



**RED**  
**ELÉCTRICA**  
CORPORACIÓN

# Financial results

## January - June 2015

Profit for the first half of 2015 rose 6.5% year-on-year to €308.8 million, in line with the growth target compared with 2013 in the 2014-2019 Strategic Plan.

EBITDA was 6.6% higher year-on-year, at €740.3 million.

The Red Eléctrica Group invested a total of €225.8 million, of which €204.4 was earmarked for developing the national transmission grid.

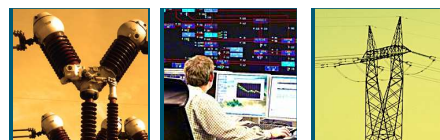
29 July 2015

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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 by the auditors. This information was drawn up in accordance with the International Financial Reporting Standards (IFRS).

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## 1. Red Eléctrica: Financial highlights

### Income statement

(in thousands of euros)	January - June			April - June		
	2015	2014	Δ %	2015	2014	Δ %
Revenue	972,725	926,472	5.0	485,697	463,182	4.9
Gross operating profit (EBITDA)	740,281	694,669	6.6	352,796	326,131	8.2
Net operating profit (EBIT)	507,105	485,293	4.5	237,200	221,434	7.1
Profit before tax	428,569	414,902	3.3	198,637	187,976	5.7
Profit for the period	308,819	289,972	6.5	142,760	131,298	8.7

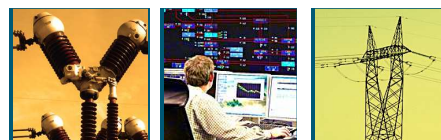
### Balance sheet

(in thousands of euros)	June 2015	December 2014	Δ %
Non-current assets	9,156,283	9,138,164	0.2
Equity	2,583,034	2,552,452	1.2
Net financial debt*	5,045,844	5,408,548	(6.7)

(\*) Includes exchange rate derivatives.

### Other financial figures

(in thousands of euros)	January - June			April - June		
	2015	2014	Δ %	2015	2014	Δ %
Operating cash flow after taxes	631,702	563,114	12.2	255,151	231,784	10.1
Investments	225,800	249,023	(9.3)	126,425	154,990	(18.4)
Dividends paid	112,463	97,867	14.9	-	-	-



## 2. Earnings performance

**Revenue** for the first half of 2015 amounted to €972.7 million, up 5.0% year-on-year. This increase includes the growth in Transmission revenue in Spain from the facilities started up in 2014 and from the revenue associated with the provision of telecommunication services which totalled €41.5 million in the period, a fourfold increase on the first half of 2014, due to the inclusion of revenue from services associated with the rights to use and manage ADIF's fibre optic network.

**EBITDA** totalled €740.3 million, up 6.6% on the previous year.

EBITDA and revenue growth is due to improvements in the telecommunications and transport activities.

We would note the following regarding operating costs:

- **Supply costs and other operating expenses** rose by 3.3% in the first six months and continue to reflect the company's efforts to improve efficiency, since in 2015 this item includes the costs associated with the management contract signed with ADIF, which were not included in 2014.
- **Personnel expenses** increased by 5.5% year-on-year, a figure that was similar to that of the previous quarter, whereby approximately 50% of the change is due to the application of the collective labour agreement entered into in 2014 and social security costs, telecommunication expenses, termination benefits and other expenses account for the rest of the difference.

The **final headcount** was 1,753 employees at 30 June 2015, while the average headcount stood at 1,751 employees, up 0.3% on the first six months of 2014.

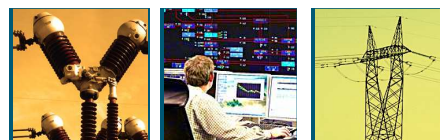
### Operating expenses

(in thousands of euros)	January - June			April - June		
	2015	2014	Δ %	2015	2014	Δ %
Supplies and other operating expenses	183,979	178,176	3.3	111,245	110,265	0.9
Personnel expenses	68,731	65,176	5.5	34,632	32,995	5.0
<b>Operating expenses</b>	<b>252,710</b>	<b>243,352</b>	<b>3.8</b>	<b>145,877</b>	<b>143,260</b>	<b>1.8</b>

**Net operating profit (EBIT)** stood at €507.1 million, up 4.5% year-on-year due to the 12.5% increase in amortisation and depreciation of non-current assets as a result of the facilities started up in 2014. These included the new interconnection with France and the impact of the amortisation of the rights to use and manage ADIF's fibre optic network.

The **net finance expense** was €-78.5 million, compared with €-70.4 million for the same period a year earlier, as a result of a higher average financial debt balance of €586.1 million, partially offset by a lower average interest rate.

