



RED
ELÉCTRICA
CORPORACIÓN

Financial results

January - March 2014

Profit for the first three months of 2014 rose 6.0% year-on-year to €158.7 million.

First-quarter EBITDA was 2.9% higher year-on-year, at €368.5 million.

The Red Eléctrica Group invested a total of €94.0 million, of which €84.9 was earmarked for developing the national transmission grid.

30 April 2014

Index

1. Red Eléctrica: Financial highlights	2
2. Earnings performance.....	3
3. Cash flow and balance performance sheet.....	4
4. Relevant events during the quarter	5
Consolidated income statement	7
Summary consolidated balance sheet.....	8
Summary consolidated cash flow statement.....	8
Financial calendar	9
Appendix	10



1. Red Eléctrica: Financial highlights

Income statement

	January - March		
(in thousands of euros)	2014	2013	Δ %
Net revenue	463,290	450,524	2.8
Gross operating result (EBITDA)	368,538	358,253	2.9
Net operating result (EBIT)	263,859	258,463	2.1
Profit before taxes	226,926	213,645	6.2
Profit for the year	158,674	149,649	6.0

Balance sheet

(in thousands of euros)	March 2014	December 2013	Δ %
Total non-current assets	8,617,835	8,614,471	0.0
Net equity	2,390,310	2,224,648	7.4
Net financial debt*	4,770,154	4,541,198	5.0

(*) Includes exchange rate derivatives.

Other financial figures

	January - March		
(in thousands of euros)	2014	2013	Δ %
Operating cash flow after taxes	331,330	312,743	5.9
Investments	94,033	89,627	4.9
Dividends paid	97,867	91,216	7.3



2. Earnings performance

Revenue for the first three months of 2014 amounted to €463.3 million, up 2.8% year-on-year. Transmission revenue in Spain increased by 0.3% compared with March 2013, and included income from facilities commissioned in 2013. Income from the provision of system operation services amounted to €14.0 million, up 40.7% on the previous year in accordance with the remuneration of the system operator included in the 2014 Tariff Order. Revenue would have increased by 5.8% if the proportional part of the adjustments made in June as a result of the regulatory review of transmission activity had been included in the first quarter of 2013.

Recurring gross operating result (EBITDA) totalled €368.5 million, up 2.9% on the previous year. EBITDA growth was driven by revenue performance, coupled with operating cost control:

- **Cost of supplies and other operating expenses** remained virtually unchanged, rising 0.8% year-on-year.
- **Personnel expenses** rose by 3.7% compared with the same period in 2013.

The **final headcount** was 1,746 employees at 31 March 2014, while the average headcount was 1,745 employees, up 2.4% year-on-year.

Operating expenses

(in thousands of euros)	January - March		
	2014	2013	Δ %
Supplies and other operating expenses	67,911	67,384	0.8
Personnel expenses	32,181	31,041	3.7
Operating expenses	100,092	98,425	1.7

The **net operating result EBIT** totalled €263.9 million, up 2.1% year-on-year.

The **net financial result** in like-for-like terms stood at -€36.9 million, compared to -€45.1 million in the same period of the previous year. This improvement is mainly a result of the drop in finance costs due to a lower average gross debt balance and a lower average interest rate.

Lastly, **profit for the period** rose 6.0% compared to the same period of 2013. The effective tax rate was 29.9%.



3. Cash flow and balance sheet performance

Cash flows

(in thousands of euros)	January - March		
	2014	2013	Δ %
Profit before tax	226,926	213,645	6.2
Taxes paid on earnings	(889)	(13)	-
Provision for amortisation/depreciation of non-current assets	107,982	103,277	4.6
Other adjustments	(2,689)	(4,166)	(35.5)
After-tax cash flows from operations	331,330	312,743	5.9
Changes in working capital	(185,742)	(2,122)	-
Changes to other non-current assets and liabilities	(21,204)	(7,056)	-
Changes to suppliers of PP&E	(160,871)	(79,233)	-
Investments	(94,033)	(89,627)	4.9
Free cash flow	(130,520)	134,705	-
Dividend payments	(97,867)	(91,216)	7.3
Variation in net financial debt (*)	228,387	(43,489)	-

(*) 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 €331.3 million, a 5.9% increase on the same period of the previous year.

Changes in working capital resulted in increased payments of €185.7 million in the first quarter of the year. This performance stems from the situation at the end of 2013. Accordingly, in the first three months of 2014 settlements of transmission receivables collected were lower and VAT payments were higher, in contrast to the first three months of 2013, which included the settlement for December of the previous year.

Group investment in the first quarter of 2014 totalled €94.0 million, up 4.9% compared with the same period in 2013, with investment in development of the Spanish transmission grid accounting for €84.9 million of the total.

