



**RED**  
**ELÉCTRICA**  
CORPORACIÓN

# Financial results

## January - March 2016

Profit for the first three months of 2016 rose 4.6% year-on-year to €173,6 million.

EBITDA was 1.4% higher compared with the first three months of 2015, at €392.9 million.

Red Eléctrica Group investments rose to €277.5 million, including the acquisition of 50% of the Chilean company TEN.

27 April 2016

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## 1. Red Eléctrica: Financial highlights

### Income statement

(in thousands of euros)	January - March		
	2016	2015	Δ %
Revenue	487,898	487,028	0.2
Gross operating result (EBITDA)	392,867	387,485	1.4
Net operating result (EBIT)	272,973	269,905	1.1
Profit before taxes	233,652	229,932	1.6
Profit for the year	173,646	166,059	4.6

### Balance sheet

(in thousands of euros)	March 2016	December 2015	Δ %
Total non-current assets	9,270,649	9,156,541	1.2
Net equity	2,919,974	2,760,613	5.8
Net financial debt (*)	5,163,567	4,905,873	5.3

(\*) Includes exchange rate derivatives.

### Other financial figures

(in thousands of euros)	January - March		
	2016	2015	Δ %
Operating cash flow after taxes	347,410	376,551	(7.7)
Investments	277,540	99,375	179.3
Dividends paid	120,082	112,463	6.8



## 2. Earnings performance

**Revenue** for the first three months of 2016 amounted to €487.9 million, up 0.2% year-on-year. Regulated revenue in Spain, transmission and operation of the system was essentially in line with the previous year, which reflects the final regulatory parameters approved at the end of 2015 and the revenue from facilities commissioned in 2015. The telecommunications business revenue increased by €1.7 million.

**EBITDA** rose 1.4% year-on-year to €392.9 million. EBITDA growth was driven by the change in operating costs:

- **Supplies and other operating expenses** fell by €5.9 million, more than 8% compared with the first quarter of 2015. This change was the result of efficiency improvements introduced in the first quarter of the year.
- **Personnel expenses** increased by €1.4 million year-on-year. This increase is due to the implementation of the collective agreement, the increase in the average headcount and various other reasons such as higher social security, indemnity and other expenses.

The **final headcount** was 1,764 employees at 31 March 2016, while the average headcount was 1,762 employees, up 0.6% year-on-year.

### Operating expenses

(in thousands of euros)	January - March		
	2016	2015	Δ%
Supplies and other operating expenses	66,789	72,734	(8.2)
Personnel expenses	35,537	34,099	4.2
<b>Operating expenses</b>	<b>102,326</b>	<b>106,833</b>	<b>(4.2)</b>

**Net operating profit (EBIT)** reached €273.0 million, up 1.1% year-on-year.

The **net financial result** rose to -€39.2 million, up €0.8 compared with -€40million for the same period a year earlier; this improvement was mainly attributable to lower interest rates.

Finally, **profit for the year** rose to €173.6 million, up 4.6% year-on-year, with an effective tax rate of 25.5% following the application of the corporate income tax law (Law 27/2014).



### 3. Cash flow and balance sheet performance

#### Cash flows

(in thousands of euros)	January - March		
	2016	2015	Δ%
Profit before tax	233,652	229,932	1.6
Taxes paid on earnings	(2,190)	28,351	-
Provision for amortisation/depreciation of non-current assets	125,109	121,414	3.0
Other adjustments	(9,161)	(3,146)	-
<b>Operating cash flow after taxes</b>	<b>347,410</b>	<b>376,551</b>	<b>(7.7)</b>
Changes to working capital	(72,272)	106,397	-
Changes to other non-current assets and liabilities	(93,169)	(23,497)	-
Changes to suppliers of PP&E	(48,234)	(49,941)	(3.4)
Investments	(277,540)	(99,375)	-
<b>Free cash flow</b>	<b>(143,805)</b>	<b>310,135</b>	<b>-</b>
Dividend payments	(120,082)	(112,463)	6.8
<b>Change in net financial debt (*)</b>	<b>263,887</b>	<b>(197,672)</b>	<b>-</b>

(\*) 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.

**Operating cash flow after taxes** amounted to €347.4 million, a 7.7% decrease on the same period in the previous year. This change is mainly due to the taxes paid on earnings item, with the Group reporting the extraordinary collection of €28.4 million in 2015 in pending settlements corresponding to corporate income tax for 2013.

