



**RED**  
**ELÉCTRICA**  
CORPORACIÓN

# Financial results

## January - September 2017

**Profit for the first nine months of 2017 was €495.5 million, a 5.1% rise year-on-year, which is in keeping with the growth target of the 2014-2019 Strategic Plan.**

**EBITDA was €1,136.6 million, up 2.1% on the first nine months of 2016.**

**Total investment by the Red Eléctrica Group was €296.0 million.**

2 November 2017

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## 1. Red Eléctrica: Financial highlights

### Income statement

(in thousands of euros)	January -September			July - September		
	2017	2016	Δ %	2017	2016	Δ %
Revenue	1,465,360	1,445,318	1.4	478,065	477,111	0.2
Gross operating profit (EBITDA)	1,136,568	1,113,061	2.1	366,865	358,708	2.3
Net operating profit (EBIT)	767,776	751,610	2.2	244,314	237,694	2.8
Profit before tax	661,540	635,374	4.1	207,648	198,686	4.5
Profit for the period	495,537	471,287	5.1	155,456	147,788	5.2

### Balance sheet

(in thousands of euros)	September 2017	December 2016	Δ %
Non-current assets	9,133,655	9,256,765	(1.3)
Equity	3,061,979	2,920,549	4.8
Net financial debt*	4,859,843	4,949,456	(1.8)

(\*) Includes exchange rate derivatives.

### Other financial figures

(in thousands of euros)	January -September			July - September		
	2017	2016	Δ %	2017	2016	Δ %
Operating cash flow after taxes	963,975	948,011	1.7	320,989	316,671	1.4
Investments	295,964	458,073	(35.4)	97,803	93,226	4.9
Dividends paid	463,189	432,834	7.0	334,772	312,752	7.0



## 2. Profit performance

**Revenue** for the first nine months of 2017 was €1,465.4 million, up 1.4% year-on-year. This rise is principally due to remuneration from transmission facilities commissioned throughout 2016. It includes further revenues such as those from the provision of telecommunications services, amounting to €65.3 million, and regulated revenue from system operation in the amount of €42.0 million.

**EBITDA** amounted to €1,136.6 million, showing growth of 2.1% year-on-year, the fruit of the consolidation of efficiency measures implemented by Red Eléctrica.

Operating costs performed as follows:

- **Supply costs and other operating expenses** for the first nine months rose 6.0% year-on-year, principally due to the inclusion of the investment in construction projects in Peru, in application of accounting standard IFRIC 12 and loss-related expenses. Without those elements, they would be similar to 2016, thus highlighting the effort made by Red Eléctrica to improve efficiency.
- **Personnel expenses** rose 2.8% to September. This rise is fundamentally due to growth in the average headcount from last year.

The **final headcount** was 1,813 employees at 30 September 2017, while the average headcount stood at 1,794 employees, up 1.8 % on the first nine months of 2016.

(in thousands of euros)	January -September			July - September		
	2017	2016	Δ %	2017	2016	Δ %
Supplies and other operating expenses	277,736	262,058	6.0	94,316	101,191	(6.8)
Personnel expenses	109,079	106,116	2.8	36,255	34,751	4.3
<b>Operating expenses</b>	<b>386,815</b>	<b>368,174</b>	<b>5.1</b>	<b>130,571</b>	<b>135,942</b>	<b>(4.0)</b>

**Net operating profit (EBIT)** stood at €767.8 million, up 2.2 % year-on-year.

**Financial profit (loss)** was €-106.8 million, compared to €-114.8 million in the same period last year. The improvement seen is mainly owing to lower average interest rates.

Finally, **profit** for the period totalled €495.5 million, up 5.1 % year-on-year. The average tax rate was 25.1 % compared to 25.6 % in the same period last year.



### 3. Cash flow and balance sheet performance

#### Cash flows <sup>(1)</sup>

(in thousands of euros)	January -September			July - September		
	2017	2016	Δ %	2017	2016	Δ %
Profit before tax	661,540	635,374	4.1	207,648	198,686	4.5
Taxes paid on earnings	(71,086)	(47,716)	49.0	(9,831)	(4,824)	-
Provision for amortisation/depreciation of non-current assets	386,379	377,266	2.4	128,433	126,338	1.7
Other adjustments	(12,858)	(16,913)	(24.0)	(5,261)	(3,529)	49.1
<b>Operating cash flow after taxes</b>	<b>963,975</b>	<b>948,011</b>	<b>1.7</b>	<b>320,989</b>	<b>316,671</b>	<b>1.4</b>
Changes to working capital	2,842	(160,551)	-	(52,241)	(9,363)	-
Changes to other non-current assets and liabilities	(46,394)	(141,639)	(67.2)	(24,727)	(24,061)	2.8
Changes to suppliers of PP&E	(84,769)	(23,958)	-	11,547	7,712	49.7
Investments	(295,964)	(458,073)	(35.4)	(110,516)	(93,226)	18.5
<b>Free cash flow</b>	<b>539,689</b>	<b>163,790</b>	<b>-</b>	<b>145,052</b>	<b>197,733</b>	<b>(26.6)</b>
Dividends paid	(463,189)	(432,834)	7.0	(334,772)	(312,752)	7.0
<b>Change in net financial debt (*)</b>	<b>(76,500)</b>	<b>269,044</b>	<b>-</b>	<b>(189,720)</b>	<b>115,019</b>	<b>-</b>

