



RED
ELÉCTRICA
CORPORACIÓN

Financial results

January - March 2015

Contents

Profit for the first three months of 2015 rose 4.7% year-on-year to €166.1 million, in line with the growth target compared with 2013 in the 2014-2019 Strategic Plan.

EBITDA was 5.1% higher year-on-year at €387.5 million.

The Red Eléctrica Group invested a total of €99.4 million, of which €84.8 was earmarked for developing the national transmission grid.

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

29 April 2015



1. Red Eléctrica: Financial highlights

Income statement

(in thousands of euros)	January - March		
	2015	2014	Δ %
Net revenue	487,028	463,290	5.1
Gross operating result (EBITDA)	387,485	368,538	5.1
Net operating result (EBIT)	269,905	263,859	2.3
Profit before taxes	229,932	226,926	1.3
Profit for the year	166,059	158,674	4.7

Balance sheet

(in thousands of euros)	March 2015	December 2014	Δ %
Total non-current assets	9,167,994	9,138,164	0.3
Net equity	2,725,682	2,552,452	6.8
Net financial debt (*)	5,210,935	5,408,548	(3.7)

(*) Includes exchange rate derivatives.

Other financial figures

(in thousands of euros)	January - March		
	2015	2014	Δ %
Operating cash flow after taxes	376,551	331,330	13.6
Investments	99,375	94,033	5.7
Dividends paid	112,463	97,867	14.9



2. Earnings performance

Revenue for the first three months of 2015 amounted to €487.0 million, up 5.1% year-on-year. Transmission revenue in Spain climbed 3.0% year-on-year and included income from facilities started up in 2014. The telecommunications business reported revenues of €20.3 million, €15.4 million more than in 1Q14, thanks to the inclusion of revenues associated with the rights to use and manage ADIF's fibre optic network. Revenue was also impacted by a slight fall in revenues from other services such as work performed on behalf of third parties and the investment in Transmisora Eléctrica del Sur.

EBITDA rose 5.1% year-on-year to €387.5 million. EBITDA growth was driven by revenue performance, coupled with operating cost control:

- **Costs of supplies and other operating expenses** grew by 7.1% due to the inclusion of more than €4 million associated with the use of ADIF's fibre optic network.
- **Personnel expenses** increased by €1.9 million year-on-year, with the average salary increases resulting from implementation of the collective agreement reached in May 2014 accounting for 50% of this increase. Higher social security, telecommunications and indemnity and other expenses account for the rest of the difference.

The **final headcount** was 1,752 employees at 31 March 2015, while the average headcount was 1,751 employees, up 0.4% on the first three months of 2014.

Operating expenses

(in thousands of euros)	January - March		
	2015	2014	Δ %
Supplies and other operating expenses	72,734	67,911	7.1
Personnel expenses	34,099	32,181	6.0
Operating expenses	106,833	100,092	6.7

Net operating result (EBIT) stood at €269.9 million, up 2.3% year-on-year, with a 12.4% increase in amortisation and depreciation of non-current assets as a result of the start-ups in 2014. These included the new interconnection with France and the impact of the depreciation of the rights to use and manage ADIF's fibre optic network.

The **net financial result** was -€40.0 million compared with -€36.9 million for the same period a year earlier as a result of a higher average gross debt balance of €683.7 million. This is mainly attributable to the above-mentioned acquisition of the rights to use ADIF's fibre optic network, partially offset by a lower average interest rate.

Finally, **profit for the period** amounted to €166.1 million, up 4.7% year-on-year, with an effective tax rate of 27.7% following the application of the new corporate income tax law (Law 27/2014).



3. Cash flow and balance sheet performance

Cash flows

(in thousands of euros)	January - March		
	2015	2014	Δ %
Profit before tax	229,932	226,926	1.3
Taxes paid on earnings	28,351	(889)	-
Provision for amortisation/depreciation of non-current assets	121,414	107,982	12.4
Other adjustments	(3,146)	(2,689)	17.0
After-tax cash flows from operations	376,551	331,330	13.6
Changes in working capital	106,397	(185,742)	-
Changes to other non-current assets and liabilities	(22,284)	(21,204)	5.1
Changes to suppliers of PP&E	(51,154)	(160,871)	(68.2)
Investments	(99,375)	(94,033)	5.7
Free cash flow	310,135	(130,520)	-
Dividend payments	(112,463)	(97,867)	14.9
Variation in net financial debt (*)	(197,672)	228,387	-

(*) The difference with the variation in Net Financial Debt on page 2 relates to items entailing no movements in cash.