Finally, **profit for the year** totalled €308.8 million, up 6.5% year-on-year. The effective tax rate stood at 27.9% as a result of the application of Corporate Income Tax Law 27/2014.



### 3. Cash flow and balance sheet performance

#### Cash flows

(in thousands of euros)	January - June			April - June		
	2015	2014	Δ %	2015	2014	Δ %
Profit before tax	428,569	414,902	3.3	198,637	187,976	5.7
Taxes paid on earnings	(34,179)	(56,731)	(39.8)	(62,530)	(55,842)	12.0
Provision for amortisation/depreciation of non-current assets	242,938	216,003	12.5	121,524	108,021	12.5
Other adjustments	(5,626)	(11,060)	(49.1)	(2,480)	(8,371)	(70.4)
<b>Operating cash flow after taxes</b>	<b>631,702</b>	<b>563,114</b>	<b>12.2</b>	<b>255,151</b>	<b>231,784</b>	<b>10.1</b>
Changes to working capital	125,193	(320,189)	-	18,796	(134,447)	-
Changes to other non-current assets and liabilities	(39,934)	(29,243)	36.6	(17,649)	(8,038)	-
Changes to suppliers of PP&E	(15,950)	(157,227)	(89.9)	35,204	3,644	-
Investments	(225,800)	(249,023)	(9.3)	(126,425)	(154,990)	(18.4)
<b>Free cash flow</b>	<b>475,211</b>	<b>(192,568)</b>	<b>-</b>	<b>165,077</b>	<b>(62,047)</b>	<b>-</b>
Dividends paid	(112,463)	(97,867)	14.9	-	-	-
<b>Change in net financial debt (*)</b>	<b>(362,748)</b>	<b>290,435</b>	<b>-</b>	<b>165,077</b>	<b>62,047</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.

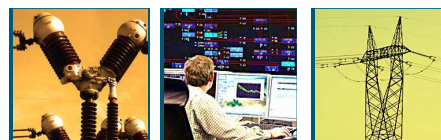
**Operating cash flow after taxes** amounted to €631.7 million, a 12.2% increase on the same period in the previous year.

**Working capital** increased by €125.2 million, which was largely underpinned by the recovery of the VAT on the acquisition of the long-term rights to use ADIF's fibre optic network, thereby reversing the negative performance of this item in the previous year. Changes in working capital in the first half of 2014 resulted in increased liquidity needs of €320.2 million. Accordingly, **payments made to suppliers of property, plant and equipment** in the first half of the year fell by €141.3 million compared to the same period the previous year.

Group **investment** during the first six months of 2015 totalled €225.8 million, down 9.3% on the same period of 2014, with investment in developing the Spanish transmission grid accounting for €204.4 million.

The **interim dividend paid out** in the first half of 2015 amounted to €112.5 million, equivalent to €0.8323 per share on the interim dividend for 2014.

Strong cash flow generation and the positive trend in working capital and payments to suppliers have enabled the Red Eléctrica Group to reduce its **net financial debt** by €362.7 million compared to its debt at the beginning of the year, amounting to a total of €5,045.8 million at 30 June 2015.



## Net financial debt

(in thousands of euros)	National currency	Foreign currency	Total
Cash and cash equivalents	(338,158)	(45,995)	(384,153)
Long-term debenture bonds	2,995,957	509,566	3,505,523
Long-term loans	1,884,526	-	1,884,526
Promissory notes and current loans	39,948	-	39,948
<b>Total net financial debt</b>	<b>4,582,273</b>	<b>463,571</b>	<b>5,045,844</b>

As regards interest rates, 88% of the Group's net 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 3.24%. The average debt balance during the period was €5,420.8 million. In the same period of the previous year, the average cost of debt was 3.61% and the average debt balance was €4,834.7 million.

In addition, at 30 June 2015 the Red Eléctrica Group's equity totalled €2,583.0 million, an increase of €30.6 million on year-end 2014.

## 4. Relevant events during the quarter

- An Extraordinary General Meeting was held on 17 July 2015 at which shareholders were informed of the **process for separating the positions of Chairman of the Board of Directors and Chief Executive Officer** of the company. The shareholders at the General Meeting also approved the proposals to increase the number of directors by one and to appoint a new executive director that would carry out the duties of the chief executive officer. **Juan Lasala Bernad**, the company's Chief Financial Officer up until that time and who has had a relationship with the Red Eléctrica Group since 2001, was appointed to hold the position of chief executive officer. The Chairman of the Board of Directors and the current executive chairman, **José Folgado Blanco**, shall continue to act as the Chairman of the Board of Directors and shall retain his executive functions until the Annual General Meeting is held in 2016.

