



# 0

LETTER  
FROM THE  
CHAIRMAN  
04

# 1

CORPORATE  
GOVERNANCE  
06

# 2

BUSINESS AND  
MARKET  
ENVIRONMENT  
REPORT  
14

# 3

FINANCIAL  
MANAGEMENT  
22

# 4

STOCK MARKET AND  
SHAREHOLDERS  
38

# 5

CORPORATE SOCIAL  
RESPONSIBILITY REPORT  
44

# Letter from the Chairman

Dear shareholders,

I am pleased to present the Annual Report of Grupo Renta Corporación for financial year 2018. This is the twelfth such report since the Company went public in 2006.

As you well know, over these years there have been more favourable and less favourable times but the current one is perhaps one of the most positive and challenging periods for the Company. The implementation of a successful strategy to provide the business with a greater and more recurrent source of income has allowed us to sustain a successful model over time and to face the future with optimism, without ever renouncing the spirit with which the business was founded and the elements which differentiate it.

As I was saying, the year 2018 was perhaps one of the most relevant in recent times and this is reflected in a net profit of 16.6 million euros, an improvement of 33% over the previous year and the best result of the last 11 years. There are several elements which

may be highlighted in this financial year, but if I had to choose just a few, they would be these four: In the first place, the consolidation of Socimi Vivenio, created with the pension fund manager APG and for which we have committed acquisitions worth almost 718 million euros in 3,124 homes. In the second place, it is clear that the transactional business line was right to give priority to the size and profit of operations over their number, since this allows us greater efficiency in the use of resources, as well as scalability for the business. Thirdly, 2018 was also important from the point of view of access to financial markets following the over-subscription of a 5-year senior unsecured bond issue for an amount of 16.5 million euros, which provides us with a stable financial structure to accompany the growth of the

Group, whilst we continue to give priority to a sustainable level of leverage, even in the face of potential changes in economic cycles. Finally and in fourth place, I would highlight the return to normality in terms of shareholder remuneration, a policy long demanded by you the shareholders, Ladies and Gentlemen, and to which I committed at the last General Meeting of Shareholders. Therefore, in October 2018, the Board of Directors agreed to make an interim payout of 1.1 million euros for the financial year, and we now propose to the General Meeting the payment of an additional 1.9 million euros, giving is a total amount of 3 million euros, equivalent to a payout of almost 20%.

In line with previous years, the Group's balance sheet



**Luis Hernández de Cabanyes**

RENTA CORPORACIÓN  
CHAIRMAN

continues to strengthen, with highlights being, on the one hand, the investment made by the Company in the share capital of Socimi Vivenio, for an amount exceeding 10 million euros. And on the other hand, the low level of leverage on total assets, which represents 35%, in line with the previous year.

In 2018 investment in the Spanish housing market maintained the same positive tendency as in previous years, bolstered by a strong economy and market fundamentals. The volume invested in 2018 grew by 40% compared to the previous year, reaching a figure of over 15 billion, compared to just under 11 billion in 2017. Considering the good economic forecasts for Spain, favourable financing conditions and the market's maturity cycle, we think that 2019 will be

another year of strong activity for Spain as a whole, reaching levels similar to or higher than 2018.

As usual I am particularly pleased to remind you of Renta Corporación's commitment to its Foundation. Contributions made during the year stood at 333,000 euros and allowed us to invest in over 70 charitable projects.

I would like to take this opportunity to congratulate the entire Renta Corporación team, on behalf of the Board of Directors, for the year's results and also to express our gratitude to you, Ladies and Gentlemen, for the trust placed in the Group and to reaffirm our firm commitment to continue working to provide you with the greatest possible value over the coming months.

Throughout 2018, 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.



# Corporate Governance

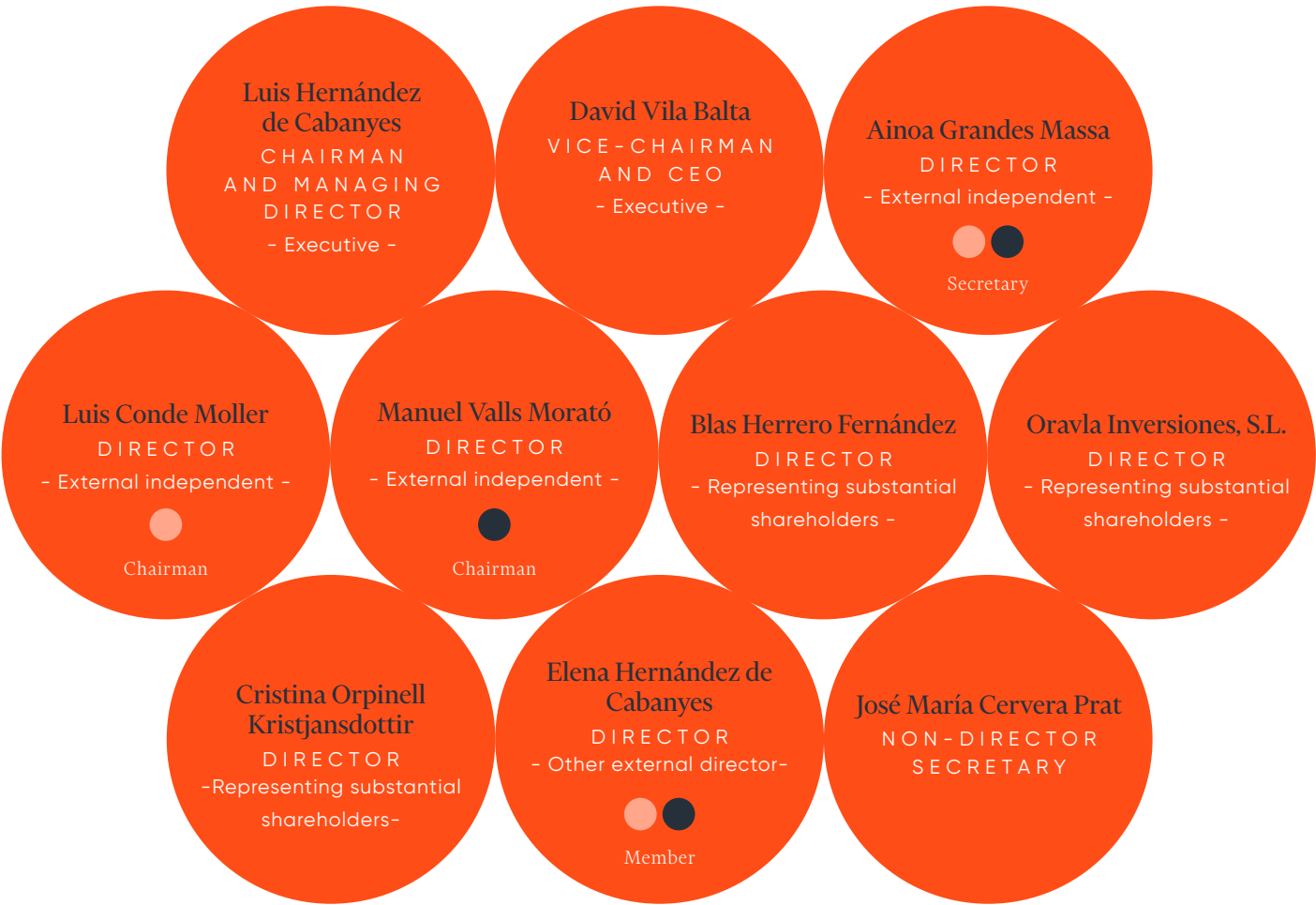


# Governing bodies

Governing bodies  
(at 31 December 2018)

Board of Directors

- Appointments and Remuneration Committee
- Audit Committee



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.

During 2018 Cristina Orpinell Kristjansdottir joined the Board of Directors as an external director in representation of Fundación Renta Corporación.

APPOINTMENTS AND REMUNERATION COMMITTEE

**Luis Conde Moller**  
Chairman

**Elena Hernández de Cabanyes**  
Member

**Ainhoa Grandes Massa**  
Secretary

AUDIT COMMITTEE

**Manuel Valls Morató**  
Chairman

**Elena Hernández de Cabanyes**  
Member

**Ainhoa Grandes Massa**  
Secretary

SENIOR MANAGEMENT

The Company's highest executive body and the backbone for the whole organisation. As of 31 December 2018, 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 María Cervera Prat**  
Corporate General Manager and Non-director Secretary.