The **interim dividend paid out** in the first quarter of 2014 amounted to €97.9 million, equivalent to €0.7237 per share and 7.3% higher than the dividend for the same quarter in 2013.

The Red Eléctrica Group's **net financial debt** at 31 March 2014 amounted to €4,770.2 million, compared to €4,541.2 million at 31 December 2013, shaped by the aforementioned temporary effects on working capital.

**Net financial debt**

(in thousands of euros)	National currency	Foreign currency	Total
Cash and cash equivalents	(109,950)	(1,515)	(111,465)
Long-term debenture bonds	3,009,239	-	3,009,239
Long-term loans	1,692,906	52,767	1,745,673
Commercial paper and current loans	126,707	-	126,707
Total net financial debt	4,718,902	51,252	4,770,154

Of the Group's net debt, 86% is fixed rate, and 14% is floating rate.

Additionally in the first quarter of 2014 the average cost of the Group's financial debt was 3.62%. The average debt balance during the period was €4,787.4 million. In the same period of the previous year, the average cost of debt was 3.92% and the average debt balance was €5,156.7 million.

At 31 March 2014, the Red Eléctrica's Group's net equity totalled €2,390.3 million, up 7.4% compared to year-end 2013, mainly due to the earnings obtained in the first three months of the year.

4. Relevant events during the quarter

- On 10 April, Red Eléctrica reported that it had won the auction to commercially manage ADIF's fibre optic network for 20 years, the other bidder having failed to better the offer made by Red Eléctrica Internacional. On 25 April, the Board of Directors of ADIF formally awarded the assignment of this fibre to Red Eléctrica Internacional. The transaction is also subject to approval by the antitrust authorities.

This deal is valued at €462 million, subject to compliance with the conditions in the information for bidders and to the final scope of the transaction. The telecommunications business, which has hitherto been managed by ADIF, has an estimated turnover of €72.4 million per year and estimated EBITDA of €49.5 million.

- On 3 April, the Annual General Shareholders' Meeting was scheduled for 8 May 2014 at first call and for 9 May 2014 at second call. The following matters, among others, will be submitted for approval:
 - Examination and approval of the Financial Statements and the Annual Report of Red Eléctrica Corporación, S.A. and the consolidated Red Eléctrica Corporación Group and its subsidiaries.
 - Examination and approval, where applicable, of the proposed distribution of the profit of Red Eléctrica Corporación, S.A. for the year ended 31 December 2013. The Company has agreed to pay a gross dividend of €2.5422 per share for shares carrying dividend rights. The dividend will be paid on 1 July 2014, minus the gross amount of €0.7237 per share paid out as an interim dividend on 2 January 2014.
 - The proposed ratification and appointment of José Ángel Partearroyo Martín as a nominee director and appointment of Socorro Fernández Larrea and Antonio Gómez Ciria as independent directors.



- In March and the first few days of April, Red Eléctrica submitted to the regulator documentation audited by an independent third party accrediting the investment made in the renovation and upgrade of installations that came into service prior to 1998 in order to request an increase in their residual life. This was done three months ahead of the schedule established in Royal Decree 1047/2013. Audited information relating to the investment standards and the operation and maintenance of the transmission facilities was also submitted. The decision regarding the technical and economic parameters used to calculate remuneration for transmission activity must be established prior to 15 July.

Red Eléctrica will then present its strategy for the 2014-2018 period, probably in the second half of 2014.



Consolidated income statement

(in thousands of euros)	31/03/2014	31/03/2013	2014/2013
Revenue	463,290	450,524	2.8%
Work performed on the Company's own assets	4,543	3,564	27.5%
Supply costs	(14,916)	(6,809)	119.1%
Other operating revenues	797	2,590	(69.2%)
Personnel costs	(32,181)	(31,041)	3.7%
Other operating expenses	(52,995)	(60,575)	(12.5%)
Gross Operating Result (EBITDA)	368,538	358,253	2.9%
Amortisation/depreciation non-current assets	(107,982)	(103,277)	4.6%
Non-financial assets and other subsidies attributed	3,303	3,290	0.4%
Impairment and gains/losses on disposals of fixed assets	-	197	-
Net Operating Result (EBIT)	263,859	258,463	2.1%
Finance income	1,762	2,447	-
Finance expense	(38,536)	(47,060)	(18.1%)
Exchange differences	(159)	(525)	-
Net financial expense	(36,933)	(45,138)	(18.2%)
Results of companies carried under the equity method	-	320	(100.0%)
Profit before taxes	226,926	213,645	6.2%
Corporate Income Tax	(67,916)	(64,020)	6.1%
Consolidated profit for the period	159,010	149,625	6.3%
A) Consolidated profit attributable to the parent company	158,674	149,649	6.0%
B) Consolidated profit attributable to non-controlling interests	336	(24)	-



