generate confidence in the market, especially in its shareholders.



## Governing Bodies (as of 31 December, 2016)

### Board of Directors

Name	Position	Nature of the position
Luis Hernández de Cabanyes	Chairman and Managing Director	Executive
David Vila Balta	Vice-Chairman and CEO	Executive
Carlos Tusquets Trías de Bes	Director	External independent
Juan Gallostra Isern	Director	External independent
Blas Herrero Fernández	Director	Substantial shareholders
Oravla Inversiones, S.L.	Director	Substantial shareholders
Elena Hernández de Cabanyes	Director	Other external director
Javier Carrasco Brugada	Director Secretary	Other external director

During 2016, a new director joined the Board of Directors which has 8 members as of 31 December.

## Appointments and Remuneration Committee

Carlos Tusquets Trías de Bes	Chairman
Elena Hernández de Cabanyes	Member
Juan Gallostra Isern	Secretary

## Audit Committee

Carlos Tusquets Trías de Bes	Chairman
Javier Carrasco Brugada	Member
Juan Gallostra Isern	Secretary

During 2016, Carlos Tusquets Trías de Bes replaced Juan Gallostra Isern as Chairman of the Appointments and Remuneration Committee and of the Audit Committee. Juan Gallostra Isern is now Secretary of both bodies.



Av. Diagonal 596, Barcelona

## Senior management

The Company's highest executive body and the backbone for the whole organisation. As of 31 December 2016, this body is made up of three professionals with a proven track record and a strong ability to channel, organise and coordinate the various circumstances which converge in the company's business activity, with the objective of maintaining the business targets in the various environments where it operates as aligned and streamlined as possible.

Luis Hernández de Cabanyes	Executive Chairman and CEO
David Vila Balta	Vice-Executive Chairman and CEO
José M <sup>a</sup> Cervera Prat	Corporate Managing Director

## Background of the Directors of Renta Corporación

### Luis Hernández de Cabanyes

Chairman

Founder and Chairman of the Renta Corporación Board of Directors, as well as Founder and Vice-President of Fundación Privada Renta Corporación. He has devoted his professional life to business, beginning his career at Price-waterhouseCoopers and going on to found and manage various companies, including Second House and Mixta África. He was President of Mixta África until late 2007. Holds a degree in Economics and Business Studies from the Universitat Autònoma de Barcelona and has completed the IESE Business School Business Management Programme.

### David Vila Balta

Vice-Chairman and CEO

Joined Renta Corporación in 2000. From 1994 to 1997 he worked as Factory Manager at Rochelis. From 1997 to 1998 he was Deputy Purchasing Manager with Outokumpu Rawmet and National Sales Director with LOCSA from 1998 to 2000. Chairman of Fundación Sagrado Corazón and member of the Board of Trustees of the Fundación Privada Renta Corporación. He holds a degree in Industrial Engineering from the Barcelona School of Engineering and has a PDG from IESE Business School.

### Blas Herrero Fernández

Director representing substantial shareholders

Director of Renta Corporación since June 2008. Businessman with experience in various industries, including food, audiovisual, real estate and automotive.

He is president and owner of Radio Blanca Group, which manages Kiss FM and Hit FM radio stations and two TV channels: DKISS, the new national DTT channel, and Hit TV, the only music TV channel broadcasting free-to-air (FTA) in Spain. Through his company HVB Casas, he carries out real estate projects throughout Spain.

In 2006 he founded Kiss Capital Group SCR, S.A., a venture capital company of which he is Chairman and through which he has a stake in media companies and film and television producers. He has also served on the Board of the Economic and Social Council of the Polytechnic University of Madrid since 1997.

### Juan Gallostra Isern

Independent Director

Director of Renta Corporación since February 2006. CEO and General Manager of Grupo JG Ingenieros, S.A. since 2001, where he was previously General Manager from 1995 to 2000. Director of Hospitecnia, S.L. President of the European Engineering Association First Q Network. Member of the R&D Department with British company Ove Arup & Partners from 1988 to 1989. Founded TEST, S.A. in 1990, where he was General Manager until 1995. Associate Professor in the Construction Engineering Department of the Polytechnic University of Catalonia from 1997 to 2005. Currently he is also a member of the Executive Committee of the UPC JG company Business Chair for sustainability in construction engineering (sponsored by JG Ingenieros). He was an associate professor at BIArch (Barcelona Institute of Architecture) between 2010 and 2012. He is professor of the Master in Work Space Design at the Instituto de Empresa in Madrid. Lecturer at seminars and courses on construction engineering, with various articles published in specialised journals. He belongs to the Board of Agents of the Association of Industrial Engineers of Catalonia. He holds a degree in Industrial Engineering from the Polytechnic University of Catalonia, has completed the IESE Business School General Management Programme and is accredited by the Qatar Engineering and Consulting Committee.



## Carlos Tusquets Trías de Bes

Independent Director

Director of Renta Corporación since 2004. Holds a PhD in Economics from the University of Barcelona. He is Chairman of BANCO MEDIOLANUM and Director of the same in Italy. He is also Chairman and Founder of REA CAPITAL PARTNERS, S.V. He is Vice-Chairman of INVERCO NACIONAL (Spanish Association of Investment Funds).

Chairman of EFPA España (EUROPEAN FINANCIAL PLANNING ASSOCIATION). Since 1971 his entire career has been in the financial sector. In 1983 he was the founder and Chairman of GRUPO FIBANC. He is a Director and Advisor to several national and international listed companies.

## Javier Carrasco Brugada

Secretary to the Board of Directors

Worked for BANCO SABADELL from 1990 to 1996 as Technical Director in the CORPORATE BANKING division. From 1996 to 1998 he was Corporate Banking Director for Catalonia at HSBC MIDLAND BANK PLC. From 1998 to 2001 he was Deputy Finance Director at GAS NATURAL SDG, S.A.

In 2001 he joined UNILAND GROUP as Group Finance Director, until being appointed Corporate Finance Director of VUELING AIRLINES in 2006. Joined Renta Corporación in May 2007 as Corporate CEO, a position he held until February 2014.

In March 2014 he joined the Peralada Group as Corporate CEO and is currently its Managing Director. He was a Professor of "Investment Banking" at ESADE from 1999 to 2003. He holds a degree in Business Studies, MBA at ESADE and a Law degree from UNED.

## ORAVLA INVERSIONES, S.L.

Duly represented by Baldomero Falcones Jaquotot  
Director representing substantial shareholders

Director of Renta Corporación since April 2016. He was Chairman and Chief Executive Officer of Fomento de Construcciones y Contratas (FCC) from 2008 to January 2013 and of MasterCard International (New York), where he led the merger between MasterCard and Europay and the IPO on the New York Stock Exchange in 2005. He has also been Managing Director of Banco Hispanoamericano, Banco Central Hispano and of Banco Santander Central Hispano and a member of its Steering Committee for 15 years. He has also been Chairman of Banco Urquijo Limited (UK), Hispano Americano Sociedade do Investimento (Portugal), Banco Hispano Americano Benelux, Banco Urquijo Chile, Fiat Finance, S.A. and Santander Seguros, S.A.. After his career in banking he founded Magnum Industrial Partners. He has also served on the boards of directors of Unión Fenosa, CESCE, Generali Spain and Seguros La Estrella. He is the natural person representing Oravla Inversiones, S.L., a Spanish company registered in Madrid, C/ Barquillo nº 9, 5ª Pl. and NIF B-81796591 whose purpose is (i) to acquire, manage and dispose of stocks, shares and any securities, (ii) to promote the creation of companies, their expansion, development and modernisation, domestically and internationally, (iii) to acquire, dispose of, manage, lease, and construct real estate (iv) to conduct agricultural and hunting activities, and (iv) to manage its own securities, stocks and shares in all types of entities.