# Background of Renta Corporación Directors

Renta Corporación's registered office  
Via Augusta, 252. Barcelona

## 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 PricewaterhouseCoopers and going on to found and manage various companies, including Second House and Mixta África. He was President of Mixta África until late 2007. He is a Trustee of the Fundación Princesa de Girona.

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. He is President of Fundación Sagrado Corazón. He holds a degree in Industrial Engineering from the Barcelona School of Engineering and has a PDG from IESE Business School and a degree from Harvard Business School on creating a high-performing Board of Directors.

## AINOA GRANDES MASSA INDEPENDENT DIRECTOR

Director of Renta Corporación since April 2017. She is Chairman of the Museum of Contemporary Art of Barcelona, vice chairman of the MACBA Foundation and member of its General Board and its Executive Committee.

She is a Senoir Advisor at financial group Alantra and a member of the advisory board of law firm Herbert Smith Freehills in Spain, the advisory board of communications company Llorente y Cuenca and a member of the board of the Ship2B Foundation. She serves

on the board of the ARCO fair in Madrid, the Balia Foundation for Children and the Board of Barcelona Global. Member of Foro Iberoamérica and the International Council of Moma in NY. She teaches a yearly module for the Cultural Management Master at the Carlos III University in Madrid.

She holds a degree in Business Administration and Management, Finance specialty, from the International University of Catalonia (UIC) and an AMP (Advanced Management Program) from IESE. She completed her training with courses in marketing and communication at EADA, cultural management and patronage at NYU and PADI in digital business at ISDI.

She worked at the company Sotheby's in Barcelona, Madrid and London before joining the MACBA Foundation as executive director, a position she held for 18 years until her appointment as Chairman.

## LUIS CONDE MOLLER INDEPENDENT DIRECTOR

Director of Renta Corporación since May 2017. Founded Seeliger y Conde in 1990. He specialises in succession processes for large corporations. He as the Chairman of Amrop from 2003 to 2006. He began his career as Director of

the International and Corporate Banking Division of the Mas-Sardá Bank in Barcelona. He was later a member of the Board of Directors and Executive Vice President of Banco Consolidado de Venezuela, as well as Chairman of Consolidado International Bank in New York. He currently chairs the Barcelona International Boat Show and is a director of the Godó Group Lazard Investment Bank, and a member of the Board of Directors of Fira de Barcelona. He holds a degree in Economics from the University of Barcelona.

## MANUEL VALLS MORATÓ INDEPENDENT DIRECTOR

Director of Renta Corporación since December 2017. Holds a degree in Economics and Business Administration from the University of Barcelona a postgraduate degree from IESE - University of Navarra. He is a Chartered Accountant and member of the Official Register of Auditors. He boasts 40 years of experience in PwC, of which 26 years have been as a company partner, where he held various positions of responsibility at the board level, including as a Partner responsible for the Barcelona office and Partner in charge of the Financial Sector in Catalonia, Balearic Islands and Valencia, leading to his position as Head of the Audit Division and as such, Chairman of PwC Auditores, S.L.





He has served as Patron of the PwC Foundation and lecturer at various universities.

He is currently a Director of Banco de Sabadell and chairs its Audit Committee. He is also a member of the Risk Management Committee. He also chairs the Audit and Compliance Committee of Cobega.

**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.

**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, Generalli 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.

**CRISTINA ORPINELL KRISTJANSÐOTTIR**  
DIRECTOR  
REPRESENTING  
SUBSTANTIAL  
SHAREHOLDERS

She is the President of Fundación Renta Corporación. She has a degree in pharmaceuticals from the University of Barcelona and has completed a postgraduate in Management in NGO's at Esade Business & Law School as well as the Finance Program for Non-financial managers at IESE. From 2008 to 2017 she was a member of the International Advisory Board of Ceibs Business School (Africa campus, Ghana).

**ELENA HERNÁNDEZ DE CABANYES**  
EXTERNAL  
DIRECTOR

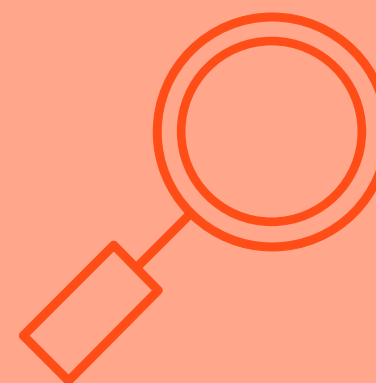
A Member of the Renta Corporación Board of Directors since 2000. Founder of Second House, of which she is currently Sole Administrator. Founder and trustee of FUNDACIÓN PRIVADA RENTA CORPORACION and FUNDACIÓN SOÑAR DESPIERTO. Holds a degree in Economics and Business Studies from the Universitat Autònoma de Barcelona and has completed IESE Business School's General Management Program (PDG).

**JOSÉ MARÍA CERVERA PRAT**  
NON-DIRECTOR  
SECRETARY

He joined Renta Corporación in March 2015 and in May 2017 he became Non-director Secretary of the Board of Directors. He spent his early career in the auditing field. In 1988 he joined Georgia Pacific as responsible for internal audit in Southern Europe until he was appointed Financial Managing Director for Iberia in 2001. In December 2005 he joined the Miquel Group and Costas & Miquel as Chief Financial Officer. Holds a degree

in Business Administration and Management from the University of Barcelona and an MBA from ESADE Business School.


### 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 2017 to 31 December 2017 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.





Some major deals were concluded in FY 2018. In Barcelona, the sales of the buildings on Carrer Mare de Déu de Montserrat, Carrer Unió and Carrer Diputació are worthy of mention as are, in Madrid, the sales of homes on Calle Alcalde Sáinz de Baranda and Calle Orense and the building on Calle Luchana.

2

# Business and market environment report



The year 2018 was marked by the consolidation of the Vivenio project, the Socimi that Renta Corporación launched in 2017 together with pension fund manager APG. Vivenio has made acquisitions with a gross asset value of approximately 524 million euros, including 49 million euros from the deal signed for the acquisition of a further 1,095 homes on a "turnkey" basis for a total of 265 million euros. The Renta business portfolio stood to 134 million euros, and was centred on Madrid and Barcelona.

Spain remains one of the most dynamic economies in the Euro zone, with GDP growth of 2.5% in 2018 and similar growth forecast for 2019. The unemployment rate continues to decline, standing at 14.6% at the end of 2018, a fall of 2 percentage points since the end of 2017.

The Spanish economy faces the year 2019 with the perspective of sustained growth and continuing the process of correction of the main economic imbalances, in a general environment of

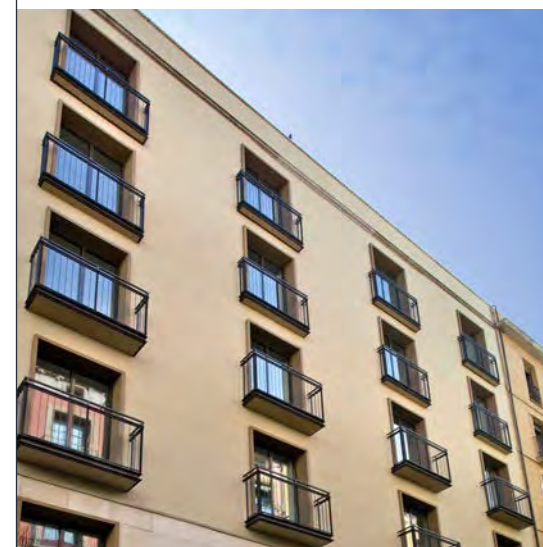
low interest rates and meeting acceptable public deficit goals. As for the real estate sector, investment in Spain is maintaining the positive trend of previous years, bolstered by the economy and market fundamentals. Given the good economic forecasts for Spain, favourable financing conditions and the market's cycle of maturity, 2019 is expected to be another year of strong activity for Spain as a whole, with considerable appetite and activity by all investor profiles, from the core

segment to the opportunistic. The residential market continues its bullish cycle, with continued price growth in housing since 2014, reaching double digits in some areas. The sector's recovery is solid, driven by significant recovery in activity and rise in demand fueled by the dynamism of the labour market and improving financial conditions. The low number of new builds started in recent years means that a large part of the demand is channelled through second-hand housing.

On the other hand, it is worth noting how strong an interest there is among investors for the residential rental sector, booming in the major cities and metropolitan areas in Spain, due to the sharp increases in rents recorded in recent years, reaching historical records in cities such as Barcelona and Madrid. This investor interest can be seen in the rapid growth of Socimi Vivenio, which has gone from assets valued at around 100 million euros to just over 500 million in one year.

