



RED
ELÉCTRICA
CORPORACIÓN

Financial results

January - December 2015

Profit for the year amounted to €606.0 million, up 8.3% compared with 2014 in like-for-like terms and down 15.6% factoring in the non-recurring items included in the fourth quarter of last year.

EBITDA in 2015 amounted to €1,458.4 million, up 5.3% year-on-year.

The Red Eléctrica Group invested a total of €447.8 million, of which €410.7 was earmarked for developing the national transmission grid. This amount does not include the outlay of \$218 million on 50% of the Chilean company TEN, which was disbursed in 2016.

The company is to propose a 2015 dividend of €3.21 per share at its General Shareholders' Meeting, up 7% year-on-year and in line with the amount announced in Red Eléctrica's strategic plan.

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25 February 2016



1. Red Eléctrica: Financial highlights

Income statement

(in thousands of euros)	January - December			October - December		
	2015	2014	Δ %	2015	2014	Δ %
Revenue	1,938,939	1,846,714	5.0	482,607	472,396	2.2
Gross operating profit (EBITDA)	1,458,427	1,385,393	5.3	369,973	368,509	0.4
Net operating profit (EBIT)	989,018	949,199	4.2	250,772	247,183	1.5
Profit before tax	829,722	853,496	(2.8)	210,538	260,116	(19.1)
Profit for the period	606,013	717,821	(15.6)	157,239	303,058	(48.1)
Recurring profit for the year ⁽¹⁾	606,013	559,549	8.3	157,239	144,786	8.6

Balance sheet

(in thousands of euros)	December 2015	December 2014	Δ %
Non-current assets	9,156,541	9,138,164	0.2
Equity	2,760,613	2,552,452	8.2
Net financial debt ⁽²⁾	4,905,873	5,408,548	(9.3)

Other financial figures

(in thousands of euros)	January - December			October - December		
	2015	2014	Δ %	2015	2014	Δ %
Operating cash flow after taxes	1,134,939	1,009,164	12.5	204,447	161,347	26.7
Investments ⁽³⁾	447,818	957,570	(53.2)	119,484	589,749	(79.7)
Dividends paid	404,825	343,782	17.8	-	-	-

⁽¹⁾ Earnings for 2014 include non-recurring gains from the compensation for TDE (€52 million) and from application of Corporate Income Tax Law 27/2014 (€106 million). Stripping out these items profit in 2015 would have risen by 8.3% year-on-year.

⁽²⁾ Includes exchange rate derivatives.

⁽³⁾ Investment in 2014 included the acquisition of the rights to use ADIF's fibre optic network for €434 million.



2. Earnings performance

Revenue for 2015 amounted to €1,938.9 million, up 5.0% year-on-year. This increase includes the growth in Transmission revenue in Spain from facilities started up in 2014 and revenue associated with the provision of telecommunication services. This amounted to €83.5 million as it included the rights to use and manage ADIF's fibre optic network for the entire year, whereas last year only one and a half months was reported as the agreement was formalised in November 2014.

EBITDA totalled €1,458.4 million, up 5.3% on the previous year. Telecommunications activity accounted for over half of the growth in EBITDA, with Red Eléctrica's traditional activities generating the remainder.

The highlights with regard to operating costs are as follows:

- **Supply costs and other operating expenses** increased by 5.9% in 2015. Stripping out the costs associated with the telecommunications business, operating expenses would have increased by just 1%, reflecting the company's efforts to improve efficiency.
- **Personnel expenses** rose by 5.0% year-on-year, with the salaries and wages item, which includes the increase in headcount, accounting for just over 50% of this increase. Higher social charges and other expenses account for the remaining amount.

The **final headcount** was 1,763 employees at 31 December 2015, while the average headcount was 1,755 employees, up around 1% year-on-year.

Operating expenses

(in thousands of euros)	January- December			October - December		
	2015	2014	Δ %	2015	2014	Δ %
Supplies and other operating expenses	374,102	353,352	5.9	83,542	78,061	7.0
Personnel expenses	139,635	132,967	5.0	37,157	34,977	6.2
Operating expenses	513,737	486,319	5.6	120,699	113,038	6.8

Net operating profit (EBIT) totalled €989.0 million, up 4.2% year-on-year. This item includes the 11.1% increase in amortisation and depreciation of non-current assets as a result of the facilities commissioned 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 -€159.3 million, compared with -€95.7 million for 2014, a figure that included the positive impact of €52.3 million received in compensation from the Bolivian government for the expropriation of TDE. Meanwhile, financial expenditure on interest for 2015 was very similar to that for the previous year, since the lower average cost of debt was almost entirely offset by the larger volume of debt resulting from the operation with ADIF at the end of 2014. Stripping out this impact, net finance expense is €11.3 million lower year-on-year mainly as a result of lower expenditure capitalisation.