Summary consolidated balance sheet

(in thousands of euros)	31/03/2014	31/12/2013
Non-current assets	8,617,835	8,614,471
Current assets	826,410	805,394
Total activo	9,444,245	9,419,865

LIABILITIES (in thousands of euros)	31/03/2014	31/12/2013
Equity	2,390,310	2,224,648
Non-current liabilities	5,948,331	5,837,276
Current liabilities	1,105,604	1,357,941
Total equity and liabilities	9,444,245	9,419,865

Summary consolidated cash flow statement

(in thousands of euros)	31/03/2014	31/03/2013
CASH FLOWS FROM OPERATING ACTIVITIES	121,881	309,427
Profit before taxes	226,926	213,645
Adjustments to results	142,170	144,241
Changes in working capital	(185,742)	(2,122)
Other cash flows from operating activities	(61,473)	(46,337)
CASH FLOWS FROM INVESTING ACTIVITIES	(254,332)	(168,196)
Payments from investments	(254,904)	(168,860)
Proceeds from disposals	88	226
Other cash flows from investing activities	484	438
CASH FLOWS FROM FINANCING ACTIVITIES	28,934	128,921
Proceeds from/(payments for) equity instruments	783	(7,148)
Proceeds from/(payments for) financial liabilities	124,992	227,285
Dividend payments	(97,867)	(91,216)
Other cash flows from financing activities	1,026	-
Effect of variations in exchange rates	122	622
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(103,396)	270,774
Cash and cash equivalents at beginning of period	214,861	40,314
Cash and cash equivalents at end of period	111,465	311,088



Financial calendar

Upcoming events

Estimated dates

Payment of the final dividend from 2013 profit	1 July 2014
1H14 results presentation	28-31 July 2014
Presentation of 2014-2018 Strategy	Second half of 2014

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Red Eléctrica has the following credit ratings: 'BBB' from S&P and 'A-' from Fitch.



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APPENDIX

Corporate responsibility certifications

 <p>MEMBER OF Dow Jones Sustainability Indices In Collaboration with RobecoSAM</p>	<p>Red Eléctrica included in the DJSI World Index for the eighth year running, with a score of 80 points out of 100.</p>	 <p>ROBECOSAM Sustainability Investing</p>	<p>Included in the "Bronze Class" category for the fifth consecutive year in the "Sustainability Year-book."</p>
 <p>FTSE4Good</p>	<p>An overall score of 4.5 out of 5, and a relative score of 100 points out of 100 in 2013 (*).</p>	 <p>MSCI</p>	<p>Included in the MSCI ESG indexes (MSCI Global Sustainability Indexes, MSCI Socially Responsible Indexes, MSCI Global Climate Index and MSCI Global Environmental Index) in 2014.</p>
 <p>Corporate Responsibility Prime rated by oekom r e s e a r c h</p>	<p>Again granted "Prime" status by the Oekom rating agency, confirming Red Eléctrica as one of the most sustainable companies in its sector in 2014.</p>	 <p>NATURAL CAPITAL EFFICIENCY LEADER 2014</p>	<p>Recognised as a Natural Capital Efficiency Leader in the 2014 Natural Capital Leader Index, the first Spanish company selected by this index.</p>
 <p>member of the INVESTMENT REGISTER ETHIBEL PIONEER & EXCELLENCE</p>	<p>Included in the Ethibel Excellence index since 2008.</p>	 <p>SRI</p>	<p>Included in the Kempen SNS SRI index since 2004.</p>
 <p>Member 2011/2012 STOXX ESG LEADERS INDICES</p>	<p>Included in the ESG STOXX Leaders index since 2011.</p>	 <p>ECPI Sense it sustain</p>	<p>Included in the ECPI Ethical EMU Equity Index since 2011.</p>
 <p>BEST IN CLASS environmental and social performance STOREBRAND SRI</p>	<p>Awarded "Best in class" distinction in 2009.</p>	 <p>GS SUSTAIN Innovative thinking feeds innovative companies</p>	<p>Included since 2008. Chosen in 2011 as one of the four leading European companies in terms of sustainability, securing the maximum score (96 out of 130).</p>
 <p>Triodos Bank</p>	<p>Included in the investor universe in 2010. Top-ranked in a comparative analysis of the sustainability performance of 13 European utilities.</p>		

(* FTSE Group confirms that Red Eléctrica Corporación has been independently evaluated in accordance with FTSE4Good criteria and meets the requirements to be ranked in the FTSE4Good indices, the global index established by the FTSE Group. FTSE4Good is a global index designed to encourage investments in companies that meet globally recognised corporate responsibility standards. Companies ranked in the FTSE4Good index adhere to strict environmental, social and corporate governance criteria, and are in a position to benefit from sustainable business practices.