



RED
ELÉCTRICA
CORPORACIÓN

Financial results

January - March 2017

Profit for the first quarter of 2017 was €181.8 million, a rise of 4.7% year on year.

EBITDA was €400.8 million, 2.0% higher than in the first quarter of 2016.

Investments in the Red Eléctrica Group amounted to €87.6 million.

26 April 2017

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1. Red Eléctrica: Financial highlights

Income statement

(in thousands of euros)	January - March		
	2017	2016	Δ %
Revenue	496,496	487,898	1.8
Gross operating profit (EBITDA)	400,776	392,867	2.0
Net operating profit (EBIT)	276,896	272,973	1.4
Profit before tax	240,555	233,652	3.0
Profit for the period	181,794	173,646	4.7

Balance Sheet

(in thousands of euros)	March 2017	December 2016	Δ %
Non-current assets	9,180,737	9,256,765	(0.8)
Equity	2,748,900	2,920,549	(5.9)
Net financial debt*	4,852,719	4,949,456	(2.0)

(*) Includes exchange rate derivatives.

Other financial figures

(in thousands of euros)	January - March		
	2017	2016	Δ %
Operating cash flow after tax	366,313	347,410	5.4
Investments	87,647	277,540	(68.4)
Dividends paid	128,417	120,082	6.9



2. Profit performance

Revenue for the first quarter of 2017 amounted to €496.5 million, up 1.8% year-on-year. This rise is principally owing to the commissioning of new transmission facilities in Spain. Income from telecommunications and international businesses remained in line with the first quarter of last year.

EBITDA amounted to €400.8 million, showing growth of 2.0% year-on-year. The rise in EBITDA is due to income growth and the operating cost performance:

- **Supply costs and other operating expenses** rose to €78.9 million, an 18.2% rise in the first three months of last year. This rise is due to the inclusion of investments made in Peru construction projects, in application of accounting standard IFRIC 12 and loss-related expenses. Both concepts have a counterpart in Group income as own work capitalised or income from compensation for losses, included in other operating expenses. Removing both effects this item would give rise to a similar rate to revenue, thus meaning that Red Eléctrica would maintain the efficiency improvements achieved in 2016.
- **Personnel expenses** rose 0.7% year-on-year. This increase is somewhat below the growth in workforce.

The **final workforce** was 1,764 employees at 31 March 2017, while the average workforce stood at 1,762 employees, a rise of 0.9% on the end of the first quarter of 2016.

Operating expenses

(in thousands of euros)	January - March		
	2017	2016	Δ %
Supplies and other operating expenses	78,933	66,789	18.2
Personnel expenses	35,797	35,537	0.7
Operating expenses	114,730	102,326	12.1

Net operating profit (EBIT) stood at €276.9 million, up 1.4% year-on-year.

Net financial profit was €-37.0 million, a 2.2 million improvement on the -39.2 million reported for the same period a year earlier. This is mainly attributable to lower interest rates.

Finally, **profit for the period** amounted to €181.8 million, up 4.7% year-on-year, with an effective tax rate of 24.4% following the inclusion of the positive effects on tax carryforwards applicable to the Group.



3. Cash flow and balance sheet performance

Cash flows⁽¹⁾

(in thousands of euros)	January - March		
	2017	2016	Δ %
Profit before tax	240,555	233,652	3.0
Taxes paid on earnings	(102)	(2,190)	(95.3)
Provision for amortisation/depreciation of non-current assets	128,809	125,109	3.0
Other adjustments	(2,949)	(9,161)	(67.8)
Operating cash flow after taxes	366,313	347,410	5.4
Changes to working capital	42,683	(72,272)	-
Long-term changes to other non-current assets and liabilities	(29,642)	(93,169)	(68.2)
Changes to suppliers of PP&E	(68,667)	(48,234)	42.4
Investments	(87,647)	(277,540)	(68.4)
Free cash flow	223,040	(143,805)	-
Dividends paid	(128,417)	(120,082)	6.9
Change in net financial debt⁽²⁾	(94,623)	263,887	-

(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 taxes was €366.3 million, a rise of 5.4% year-on-year. This improvement is principally owing to improved pre-tax profit and higher amortisations of non-current assets.

The positive performance of **Changes to working capital** of €42.7 million is due to increased receivables mostly from transmission tariffs.

Investment in the first quarter of 2017 was €87.6 million, and this mainly includes investment in the national transmission network, which amounted to €49.9 million, and international investments in Peru, which include the acquisition of 45% of Redesur. This figure is compared to €277.5 million recorded in the first quarter of 2016 that included €199.8 million of investment made to acquire 50% of the Chilean company TEN in 2016.

The **Interim dividend paid out** on 5 January amounted to €128.4 million, equivalent to €0.23820 per share, and 7% higher than the €0.22265 per share paid in the previous year, considering the share split performed in July of last year, and in line with the shareholder remuneration policy proposed by the company.

As a result of the cash flows indicated above, the Red Eléctrica Group's **net financial debt** at 31 March 2017 was €4,852.7 million, compared to 4,949.50 at the end of 2016.