## Elena Hernández de Cabanyes

External Director

A Member of the RENTA CORPORACIÓN Board of Directors since 2000. Founder and current sole administrator of SECOND HOUSE. Founder and trustee of FUNDACIÓN PRIVADA RENTA CORPORACION and FUNDACIÓN SOÑAR DESPIERTO. Holds a degree in Economics and Business Studies from the Universitat Autònoma de Barcelona and has completed IESE Business School's General Management Program (PDG).

## Prevention of money laundering

Renta Corporación has a money laundering prevention system consisting of client identification, establishment of risk profile and analysis of operations to ascertain whether they are suspicious. If they are, the information is presented to the Company Secretary's Office for review and, if confirmed, the issue is reported to the relevant government agency. There were no incidents in the past year and an annual report has been prepared by an external expert for the period 1 January 2015 to 31 December 2015 concerning the internal control and communication procedures and bodies referred to in Article 11, Section 7 of Royal Decree 925/1995 of 9 June, which approves the Regulation of Law 19/1993 of 28 December on certain measures to prevent

money laundering, demonstrating that Renta Corporación has control and detection systems in place to ensure compliance with regulations to prevent money laundering.

## Internal safeguard policy and risk management system

The risk management policy and strategy is the responsibility of the Board of Directors which relies on senior management for its definition and implementation. However, all members of the organisation contribute and are responsible for ensuring the success of the risk management system.

The Audit Committee, as a specialized body of the Board of Directors, has the powers to monitor the efficiency and effectiveness of the risk management and control policy in order to provide reasonable security for reaching corporate objectives. So it is the body responsible for the proper and effective existence and maintenance of Risk Management and Internal Control Systems, including those associated with financial reporting.

The Committee is supported in performing these functions by Internal Audit which, reporting to the Committee, is responsible for continuously reviewing and approving the proper operation of the risk management and internal control system, which also contributes to its improvement. Specifically, Internal Audit — which has currently outsourced its functions to an external audit company — is responsible for developing and updating the Corporate Risk Map in collaboration with Finance Management and the various corporate and business areas. This is in fact a key element in planning audit efforts.

The descriptive representation of Renta Corporación's Risk Map indicates:

- Existing risks — classified as Strategic, Business, Financial and Operational — detailing underlying risk (or sub-risk) factors and the person responsible for them. This first classification is subdivided into a lower level. Business and Financial risks are broken down by

predefined risk type and Operational risks by areas or departments responsible.

- Description of the effect and quantification, where appropriate, of the materialisation of these risk factors.
- Existing controls.
- Assessment of risk factors in terms of impact, level of preparation or control and probability of occurrence. According to the first two variables, they can be categorised between Extreme Risk (A+), High Risk (A), Moderate/Acceptable Risk (B) and Low Risk (B-), and probability is represented according to the risk magnitude.
- The Action Plan that will be implemented for improved risk factor management, identifying actions to be launched (controls).



Once the Creditors' Agreement is approved, which resulted in major write-offs, very significant debt reduction, and a schedule of payments to long-term creditors, Renta Corporación Group set new goals that have been recorded in the new 2017-2021 Business Plan.

The assessment of the main risk factors of the Renta Corporación Group in general is much more positive than in recent years. This is thanks to the fact that the Group's level of preparation and control to mitigate those risks is much higher, taking into account the positive results for Renta Corporación Group both in terms of profit after tax and operating results. The company finds itself in a context of gradual recovery in the real estate market and greater access to finance, and its future strategy focuses on consoli-

dating its position in the market and continue growing as it meets the agreements reached in its Creditors' Agreement and its special agreement with the Spanish Tax Office to repay its debt with general preference.

The main risk factors to which the Renta Corporación group is exposed to are:

- Failure to comply with the agreements reached in its Creditors' Agreement and deadlines stipulated in the agreement between the State Tax Administration Agency and Renta Corporación.
- Risk arising from the difficulty of obtaining additional external financing, which would result in difficulties to continue with the normal course of business and payment of debts.
- The risk inherent in the high dependence of the Renta Corporación Group on key figures, namely its Chairman and its Vice Chairman and CEO.
- The risks associated with the return on investment is lower than expected and that valuations or estimates may prove inaccurate, leading to a loss of options and therefore business opportunities.
- Risk associated with non-compliance of legal persons' liabilities in the reform of the Criminal Code. When this Organic Law enters into force, legal persons become criminally responsible for certain crimes committed by their executives or employees in the exercise of their respective positions.
- Limited planning and reporting, stemming from the limited automation of information on the business and its financial situation.



At year-end 2016, the main challenge facing the company was accessing new operations aligned with the new scenario and market needs to guarantee future recurrence, stability and growth as described in the 2017-2021 Business Plan, once the Viability Plan under the Creditors' Agreement is superseded by the market reality and the company's performance.

The Annual Corporate Governance Report provides extensive information about the risks identified as well as those experienced during 2016.

Renta Corporación diligently manages existing risks, although a significant number of the above are inherent in the business and/or dependent on the economic and financial environment.

In relation to the internal control of financial reporting and in compliance with the recommendations of the National Securities Market published in June 2010, during 2011 a project was carried out jointly by Internal Audit and Corporate General Management to detect the degree of com-

pliance with these recommendations and establish a plan for the implementation of appropriate measures to enable the optimal development of an internal control over financial reporting (ICFR) system between the years 2011 and 2012.

This plan was rolled out and enhanced during 2013, 2014, 2015 and 2016, as planned.



General Moscardó 27, Madrid





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## MANAGEMENT AND MARKET ENVIRONMENT REPORT



## Business Report

The recovery of the Spanish economy which began last year has been consolidated during 2016, in an economic climate in which there has been gradual improvement in the labour market, an increase in employment and a consequent increase in household income, and in a financial context favourable for both businesses and families alike.

As regards the real estate sector, the reality of FY2016 and macroeconomic forecasts show that there has been a clear recovery, although the speed of this improvement is marked by uncertainties in financial markets as a result of a potential slow-down of the world economy and of the United Kingdom leaving the European Union (Brexit). Nonetheless, it can be concluded that there is an investment opportunity in the Spanish real estate sector in the coming years.

If we focus on the residential real estate sector in Spain, this year the recovery has continued and has been accompanied by positive growth in housing prices and an increase in the number of mortgages and the number of permits for new housing.

As far as the tertiary real estate market is concerned, the absence of product and increasingly abundant demand have forced an adjustment in yields. Real Estate Investment Trusts (SOCIMIs in Spain) have maintained their interest and activity in the market both for new purchases and for managing portfolios built up over the last few years.