As for the office segment, the vacancy rate is decreasing in both the Madrid and Barcelona markets. In the latter case it has reached record lows as a result of the robust demand and excellent behaviour of leasing and investments.

The hotel sector is proving to be very attractive to national and international investors as a result



Unió, 7. Barcelona

of the good performance of the tourism sector and its high yield. The volume of investment in this sector during FY 2018 reached its highest level of the historic series of the last 10 years.

Similarly, the recovery of consumption and the increase in the consumer confidence index has resulted in the retail segment becoming one of the most interesting segments for investors in recent years, although with a change in the weight of investment in favour of the high street as opposed to the shopping centre.

As regards Renta Corporación, 2018 saw the completion of some sizeable deals, of which the most important were the sale of a property on carrer Mare de Déu de Montserrat, a building on carrer Unió and another on carrer Diputació, as well as the sale of residential properties on Calle Alcalde Sáinz de Baranda and

Calle Orense and a building on Calle Luchana.

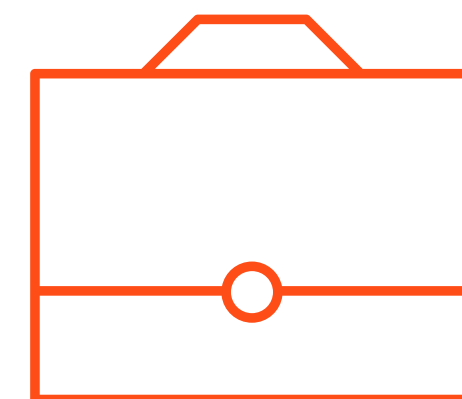
Renta's business portfolio, focused on Madrid and Barcelona, stands at €134 million, which gives it good visibility for the level of activity of the coming 12 months. Moreover, the group manages assets for sale in collaboration with real estate funds for a total of approximately €35 million.

FY 2018 was marked by the consolidation of the Vivenio project, the "Socimi" that Renta Corporación launched in mid-2017 together with the Dutch pension fund manager APG. Over the year, Vivenio acquired 18 operating residential properties, reaching a total of 2,000 homes under management and a gross asset value of approximately 524 million euros, including 49 million euros from the deal signed for the acquisition of a further 1,095 homes on a "turnkey" basis for a total of 265 million euros, to be incorporated in the coming years in Madrid, Barcelona, Palma and Malaga.

On December 31, 2018, the Socimi [quoted public limited company for investment in the real estate market] went public in the MAB [alternative stock exchange market], with a market capitalisation of almost 330 million euros, and with the expectation of continuing to increase its capital until reaching 1.5 billion euros in residential assets foreseen in the 3 year

strategic plan.

On October 2, 2018, the company completed an issue of 5-year senior unsecured bonds, aimed at qualified and institutional investors, for an amount of 16.5 million euros, several times oversubscribed. The issue allows the company's financial structure to be optimized to accompany the considerable growth it is experiencing, without losing sight, as a priority objective, of the proper balance between the financing of operations and exposure to debt. This is evidence by the level of net financial debt with which Renta Corporación closed the year and which represents just 26% of the company's total assets.



134 €M

Business portfolio at 31/12/2018



The share price closed the year 2018 with a value of 3.19 euros per share, which represents an increase of 9% on the 2.93 euros per share at the close of 2017.

In this context, the Board of Directors approved in October the distribution of an interim dividend of 1.1 million euros based on the FY 2018 results.

Alcolá, 412. Madrid



# Renta's 2018 results

Renta Corporación closed FY 2018 with a revenue volume of 92.4 million euros, 46.6 million euros higher than in 2017, with this increase being concentrated in the transactional business.

The operating profit for 2018 stood at 26.6 million euros, an increase of 45% in relation to the figure for 2017, with a key feature being the contribution of margin from the management of the Socimi.

Renta Corporación closed the year 2018 with a net profit of 16.6 million euros, 33% higher than that obtained in FY 2017, which was 12.5 million euros and had a higher positive impact on the tax line.

Worthy of note in the company's balance sheet is the increase in the company's non-current assets, due mainly to the recognition of tax credit and the increase in Renta Corporación's holding in Vivenio Socimi's, up by 10.3 million euros over the year.

On the other hand, stocks have increased by 15.9 million euros due to the acquisition of real estate for transformation and sale.

On the liabilities side, net equity went from 45.6 million euros in December 2017 to 61.5 million at the close of 2018, due mainly to the profit generated in FY 2018 and the distribution of the interim dividend based on the FY 2018 profit.

Finally, financial debt increased from 34.8 million euros at the close of 2017 to 54.9 million euros at the close of 2018, due mainly to the increase in financing of new operations and to the bond issue.