(1) This table is solely for the purpose of simplifying the consolidated cash flows table. It includes investments made by the Group in this period, the different with investment payments is fundamentally contained in Changes to assets and liabilities.

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

**Operating cash flow after tax** was €964.0 million, a 1.7 % rise year-on-year. The largest results and amortisations are partially offset by larger tax payments in application of Royal Decree 2/2016, which increases interim corporate income tax payments.

**Changes to working capital** meant a contribution of funds worth €2.8 million in the first nine months of 2017, fundamentally due to VAT charged and pending payment at the end of September and the reduced payments made to commercial creditors. This figure contrasts with the drop of €160.6 million euros for the preceding year, principally due to outstanding amounts pending settlement in the electrical system.

**Investment** by the Group during the period was €296.0 million. Of this amount, €227.0 million is earmarked for development of the national transmission network. The €458.1 million of investment posted 2016 included €199.8 million invested in the acquisition of 50% of the Chilean company TEN.

**Dividends** paid out amounted to €436.2 million, and include the €334.8 million paid on 3 July, equivalent to €0.6205 per share, corresponding to the 2016 additional dividend payment.

The Red Eléctrica Group's **net financial debt** at 30 September 2017 was €4,859.8 million, compared to €4,949.50 million at the end of 2016.

**Net financial debt (\*)**

(in thousands of euros)	National currency	Foreign currency	Total
Cash and cash equivalents	(507,188)	(16,700)	(523,888)
Long-term debenture bonds	3,182,632	439,859	3,622,491
Long-term loans	1,676,770	37,687	1,714,457
Promissory notes and current loans	-	46,783	46,783
<b>Total net financial debt</b>	<b>4,352,214</b>	<b>507,629</b>	<b>4,859,843</b>

(\*) Debt classified according to its original contracting, without considering short-term transfers.

As regards interest rates, 88 % of the Group's debt is at a fixed rate, while the remaining 12 % is at a floating rate.

In the nine months of 2017, the average cost of the Group's financial debt was 2.80 %. The average debt balance during the period was €5,320.0 million. In the same period of the previous year, the average cost of debt was 2.99% and the average debt balance was €5,478.00 million.

In addition, at 30 September 2017 the Red Eléctrica Group's equity totalled €3,062.0 million, an increase of €141.4 million on year-end 2016.

**4. Significant events**

- On 10 October, following news breaking in the press, Red Eléctrica issued a significant event, disclosing that the company had undertaken studies for the acquisition of a stake in Hispasat, and had been having conversations with Abertis about a potential deal. However, to date, no decision has been made by the Board of Directors.
- On 21 September, Red Eléctrica and its French counterpart Réseau de Transport d'Électricité began the public consultation on the electrical interconnection project between Spain and France via the Bay of Biscay. The link will be 370 kilometres in length, of which 280 will be underwater. It will increase exchange capacity from the current 2,800 megawatts (MW) to 5,000 MW. With a budget of €1,750 million, its expected completion date is in 2025.
- On 18 September 2017, Fitch Ratings confirmed the long-term rating of Red Eléctrica Corporación, S.A. as "A" with a stable outlook. Following the announcement, Red Eléctrica Corporación, S.A. and Red Eléctrica de España, S.A.U. maintain a long-term rating of 'A' and short term rating of 'F-2' with a stable outlook.
- On 9 September, the new ranking of the Dow Jones Sustainability Index (DJSI) was published. Red Eléctrica has been recognised as the top *Electric Utilities* Company, with an overall score of 93 point, which has allowed it to also top the *super-sector Utilities*, which covers the electricity, gas and water sectors. This recognition confirms the Red Eléctrica Group's commitment to sustainability and its direct contribution to the achievement of global targets, consolidating its position in international markets as a socially responsible investment benchmark.