Regarding Renta Corporación, some major operations were carried out in 2016 in the cities where it operates. Of particular note in Barcelona was the sale of a building located on Carrer Enrique Granados and another on Passeig Pujades. And in Madrid, there were significant sales of buildings on Carrer Andrés Mellado and Passeig Juan XXIII.

The company's business portfolio—understood as investment rights and inventory for sale—on December 2016 stood at €215.4 M, a slight increase on the December 2015 figure. Properties in this portfolio are focused exclusively in Madrid and Barcelona. Moreover, Renta Corporación manages assets for sale in collaboration with the Kennedy Wilson real estate fund, which allocates an estimated €45 M in investments to date. During 2016, a significant operation was carried out as part of this alliance: the transformation of an office building into a residential building on Carrer Santísima Trinidad in the central Chamberí neighbourhood in Madrid.

Share price performance has also been positive in 2016, closing the year at €1.84 per share, 5% above the €1.75 per share at year-end 2015, and even hitting €2.2 per share during August.





## Renta's 2016 results

At year-end 2016, Renta Corporación reached a net profit of €4.0 million.

The operating profit for the year stood at €9.0 M, down 8% on the 2015 figure, which was €9.9 M. The total operating profit consists of a sales margin and provisions of services of €7.2 M, plus other income and expenses amounting to €1.8 M. A net impact of €2.7 M has been included within this latter figure, due to the transfer of certain assets registered under inventories to real estate investments, at a reasonable value, which will be held in equity to generate recurrent income through rent.

From this operating profit we need to deduct ordinary overhead and personnel costs which, following the cost containment efforts made by the Group in recent years, stood at 4.9 million euros.

EBITDA for the year was €4.2 M, down from €5.3 M in 2015.

The company posted a positive impact of €2.0 M in terms of corporate tax, due to the activation of a tax credit for taxable income losses to be offset against profit. Nonetheless, there is still a significant amount of tax deductible income losses that could be capitalised.

As far as the company's balance sheet is concerned, it is worth noting the increase in its non-current assets due primarily to the transfer of assets to real estate investments and to the recognition of the aforementioned tax credit. The transfer of assets has been accompanied by a shift in the associated debt from short to long term. In addition, shareholders' equity increased from €29.9 M at the end of 2015 to €33.6 M at the end of 2016, mainly due to the net profit generated in 2016.



Passeig de Pujades 2, Barcelona

## 2017-2021 Business Plan

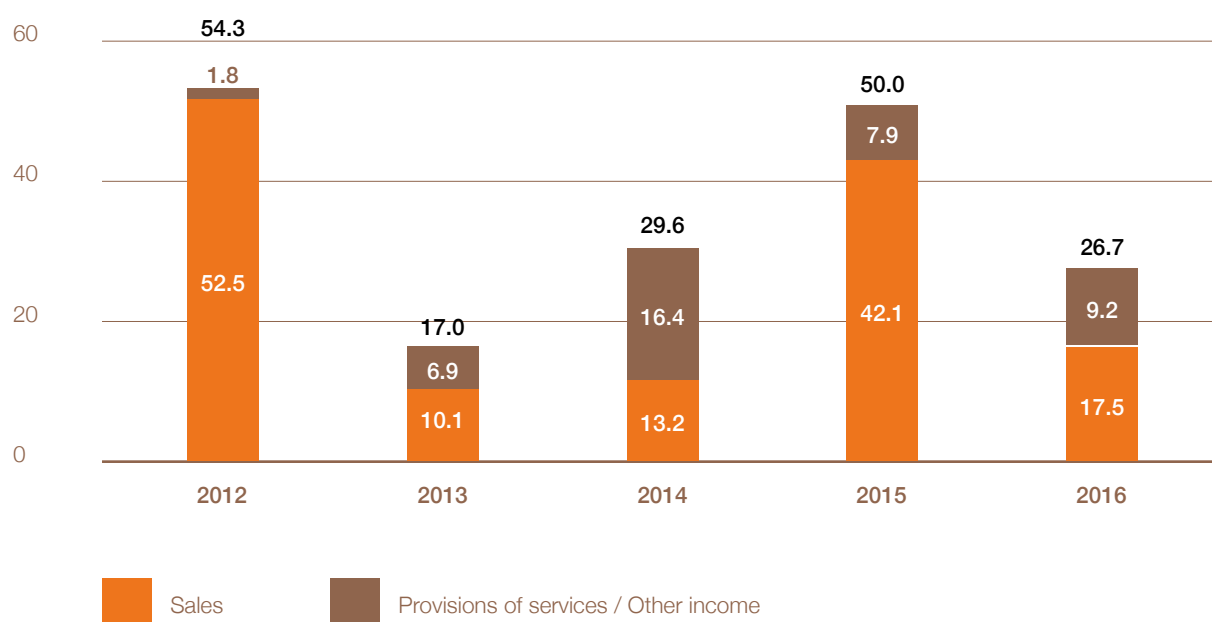
The company has reviewed its strategic plan for the next five years, maintaining the initial assumptions and expanding the business model by adding a new line dedicated to asset management (both internal and external assets) that should provide a greater and more recurrent revenue stream for the group. Therefore, the plan continues to make growth contingent on increasing the number and especially the size of transactions, without neglecting cost control, all aimed at creating greater shareholder value as a result of improved results.

As regards the incorporation of the new asset management line of business, negotiations are underway with APG Asset Management to form a SOCIMI that would be a leader in the Spanish residential sector.