# 92.4 €M

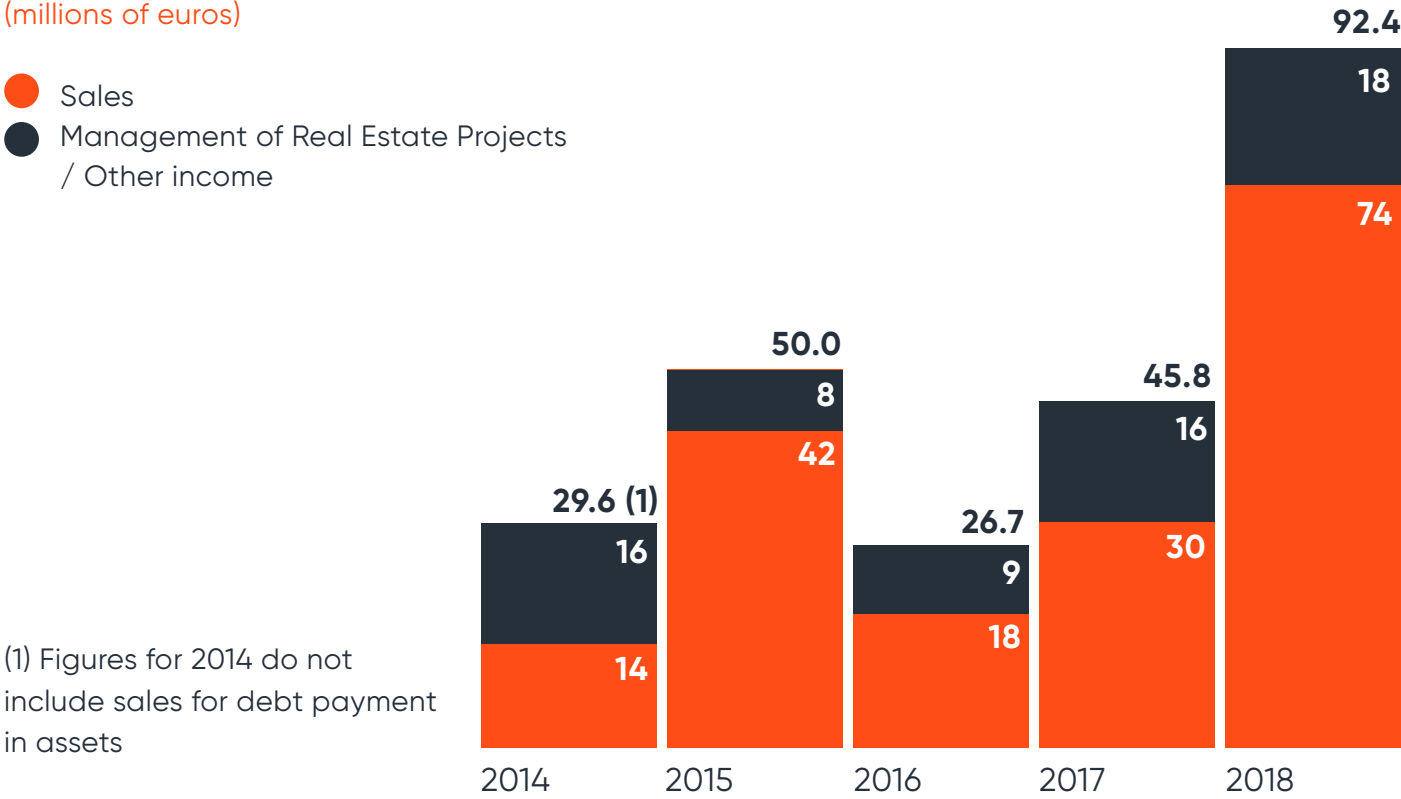
**Volume of income  
FY 2018**





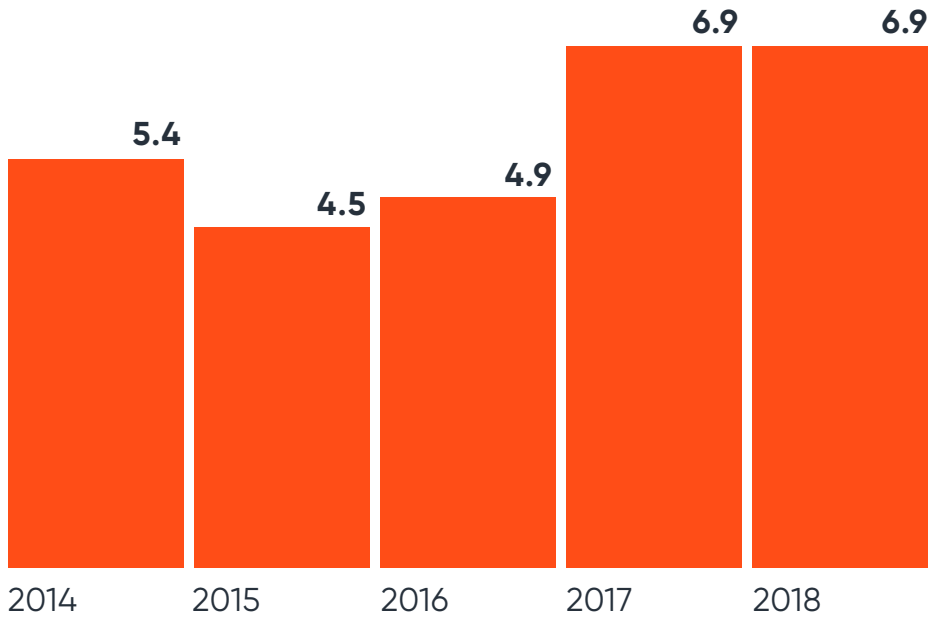
Turnover  
(millions of euros)

- Sales
- Management of Real Estate Projects / Other income

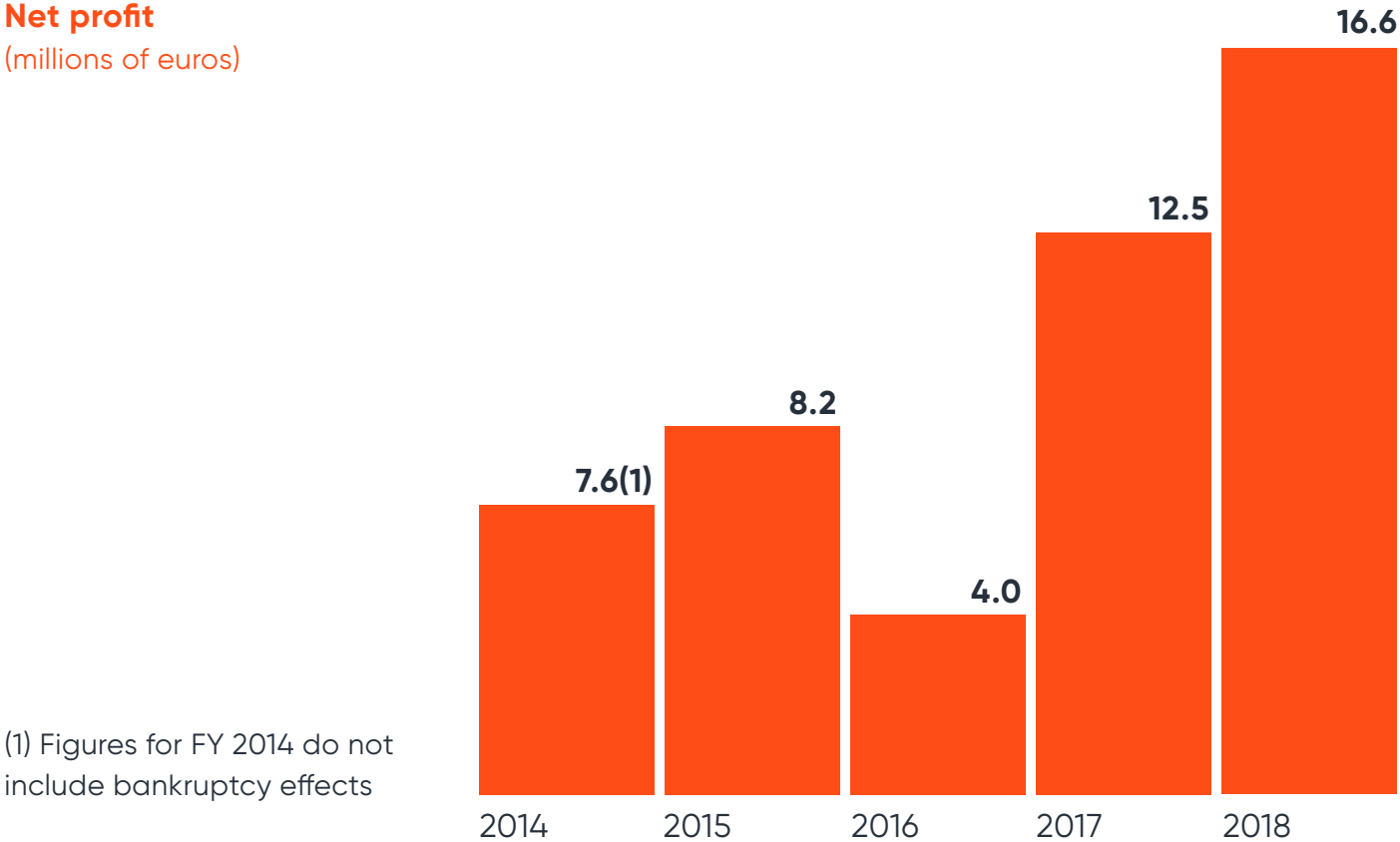


(1) Figures for 2014 do not include sales for debt payment in assets

Overhead and staff costs  
(millions of euros)



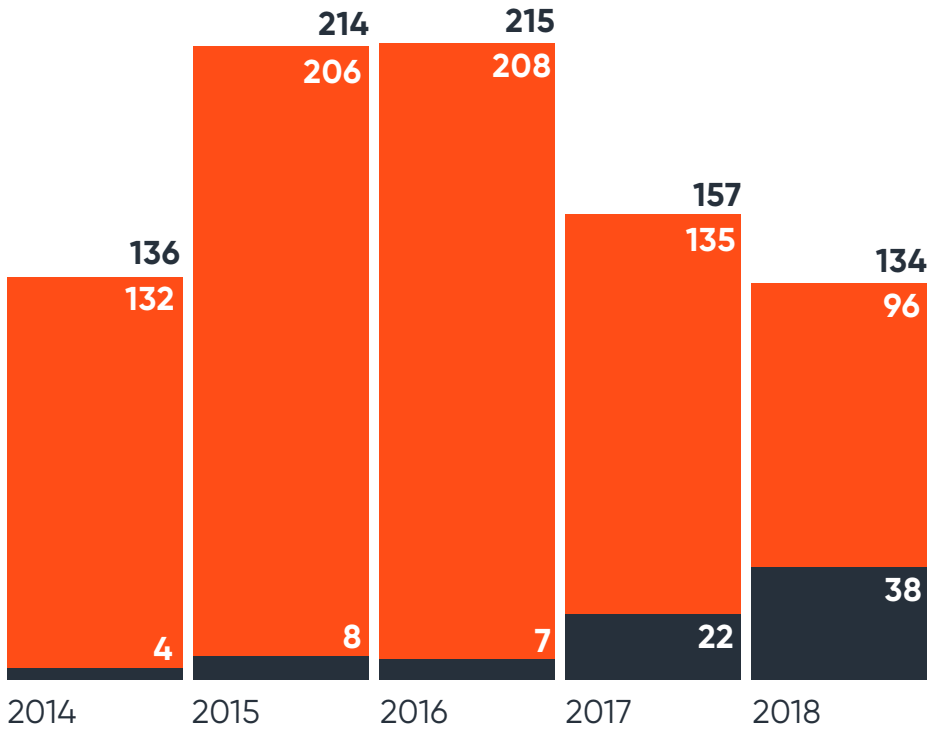
Net profit  
(millions of euros)



(1) Figures for FY 2014 do not include bankruptcy effects

Strategic portfolio  
(millions of euros)

- Rights
- Strategic stocks



2018 was a year of growth, with the net profit improving by 33% to reach 16.6 million euros.

