



RED
ELÉCTRICA
CORPORACIÓN

Financial results

January - June 2016

Profit for the first half of 2016 was €323.5 million, a 4.8% rise year-on-year, which is in line with the growth target of the 2014-2019 Strategic Plan.

EBITDA was €754.4 million, up 1.9% on the first half of 2015.

Investments for the Red Eléctrica Group totalled €364.8 million and included €199.8 million for the acquisition of 50% of Chilean company TEN.

28 July 2016

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The Consolidated Condensed Interim Financial Statements herein enclosed have been subject to a limited review by auditors. This information has been drawn up in accordance with the International Financial Reporting Standards (IFRS)



1. Red Eléctrica: Financial highlights

Income statement

(in thousands of euros)	January - June			April - June		
	2016	2015	Δ %	2016	2015	Δ %
Revenue	968,207	972,725	(0.5)	480,309	485,697	(1.1)
Gross operating profit (EBITDA)	754,353	740,281	1.9	361,486	352,796	2.5
Net operating profit (EBIT)	513,916	507,105	1.3	240,943	237,200	1.6
Profit before tax	436,688	428,569	1.9	203,036	198,637	2.2
Profit for the period	323,499	308,819	4.8	149,853	142,760	5.0

Balance sheet

(in thousands of euros)	June 2016	December 2015	Δ %
Non-current assets	9,216,543	9,156,541	0.7
Equity	2,736,217	2,760,613	(0.9)
Net financial debt*	5,060,384	4,905,873	3.1

(*) Includes exchange rate derivatives.

Other financial highlights

(in thousands of euros)	January - June			Abril - June		
	2016	2015	Δ %	2016	2015	Δ %
Operating cash flow after taxes	631,340	631,702	(0.1)	283,930	255,151	11.3
Investments	364,847	225,800	61.6	87,307	126,425	(30.9)
Dividends paid	120,082	112,463	6.8	-	-	-



2. Earnings performance

Revenue for the first six months of 2016 was €968.2 million, -0.5% year-on-year. This figure includes the Spain Transmission tariff for 2016, which was published on 17 June, and the commissioning of 2015 transmission assets. It includes further revenues such as those from the telecommunications services provided by REINTEL, amounting to €42.6 million, and regulated revenue from system operation in the amount of €28.0 million.

EBITDA amounted to €754.4 million, showing growth of 1.9% year-on-year, thus reflecting the efficiency measures implemented by Red Eléctrica.

Operating costs were as follows:

- **Supply costs and other operating expenses** dropped 12.6% for the first six months and includes the above-mentioned efficiency measures.
- **Personnel expenses** rose to June by 3.8%. This increase is owing to a growing workforce, the application of the collective bargaining agreement signed in 2014 and greater Social Security expenditure and other additional expenses.

The **final headcount** was 1,765 employees at 30 June 2016, while the average headcount stood at 1,762 employees, a rise of 0.6% on the first six months of 2015.

Operating expenses

(in thousands of euros)	January - June			Abril - June		
	2016	2015	Δ %	2016	2015	Δ %
Supplies and other operating expenses	160,867	183,979	(12.6)	94,078	111,245	(15.4)
Personnel expenses	71,365	68,731	3.8	35,828	34,632	3.5
Operating expenses	232,232	252,710	(8.1)	129,906	145,877	(10.9)

Net operating profit (EBIT) stood at €513.9 million, a 1.3% rise year-on-year, thanks to a 3.3% rise in the provision for amortisation and depreciation of non-current assets as a result of new assets commissioned in 2015.

Financial profit (loss) was €-75.5 million, compared to €-78.5 million in the same period last year. The improvement seen is mainly owing to lower average interest rates.

Lastly, **Profit for the year** amounted to €323.5 million, a rise of 4.8% year-on-year. The effective tax rate stood at 25.7%, compared to 27.9% for the same period last year, as a result of application of the Corporate Income Tax Act 27/2014.