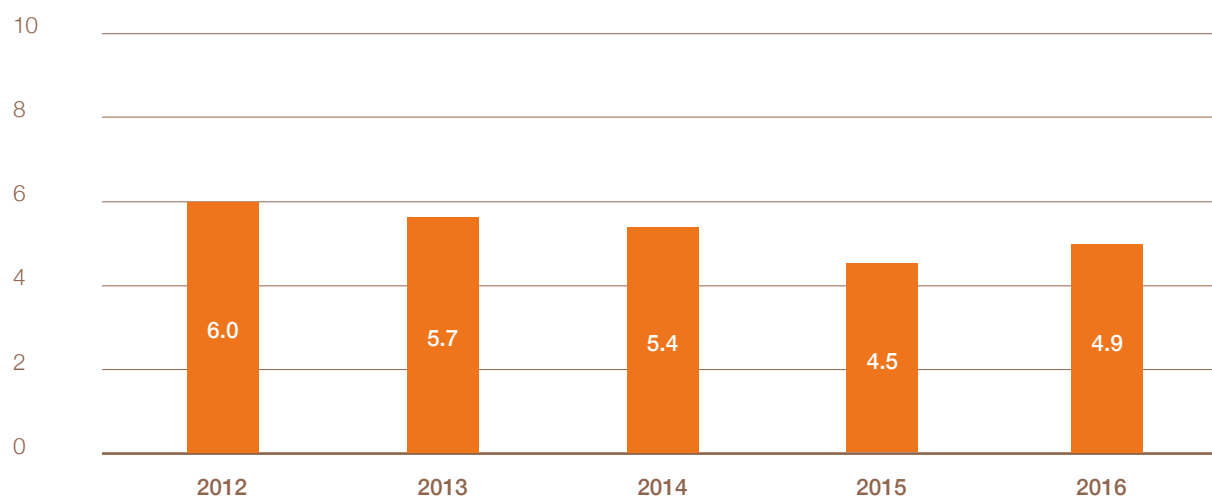


## Turnover (millions of euros)



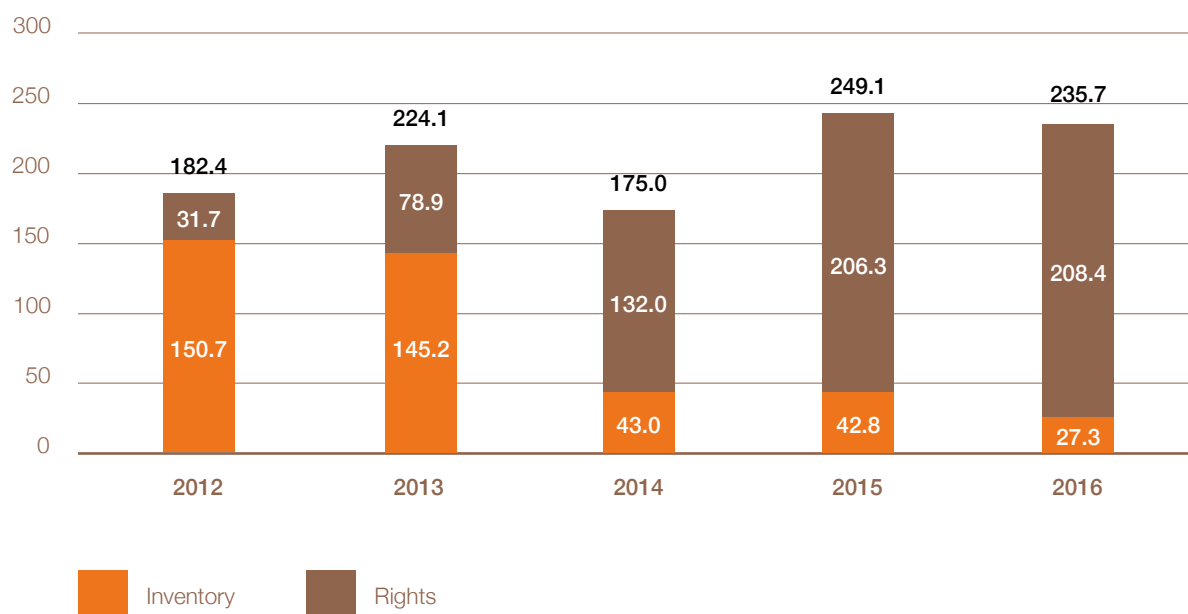
Note: Figures for 2014 do not include sales for debt payment in assets

## Personnel and general expenses (millions of euros)



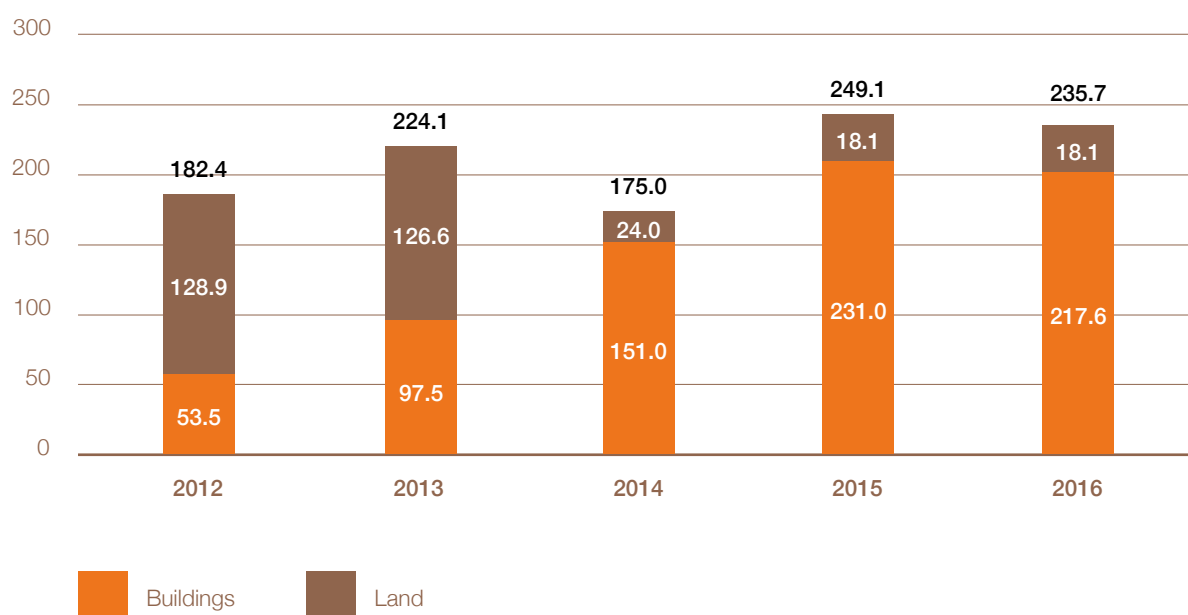
## Portfolio

(millions of euros)



## By business

(millions of euros)







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## FINANCIAL MANAGEMENT

## A. Financing

The net financial debt of the group is up €0.7 million since the close of the previous year, standing at €21.4 million at December 31, 2016, which amounts to an increase of 3%. This increase is due mainly to the upgrade of the equity loan.

The following table analyses the data by headings in financial year 2016:

### Net debt (in € millions)

	December 16	December 15	Difference
Equity loan	14.5	13.8	0.7
Operations with mortgage guarantee and credit agreements	11.1	11.5	-0.4
Cash and short term deposits	-4.3	-4.6	0.3
<b>Total Net Debt</b>	<b>21.4</b>	<b>20.7</b>	<b>0.7</b>



Bailén 28, Barcelona



## B. Financial risk management

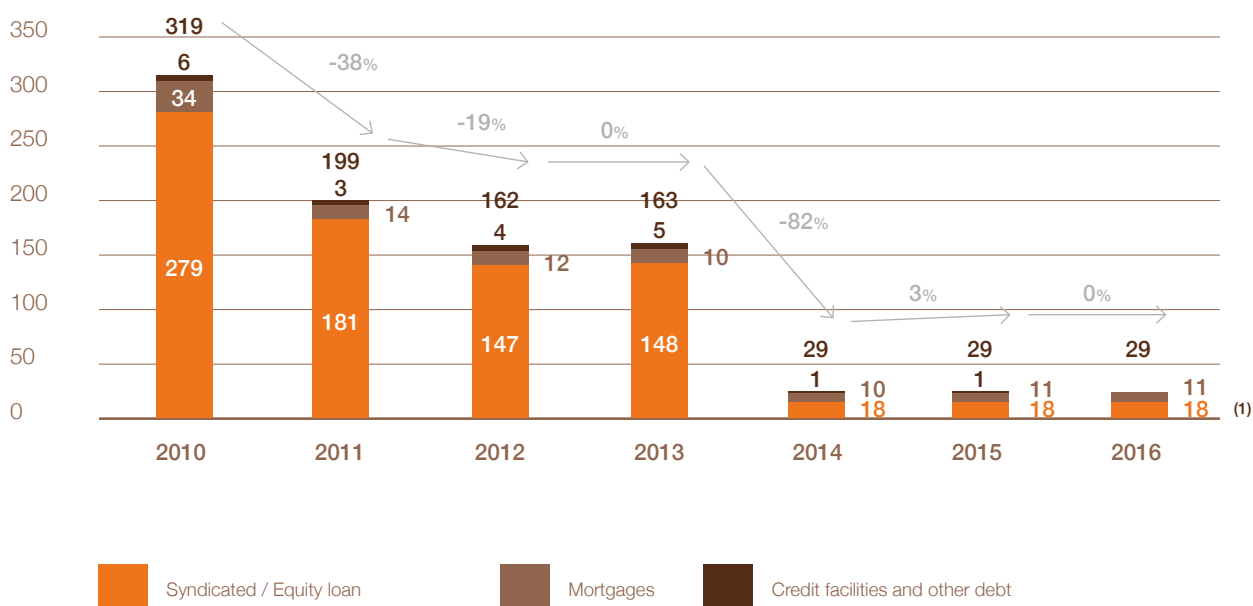
The Group's business is exposed to various financial risks: market risk (including exchange rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's global risk management programme focuses on the uncertainty of financial markets and seeks to minimise potential adverse effects on profitability.