Following the Extraordinary General Meeting, the Board of Directors was made up of 12 members, 58% of which are independent directors, and has a Lead Independent Director, a position that is filled by an independent director, **Carmen Gómez de Barreda Tous de Monsalve**.

- Red Eléctrica Infraestructuras de Telecomunicaciones, SAU (Reintel)**, wholly owned by Red Eléctrica Corporación, was created on 1 July. The company's business activities focus on the operation of telecommunication infrastructure and, in particular, the lease of dark fibre optics and sites. The acquisition of rights to use and commercially operate ADIF's fibre optic network has positioned the Red Eléctrica Group as the largest neutral operator of fibre optic infrastructure in Spain. Therefore, the Group decided to furnish the telecommunications business with its own legal structure that would enable it to improve management and control over the telecommunications business.



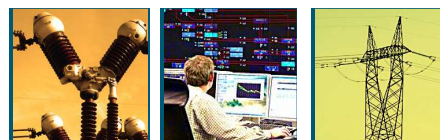
- On 1 July 2015, the Group distributed **€2.1677** per share as the **final gross dividend** payment for 2014. The total dividend for this year increased to €3 per share, up 18% on the previous year.
- The Board of Directors of Red Eléctrica Corporación, S.A., at its meeting held on 26 May 2015, renewed the Audit Committee and the Appointments and Remuneration Committee. The current breakdown of the committees is as follows:

**Audit Committee:**

- José Luis Feito Higuera (Chairman/Independent director).
- Paloma Sendín de Cáceres (Member/Independent director).
- Fernando Fernández Méndez de Andés (Member/Proprietary director).
- Antonio Gómez Ciria (Member/Independent director).

**Appointments and Remuneration Committee:**

- Carmen Gómez de Barreda Tous de Monsalve (Chairwoman/Independent director).
  - Francisco Ruiz Jiménez (Member/Proprietary director).
  - María José García Beato (Member/Independent director).
  - Socorro Fernández Larrea (Member/Independent director).
- On 14 May, Red Eléctrica de España approved the 2015-2020 **Climate Change Action Plan**, which defines the targets in this regard for **contributing to a more sustainable energy model**. The company will also work towards **reducing its carbon footprint** through activities that improve energy efficiency and reduce its emissions. The measures established focus on decreasing SF6 gas emissions, increasing efficiency with regard to electricity consumption (in buildings, substations and in the use of information and communication technologies) and reducing the fuel consumption in their fleet of vehicles and business trips. The company set a target for 2020 of reducing or offsetting its 2010 emissions by 21%.



## Red Eléctrica Group

## Consolidated income statement

(in thousands of euros)	30/06/2015	30/06/2014	2015/2014
Revenue	972,725	926,472	5.0%
Own work capitalised	10,913	9,101	19.9%
Supply costs	(26,213)	(35,667)	(26.5%)
Other operating income	9,353	2,448	-
Personnel expenses	(68,731)	(65,176)	5.5%
Other operating expenses	(157,766)	(142,509)	10.7%
<b>Gross operating profit (EBITDA)</b>	<b>740,281</b>	<b>694,669</b>	<b>6.6%</b>
Amortisation/depreciation of non-current assets	(242,938)	(216,003)	12.5%
Release of grants related to non-financial assets	9,738	6,627	46.9%
Impairment and gains/losses on disposal of fixed assets	24	-	-
<b>Net operating profit (EBIT)</b>	<b>507,105</b>	<b>485,293</b>	<b>4.5%</b>
Finance income	7,463	8,223	(9.2%)
Finance costs	(85,714)	(78,438)	9.3%
Exchange differences	445	(176)	-
Impairment and gains/losses on disposal of financial instruments	(730)	-	-
<b>Net finance expense</b>	<b>(78,536)</b>	<b>(70,391)</b>	<b>11.6%</b>
<b>Profit before tax</b>	<b>428,569</b>	<b>414,902</b>	<b>3.3%</b>
Income tax expense	(119,417)	(124,282)	(3.9%)
<b>Consolidated profit for the period</b>	<b>309,152</b>	<b>290,620</b>	<b>6.4%</b>
<b>A) Consolidated profit attributable to the Parent</b>	<b>308,819</b>	<b>289,972</b>	<b>6.5%</b>
<b>B) Consolidated profit attributable to non-controlling interests</b>	<b>333</b>	<b>648</b>	<b>(48.6%)</b>



