



**RED**  
**ELÉCTRICA**  
CORPORACIÓN

# Financial results

## January - June 2017

**Profit for the first half of 2017 was €340.1 million, a 5.1% rise year-on-year, which is in keeping with the growth target of the 2014-2019 Strategic Plan.**

**EBITDA was €769.7 million, up 2.0% on the first half of 2016.**

**Total investment by the Red Eléctrica Group was €198.2 million.**

27 July 2017

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The Consolidated Condensed Interim Financial Statements, forming part of the financial information presented in this document, were subject to a limited review, having obtained a favourable opinion by the auditors. This information was 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		
	2017	2016	Δ %	2017	2016	Δ %
Revenue	987,295	968,207	2.0	490,799	480,309	2.2
Gross operating profit (EBITDA)	769,703	754,353	2.0	368,927	361,486	2.1
Net operating profit (EBIT)	523,462	513,916	1.9	246,566	240,943	2.3
Profit before tax	453,892	436,688	3.9	213,337	203,036	5.1
Profit for the period	340,081	323,499	5.1	158,287	149,853	5.6

### Balance sheet

(in thousands of euros)	June 2017	December 2016	Δ %
Non-current assets	9,179,398	9,256,765	(0.8)
Equity	2,914,703	2,920,549	(0.2)
Net financial debt*	4,743,722	4,949,456	(4.2)

(\*) Includes exchange rate derivatives.

### Other financial figures

(in thousands of euros)	January - June			Abril - June		
	2017	2016	Δ %	2017	2016	Δ %
Operating cash flow after taxes	642,986	631,340	1.8	276,673	283,930	(2.6)
Investments	198,161	364,847	(45.7)	110,516	87,307	26.6
Dividends paid	128,417	120,082	6.9	-	-	-



## 2. Profit performance

**Revenue** for the first half of 2017 amounted to €987.3 million, up 2.0% 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 €43.4 million, and regulated revenue from system operation in the amount of €28.0 million.

**EBITDA** amounted to €769.7 million, showing growth of 2.0% year-on-year, the result of the consolidation of the efficiency measures implemented by Red Eléctrica.

We note the following regarding the performance of operating costs:

- **Supply costs and other operating expenses** rose 14% year-on-year, principally due to the inclusion of investments made in construction projects in Peru, in application of accounting standard IFRIC 12 and loss-related expenses. Without those elements, they would have remained practically unchanged from 2016, thus highlighting the effort made by Red Eléctrica to improve efficiency.
- **Personnel expenses** rose 2% to June. This increase is largely due to the 1.3% growth in the Group's average workforce.

The **final headcount** was 1,815 employees at 30 June 2017, while the average headcount stood at 1,785 employees, up 1.3% on the first six months of 2016.

(in thousands of euros)	January - June			Abril - June		
	2017	2016	Δ %	2017	2016	Δ %
Supplies and other operating expenses	183,420	160,867	14.0	104,487	94,078	11.1
Personnel expenses	72,824	71,365	2.0	37,027	35,828	3.3
<b>Operating expenses</b>	<b>256,244</b>	<b>232,232</b>	<b>10.3</b>	<b>141,514</b>	<b>129,906</b>	<b>8.9</b>

**Net operating profit (EBIT)** stood at €523.5 million, a 1.9% rise year-on-year, thanks to a 2.8% rise in the provision for amortisation and depreciation of non-current assets as a result of new commissioning in 2016.

**Financial profit (loss)** was €-70 million, compared to €-75.5 million in the same period last year. The improvement seen includes lower average interest rates and a reduction in the average financial debt balance.

Finally, **profit** for the period totalled €340.1 million, up 5.1% year-on-year. The average tax rate was 25.1% compared to 25.7% in the same period last year.