Risk management is controlled by the Group's Departments of Finance and Treasury pursuant to policies approved by the Board of Directors. These departments identify, evaluate and hedge financial risks in close collaboration with the Group's operating units.

The Group's Board of Directors stipulates policies for managing global risk, exchange rate risk, interest rate risk, liquidity risk, use of derivatives and non-derivatives and investment of excess liquidity.

After the collapse of real estate activity in Spain during the crisis, in 2014 we laid the groundwork so that in 2015 we could begin to move forward. However, political uncertainty experienced during 2016 has slowed this recovery. From September we observed that the sector has returned to a growth curve recovering at the same pace as economic activity itself.

### Evolution of gross indebtedness (millions of euros)



(1) NOTE: When it comes to analysing gross debt, we do not take into account the temporary effect of updating the equity loan to the effective interest rate calculated based on long-term market interest rates.

## Market risk: Exchange rate

The Group defines currency risk as the negative effect that a fluctuation of exchange rates may have on profit, equity or cash flows.

The Group has no international companies so exposure to this risk is not significant.

## Market risk: Interest rate

The Group has an €18.1 M equity loan secured by a mortgage on an asset identified as Cánovas (See Note 2.c).

This equity loan, in turn, bears interest at a variable rate between 1% and 3% depending on the Group's consolidated net profit, always provided that it exceeds 10 million euros.

If the consolidated net profit is under 10 million euros, no variable interest is accrued. Since the consolidated profit was under 10 million euros in 2016, no interest was accrued on this loan (this was also the case in 2015).

The interest rate risk is managed in accordance with policies approved by the Board of Directors, which establish whether or not hedging instruments are needed to minimise the impact of volatile interest rates. To date, Renta Corporación Group does not have any interest rate hedging contracted.

However, given the favourable interest rate terms agreed in the Creditors' Agreement for the equity loan, in terms of effective rate and basis of calculation, there is a natural hedge limiting volatility, so there is no need to take out interest rate insurance.

## Credit risks

Credit risk arises from both the ability to obtain financing and the ability to access cash and deposits with banks and financial institutions as well as collection from customers, including outstanding receivables and committed transactions.

In 2016, this has continued to be a priority for the Group, which has managed to obtain mortgage financing for some real estate transactions, seeming to indicate that banks are gradually becoming more receptive to granting credit for low-risk real estate transactions.

The Group has so far not experienced any difficulty in collecting receivables arising from transactions during the year, either due to lack of delinquencies or for being able to execute guarantees covering said recovery.





## Liquidity risk

The Group's ability to obtain new financing depends on many factors, some of which are not under its control, such as general economic conditions, availability of credit from financial institutions and established monetary policies.

Several mortgage-based finance operations were carried out in 2016 with several lending institutions (in 2015 three mortgage-based finance operations were carried out). These have financed "standard" Renta Corporación real estate projects: quick-turnaround asset purchase, rehabilitation and sale of units.

On the other hand, the Renta Corporación Group continues to explore new avenues of funding including any kind of alliance with financial partners, which should allow for the extension of funding sources to carry out more large-scale projects in the future which will bring higher margins.

## Capital risk management

Exposure to capital risk is determined by the difficulty of maintaining sufficient net equity and debt levels to keep the company operational, to generate returns for shareholders and profits for holders of other equity instruments and to maintain an optimal capital structure and limit or reduce its cost. In 2016 the capital structure continued to be strengthened by applying the year's positive result.



## C. Cash Management

The Renta Corporación Group managed to finance their investments through an equity loan and mortgage loans on favourable terms, as well as through regular business revenue.

Treasury management aims to meet payment obligations in the short term and manage cash surpluses. In order to meet payment commitments in the medium and long term and provide the financial resources needed for strategy implementation, Corporate General Management:

- Monitors the liquidity capacity to meet payments in the short term.
- Monitoring of financing capacity to meet payment obligations in the medium and long term, as well as to continue the normal course of operations and the defined strategy.
- Monitoring of compliance with provisos or other obligations associated with debt.
- Search for lines of credit with the best conditions for the group.
- Adjust the structure and amount of debt depending on the current situation and evolution of the business.
- Planning and monitoring of cash inflows and outflows.





## D. Notes on the Consolidated Balance Sheet

On February 24, 2017, the Board of Directors approved a new strategic plan for the five years from 2017 to 2021 which replaces the previous plan adopted in 2015. One of the most important aspects of this new plan is that the Group has expanded its business model through the addition of a new line dedicated to asset management (internal and external assets) that ensures a greater and more recurrent revenue stream.

Accordingly, during 2016 the Group started to equip its companies with the necessary structure to raise, in the short term, the capital needed to operate a specialized asset management vehicle. It has also proceeded to transfer its own rental assets that were classified as current assets on the balance sheet (inventory) to real estate investment. Non-current assets stand at 36.678 million euros, up from 16.532 million euros in 2015. This translates into a difference of 20.146 million euros, mainly due to the aforementioned transfer (18.640) and the activation of 2.048 million euros in deferred tax.

Current assets are valued at 34.389 million euros in 2016, down by 18.426 million from the 2015 closing figure. This is due to the transfer of buildings in inventory to real estate investment as well as the reduction of trade receivables and other receivables totalling 2.548 million euros.

This reduction is mainly due to the collection of payments for provisions of services, some of them for operations involving real estate funds, and the collection of amounts withheld until completion of works for some operations.

Inventory is valued at 27.273 million euros, down by 15.555 million from the 2015 closing figure. It should be noted that this figure includes purchase options worth 2.165 million euros entitling a future purchase of assets for 208.4 million euros.

Net equity reached 33.640 million euros, up by 3.771 million euros thanks to the 2016 positive result 4.033 million euros and tempered by the purchase of treasury shares worth €-0.2 M, which net shareholders' funds stood at 33.640 million euros.