Operating cash flow after taxes amounted to €376.6 million, a 13.6% increase on the same period in the previous year. This improvement is largely due to the tax on earnings item, with the company reporting the collection of €28.4 million in pending settlements corresponding to corporate income tax for 2013, and an increase in profit before tax and depreciation.

Working capital increased by €106.4 million, a positive performance largely underpinned by the recovery of the VAT on the acquisition of the long-term rights to use ADIF's fibre-optic network. In the first quarter of 2014 changes in working capital resulted in increased payments of €185.7 million because settlements of transmission receivables collected were lower and VAT payments were higher. Payments made to **suppliers of property, plant and equipment** in the first quarter fell by €109.1 million.

Group investment in the first quarter of 2015 totalled €99.4 million, up 5.7% compared with the same period in 2014, with investment in development of the Spanish transmission grid accounting for €84.8 million of the total.

The **interim dividend paid out** in the first quarter of 2015 amounted to €112.5 million, equivalent to €0.8323 per share and 14.9% higher than the dividend for the same quarter in 2014.

The Red Eléctrica Group's **net financial debt** at 31 March 2015 stood at €5,210.9 million, with strong cash flow generation in the quarter reducing debt by €197.7 million compared with the end of 2014, when it amounted to €5,408.5 million.

**Net financial debt**

(in thousands of euros)	National currency	Foreign currency	Total
Cash and cash equivalents	(129,608)	(4,485)	(134,093)
Long-term debenture bonds	3,396,722	-	3,396,722
Long-term loans	1,712,066	52,365	1,764,431
Commercial paper and current loans	183,875	-	183,875
Total net financial debt	5,163,055	47,880	5,210,935

Of the Group's net debt, 85% is fixed rate and 15% is floating rate.

This means that in the first quarter of 2015 the average cost of the Group's financial debt was 3.24%. The average debt balance during the period was €5,471.1 million. In the same period of the previous year, the average cost of debt was 3.62% and the average debt balance was €4,787.4 million.

At 31 March 2015, the Red Eléctrica Group's net equity totalled €2,725.7 million, up 6.8% compared with year-end 2014, 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 2014. It also ratified payment of a gross dividend of €3 per share, minus the gross amount of €0.8323 per share paid out as an interim dividend. It also confirmed the appointments of Mr Santiago Lanzuela Marina as a nominee director and of Mr Jose Luis Feito Higuera as an independent director.
- On 10 April, Red Eléctrica Corporación, S.A., through its subsidiary Red Eléctrica Finanzaciones, S.A.U., carried out a €500 million ten-year euromarket bond issue, with a maturity of 10 years. The issue has an annual coupon of 1.125% and was priced at 99.521%, equating to a yield of 1.176%. Part of this issue was used for a swap for other bonds corresponding to previous issues for a nominal amount of €446.1 million, with the result that (i) the €500 million issue with a 3.5% coupon and maturing in 2016 it accepted €179.6 million and remains a total nominal amount of €320.4 million; (ii) the €750 million issue with a 4.75% coupon maturing in 2018 it accepted €150.6 million and remains a total nominal amount of €599.4 million, and (iii) the €400 million issue with a 2.375% coupon maturing in 2019 it accepted €115.9 million and remains a total nominal amount of €284.1 million.
- On 6 and 7 April 2015 the ratings agencies Fitch and Standard & Poor's published reports on Red Eléctrica. Fitch confirmed its long term rating of 'A-' with a positive outlook and short term rating of 'F2' for Red Eléctrica Corporación, S.A. and Red Eléctrica de España, S.A.U. For its part, Standard & Poor's upgraded its rating for both companies by a notch to 'BBB+' in the long term and 'A-2' in the short term with a stable outlook. The agencies underlined the strength of Red Eléctrica's balance sheet, the visibility provided by its strategic plan and the healthy situation of the Spanish electricity sector following the reforms enacted in recent years.



- On 25 February, Red Eléctrica presented its 2014-2019 strategic plan. Key objectives include 5-6% average annual growth in earnings per share over the 2014-2019 period and a clear shareholder remuneration policy with a dividend of €3 per share from 2014 earnings and average annual dividend growth of 7% until 2019. This underlines the company's unwavering commitment to its shareholders.
- On 13 February, Red Eléctrica Internacional, in partnership with the Peruvian fund management firm AC Captales, secured the contract for the 220 kV Azángaro-Juliaca-Puno line in Peru. The project will entail estimated investment of \$70 million (around €61 million) and will take 33 months to complete. The contract is in keeping with the Red Eléctrica Group's international expansion plans.