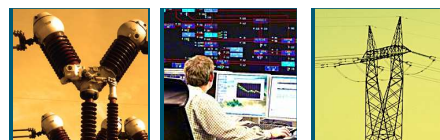
## Red Eléctrica Group

### Consolidated balance Sheet

ASSETS (in thousands of euros)	30/06/2015	31/12/2014
Intangible assets	116,917	109,069
Property, plant and equipment	8,907,337	8,923,262
Investment property	2,495	2,517
Non-current financial assets	97,579	71,998
Deferred tax assets	31,232	30,938
Other non-current assets	723	380
<b>Non-current assets</b>	<b>9,156,283</b>	<b>9,138,164</b>
Inventories	50,878	46,445
Trade and other receivables	1,116,099	1,072,690
Other current financial assets	8,107	1,304
Cash and cash equivalents	384,153	299,368
<b>Current assets</b>	<b>1,559,237</b>	<b>1,419,807</b>
<b>Total assets</b>	<b>10,715,520</b>	<b>10,557,971</b>

LIABILITIES (in thousands of euros)	30/06/2015	31/12/2014
Equity	2,593,860	2,589,360
Capital	270,540	270,540
Reserves	2,044,045	1,723,852
Treasury shares and own equity instruments (-)	(29,544)	(10,390)
Profit attributable to the Parent	308,819	717,821
Interim dividend	-	(112,463)
Valuation adjustments	(35,499)	(59,894)
Non-controlling interests	24,673	22,986
<b>Equity</b>	<b>2,583,034</b>	<b>2,552,452</b>
Grants and other	524,149	482,442
Non-current provisions	98,822	105,522
Non-current financial liabilities	4,991,269	5,037,125
Deferred tax liabilities	493,967	482,584
Other non-current liabilities	74,788	70,726
<b>Non-current liabilities</b>	<b>6,182,995</b>	<b>6,178,399</b>
Current provisions	-	-
Current financial liabilities	1,418,655	1,549,431
Trade and other payables	530,836	277,689
<b>Current liabilities</b>	<b>1,949,491</b>	<b>1,827,120</b>
<b>Total equity and liabilities</b>	<b>10,715,520</b>	<b>10,557,971</b>





## Red Eléctrica Group

## Consolidated statement of cash flows

(in thousands of euros)	30/06/2015	30/06/2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>717,058</b>	<b>207,563</b>
Profit before tax	428,569	414,902
Adjustments for:	316,037	280,610
Amortisation and depreciation	242,938	216,003
Other adjustments to results (net)	73,099	64,607
Changes in working capital	125,193	(320,189)
Other cash flows from operating activities	(152,741)	(167,760)
Interest paid	(125,551)	(113,800)
Interest received	2,897	3,657
Dividends received	4,566	4,566
Income tax received/(paid)	(34,179)	(56,731)
Other collections/(payments) on operating activities	(474)	(5,452)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(225,698)</b>	<b>(401,671)</b>
Payments for investments	(241,750)	(406,250)
Property, plant and equipment, intangible assets and investment property	(241,138)	(403,817)
Other financial assets	(612)	(2,433)
Proceeds from disposals	2,777	201
Other assets	2,777	201
Other cash flows from investing activities	13,274	4,378
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>(406,758)</b>	<b>118,383</b>
Proceeds from/(payments for) equity instruments	(17,876)	334
Acquisitions	(89,188)	(37,167)
Disposals	71,312	37,501
Proceeds from/(payments for) financial liabilities	(277,963)	214,890
Issue and placements	1,156,584	486,873
Redemption and repayment	(1,434,547)	(271,983)
Dividend payments	(112,463)	(97,867)
Other cash flows from financing activities	1,544	1,026
<b>Effect of exchange rates fluctuations</b>	<b>184</b>	<b>181</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>84,785</b>	<b>(75,544)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>299,368</b>	<b>214,861</b>
<b>Cash and cash equivalents at end of period</b>	<b>384,153</b>	<b>139,317</b>



## Financial calendar

### Upcoming events

#### Estimated dates

9M15 results presentation

October 2015

For more information,

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

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



#### Disclaimer

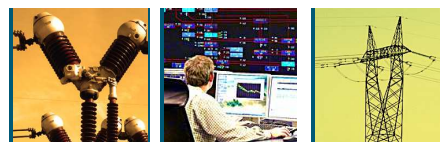
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## APPENDIX

### Corporate responsibility certifications



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



The company obtained the RobecoSAM Bronze Class distinction, placing it among the 13 best companies in the sector in 2015.



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



Remained a member of the Euronext-Vigeo sustainability indexes (Eurozone 120, Europe 120, Global 120) since its inclusion in 2014.



Renewed in 2015 its inclusion in the Ethibel Sustainability Index (ESI) Excellence Europe.



Included in the Ethibel Excellence index since 2009.



Included in the ECPI Index since 2008.



Included in the Natural Capital Efficiency Leader Index in 2014.



Again granted Prime status and was ranked as one of the most sustainable companies in the industry in 2014.

(\*) FTSE Group confirms that Red Eléctrica Corporación 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.