3

# Financial Management



# Financing



On October 2, the company concluded a 5-year senior unsecured bond issue for a total amount of 16.5 million euros. The issue facilitates the optimisation of the financial structure of the company to accompany the considerable growth it is experiencing.

The following table analyses the data by headings in financial year 2018:

(Millions of €)	Dec-18	Dec-17	Var.
Mortgage debt	18.9	14.9	4.0
Other debts	19.1	4.6	14.5
( - ) Cash and financial investments	-8.8	-3.8	-5.0
<b>Net Financial Debt</b>	<b>29.2</b>	<b>15.7</b>	<b>13.5</b>
Equity loan	16.9	15.3	1.6
<b>Total Net Debt</b>	<b>46.1</b>	<b>31.0</b>	<b>15.1</b>

The net financial debt of the Group is up €15.1 million since the close of the previous year, standing at €46.1 million at December 31, 2018, which amounts to an increase of 49%.

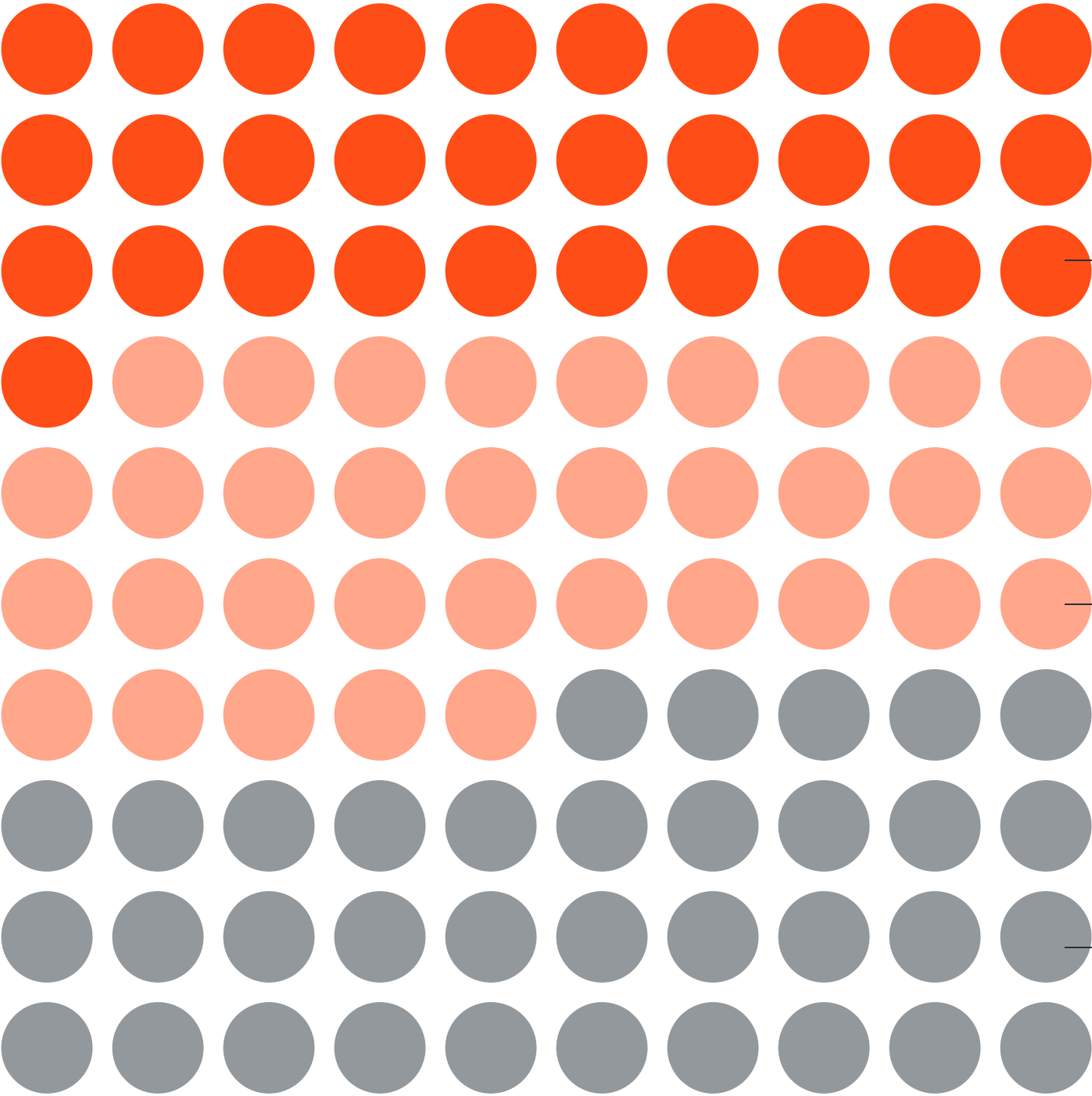
Refurbishing Carrer Unió, 7. Barcelona

BEFORE

AFTER



**Financial debt by type Dec-18**  
Financial debt by type of instrument is shown in the following chart:



The assets listed under the “Inventory” heading are classified as current assets because they are to be completed in the Group’s normal operating cycle. Consequently, the debt associated with the assets listed under this heading are included in their entirety under “Current liabilities”, regardless of maturity date. The financial debt maturity appears on the chart on the next page:

Equity loan

31%

Mortgage debt

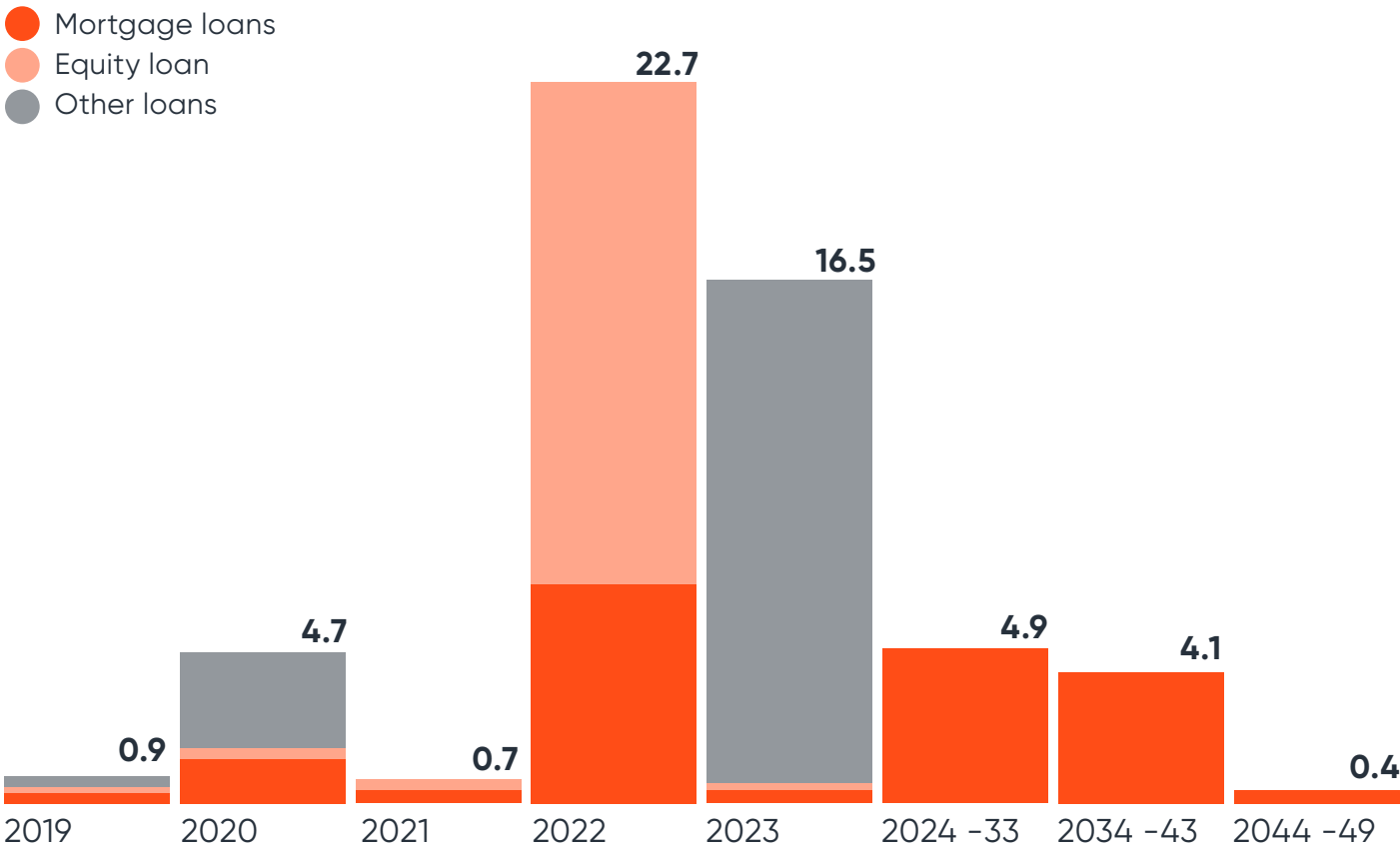
34%

Other debts

35%



Scheduled amortisation of financial debt (millions of euros)



# Financial risk management

The Group's business is exposed to various financial risks: market risk (including exchange rate risk and interest rate risk), credit risk and liquidity and capital 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 General Management pursuant to policies approved by the Board of Directors, via the identification, evaluation and hedging of 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.