As a result, **profit for the year** totalled €606.0 million, down 15.6% year-on-year. Stripping out the non-recurring items included in 2014, the compensation for TDE and the €106.1 million impact of the application of Corporate Income Tax Law 27/2014, profit for the year would have risen by 8.3%.



3. Cash flow and balance sheet performance

Cash flows

(in thousands of euros)	January - December			October - December		
	2015	2014	Δ %	2015	2014	Δ %
Profit before tax	829,722	853,496	(2.8)	210,538	260,116	(19.1)
Taxes paid on earnings	(163,112)	(227,442)	(28.3)	(119,438)	(170,459)	(29.9)
Provision for amortisation/depreciation of non-current assets	489,533	440,699	11.1	124,660	115,780	7.7
Other adjustments	(21,204)	(57,589)	(63.2)	(11,313)	(44,090)	(74.3)
Operating cash flow after taxes	1,134,939	1,009,164	12.5	204,447	161,347	26.7
Changes to working capital	196,879	(497,681)	-	101,625	(76,401)	-
Changes to other non-current assets and liabilities	40,127	52,367	(23.4)	51,591	35,687	44.6
Changes to suppliers of PP&E	(11,072)	(147,350)	(92.5)	34,055	(10,099)	-
Investments	(447,818)	(957,570)	(53.2)	(119,484)	(589,749)	(79.7)
Free cash flow	913,055	(541,069)	-	272,234	(479,215)	-
Dividends paid	(404,825)	(343,782)	17.8	-	-	-
Change in net financial debt (*)	(508,230)	884,851	-	(272,234)	479,215	-

(*) 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 €1,134.9 million, a 12.5% increase on 2014. The strong cash flow generation and the positive trend in working capital enabled the company to finance its investments and dividends and to reduce the **net financial debt** of the Red Eléctrica Group, which stood at €4,905.9 million at the end of 2015.

Working capital increased by €196.9 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, and an improvement in collections of the electricity tariff.

Group **investment** in 2015 totalled €447.8 million, with investment in developing the Spanish transmission grid accounting for €410.7 million and energy storage on the Canary Islands for €12.0 million. Investment in 2015 was 53.2% lower year-on-year, since the 2014 figure also included the acquisition of the rights to use and manage ADIF's fibre optic network for €433.7 million.

Dividends paid against the previous year's results totalled €404.8 million, equivalent to €3 per share.



Net financial debt

(in thousands of euros) (*)	National currency	Foreign currency	Total
Cash and cash equivalents	(358,584)	(28,277)	(386,861)
Long-term debenture bonds	2,998,351	452,918	3,451,269
Long-term loans	1,841,465	-	1,841,465
Total net financial debt	4,481,232	424,641	4,905,873

(*) Debt classified in accordance with the original contract terms, excluding transfers to current.

At the close of 2015, 89% of the Group's financial debt is long-term. As regards interest rates, 85% of the Group's net debt is at a fixed rate, while the remaining 15% is at a floating rate.

In 2015, the average cost of the Group's financial debt was 3.20%, compared to 3.49% in 2013. The average gross debt balance was €5,418.9 million compared with €5,047.0 million in 2014.

Finally, the Red Eléctrica Group's **net equity** totalled €2,760.6 million, 8.2% higher than at the close of 2014. This growth was driven mainly by earnings in the period, which were partly offset by the corresponding dividend payment.

4. Significant events

Dividends

- At a meeting on 23 February, the Board of Directors agreed to propose to the General Shareholders' Meeting payment of a dividend of €3.21 per share from 2015 earnings, in line with the dividend policy communicated by the company in its strategic plan. The €0.8906 paid out as an interim dividend on 4 January must be deducted from this amount.

Regulation

- On 18 December Ministerial Order, IET/2735/2015 was published. This determines the electricity system access tariffs for 2016. The Order also determines that Red Eléctrica's remuneration as market operator in 2016 will be €56 million. With regard to transmission remuneration and electricity distribution, the order establishes the temporary extension of the 2015 remuneration until the methodology envisaged in Royal Decree 1047/2013 and Royal Decree 1048/2013 respectively has been drawn up by the CNMC.
- On 11 December Order IET/2659/2015 was published approving standard installations and benchmark unit investment costs and operation and maintenance costs of transmission facilities, by asset, to be used in calculating the remuneration of electricity transmission facilities.
- On 27 November Royal Decree 1073/2015 was approved. This amends various aspects of the remuneration of transmission grids. With regard to Red Eléctrica, the main developments are the exclusion of international interconnection investments from the planned investment limit, the removal of any reference to the indexing of standard values in accordance with Law 2/2015 on deindexing of the economy and, finally, provision for the possibility to extend by up to five years the residual life of assets commissioned prior to 1998 if these facilities have been renovated and upgraded. Finally, the economic report accompanying this Royal Decree envisages the recognition from the next regulatory period of the renovation and upgrade of any asset as an investment, regardless of its commissioning date.