**Changes to working capital** decreased by €72.3 million, since the previous year included one off elements that did not occur in this financial year, such as the recovery of VAT on the acquisition of the long-term rights to use the fibre-optic network.

Group **investments** in the first quarter of 2016 totalled €277.5 million, including the payment of €199.8 million for the acquisition of 50% of the Chilean company TEN. Investment in the transportation network rose to €68.9 million.

The **interim dividend paid out** in the first quarter of 2016 rose to €120.1 million, equivalent to €0.8906 per share and 7% higher than the dividend for the previous year (€0.8323 per share). This was in line with the shareholder remuneration policy laid down by the Company.

The Red Eléctrica Group's **net financial debt** at 31 March 2016 stood at €5,163.6 million compared with the end of 2015, when it amounted to €4,905.9 million. This change was due to the cash flows described in the above paragraphs.





### Net financial debt

(in thousands of euros)	National currency	Foreign currency	Total
Cash and cash equivalents	(78,305)	(29,868)	(108,173)
Long-term debenture bonds	2,999,537	447,760	3,447,297
Long-term loans	1,675,144	35,749	1,710,893
Promissory notes and current loans	50,001	63,549	113,550
<b>Total net financial debt</b>	<b>4,646,377</b>	<b>517,190</b>	<b>5,163,567</b>

(\*) Debt classified in accordance with its original contract terms.

Depending on the rate of interest, 85% of the Group's net debt is fixed, while the remaining 15% is floating.

This means that in the first quarter of 2016 the average cost of the Group's financial debt was 3.01%. The average debt balance during the period was €5,396.9 million. In the same period of the previous year, the average cost of debt was 3.24% and the average debt balance was €5,471.1 million.

At 31 March 2016, the Red Eléctrica Group's net equity totalled €2,920.0 million, up 5.8% compared with year-end 2015, mainly due to the earnings obtained in the first three months of the year.

## 4. Relevant events during the quarter

- On 15 April the General Shareholders' Meeting approved the Financial Statements and Management Report of Red Eléctrica Corporación, S.A. and the consolidated Red Eléctrica Corporación Group and its subsidiaries for the year ended 31 December 2015.

It also ratified payment of a gross dividend of €3.21 per share on 1 July 2016, minus the gross amount of €0.8906 per share paid out as an interim dividend.

The Shareholders' Meeting re-elected José Folgado Blanco as an external director, who as a result shall perform the role of non-executive Chairman of the Board of Directors and of Red Eléctrica from the date of the meeting. In addition, Fernando Fernández Méndez de Andés was re-elected as a nominee director and Carmen Gómez de Barreda Tous de Monsalve as an independent director. It also confirmed the appointments of José Ángel Partearroyo Martín as a nominee director and of Agustín Conde Bajén as an independent director.

Furthermore, the Shareholders' Meeting approved the split of the number of Company shares through the reduction of its nominal value of two euros (€2) to fifty euro cents (€0.50) per share, a ratio of four new shares for each old share, without changing the share capital amount. It delegated the Board of Directors to execute the agreement.

- On 7 April, Red Eléctrica Corporación, through its subsidiary Red Eléctrica Financiaciones, S.A.U., carried out a €300 million euromarket bond issue, with a maturity of 10 years. The issue has an annual coupon of 1% and was priced at 99.603%, equating to a yield of 1.042%.
- On 4 March 2016 Red Eléctrica approved its annual Corporate Responsibility Programme, which is part of the Corporate Responsibility Plan 2014-2016. Through the development of 81 projects, this plan brings together the Company's major commitments regarding the following management areas: sustainable energy model, corporate governance and ethics, employees, company and environment.