### 3. Cash flow and balance sheet performance

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

(in thousands of euros)	January - June			Abril - June		
	2017	2016	Δ %	2017	2016	Δ %
Profit before tax	453,892	436,688	3.9	213,337	203,036	5.1
Taxes paid on earnings	(61,255)	(42,892)	42.8	(61,153)	(40,702)	50.2
Provision for amortisation/depreciation of non-current assets	257,946	250,928	2.8	129,137	125,819	2.6
Other adjustments	(7,597)	(13,384)	(43.2)	(4,648)	(4,223)	10.1
<b>Operating cash flow after taxes</b>	<b>642,986</b>	<b>631,340</b>	<b>1.8</b>	<b>276,673</b>	<b>283,930</b>	<b>(2.6)</b>
Changes to working capital	(9,558)	(151,188)	(93.7)	(52,241)	(78,916)	(33.8)
Changes to other non-current assets and liabilities	(54,369)	(117,578)	(53.8)	(24,727)	(24,409)	1.3
Changes to suppliers of PP&E	(57,120)	(31,670)	80.4	11,547	16,564	(30.3)
Investments	(198,161)	(364,847)	(45.7)	(110,516)	(87,307)	26.6
<b>Free cash flow</b>	<b>323,778</b>	<b>(33,942)</b>	<b>-</b>	<b>100,737</b>	<b>109,862</b>	<b>(8.3)</b>
Dividends paid	(128,417)	(120,082)	6.9	-	-	-
<b>Change in net financial debt (*)</b>	<b>(195,361)</b>	<b>154,024</b>	<b>-</b>	<b>100,737</b>	<b>109,862</b>	<b>(8.3)</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 €643.0 million, a 1.8 % 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** dropped by €9.6 million in the first half of 2017, highlighting that the main elements of working capital have not undergone significant change from 2016. In the first half of last year, working capital dropped by €151.2 million on the previous year, principally due to amounts pending settlement in the electricity system.

Group **investments** in the first six months of 2017 amounted to €198.2 million. Of this amount, €144.5 million is earmarked for development of the national transmission network. The €364.8 million of investment posted 2016 included €199.8 million invested in the acquisition of 50% of the Chilean company TEN.

The **interim dividend paid out** in the first half of 2017 amounted to €128.4 million, equivalent to €0.2382 per share on the interim dividend for 2016.

The Red Eléctrica Group's **net financial debt** at 30 June 2017 was €4,743.7 million, compared to 4,949.5 at the end of 2016.



### Net financial debt (\*)

(in thousands of euros)	National currency	Foreign currency	Total
Cash and cash equivalents	(642,501)	(14,617)	(657,118)
Long-term debenture bonds	3,181,423	443,517	3,624,940
Long-term loans	1,701,242	50,858	1,752,100
Promissory notes and current loans	-	23,800	23,800
<b>Total net financial debt</b>	<b>4,240,164</b>	<b>503,558</b>	<b>4,743,722</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.

This means that during these first six months the average cost of the Group's financial debt was 2.83%. The average debt balance during the period was €5,265.64 million. In the same period of the previous year, the average cost of debt was 3.00% and the average debt balance was €5,459.4 million.

Moreover, at 30 June 2017, the Red Eléctrica Group's equity stood at €2,914.7 million.

## 4. Relevant events

- On 4 July 2017, the credit rating agency Standard & Poor's issued a new report on Red Eléctrica, maintaining its rating and its allocated outlook. Red Eléctrica Corporación, S.A. and its subsidiary Red Eléctrica de España, S.A.U. maintain their long-term rating of 'A-' and short-term rating of 'A-2' with a stable outlook.
- On 3 July, an additional dividend payment was made of €0.6205 per share, charged against 2016 profit. The total dividend for 2016 has risen to €0.8587 per share, which is a 7% increase on the previous year, and in line with the shareholder remuneration policy included in the Red Eléctrica strategic plan that establishes average annual growth of 7%.
- On 30 June, Red Eléctrica Spain commissioned the Arkale phase shifter in the 220 kilovolt interconnection line between the substations of Arkale (Oyarzun, Guipúzcoa) and Argia (France). The facility is a key element in increasing the exchange capacity with Europe and security of supply. It is a Project of Common Interest for the European Union due to enhancing supply security and bolstering international electrical energy exchanges with south-west Europe, which is essential in order to take full advantage of renewable energy and for the creation of a Single Energy Market in Europe.
- On 13 June Red Eléctrica Corporación, through its subsidiary Red Eléctrica Financiaciones, S.A.U., carried out a €200 million bond issue in the Euro market as part of its EMTN Programme EMTN. This issue has a nine-year maturity and payment was made on 21 June 2017. The issue has an annual coupon of 1.00% and an issue price of 99.454%, which represents a yield of 1.065%. This issue will be consolidated and form a single series with Red Eléctrica Financiaciones, S.A. Unipersonal issue of €300 million due on 21 April 2026.
- The Red Eléctrica Group, via Red Eléctrica Chile in a 70/30 consortium Cobra, Instalaciones y Servicios, has been awarded the contract for the execution and subsequent operation of 258 kilometres of lines and a 220 kV substation in the Norte Grande Electrical System in Chile. The estimated investment amounts to 96 million dollars. The construction period for the substation is two years and four years for the lines.