## Red Eléctrica Group

## Consolidated Income Statement

(in thousands of euros)	30/09/2017	30/09/2016	2017/2016
Revenue	1,465,360	1,445,318	1.4%
Own work capitalised	45,105	24,113	87.1%
Supply costs	(38,488)	(30,038)	28.1%
Other operating income	12,918	11,804	9.4%
Personnel expenses	(109,079)	(106,116)	2.8%
Other operating expenses	(239,248)	(232,020)	3.1%
<b>Gross operating profit (EBITDA)</b>	<b>1,136,568</b>	<b>1,113,061</b>	<b>2.1%</b>
Amortisation/depreciation of non-current assets	(386,379)	(377,266)	2.4%
Release of grants related to non-financial assets	17,533	15,766	11.2%
Impairment and gains/losses on disposal of fixed assets	54	49	10.2%
<b>Net operating profit (EBIT)</b>	<b>767,776</b>	<b>751,610</b>	<b>2.2%</b>
Finance income	6,843	8,570	(20.2%)
Finance costs	(113,633)	(123,139)	(7.7%)
Exchange differences	12	(257)	-
<b>Net finance expense</b>	<b>(106,778)</b>	<b>(114,826)</b>	<b>(7.0%)</b>
Profit participation in companies under the participation method	542	(1,410)	-
<b>Profit before tax</b>	<b>661,540</b>	<b>635,374</b>	<b>4.1%</b>
Income tax expense	(166,003)	(162,745)	2.0%
<b>Consolidated profit for the period</b>	<b>495,537</b>	<b>472,629</b>	<b>4.8%</b>
<b>A) Consolidated profit attributable to the Parent</b>	<b>495,537</b>	<b>471,287</b>	<b>5.1%</b>
<b>B) Consolidated profit attributable non-controlling interests</b>	<b>-</b>	<b>1,342</b>	<b>-</b>



## Red Eléctrica Group

### Consolidated Balance Sheet

ASSETS(in thousands of euros)	30/09/2017	31/12/2016
Non-current assets	9,133,655	9,256,765
Current Assets	1,666,855	1,293,585
<b>Total assets</b>	<b>10,800,510</b>	<b>10,550,350</b>

LIABILITIES(in thousands of euros)	30/09/2017	31/12/2016
Net equity	3,061,979	2,920,549
Non-current liabilities	5,949,846	6,227,787
Current liabilities	1,788,685	1,402,014
<b>Total liabilities</b>	<b>10,800,510</b>	<b>10,550,350</b>

### Consolidated Cash Flow Statement

(in thousands of euros)	30/09/2017	30/09/2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>941,429</b>	<b>768,544</b>
Profit before tax	661,540	635,374
Adjustments to results	484,994	483,214
Changes in working capital	2,842	(160,551)
Other cash flows from operating activities	(207,946)	(189,493)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(390,618)</b>	<b>(597,256)</b>
Payments for investments	(399,042)	(608,377)
Proceeds from disposals	1,143	969
Other cash flows from investing activities	7,281	10,152
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>(275,137)</b>	<b>(264,107)</b>
Proceeds from/(payments for) equity instruments	3,231	2,014
Proceeds from/(payments for) financial liabilities	195,966	175,529
Dividend payments	(463,189)	(432,834)
Other cash flows from financing activities	(11,145)	(8,816)
<b>Effect of exchange rates fluctuations</b>	<b>(3,208)</b>	<b>(696)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>272,467</b>	<b>(93,515)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>251,421</b>	<b>386,861</b>
<b>Cash and cash equivalents at end of period</b>	<b>523,888</b>	<b>293,346</b>



## Financial calendar Upcoming events

### Estimated dates

<b>Interim dividend 2017</b>	<b>January 2018</b>
<b>Presentation of 2017 results</b>	<b>February 2018</b>

For more information,

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



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## APPENDIX

### Corporate responsibility certifications



Recognised as the top Electric Utilities company and in also top the super-sector Utilities, which covers the electricity, gas and water sectors.



"Silver Class" distinction in the 2017 RobecoSAM Sustainability Year.



FTSE4Good index since 2008. (\*)



Renewed inclusion in the STOXX Global ESG Leaders indices



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



Renewed presence in the Euronext-Vigeo sustainability indices (Eurozone 120 and Europe 120) following its first inclusion in 2014.



Red Eléctrica Corporación confirms its presence in the Ethibel Sustainability Index Excellence Europe as of 20/03/2017.



Red Eléctrica Corporación renews its inclusion in the Ethibel PIONEER and Ethibel EXCELLENCE Investment Registers effective from 2 January 2017.



Included in the ECPI Indices since 2008.



Part of the "A list" of the Carbon Disclosure Project, recognised as a leading company for its efforts and actions to combat climate change.



Red Eléctrica leads the Vigeo - Eiris ranking in human resources, by obtaining the best score for its performance and best practice in this area.



Included among the ten leading companies in the ranking of the study on the status of sustainability reporting of IBEX 35 companies.

(\*) FTSE Group confirms that Red Eléctrica Corporation has been independently assessed in accordance with FTSE4Good criteria and meets the requirements to be ranked in 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.