3. Cash flow and balance sheet performance

Cash flows

(in thousands of euros)	January - June			Abril - June		
	2016	2015	Δ %	2016	2015	Δ %
Profit before tax	436,688	428,569	1.9	203,036	198,637	2.2
Taxes paid on earnings	(42,892)	(34,179)	25.5	(40,702)	(62,530)	(34.9)
Provision for amortisation/depreciation of non-current assets	250,928	242,938	3.3	125,819	121,524	3.5
Other adjustments	(13,384)	(5,626)	-	(4,223)	(2,480)	70.2
Operating cash flow after taxes	631,340	631,702	(0.1)	283,930	255,151	11.3
Changes to working capital	(151,188)	125,193	-	(78,916)	18,796	-
Changes to other non-current assets and liabilities	(117,578)	(39,934)	-	(24,409)	(17,649)	38.3
Changes to suppliers of PP&E	(31,670)	(15,950)	98.6	16,564	35,204	(52.9)
Investments	(364,847)	(225,800)	61.6	(87,307)	(126,425)	(30.9)
Free cash flow	(33,942)	475,211	-	109,862	165,077	(33.4)
Dividends paid	(120,082)	(112,463)	6.8	-	-	-
Change in net financial debt (*)	154,024	(362,748)	-	109,862	165,077	(33.4)

1) This table is a simplification of the Consolidated Cash Flow Statement. It includes Group investments for the period, while the difference with investment payments is essentially recorded in Changes to other assets and liabilities.

2) The difference between this figure and the change in Net Financial Debt shown on page 2 is due to items not involving cash movements.

Operating cash flow after taxes was €631.3 million, which is similar to 2015 figures, as improved earnings and amortisation were offset mainly by higher tax payments due to the 2015 one-off collection of €28.4 million commented on in the previous quarter.

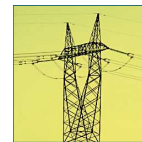
Changes to working capital were negative in the amount of €151.2 million in the first half of 2016, compared to the positive contribution of €125.2 million in the previous year. This drop is principally explained by the absence of atypical elements seen in 2015, such as the VAT recovery from the purchase of long term fibre optic network rights of use and temporary imbalances pending settlement in the System.

Changes in other assets and liabilities were down to €117.6 million, compared to 39.9 in the first half of 2015, due to the temporary financing granted to TEN during the formalising of the definitive financing.

Group **investments** in the first six months of 2015 amounted to €364.8 million, up 61.6% year-on-year. €151.9 million of this amount was earmarked for the development of the national transmission network, and €199.8 million for the acquisition of 50% of the Chilean company TEN.

Interim dividends were paid out in the first half of the year in the amount of €120.1 million, equivalent to €0.8906 per share on the interim dividend payment for 2015.

The Red Eléctrica Group's **net financial debt** at 30 June 2016 was €5,060.4 million, compared to 4,905.9 at the end of 2015.





Net financial debt (*)

(in thousands of euros)	National currency	Foreign currency	Total
Cash and cash equivalents	(438,777)	(30,983)	(469,760)
Long-term debenture bonds	3,298,760	449,287	3,748,047
Long-term loans	1,665,128	37,239	1,702,367
Promissory notes and current loans	-	79,730	79,730
Total net financial debt	4,525,111	535,273	5,060,384

(*) The difference between this figure and the change in Net Financial Debt shown on page 2 is due to items that do not involve cash movements.

86% of the Group's net debt is at a fixed rate interest, while the remaining 14% is at a floating rate.

The average cost of the Group's financial debt in the first six months was 3.00%, and its average balance was €5,459.4 million. The average cost of debt in the same period of 2015 was 3.24%, with an average balance of 5,420.8 million euros.

Moreover, at 30 June 2016, the Red Eléctrica Group's equity stood at €2,736.2 million.

4. Relevant events during the quarter

- On 11 July, began the trading of Red Eléctrica shares following their split at a rate four new shares to one old share (4x1), as approved by the General Shareholders Meeting held on 15 April. New shares have a par value of €0.50.
- On 1 July, a **gross additional dividend payment** was made of **€2.3194** per share for the 2015 financial year. The total dividend for 2015 was €3.21 per share, which is in line with the shareholder remuneration policy included in the Red Eléctrica Strategic Plan that establishes average annual growth of 7%.
- 17 June saw the publication of the Ministerial Order for 2016 transmission tariffs, which determined revenue for Red Eléctrica of **€1.6813 billion**, in line with forecasts. The tariff includes all regulatory parameters approved at the end of 2015 and, for the first time, is subject to the methodology of Royal Decree 1047/2013.
- On 27 May 2016, Fitch Ratings upgraded the long term rating of Red Eléctrica Corporación, S.A. from "A-" to "A" with a stable outlook. This improved rating is thanks to the main business's low risk level and predictability of regulated income. The agency has positively viewed the conservative financing policy observed and improved regulatory visibility.
- In its meeting of 26 April 2016, the Board of Directors of Red Eléctrica Corporación, S.A. proceeded to renew the Audit Committee and the Appointments and Remunerations Committee. These committees are currently composed as follows:

Audit Committee:

Mr. José Luis Feito Higuera: Chairman (independent director).

Mr. Fernando Fernández Méndez de Andés (proprietary director).

Mr. Antonio Gómez Ciria (independent director).

Mr. Santiago Lanzuela Marina (proprietary director).

Ms. María José García Beato (independent director).



Appointments and Remuneration Committee:

Ms. Carmen Gómez de Barreda Tous de Monsalve: Chairman (independent director)

Ms. Socorro Fernández Larrea (independent director).

Ms. María Ángeles Amador Millán (independent director).

Mr. José Ángel Partearroyo Martín (proprietary director).

Mr. Agustín Conde Bajén (independent director).

Moreover, in its meeting of 31 May 2016, the Board of Directors of Red Eléctrica Corporación, resolved to reappoint **Carmen Gómez de Barreda Tous de Monsalve** as **Lead Independent Director** (LID) of the company, for a three-year term.



Red Eléctrica Group

Consolidated Income Statement

(in thousands of euros)	30/06/2016	30/06/2015	2016/2015
Revenue	968,207	972,725	(0.5%)
Own work capitalised	14,730	10,913	35.0%
Supply costs	(21,201)	(26,213)	(19.1%)
Other operating income	3,648	9,353	(61.0%)
Personnel expenses	(71,365)	(68,731)	3.8%
Other operating expenses	(139,666)	(157,766)	(11.5%)
Gross operating profit (EBITDA)	754,353	740,281	1.9%
Amortisation/depreciation of non-current assets	(250,928)	(242,938)	3.3%
Release of grants related to non-financial assets	10,462	9,738	7.4%
Impairment and gains/losses on disposal of fixed assets	29	24	20.8%
Net operating profit (EBIT)	513,916	507,105	1.3%
Finance income	6,340	7,463	(15.0%)
Finance costs	(81,774)	(85,714)	(4.6%)
Exchange differences	(75)	445	-
Impairment and gains/losses on disposal of financial instruments	-	(730)	-
Net finance expense	(75,509)	(78,536)	(3.9%)
Profit participation in companies under the participation method	(1,719)	-	-
Profit before tax	436,688	428,569	1.9%
Income tax expense	(112,240)	(119,417)	(6.0%)
Consolidated profit for the period	324,448	309,152	4.9%
A) Consolidated profit attributable to the Parent	323,499	308,819	4.8%
B) Consolidated profit attributable to non-controlling interests	949	333	-



Red Eléctrica Group

Consolidated Balance Sheet

ASSETS (in thousands of euros)	30/06/2016	31/12/2015
Intangible assets	114,981	118,471
Property, plant and equipment	8,765,654	8,884,598
Investment property	2,451	2,473
Investments recognised under the participation method	196,782	-
Non-current financial assets	106,433	119,986
Deferred tax assets	29,377	30,111
Other non-current assets	865	902
Non-current assets	9,216,543	9,156,541
Inventories	45,738	41,755
Trade and other receivables	965,252	1,010,265
Other current financial assets	120,113	2,522
Cash and cash equivalents	469,760	386,861
Current assets	1,600,863	1,441,403
Total assets	10,817,406	10,597,944