- On 25 May, Red Eléctrica approved its Biodiversity Action Plan 2017-2021, which refers to the need to improve biodiversity management in the company, incorporating new concepts and approaches, and promoting innovation on biodiversity issues through the development of applied protection solutions.
- On 25 April, the Board of Directors of Red Eléctrica Corporación, S.A. appointed Independent Director Mr. Arsenio Fernández de Mesa y Díaz del Río as a member of the Audit Committee of Red Eléctrica Corporación S.A., to fill the existing vacancy in the Audit Committee as a result of the removal of the Proprietary Director Mr. Santiago Lanzuela Marina as a member of said Committee. It also appointed Proprietary Director Mr. Santiago Lanzuela Marina and the Independent Director Mr. Alberto Francisco Carbajo Josa, as members of the Appointments and Remuneration Committee of Red Eléctrica Corporación, S.A, to fill the two existing vacancies.



## Red Eléctrica Group

## Consolidated Income Statement

(in thousands of euros)	30/06/2017	30/06/2016	2017/2016
Revenue	987,295	968,207	2.0%
Own work capitalised	27,689	14,730	88.0%
Supply costs	(23,792)	(21,201)	12.2%
Other operating income	10,963	3,648	-
Personnel expenses	(72,824)	(71,365)	2.0%
Other operating expenses	(159,628)	(139,666)	14.3%
<b>Gross operating profit (EBITDA)</b>	<b>769,703</b>	<b>754,353</b>	<b>2.0%</b>
Amortisation/depreciation of non-current assets	(257,946)	(250,928)	2.8%
Release of grants related to non-financial assets	11,682	10,462	11.7%
Impairment and gains/losses on disposal of fixed assets	23	29	(20.7%)
<b>Net operating profit (EBIT)</b>	<b>523,462</b>	<b>513,916</b>	<b>1.9%</b>
Finance income	5,849	6,340	(7.7%)
Finance costs	(75,881)	(81,774)	(7.2%)
Exchange differences	78	(75)	-
<b>Net financial result</b>	<b>(69,954)</b>	<b>(75,509)</b>	<b>(7.4%)</b>
Profit participation in companies under the participation method	384	(1,719)	-
<b>Profit before tax</b>	<b>453,892</b>	<b>436,688</b>	<b>3.9%</b>
Income tax expense	(113,811)	(112,240)	1.4%
<b>Consolidated profit for the period</b>	<b>340,081</b>	<b>324,448</b>	<b>4.8%</b>
<b>A) Consolidated profit attributable to the Parent</b>	<b>340,081</b>	<b>323,499</b>	<b>5.1%</b>
<b>B) Consolidated profit attributable to non-controlling interests</b>	<b>-</b>	<b>949</b>	<b>-</b>



## Red Eléctrica Group

### Consolidated Balance Sheet

ASSETS (in thousands of euros)	30/06/2017	31/12/2016
Intangible assets	141,372	134,572
Property, plant and equipment	8,725,058	8,776,711
Investment property	2,407	2,429
Investments recognised under the participation method	184,294	200,757
Non-current financial assets	96,838	111,861
Deferred tax assets	28,639	28,903
Other non-current assets	790	1,532
<b>Non-current assets</b>	<b>9,179,398</b>	<b>9,256,765</b>
Inventories	53,232	39,467
Trade and other receivables	1,026,395	962,122
Other current financial assets	53,008	40,575
Cash and cash equivalents	657,118	251,421
<b>Current assets</b>	<b>1,789,753</b>	<b>1,293,585</b>
<b>Total assets</b>	<b>10,969,151</b>	<b>10,550,350</b>