In 2018 investment in the Spanish housing market maintained the same positive tendency as in previous years, bolstered by a strong economy and key market indicators. The volume of investment in 2018 grew by 40% compared to the previous year, reaching a figure of 15.1 billion euros versus 10.8 billion in 2017, although it should be noted that the figures for 2018 include corporate operations within the sector of approximately 4.4 billion euros versus 1.6 billion in 2017.

Considering the good economic forecasts for Spain, favourable financing conditions and the market's maturity cycle, we think that 2019 will be another year of strong activity for Spain as a whole, reaching levels similar to 2018.

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 does not operate in international markets, so exposure to this risk is insignificant.

MARKET RISK:  
INTEREST RATE

The Group is currently financed through an equity loan, a mortgage debt rewarded at variable market interest rates and through the issuance of ordinary unsecured 5-year bonds, made by the Company on October 2, 2018 for an amount of 16.5 million euros and remunerated with a 6.25% coupon. The equity loan for a nominal amount of €18.2 million is secured by a mortgage on an asset identified as Cánovas. This equity loan, in turn, bears interest at a variable rate of Euribor plus a differential, 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. In FY 2018 and 2017 this loan accrued interest with a differential of 1%.

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



Alcalde Sáinz de Baranda, 46. Madrid

interest rates. To date, the 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 and the fixed nature of the bond remuneration, 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 in banks and financial institutions as well as collection from customers, including outstanding receivables and committed transactions.

In 2018, this has continued to be a priority for the Group, which has managed to obtain mortgage financing for some real estate



Luchana, 20. Madrid

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 2017 and 2018 with several Spanish lending institutions. These have financed Renta Corporación business model real

estate projects: asset purchase, refurbishing and sale of units in under two years.

Likewise, the Renta Corporación Group is constantly exploring new financing channels, such as the abovementioned bond issue. In addition, any kind of alliance with financial partners could be explored, 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.

# Cash management



Treasury management aims to meet payment obligations in the short term and manage cash surpluses



The Renta Corporación Group managed to finance its investments through an equity loan, a bond issue and mortgage loans on favourable terms, other non-bank loans as well as through ordinary business generated income.

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.



# Notes on the Consolidated Balance Sheet



Renta Corporación's non-current assets stood at 58.959 million euros. With respect to FY 2017, this item has increased by 16.179 million euros. This increase is due, in the first place, to the variation of Renta Corporación's long-term holding and receivable account in Vivenio Socimi's capital stock, which has increased by 10.340 million euros. In the second place, the increase in this heading is due to the increase of 3.597 million euros in deferred tax assets, as a result of the sum of the recognition of a tax asset

for negative tax bases to be offset by future profits; the recording of an advance tax arising from temporary differences and the recognition of a deferred tax asset corresponding to financial expenses not deducted in previous years. Finally, the increase in non-current assets was also due to the increase in the value of real estate investments of 2.105 million euros with respect to the end of 2017.

Current assets for the year stood at 72.256 million euros, an increase of 22.372 million with respect to FY 2017. This variation is mainly due to an increase of 15.921 million euros in inventories, resulting from the investment which Renta Corporación has made in the purchase of new assets, with a year-end amount of 57.395 million

Net equity stood at 61.492 million euros, up 15.880 million euros compared to the 45.612 million euros at December 2017

euros. The value of inventory at year-end includes gross purchase options worth 1.938 million euros, entitling a future purchase of assets for 96.275 million euros.

Equity stood at 61.492 million euros, up 15.880 million euros compared to the 45.612 million euros at December 2017, mainly due to the application of the profit for FY 2018 and the distribution of a dividend of 1.100 million euros.

Long-term financial debt stood at 38.900 million euros, consisting of the equity loan, the senior bond issued in October 2018 and mortgages associated with real estate investments.

Other non-current liabilities in the amount of 3.359 million euros show a decrease compared to the previous year of 2.698 million euros. The decrease is mainly due to advance payments of the Singular Agreement with the Public Treasury made during the year, in addition to the reclassification between long and short term depending on the expiration of the latter. Moreover, long-term deferred tax liabilities posted reach 1.612 million euros.

As regards debts and short-term financial liabilities, these stood at 15.969 million euros, an increase of 2.718 million euros, compounded by the increase in mortgages with credit institutions and the decrease in non-bank loans. .

Finally, suppliers and other accounts payable amounted to 11.495 million euros, and increase of 5.282 million euros with respect to fiscal year 2017.

This increase is due, for the most part, to the deferred payment of the purchase of certain assets and the costs related to the acquisition and transformation of some operations purchased during the year.

## Consolidated Balance Sheet (in thousands of euros)

Assets	2018	2017	Variance
<b>Total non-current assets</b>	<b>58,959</b>	<b>42,780</b>	<b>16,179</b>
Inventory	57,395	41,474	15,921
Trade debtors and other accounts receivable	6,038	4,558	1,480
Financial investment	98	137	-39
Cash and cash equivalents	8,725	3,715	5,010
<b>Total current assets</b>	<b>72,256</b>	<b>49,884</b>	<b>22,372</b>
<b>Total assets</b>	<b>131,215</b>	<b>92,664</b>	<b>38,551</b>
Liabilities	2018	2017	Variance
<b>Total net equity</b>	<b>61,492</b>	<b>45,612</b>	<b>15,880</b>
Financial debt	38,900	21,531	17,369
Total non-current liabilities	3,359	6,057	-2,698
<b>Total non-current liabilities</b>	<b>42,259</b>	<b>27,588</b>	<b>14,671</b>
Trade creditors and other accounts payable	11,495	6,213	5,282
Financial debt	13,013	8,901	4,112
Other financial liabilities	2,956	4,350	-1,394
<b>Other current liabilities</b>	<b>27,464</b>	<b>19,464</b>	<b>8,000</b>
<b>Total liabilities</b>	<b>69,723</b>	<b>47,052</b>	<b>22,671</b>
<b>Total net equity and liabilities</b>	<b>131,215</b>	<b>92,664</b>	<b>38,551</b>

# Notes on Consolidated Profit and Loss Statement



Major de Sarrià, 65. Barcelona

Revenues in FY 2018 reached 90.222 million euros, vs. 44.905 million in 2017, consisting of 74.124 million euros in sales of real estate (2017: 29.732 million euros) and 16.098 million euros of other income (2017: (15.173 million euros)). The change of mix within income with respect to FY 2017 was produced to better adapt to the features of demand in the real estate market at each moment, and to maintain the competitive advantage afforded by this capacity to adapt to the market at demanding moments. All this without losing focus on the turnover of the real estate portfolio, which remains unchanged with respect to the previous year, and is one of the essential characteristics of the Group's business model.

Variable sales expenses increased proportionally more than revenue. Personnel expenses as a whole increased by 18 percent due

to increased staffing required to handle increased activity and the management of Vivenio Socimi assets. Outsourcing expenses stood at 4.098 million euros compared to 4.590 million euros for FY 2017.

The net financial result is negative at 3.299 million euros, 1.927 million euros higher than the 2017 financial result. This increase is due, on the one hand, to the increase in activity during the year, which has translated into an increase in the financing of operations, as well as greater diversity of sources of finance. In this sense, the company completed in October 2018 an issue of 5-year senior unsecured bonds, aimed at qualified and institutional investors, for a total amount of 16.5 million euros.

On the other hand, the improvement in the earnings forecasts for the coming years

has led to the recognition of an additional financial expense associated with the equity loan for an amount of 0.8 million euros, falling due in 2022.