LIABILITIES (in thousands of euros)	30/06/2016	31/12/2015
Equity	2,786,908	2,774,745
Capital	270,540	270,540
Reserves	2,220,631	2,051,350
Treasury shares and own equity instruments (-)	(27,762)	(33,076)
Profit attributable to the Parent	323,499	606,013
Interim dividend	-	(120,082)
Valuation adjustments	(66,755)	(29,482)
Non-controlling interests	16,064	15,350
Equity	2,736,217	2,760,613
Grants and other	546,659	548,598
Non-current provisions	84,693	84,528
Non-current financial liabilities	5,156,838	4,827,113
Deferred tax liabilities	490,397	512,286
Other non-current liabilities	66,139	68,196
Non-current liabilities	6,344,726	6,040,721
Current financial liabilities	1,337,991	1,313,328
Trade and other payables	398,472	483,282
Current liabilities	1,736,463	1,796,610
Total equity and liabilities	10,817,406	10,597,944



Red Eléctrica Group

Consolidated Cash Flow Statement

(in thousands of euros)	30/06/2016	30/06/2015
CASH FLOWS FROM OPERATING ACTIVITIES	447,078	717,058
Profit before tax	436,688	428,569
Adjustments for:	321,609	316,037
Amortisation and depreciation	250,928	242,938
Other adjustments to results (net)	70,681	73,099
Changes in working capital	(151,188)	125,193
Other cash flows from operating activities	(160,031)	(152,741)
Interest paid	(114,848)	(125,551)
Interest received	3,881	4,566
Dividends received	203	2,897
Income tax received/(paid)	(42,892)	(34,179)
Other collections/(payments) on operating activities	(6,375)	(474)
CASH FLOWS FROM INVESTING ACTIVITIES	(477,794)	(225,699)
Payments for investments	(486,453)	(241,749)
Property, plant and equipment, intangible assets and investment property	(162,300)	(241,138)
Other financial assets	(324,153)	(612)
Proceeds from disposals	518	2,777
Property, plant and equipment, intangible assets and investment property	59	-
Other assets	459	2,777
Other cash flows from investing activities	8,141	13,274
CASH FLOWS FROM FINANCING ACTIVITIES	114,286	(406,759)
Proceeds from/(payments for) equity instruments	6,261	(17,876)
Acquisitions	(63,163)	(89,188)
Disposals	69,424	71,312
Proceeds from/(payments for) financial liabilities	236,923	(277,964)
Issue and placements	491,595	1,156,584
Redemption and repayment	(254,672)	(1,434,547)
Dividend payments	(120,082)	(112,463)
Other cash flows from financing activities	(8,816)	1,544
Effect of exchange rates fluctuations	(671)	184
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	82,899	84,785
Cash and cash equivalents at beginning of period	386,861	299,368
Cash and cash equivalents at end of period	469,760	384,153



Financial calendar Upcoming events

Estimated dates

9M16 results presentation

October 2016

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Red Eléctrica has a S&P rating of 'A-' and a Fitch rating of 'A'.



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APPENDIX 1

Corporate responsibility certifications



Inclusion in the Dow Jones sustainability indexes (Europe and World) in 2015.



Gold Class distinction in the Sustainability Yearbook 2016. The only Spanish company in the electric utilities sector to have obtained maximum distinction.



Included in the FTSE4Good index since 2008. (*)



Renewed inclusion in the STOXX Global ESG Leaders indexes.



Renewed presence in the MSCI Global Sustainability Indexes following its inclusion in 2014.



Renewed presence in the Euronext-Vigeo sustainability indexes (Eurozone 120, Europe 120, Global 120) following its first inclusion in 2014.



Renewal in the Ethibel Sustainability Index (ESI) Excellence Europe effective from 21/09/2015.



Renewed inclusion in the Ethibel PIONEER and Ethibel EXCELLENCE Investment Registers on 29 January 2015. Part of the Ethibel Excellence Index since 2009.



Part of the ECPI indexes since 2008.



Included in the transparent leadership index with a rating of 100 points.



One of the ten companies best identifying material sustainability and corporate governance issues according to the IRR Survey 2015.

(*) FTSE Group confirms that Red Eléctrica Corporation has been independently assessed according to the FTSE4Good criteria, and it satisfies the requirements to become a constituent of the FTSE4Good indices, the global index created by the FTSE Group. FTSE4Good is a stock market index designed to facilitate investment in companies that comply with the social responsibility standards recognized around the world. Companies included in the FTSE4Good index have met strict environmental, social and corporate governance criteria, and they are positioned to take advantage of the benefits of responsible business practice.