The long-term financial debt increased by 7.543 million euros, reaching 21.374 million euros at year-end 2016 due to updates to the equity loan and the transfer of mortgages associated to real estate investments to long-term debt. Short-term debt, mainly mortgages, amounted to 4.256 million euros, representing an increase of 7.180 million euros.

Items of other non-current liabilities decreased by 1.134 million euros, reaching 7.486 million euros in 2016. This is due to the reclassification from long to short term depending on the date of maturity.

## Consolidated Balance Sheet (€ '000)

### Assets

	2016	2015	Difference
<b>Total non-current assets</b>	<b>36,678</b>	<b>16,532</b>	<b>20,146</b>
Inventory	27,273	42,828	-15,555
Trade debtors and other accounts receivable	2,846	5,394	-2,548
Financial investment	1,036	0	1,036
Cash and cash equivalents	3,234	4,593	-1,359
<b>Total current assets</b>	<b>34,389</b>	<b>52,815</b>	<b>-18,426</b>
<b>Total assets</b>	<b>71,067</b>	<b>69,347</b>	<b>1,720</b>

### Liabilities

	2016	2015	Difference
Shareholders' funds and reserves	33,640	29,869	3,771
<b>Total net equity</b>	<b>33,640</b>	<b>29,869</b>	<b>3,771</b>
Financial debt	21,374	13,831	7,543
Total non-current liabilities	7,486	8,620	-1,134
<b>Total non-current liabilities</b>	<b>28,860</b>	<b>22,451</b>	<b>6,409</b>
Trade creditors and other accounts payable	4,311	5,591	-1,280
Financial debt	4,256	11,436	-7,180
Other financial liabilities	0	0	0
<b>Total current liabilities</b>	<b>8,567</b>	<b>17,027</b>	<b>-8,460</b>
<b>Total liabilities</b>	<b>37,427</b>	<b>39,478</b>	<b>-2,051</b>
<b>Total net equity and liabilities</b>	<b>71,067</b>	<b>69,347</b>	<b>1,720</b>



## E. Notes on Consolidated Profit and Loss Statement

Revenues in 2016 reached 24.021 million euros (2015: 49.963 million euros) comprising 17.508 million euros in sales (2015: 42.079 million euros) and other revenue of 6.513 million euros (2015: 7.884 million euros). Variable sales expenses were reduced almost in the same proportion as revenue. Personnel expenses as a whole increased slightly due to increased staffing and the cost of external services stood at 3.289 million euros compared to 2.269 million euros for the year 2015. In 2016 a positive impact of 2.727 million euros was recorded due to the transfer of assets in inventory yield to real estate investment. The net financial result is negative at 920,000 euros and hard to compare with 2015 results given the insolvency effects. If we consider only ordinary financial expenses, the results for both years are the same. In addition, the result

for 2015 included 835 thousand euros in interest paid to joint accounts. Consolidated profit for the year attributable to shareholders stood at 4.033 million euros, compared to 8.247 million euros in 2015.

### Consolidated profit and loss statement (in thousands of euros)

	2016	2015	Difference
Operating revenue	17,508	42,079	-24,571
Other operating income	6,513	7,884	-1,371
Goods used	-13,487	-36,201	22,714
Employee benefit expenses	-3,136	-3,053	-83
Other expenses - buildings	-2,766	-3,094	328
Outsourcing expenses	-3,289	-2,269	-1,020
Other taxes	98	0	98
Losses, impairment and changes in trade provisions		0	0
Amortisation and losses related to assets	-68	-52	-16
Profit from disposal of fixed assets		0	0
<b>Consolidated operating profit</b>	<b>1,373</b>	<b>5,294</b>	<b>-3,921</b>
Change in value of real estate investments	2,727		2,727
Net financial expenses	-920	-11,339	10,419
Income from investments recorded using the equity method	124		124
<b>Consolidated pre-tax profit (loss)</b>	<b>3,304</b>	<b>-6,045</b>	<b>9,349</b>
Profit tax	729	14,292	-13,563
<b>Profit and loss for the period from continuing operations</b>	<b>4,033</b>	<b>8,247</b>	<b>-4,214</b>
Profit and loss for the preceding period from discontinued operations, after tax	0	0	0
<b>Consolidated profit for the year</b>	<b>4,033</b>	<b>8,247</b>	<b>-4,214</b>
<b>Profit attributable to shareholders</b>	<b>4,033</b>	<b>0 8,247</b>	<b>-4,214</b>
Profit/(loss) attributable per share from continuing operations (stated in euros per share)	0.13	0.29	-0.16
Profit/(loss) attributable per share from discontinued operations (stated in euros per share)		-	
<b>Profit/(loss) attributable per share (in euros per share)</b>	<b>0.13</b>	<b>0.29</b>	<b>-0.16</b>

## F. Notes on the Consolidated Cash Flow Statement

The Group's practice is focused on the acquisition, transformation and sale of real estate assets with high turnover, which allows rapid acquisition of liquidity. Thus, the buoyancy of the housing market is pinpointed as the most determining factor for generating liquidity in the Group. The Group's business model, by its very essence of acquisition and sales flow, quickly identifies market changes and adapts its practices to the context in which they take place. Cash flow from operating activities was negative by 1.058 million euros mainly due to payment on account of corporate tax. The flow of investment activities was negative by 147,000 euros mainly caused from investments — both in tangible

and intangible financial assets — exceeding charges related to financial assets. Finally, the flow of financing activities was negative by 154,000 euros mainly due to the purchase of treasury shares, given that the issue and redemption of debt has been fairly balanced.

### Consolidated cash flow statement (in thousands of euros)

Operations	2016	2015	Difference
Cash flows from operations	1,152	504	648
Interest paid	-1,034	-504	-530
Interest earned		25	-25
Corporation tax payment	-1,176		-1,176
<b>Cash generated / (used) - Operations</b>	<b>-1,058</b>	<b>25</b>	<b>-1,083</b>
Investment operations	2016	2015	Difference
Acquisition of tangible fixed assets	-71	-27	-44
Purchase of intangible assets	-5	-41	36
Receipts from sales of fixed assets		2	-2
Income from the sale of financial investments/assets		-1,126	1,126
Payments on investments group and associated companies	-56		-56
Other financial assets	-15	1,062	-1,077
<b>Cash generated / (used) - Investment</b>	<b>-147</b>	<b>-130</b>	<b>-17</b>
Financing operations	2016	2015	Difference
Issuance of equity instruments		0	0
Purchase of equity instruments	-283	-663	380
Alienation of equity instruments	21	73	-52
Issuance of loans by financial institutions	5,430	5,377	53
Issuance of other loans	8	0	8
Repayment of loans	-5,330	-4,391	-939
Repayment of other debts		-1,000	1,000
<b>Cash generated / (used) - Financing</b>	<b>-154</b>	<b>-604</b>	<b>450</b>
Cash at beginning of the year	4,593	5,302	-709
Cash at year-end	3,234	4,593	-1,359
<b>(Net reduction) / increase in cash flows and cash equivalents</b>	<b>-1,359</b>	<b>-709</b>	<b>-650</b>





4

## STOCK MARKET AND SHAREHOLDERS

Renta Corporación shares have been listed on the Barcelona and Madrid Stock Exchanges since April 2006, and are traded on the Spanish Stock Exchange Interconnection System (ISBE or Continuous Market).