LIABILITIES (in thousands of euros)	30/06/2017	31/12/2016
Equity	2,967,672	2,965,210
Capital	270,540	270,540
Reserves	2,386,965	2,222,906
Treasury shares and own equity instruments (-)	(29,914)	(36,739)
Profit attributable to the Parent	340,081	636,920
Interim dividend	-	(128,417)
Valuation adjustments	(52,969)	(62,156)
Non-controlling interests	-	17,495
<b>Equity</b>	<b>2,914,703</b>	<b>2,920,549</b>
Grants and other	594,852	547,941
Non-current provisions	96,030	94,651
Non-current financial liabilities	4,732,111	5,034,400
Deferred tax liabilities	477,850	486,570
Other non-current liabilities	89,123	64,225
<b>Non-current liabilities</b>	<b>5,989,966</b>	<b>6,227,787</b>
Current financial liabilities	1,588,893	1,066,909
Trade and other payables	475,589	335,105
<b>Current liabilities</b>	<b>2,064,482</b>	<b>1,402,014</b>
<b>Total equity and liabilities</b>	<b>10,969,151</b>	<b>10,550,350</b>



## Red Eléctrica Group

### Consolidated Cash Flow Statement

(in thousands of euros)	30/06/2017	30/06/2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>592,109</b>	<b>447,078</b>
Profit before tax	453,892	436,688
Adjustments for:	323,786	321,609
Amortisation and depreciation	257,946	250,928
Other adjustments to results (net)	65,840	70,681
Changes in working capital	(9,558)	(151,188)
Other cash flows from operating activities	(176,011)	(160,031)
Interest paid	(117,200)	(114,848)
Interest received	3,881	3,881
Dividends received	1,844	203
Income tax received/(paid)	(61,255)	(42,892)
Other collections/(payments) on operating activities	(3,281)	(6,375)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(262,766)</b>	<b>(477,794)</b>
Payments for investments	(270,074)	(486,453)
Property, plant and equipment, intangible assets and investment property	(228,944)	(162,300)
Other financial assets	(41,130)	(324,153)
Proceeds from disposals	847	518
Property, plant and equipment, intangible assets and investment property	24	59
Other assets	823	459
Other cash flows from investing activities	6,461	8,141
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>78,129</b>	<b>114,286</b>
Proceeds from/(payments for) equity instruments	7,355	6,261
Acquisitions	(14,351)	(63,163)
Disposals	21,706	69,424
Proceeds from/(payments for) financial liabilities	210,336	236,923
Issue and placements	443,666	491,595
Redemption and repayment	(233,330)	(254,672)
Dividend payments	(128,417)	(120,082)
Other cash flows from financing activities	(11,145)	(8,816)
<b>Effect of exchange rates fluctuations</b>	<b>(1,775)</b>	<b>(671)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>405,697</b>	<b>82,899</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>657,118</b>	<b>469,760</b>



## Financial calendar Upcoming events

### Estimated dates

9M17 results presentation

October 2017

For more information,

Visit our website: <http://www.ree.es>

or contact us at:

#### Investor relations

Paseo Conde de los Gaitanes, 177  
28109 Alcobendas · Madrid  
Telephone: (34) 91 650 20 12

[relacioninversores@ree.es](mailto:relacioninversores@ree.es)

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



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## APPENDIX

### Corporate responsibility certifications



Inclusion in the Dow Jones sustainability indexes (Europe and World) in 2016.



Silver Class distinction in the Sustainability Yearbook 2017.



FTSE4Good

Included in the FTSE4Good index since 2008. (\*)



Renewed inclusion in the STOXX Global ESG Leaders indexes.



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



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



Renewal in the Ethibel Sustainability Index (ESI) Excellence Europe effective from 20/03/2017.



Renewed inclusion in the Ethibel PIONEER and Ethibel EXCELLENCE Investment Registers since 2 January 2017.



Included in the ECPI Indices since 2008.



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



Red Eléctrica leads Vigeo-Eiris ranking in human resources, after obtaining the best valuation for its performance and good practices in this area.



Included among the 10 top companies in the ranking regarding the study about the reporting of sustainability 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.