## Consolidated income statement

(in thousands of euros)	31/03/2016	31/03/2015	2016/2015
Revenue	487,898	487,028	0.2%
Own work capitalised	6,056	4,712	28.5%
Supply costs	(9,213)	(10,306)	(10.6%)
Other operating income	1,239	2,578	(51.9%)
Personnel expenses	(35,537)	(34,099)	4.2%
Other operating expenses	(57,576)	(62,428)	(7.8%)
<b>Gross operating profit (EBITDA)</b>	<b>392,867</b>	<b>387,485</b>	<b>1.4%</b>
Amortisation/depreciation of non-current assets	(125,109)	(121,414)	3.0%
Release of grants related to non-financial assets	5,188	3,834	35.3%
Impairment and gains/losses on disposal of fixed assets	27	-	-
<b>Net operating profit (EBIT)</b>	<b>272,973</b>	<b>269,905</b>	<b>1.1%</b>
Finance income	684	2,110	(67.6%)
Finance costs	(39,833)	(42,765)	(6.9%)
Exchange differences	(32)	682	-
<b>Net financial expense</b>	<b>(39,181)</b>	<b>(39,973)</b>	<b>(2.0%)</b>
Equity investments in results of companies measured using the equity method	(140)	-	-
<b>Profit before tax</b>	<b>233,652</b>	<b>229,932</b>	<b>1.6%</b>
Income tax expense	(59,540)	(63,677)	(6.5%)
<b>Consolidated profit for the period</b>	<b>174,112</b>	<b>166,255</b>	<b>4.7%</b>
<b>A) Consolidated profit attributable to the parent company</b>	<b>173,646</b>	<b>166,059</b>	<b>4.6%</b>
<b>B) Consolidated profit attributable to non-controlling interests</b>	<b>466</b>	<b>196</b>	<b>-</b>



## Summary consolidated balance sheet

ASSETS (in thousands of euros)	31/03/2016	31/12/2015
Non-current assets	9,270,649	9,156,541
Current assets	1,135,587	1,441,403
<b>Total assets</b>	<b>10,406,236</b>	<b>10,597,944</b>

LIABILITIES (in thousands of euros)	31/03/2016	31/12/2015
Equity	2,919,974	2,760,613
Non-current liabilities	6,048,335	6,040,721
Current liabilities	1,437,927	1,796,610
<b>Total equity and liabilities</b>	<b>10,406,236</b>	<b>10,597,944</b>

## Summary consolidated cash flow statement

(in thousands of euros)	31/03/2016	31/03/2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>259,951</b>	<b>461,828</b>
Profit before tax	233,652	229,932
Adjustments to results	161,343	159,302
Changes in working capital	(72,272)	106,397
Other cash flows from operating activities	(62,772)	(33,803)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(396,468)</b>	<b>(145,540)</b>
Payments from investments	(397,690)	(150,529)
Proceeds from disposals	208	263
Other cash flows from investing activities	1,013	4,726
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>(140,939)</b>	<b>(481,811)</b>
Proceeds from/(payments for) equity instruments	(6,056)	(6,401)
Proceeds from/(payments for) financial liabilities	(14,801)	(362,947)
Dividend payments	(120,082)	(112,463)
Other cash flows from financing activities	-	-
<b>Effect of variation in exchange rates</b>	<b>(1,232)</b>	<b>247</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(278,688)</b>	<b>(165,275)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>386,861</b>	<b>299,368</b>
<b>Cash and cash equivalents at end of period</b>	<b>108,173</b>	<b>134,093</b>



## Financial calendar

### Upcoming events

#### Estimated dates

Payment of the final dividend 2015	1 July 2016
1H16 results presentation	Final week of July 2016

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Red Eléctrica has the following credit ratings: 'A-' from S&P, outlook stable, and 'A-' from Fitch, outlook positive.



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## APPENDIX Corporate responsibility certifications



Included in the Dow Jones (Europe and World) sustainability indices since 2015.



Gold Class award by the Sustainability Yearbook 2016. The only Spanish company in the electric utilities sector to achieve the highest distinction.



FTSE4Good

Included in the FTSE4Good index since 2008 (\*)



Included in the STOXX Global ESG Leaders indices.



Included in the MSCI Global Sustainability index series since 2014.



Included in the Euronext-Vigeo sustainability indices (Eurozone 120, Europe 120, Global 120) since 2014.



Included in the Ethibel Sustainability Index (ESI) Excellence Europe since 21 September 2015.



Included in the Ethibel PIONEER and Ethibel EXCELLENCE Investment Registers since 29 January 2015, and in the Ethibel Excellence index since 2009.



Included in the ECPI indices since 2008.



Included in the disclosure leadership index with a score of 100 points.



Included in the 10 best companies for the identification of sustainability and corporate governance issues according to the IRRI 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 recognised 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.