Consolidated profit for the year attributable to shareholders stood at 16.608 million euros, 33% higher than that of 2017, which stood at 12.484 million.

# 16.608

Consolidated profit for the year  
(€ millions)

## Consolidated Profit and Loss Statement (in thousands of euros)

	2018	2017	Variance
Operating revenue	90,222	44,905	45,317
Other operating income	151	23	128
Goods used	-59,721	-22,326	-37,395
Employee benefit expenses	-4,653	-3,933	-720
Other expenses - buildings	-3,403	-2,825	-578
Outsourcing expenses	-4,098	-4,590	492
Other taxes	-1,033	-667	-366
Losses, impairment and changes in trade provisions	-	-	-
Amortisation and losses related to assets	-93	-76	-17
Profit from disposal of fixed assets	-	-	-
<b>Consolidated operating profit</b>	<b>17,372</b>	<b>10,511</b>	<b>6,861</b>
Change in value of real estate investments	1,991	834	1,157
Net financial expenses	-3,299	-1,372	-1,927
Impairment and profit/(loss) from disposals of financial instruments	-1	-	-
Income from investments recorded using the equity method	-	-124	124
<b>Consolidated profit before tax</b>	<b>16,063</b>	<b>9,849</b>	<b>6,215</b>
Profit tax	545	2,635	-2,090
<b>Profit and loss for the period from continuing operations</b>	<b>16,608</b>	<b>12,484</b>	<b>4,125</b>
Profit and loss for the preceding period from discontinued operations, after tax	-	-	-
<b>Consolidated profit for the year</b>	<b>16,608</b>	<b>12,484</b>	<b>4,125</b>
<b>Profit attributable to shareholders</b>	<b>16,608</b>	<b>12,484</b>	<b>4,125</b>
Profit/(loss) attributable per share from continuing operations (in euros per share)	0.50	0.38	0.12
Profit/(loss) attributable per share from discontinued operations (in euros per share)	-	-	-
<b>Profit/(loss) attributable per share (in euros per share)</b>	<b>0.50</b>	<b>0.38</b>	<b>0.12</b>



# 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.

The profit from operations stood at 18.044 million euros, and this was applied mainly to the investment in Socimi Vivenio, amounting to 9.826 million euros, for the credit rights with respect to the Socimi, pending conversion into shares. In addition, the profit

from operations was applied to the payment of interest, the payment on account of corporation tax and financing the variation of working capital.

In addition, the flow of investment activities was negative by 402,000 euros, mainly due to the acquisition of tangible fixed assets.

Finally, the flow of financing activities was positive by 15.692 million euros mainly due to the senior bond issue mentioned above.

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

Operations	2018	2017	Variance
Operational Profit/(loss)	18,044	10,587	7,457
Changes in current capital	-14,069	-14,221	152
Other income and expenses	-9,826	-	-9,826
Interest paid	-1,915	-509	-1,406
Interest earned	-	194	-194
Corporation tax payment	-2,514	-2,237	-277
<b>Cash generated / (used) - Operations</b>	<b>-10,280</b>	<b>-6,186</b>	<b>-4,094</b>

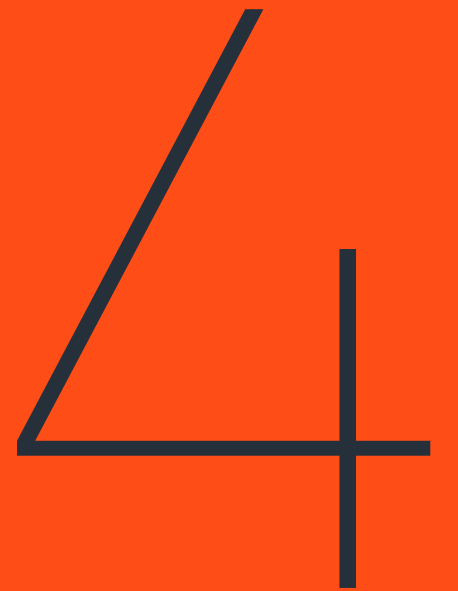
Investment operations	2018	2017	Variance
Acquisition of tangible fixed assets	-209	-30	-179
Purchase of intangible assets	-52	-4	-48
Receipts from sales of fixed assets	-	-	-
Real estate investment payments	-114	-81	-33
Receipts/(payments) relating to investments in group and associated companies	31	1,712	-1,681
Other financial assets	-58	-2,579	2,521
<b>Cash generated / (used) - Investment</b>	<b>-402</b>	<b>-982</b>	<b>580</b>

Financing operations	2018	2017	Variance
Issuance of equity instruments	-	-	0
Purchase of equity instruments	-	-557	557
Alienation of equity instruments	69	45	24
Issuing of bonds and other negotiable instruments	15,802	-	15,802
Issuance of loans by financial institutions	28,021	13,737	14,284
Issuance of other loans	5,400	4,361	1,039
Repayment of loans	-24,062	-9,937	-14,125
Repayment of other debts	-8,438	-	-8,438
Dividends	-1,100	-	-1,100
<b>Cash generated / (used) - Financing</b>	<b>15,692</b>	<b>7,649</b>	<b>8,043</b>
Cash at beginning of the year	3,715	3,234	481
Cash at year-end	8,725	3,715	5,010

<b>(Net reduction) / increase in cash flows and cash equivalents</b>	<b>5,010</b>	<b>481</b>	<b>4,529</b>
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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.

# Stock market and shareholders



# Share history



After Renta Corporación's share closing 2017 at 2.93 euros, in 2018 share value has seen an upward trend for the whole the year, ending at 3.19 euros/share.

The year-end price equates to a market capitalisation of 104.9 million euros.

## TRADING

In FY 2018, 17,579,341 shares were traded, a turnover in months of less than 20. The highest trading volume was recorded in the month of October and the lowest trading volume was recorded in the month of August. The daily average of shares was 68,939.

## Salient Figures

# 3.19

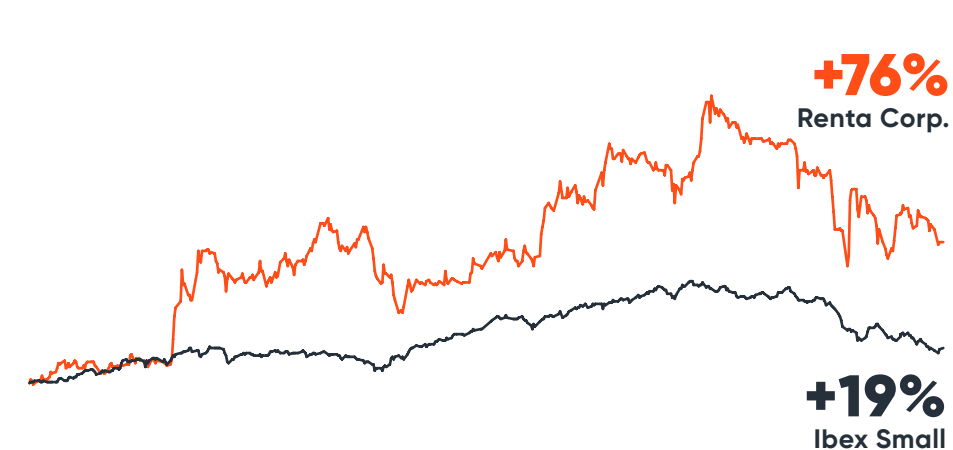
euros/share  
Share price at 31/12/2018

# 8.87%

Variance with respect to share price at 31/12/2017

Source: BME and invertia

## Evolution of the share (base 100, since Jan-17)



02/01/2017

31/12/2018

Source: invertia

# 65€M

Value of shares traded

# +9%

Share price % of  
€/share  
2018 vs. 2017

# Shareholders

Distribution of holdings  
in Renta Corporación  
Real Estate S.A. at  
31 December 2018

# 54.64%

Free-float

# 2.33%

Treasury shares

# 28.84%

Directors

# 14.19%

Other significant  
shareholders

**Note:** The information provided in the Shareholders 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.



# Dividends

In 2018 the dividend distribution policy was resumed, with an agreement to distribute an interim dividend of € 1,100,000.

In addition, a dividend of € 1,900,000 will be submitted for approval to the 2019 Ordinary General Meeting of Shareholders.

Diputació, 464. Barcelona



# 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):

- 1.** Annual Report, including the Annual Corporate Governance Report, which provides relevant and accurate information on the company business.
- 2.** 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).