Consolidated P&L Account

(in thousands of euros)	31/03/2015	31/03/2014	2015/2014
Revenue	487,028	463,290	5.1%
Work performed on the Company's own assets	4,712	4,543	3.7%
Supply costs	(10,306)	(14,916)	(30.9%)
Other operating revenues	2,578	797	-
Personnel costs	(34,099)	(32,181)	6.0%
Other operating expenses	(62,428)	(52,995)	17.8%
Gross operating result (EBITDA)	387,485	368,538	5.1%
Amortisation/depreciation non-current assets	(121,414)	(107,982)	12.4%
Non-financial assets and other subsidies attributed	3,834	3,303	16.1%
Net operating result (EBIT)	269,905	263,859	2.3%
Finance income	2,110	1,762	19.8%
Finance expense	(42,765)	(38,536)	11.0%
Exchange differences	682	(159)	-
Net financial expense	(39,973)	(36,933)	8.2%
Profit before taxes	229,932	226,926	1.3%
Corporate income tax	(63,677)	(67,916)	(6.2%)
Consolidated profit for the period	166,255	159,010	4.6%
A) Consolidated profit attributable to the parent company	166,059	158,674	4.7%
B) Consolidated profit attributable to non-controlling interests	196	336	(41.7%)



Summary consolidated balance sheet

ASSETS (in thousands of euros)	31/03/2015	31/12/2014
Non-current assets	9,167,994	9,138,164
Current assets	1,255,387	1,419,807
Total assets	10,423,381	10,557,971

LIABILITIES (in thousands of euros)	31/03/2015	31/12/2014
Equity	2,725,682	2,552,452
Non-current liabilities	5,895,203	6,178,399
Current liabilities	1,802,496	1,827,120
Total equity and liabilities	10,423,381	10,557,971

Summary consolidated cash flow statement

(in thousands of euros)	31/03/2015	31/03/2014
CASH FLOWS FROM OPERATING ACTIVITIES	461,828	121,881
Profit before taxes	229,932	226,926
Adjustments to results	159,302	142,170
Changes in working capital	106,397	(185,742)
Other cash flows from operating activities	(33,803)	(61,473)
CASH FLOWS FROM INVESTING ACTIVITIES	(145,540)	(254,332)
Payments from investments	(150,529)	(254,904)
Proceeds from disposals	263	88
Other cash flows from investing activities	4,726	484
CASH FLOWS FROM FINANCING ACTIVITIES	(481,811)	28,934
Proceeds from/(payments for) equity instruments	(6,401)	783
Proceeds from/(payments for) financial liabilities	(362,947)	124,992
Dividend payments	(112,463)	(97,867)
Other cash flows from financing activities	-	1,026
Effect of variation in exchange rates	247	122
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(165,275)	(103,396)
Cash and cash equivalents at beginning of period	299,368	214,861
Cash and cash equivalents at end of period	134,093	111,465



Financial calendar

Upcoming events

Estimated dates

Payment of the final dividend from 2014 profit	1 July 2015
1H15 results presentation	Final week of July 2015

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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

 FTSE4Good	Included in the FTSE4Good index since 2008. (*).		The company was awarded the "RobecoSAM Bronze Class" distinction in the Sustainability Yearbook 2015, making it one of the top 13 companies in the industry.
	Included for the first time in the Euronext-Vigeo Sustainability Indices (Eurozone 120, 120 Europe, Global 120).		Included in the MSCI ESG Indices (MSCI Global Sustainability Indexes, MSCI Socially Responsible Indexes, MSCI Global Climate Index and MSCI Global Environmental Index) in 2014.
 rated by oekom r e s e a r c h	Again granted Prime status and was ranked as one of the most sustainable companies in the industry in 2014.		Included in the Natural Capital Efficiency Leader Index in 2014.
	Included in the Ethibel Excellence index since 2009.		Included in the Kempen SNS SRI Index since 2004.
 Member 2011/2012	Included in the ESG STOXX Leaders Index since 2011.		Included in the ECPI Index since 2008.
	Awarded the Best in Class distinction in 2009.		

(*) 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 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.