**Net financial debt (*)**

(in thousands of euros)	National currency	Foreign currency	Total
Cash and cash equivalents	(339,717)	(16,066)	(355,783)
Long-term debenture bonds	2,981,904	449,679	3,431,583
Long-term loans	1,711,271	38,908	1,750,179
Promissory notes and current loans	-	26,740	26,740
Total net financial debt	4,353,458	499,261	4,852,719

(*) Debt classified according to its form when contracted.

As regards interest rates, 87% of the Group's net debt is at a fixed rate, while the remaining 13% is at a floating rate.

In the first quarter of 2017, the average cost of the Group's financial debt was 2.85%. The average debt balance during the period was €5,251.7 million. In the same period of the previous year, the average cost of debt was 3.01% and the average debt balance was €5,396.9 million.

Moreover, at 31 March 2017, the Red Eléctrica Group's equity stood at €2,748.9 million, due to the General Shareholders' Meeting's approval of the 2016 dividend distribution.

4. Relevant events during the quarter

- On 31 March 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 2016.

It also agreed the payment of a gross dividend of 0.8587 euros per share for 3 July, minus the gross amount of 0.2382 euros per share paid out as an interim dividend.

The General Shareholders' Meeting re-elected Ms. María José García Beato as independent director. It also ratified Mr. Arsenio Fernández de Mesa y Díaz del Río as independent director and appointed Mr. Alberto Carbajo Josa.

- Red Eléctrica Corporación has been distinguished as a company with corporate best practice in the Utilities sector for Europe and Africa, an award given by specialist publication Ethical Boardroom that appraises best practice in this field each year. These awards acknowledge listed companies that have shown exceptional leadership in the area of corporate governance. They highlight the important role of this framework of rules and practices in dictating the success of a company and the contribution of the Board of Directors to creating long-term value for shareholders.



Consolidated Income Statement

(in thousands of euros)	31/03/2017	31/03/2016	2017/2016
Revenue	496,496	487,898	1.8%
Own work capitalised	12,628	6,056	-
Other operating income	6,382	1,239	-
Supply costs	(9,046)	(9,213)	(1.8%)
Personnel expenses	(35,797)	(35,537)	0.7%
Other operating expenses	(69,887)	(57,576)	21.4%
Gross operating profit (EBITDA)	400,776	392,867	2.0%
Amortisation/depreciation of non-current assets	(128,809)	(125,109)	3.0%
Release of grants related to non-financial assets	4,906	5,188	(5.4%)
Impairment and gains/losses on disposal of fixed assets	23	27	-
Net operating profit (EBIT)	276,896	272,973	1.4%
Finance income	667	684	(2.5%)
Finance costs	(37,802)	(39,833)	(5.1%)
Exchange differences	184	(32)	-
Net finance expense	(36,951)	(39,181)	(5.7%)
Profit participation in companies under the participation method	610	(140)	-
Profit before tax	240,555	233,652	3.0%
Income tax expense	(58,761)	(59,540)	(1.3%)
Consolidated profit for the period	181,794	174,112	4.4%
A) Consolidated profit attributable to the Parent	181,794	173,646	4.7%
B) Consolidated profit attributable to non-controlling interests	-	466	-



Summary consolidated balance sheet

(in thousands of euros)	31/03/2017	31/12/2016
Non-current assets	9,180,737	9,256,765
Current assets	1,382,186	1,293,585
Total assets	10,562,923	10,550,350

LIABILITIES (in thousands of euros)	31/03/2017	31/12/2016
Equity	2,748,900	2,920,549
Non-current liabilities	5,798,531	6,227,787
Current liabilities	2,015,492	1,402,014
Total liabilities	10,562,923	10,550,350

Summary consolidated statement of cash flows

(in thousands of euros)	31/03/2017	31/03/2016
CASH FLOWS FROM OPERATING ACTIVITIES	388,626	259,951
Profit before tax	240,555	233,652
Adjustments to results	164,152	161,343
Changes in working capital	42,683	(72,272)
Other cash flows from operating activities	(58,764)	(62,772)
CASH FLOWS FROM INVESTING ACTIVITIES	(162,849)	(396,468)
Payments for investments	(163,694)	(397,690)
Proceeds from disposals	480	208
Other cash flows from investing activities	365	1,013
CASH FLOWS FROM FINANCING ACTIVITIES	(120,837)	(140,939)
Proceeds from/(payments for) equity instruments	(2,159)	(6,056)
Proceeds from/(payments for) financial liabilities	9,739	(14,801)
Dividend payments	(128,417)	(120,082)
Effect of variation in exchange rates	(578)	(1,232)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	104,362	(278,688)
Cash and cash equivalents at beginning of period	251,421	386,861
Cash and cash equivalents at end of period	355,783	108,173



Financial calendar

Upcoming events

Estimated dates

2016 additional dividend payment	3 July 2017
First six months 2017 results presentation	Final week of July 2017

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



Consolidation of its position in the Dow Jones sustainability indices (Europe and World) in 2016



Silver Class distinction in the RobecoSAM Sustainability Yearbook 2017.



Included in the 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, Europe 120, Global 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.