Renta Corporación understands Corporate Social Responsibility (CSR) as a commitment which is inherent to the development of its activity.

5

# Corporate Social Responsibility Report

The company considers Corporate Social Responsibility (CSR) to be 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.



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.

# Corporate culture and stakeholders

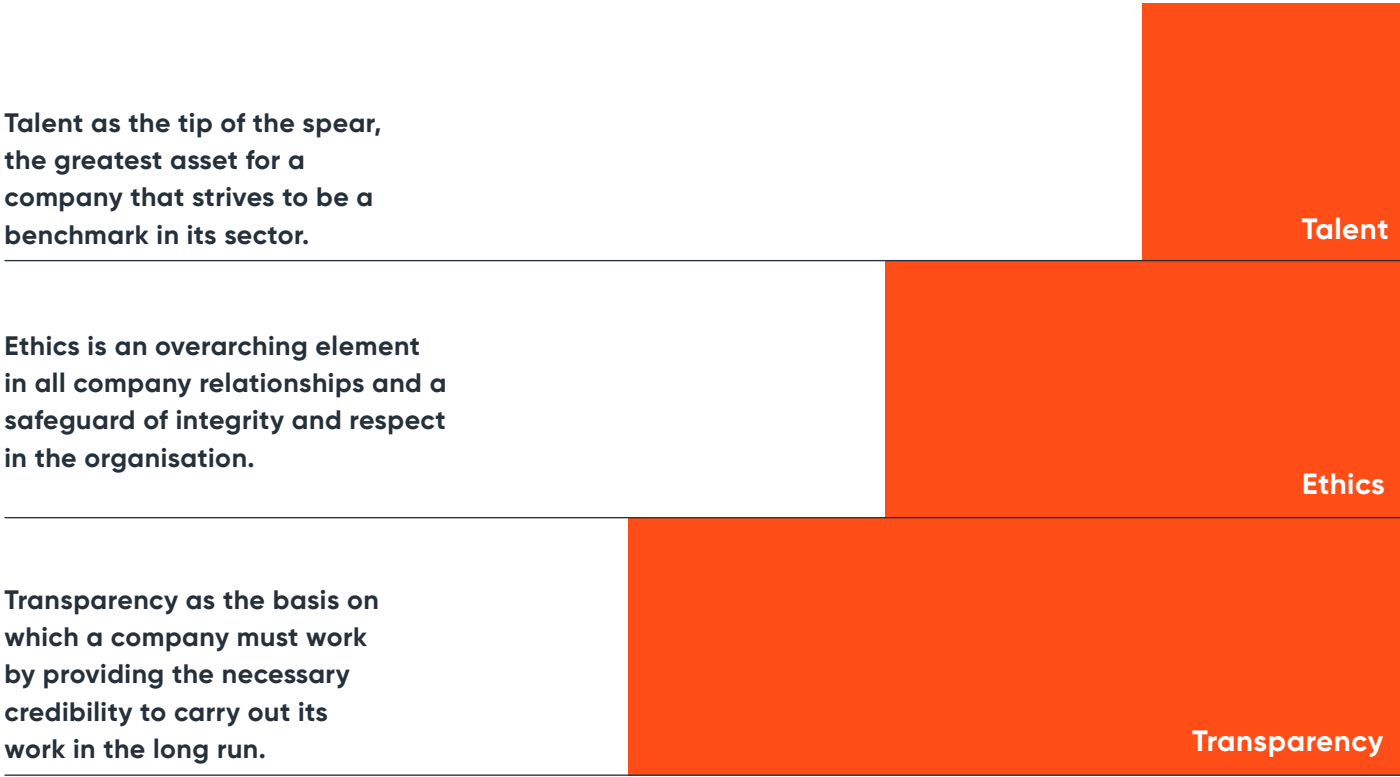
Companies that have integrated CSR into their business model are in a better competitive position for facing future challenges. This is the case of Renta Corporación, which during 2018 has continued to be committed to its stakeholders, providing strong communication channels and always looking for strong 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.**

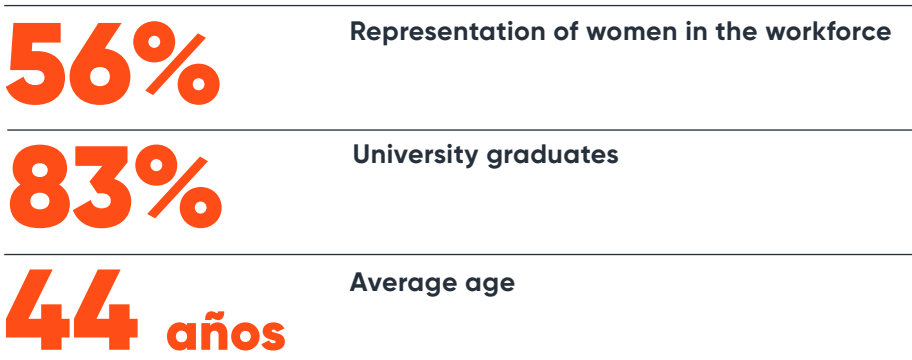
**Ethics is an overarching element in all company relationships and a safeguard of integrity and respect in the organisation.**

**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 2018, the company had 41 employees.

By year-end 2018, 32% of the company’s team worked from the Madrid office and the remaining 68% from the Barcelona office. The company workforce highlights include:

- Women account for 56% of the workforce.
- The average age of employees is 44.
- Eighty-three percent are university graduates.
- The percentage of female representation on the Board of Directors is 30%, a higher proportion than the previous year.

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

## Communication channels

Customers	Employees	Suppliers	Society	Investors/ shareholders
<ul style="list-style-type: none"><li>• Bilateral information regarding new products.</li><li>• Regular sales campaigns.</li><li>• Internal policy for excellent relationships with tenants, involving direct and personal communication.</li><li>• Website and e-mail.</li></ul>	<ul style="list-style-type: none"><li>• Annual corporate meetings.</li><li>• Human Resource Department performance review meetings with all employees.</li><li>• Monthly Management Committee meetings.</li><li>• Quarterly information meetings.</li><li>• E-mail updates (announcing appointments, organisational changes, job vacancies, etc.).</li><li>• Website, Intranet and Employee Mailbox.</li></ul>	<ul style="list-style-type: none"><li>• Loyalty actions designed to foster and strengthen good relations.</li><li>• Submittal of relevant information to technical personnel and property appraisers.</li><li>• Website and e-mail.</li></ul>	<ul style="list-style-type: none"><li>• Regular presentations to the press of Company results.</li><li>• Dialogue with neighbourhood associations and government authorities.</li><li>• Membership of trade associations and CSR promoters.</li><li>• Feedback from NGOs and society at large about Fundación Renta Corporación’s contributions and activities.</li><li>• Website and e-mail.</li></ul>	<ul style="list-style-type: none"><li>• Publication of annual and quarterly financial results.</li><li>• Press releases.</li><li>• Yearly publication of reports (Annual, Corporate Social Responsibility, Corporate Governance).</li><li>• Shareholder relations office.</li><li>• Website and e-mail.</li></ul>

# 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



The Company has strengthened its commitment to good governance by encouraging awareness and safeguarding compliance.

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.

In its commitment to establishing a culture of integrity, the Company is committed 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 reputation 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.



# Fundación Renta Corporación



Since its inception to date, the Foundation has contributed a total of €24,200,000 in over 900 projects.

The company's social commitment is channelled through the Renta Corporación Foundation, which aims to collaborate on projects dedicated to helping:

1. Helping children and women.
2. Health.
3. Housing, sanitation and infrastructure.
4. Nutrition and water programmes.
5. Education.
6. Social aid.

Although in late 2010 the Board of Trustees decided to end its activities and suspended contributions to social projects because 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 2017) had dried up the Foundation's sources of revenue, since 2013 the Fundación Renta Corporación has recovered its activity and consolidated its position between 2015 and 2018 thanks to 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 Renta Corporación. With these contributions, the company re-engages somewhat with its social commitment, channelling it through the Renta Corporación Foundation. In addition, an interim dividend was again distributed in 2018 by Renta Corporación Real Estate, S.A. based on the profit of FY 2018, and this amount will be deducted from 2% of the group's net profit for the year.

Finally, it should be noted that Fundación Renta Corporación (i) holds a 3% share in Renta Corporación Real Estate, S.A., and (ii) has been a Member of the Patrons' Council of the Fundación Pasqual Maragall since 2019.

Fundación  
**Renta**

**The company's social commitment is channelled through the Renta Corporación Foundation.**