Renta Corporación's share capital consists of 32,888,511 shares in circulation with a par value of €1/share. All shares have the same voting and financial rights.

## A. Share history

After Renta Corporación's share closing 2015 at 1.75 euros, in 2016 share value has seen a slight upward trend for most of the year, ending the year at 1.84 euros/share. The year-end price equates to a market capitalisation of 60.5 million euros.

### Salient Figures

Share price as of 31/12/2016	1.84 euros/share
Variance with respect to share price 31/12/2015	5%
Annual maximum 2016	2.23 euros/share
Annual minimum 2016	1.41 euros/share

Source BME and invested

## Trading

In FY 2016, 11,906,720 shares were traded, a turnover of less than 1. The highest trading volume was recorded in May and the lowest trading volume was recorded in April.

### Trading volume (shares)

Cumulative	11,906,720	31/12/2016
Daily maximum	851,291	May
Daily minimum	100	May

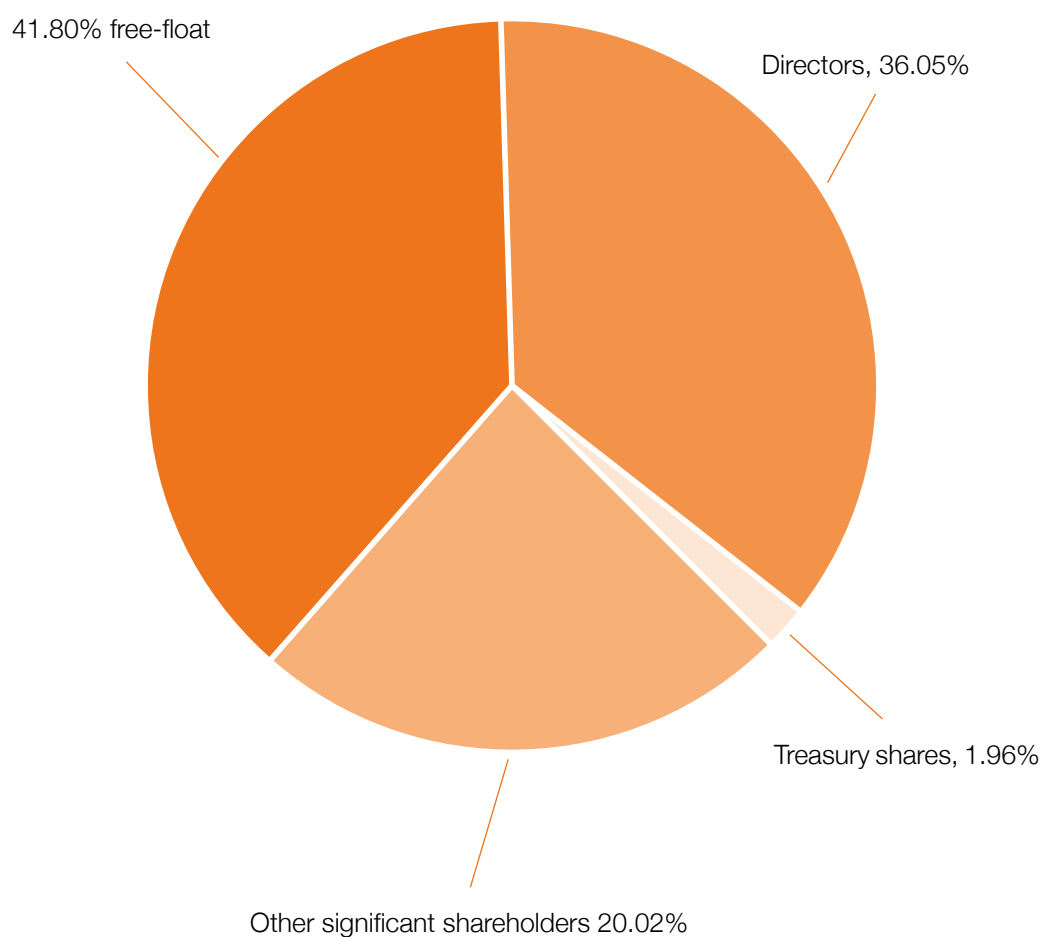
### Shares traded (procurement)

	Max.	Min.
January	217,632	20,005
February	95,067	3,754
March	168,219	2,650
April	66,879	2,441
May	851,291	100
June	490,707	1,361
July	141,504	364
August	219,439	245
September	86,075	2,220
October	217,696	10,878
November	105,625	1,020
December	179,260	2,168



## B. Shareholders

Distribution of holdings in Renta Corporación Real Estate S.A. at 31 December 2016



Note: Information provided in this section was produced from reports filed by shareholders who have reported their shareholder positions either because their holding exceeds regulated levels or because they are obliged to do so as company directors. Up-to-date information is also available in the Annual Corporate Governance Report, as required by regulations, and on the Spanish Securities and Investment Board and Renta Corporación websites.

## C. Dividends

No dividend was distributed in 2016.

## D. Investor Relations

It is our wish to keep investors constantly informed of developments within the group, so that both shareholders and investors can access company public information and material events through the following communication channels:

- Face-to-face: mainly via the General Meeting of Shareholders.
- Publications: The Annual Report is the main means of communication, supplemented by communications with the Spanish Securities and Investment Board (CNMV):
  - Annual Report, including the Annual Corporate Governance Report, which provides relevant and accurate information on the company business.
  - Reporting of all material events to the Spanish Securities and Investment Board (CNMV).
- Internet: Via its website at [www.rentacorporacion.com](http://www.rentacorporacion.com), the company provides clear, objective and real-time information about corporate events, its organisation and financial statements, as well as the latest news, material events, reports, presentations and any other information which may help give a clear picture of the current status of the group. To handle shareholder queries about the progress of the Company, a channel exists which was specifically set up for this purpose via the e-mail address [r.inversores@rentacorporacion.com](mailto:r.inversores@rentacorporacion.com).







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## CORPORATE SOCIAL RESPONSIBILITY REPORT

Renta Corporación is a company which considers Corporate Social Responsibility (CSR) a strategic part of the business and has as a roadmap a mission, vision and values that are applied and shared with the people and stakeholders with which the Company interacts on a permanent basis during its business activity.

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## MISSION

A mission, creating value through business activity.

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## VISION

A vision, seeking to become leaders in the building purchasing and rehabilitating sector in large urban centres.

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## VALUES

Values applying ethics, transparency and responsibility in relationships and real estate activity, as well as fostering talent in the team.

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This CSR activity report features all aspects that distinguish Renta Corporación as a responsible company. And we understand responsibility as not merely complying with environmental parameters and applying sustainability criteria when planning our business activity, but in reference to our ethics and responsibility to employees, our commitment to them and our need for transparency in all areas of our relationship.



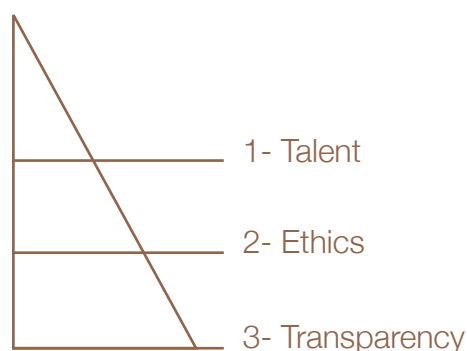




## A. Corporate culture and stakeholders

Companies that have integrated CSR into their business model are in a better competitive position for facing future challenges. This is the case of Renta Corporación, which during 2016 has continued to be committed to its stakeholders, providing strong communication channels and always looking for strong commitments to strengthen the relationship in the medium and long term.

In addition, transparency, ethics and talent are the three parameters that define the corporate culture of Renta Corporación. These principles guide the company's activity and its relationship with the environment, reflecting its commitment, its strong belief in people as guarantors of delivering value to all its activities and preserving the reputation of the brand in business dealings.



### Talent

As the tip of the spear, the greatest asset for a company that strives to be a benchmark in its sector.

### Ethics

As the overarching element in all company relationships and a safeguard of integrity and respect in the organisation.

### Transparency

As the basis on which a company must work by providing the necessary credibility to carry out its work in the long run.

## Commitment to the team

Renta Corporación's people have always been one of the company's most obvious strengths, pivotal for business development and its quest for excellence. The company's responsibility in this area is among the main objectives of its Corporate Social Responsibility.

As of 31 December 2016, the company had 32 employees.

By year-end 2016, 19% of the company's team worked from the Madrid office and the remaining 81% from the Barcelona office.

The company workforce highlights include:

- Women account for 69% of the workforce.
- The average age of employees is 44
- Seventy-eight percent are university graduates
- The percentage of female representation on the Board of Directors is 13%

Renta Corporación is aware that its team is its most important asset. This statement becomes more valuable in difficult times, since talent management in the pursuit of excellence is essential for overcoming any crisis situation.

## Main communication channels

Communication with stakeholders is part of Renta Corporación's strategy and business management, the objective of which is to harness the information and opportunities that a smooth and direct relationship can provide. In order to ensure the very best quality, the company is in constant contact with its customers, shareholders, investors and sup-

pliers through various channels. These channels serve to detect strengths and weaknesses and to observe the needs and expectations of the customers themselves.





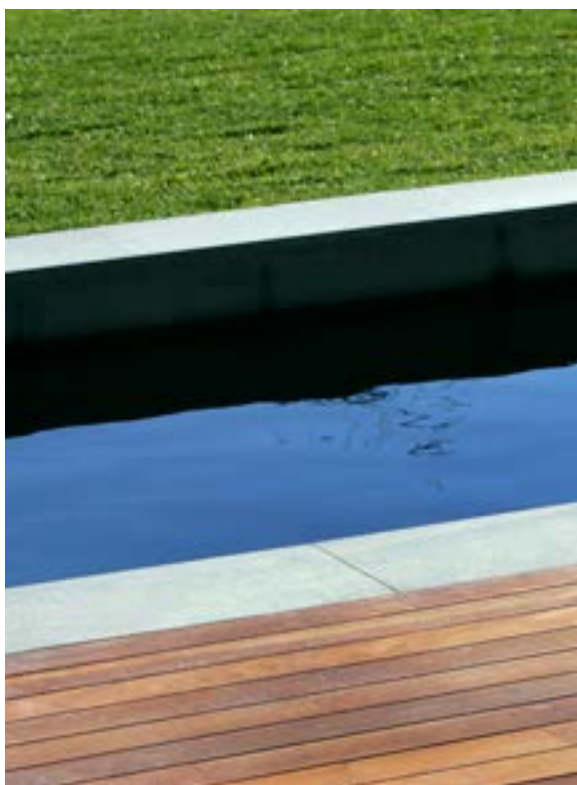


## The value chain

Ethics and efficiency are the principles which underlie all activities carried out by Renta Corporación and its relationships with all of its stakeholders, as well as its professionalism as a manifestation of its strong commitment to the business model and the belief that it is the way forward in the coming years. These principles, coupled with the conviction that people are the strength of our organisation, make Renta Corporación a company that is guided not only by the bottom line but also by the desire to promote more sustainable and efficient development with its business.

Renta Corporación helps to create quality and each day more sustainable environments for its customers, with efficient resource management as its driver, a philosophy extended to its suppliers. It therefore fosters a set of guidelines with suppliers and internally:

- Rational consumption of energy resources
- Recycling of materials and waste management
- Selecting materials for construction projects that contribute to their energy efficiency
- Focus on energy refurbishing in all properties in which it is involved



## Good governance

In its commitment to establishing a culture of integrity, the Company has strengthened its commitment to good governance by encouraging awareness of it and safeguarding compliance. Thus, the Good Governance Code, beyond its obligations and recommendations, guarantees the transparency of our operations and proper corporate governance in order to unify and strengthen the identity, culture and behaviour patterns of the Group.

A basic principle of our Corporate Governance is that of transparency with shareholders, investors and the market in general, and to carry out monitoring of best practices in this regard, identify risks and instruments for control and management, information management and security policies and promotion of socially responsible corporate policies. Through the company's website, [www.rentacorporacion.com](http://www.rentacorporacion.com), all stakeholders have access to detailed information for any question or request.

Aware of the importance of risk management, Renta Corporación has established procedures for identifying reputational risks, as well as other risks deriving from compliance with the law, general and industry standards, and internal policies. The company has two supervisory bodies in the Board of Directors that act as safeguards: the Audit Committee and the Appointments and Remuneration Committee. The Audit Committee assists the Board in its oversight duties by periodically reviewing the process of preparing the financial information, internal controls and ensuring the external auditor's independence.

The Appointments and Remuneration Committee has the function to inform the Board on appointments, re-elections, separations and remunerations of the Board of Directors and their positions, as well as the general remuneration and incentives general policy for the same and senior management.

## D. Fundación Renta Corporación

The company's social commitment is channeled through the Renta Corporación Foundation, chaired by Cristina Orpinell Kristjánsdóttir, which aims to collaborate in projects dedicated to helping women and children, health issues, infrastructure and housing, nutrition and water programmes, education and social assistance.

Since it was set up on 27 October 1999, the Foundation works with numerous non-governmental and non-profit institutions and organisations whose shared goal is to address, through social support, the more serious issues afflicting today's society.

In late 2010 the Board of Trustees decided to stop its activities and suspended contributions to social projects due to a significant drop in its main sources of income such as dividends from the company Renta Corporación Real Estate S.A. (which did not pay out between 2012 and 2016) which had ceased to generate revenue for the Foundation.

Since the end of 2012 up to the present, the Renta Corporación Foundation has re-started its activity, consolidating itself in 2015 and 2016 through monthly contributions to various foundations.

It should be noted that the Renta Corporación Board of Directors as of October 22, 2014, and in order to continue the Group's policy of corporate social responsibility, agreed to allocate a maximum of 2% of the Group's annual net profit to the Fundación Privada Renta Corporación. With these contributions, the company re-engages somewhat with its social commitment, channelling it through the Renta Corporación Foundation.

Finally, it should be noted that Renta Corporación Foundation holds 2% in the shareholding of Renta Corporación Real Estate, S.A., having reached this number during 2016.









Renta Corporación Real Estate, S.A.  
Company Tax Number (CIF): A-62385729

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