International activity

- On 27 January, after receiving the approval of the European Commission, Red Eléctrica concluded the \$218 million acquisition of 50% of the share capital of Transmisora Eléctrica del Norte (TEN) from the Chilean company E-CL, a subsidiary of ENGIE. This transaction, agreed on 4 December, will enable both companies to take part in the construction and commercial exploitation of the Mejillones-Cardones transmission line which TEN is developing in Chile. This project forms part of Chile's backbone transmission system and consists of a 600 km, 500 KV power line that will connect the *Sistema Interconectado Central* (SIC, Central Interconnected System) with the *Sistema Interconectado del Norte Grande* (SING, Great Northern Interconnected System). Investment is estimated at over \$780 million and the line is slated to come on stream in the second half of 2017.
- On 16 December Red Eléctrica Internacional won a new tender in Peru for the construction, operation and maintenance for a 30-year period of the 220 kV, 129-kilometre Montalvo-Los Héroes transmission line and the enlargement of the Montalvo and Los Héroes substations. Construction is expected to take 33 months and investment is estimated at around \$40 million.

Other

- On 20 January Red Eléctrica de España obtained the 'Gold Class' distinction in The Sustainability Yearbook, a report by RobecoSAM that recognises companies with best practices in corporate responsibility. Red Eléctrica was one of the two Spanish companies to attain this accolade and the only one from its sector. The company was also named an 'Industry Mover', a status granted to those companies that have achieved the largest proportional improvement in their sustainability performances compared to the previous year.
- On 15 December Red Eléctrica was awarded the AENOR Healthy Workplace Certificate, confirming that the company has implemented the Healthy Workplace Model, a management system that promotes and protects the health, well-being and safety of employees, as well as sustainability in the working environment. This certification is the result of adopting an integral and integrated approach to workplace health throughout the structure of the company via an in-house management model.
- On 27 November Red Eléctrica renewed its European Seal of Excellence 500+ certification under the EFQM model with a score of more than 700 points, one of the highest for a Spanish company. Furthermore, the score attained enabled Red Eléctrica to renew its recognition at both national (European Seal of Excellence 500+) and European (Recognised for Excellence Stars) level.



Red Eléctrica Group

Consolidated income statement

(in thousands of euros)	31/12/2015	31/12/2014	2015/2014
Revenue	1,938,939	1,846,714	5.0%
Own work capitalised	20,719	17,710	17.0%
Supply costs	(47,865)	(59,711)	(19.8%)
Other operating income	12,506	7,288	71.6%
Personnel expenses	(139,635)	(132,967)	5.0%
Other operating expenses	(326,237)	(293,641)	11.1%
Gross operating profit (EBITDA)	1,458,427	1,385,393	5.3%
Amortisation/depreciation of non-current assets	(489,533)	(440,699)	11.1%
Release of grants related to non-financial assets	20,084	13,651	47.1%
Impairment and gains/losses on disposal of fixed assets	40	(9,146)	-
Net operating profit (EBIT)	989,018	949,199	4.2%
Finance income	8,932	11,973	(25.4%)
Finance costs	(167,457)	(160,240)	4.5%
Exchange differences	(41)	253	-
Impairment and gains/losses on disposal of financial instruments	(730)	52,311	-
Net finance expense	(159,296)	(95,703)	66.4%
Profit before tax	829,722	853,496	(2.8%)
Income tax expense	(222,962)	(134,434)	65.9%
Consolidated profit for the period	606,760	719,062	(15.6%)
A) Consolidated profit attributable to the Parent	606,013	717,821	(15.6%)
B) Consolidated profit attributable to non-controlling interests	747	1,241	(39.8%)



Red Eléctrica Group Consolidated balance Sheet

ASSETS (in thousands of euros)	31/12/2015	31/12/2014
Intangible assets	118,471	109,069
Property, plant and equipment	8,884,598	8,923,262
Investment property	2,473	2,517
Non-current financial assets	119,986	71,998
Deferred tax assets	30,111	30,938
Other non-current assets	902	380
Non-current assets	9,156,541	9,138,164
Inventories	41,755	46,445
Trade and other receivables	1,010,265	1,072,690
Other current financial assets	2,522	1,304
Cash and cash equivalents	386,861	299,368
Current assets	1,441,403	1,419,807
Total assets	10,597,944	10,557,971

LIABILITIES (in thousands of euros)	31/12/2015	31/12/2014
Equity	2,774,745	2,589,360
Capital	270,540	270,540
Reserves	2,051,350	1,723,852
Treasury shares and own equity instruments (-)	(33,076)	(10,390)
Profit attributable to the Parent	606,013	717,821
Interim dividend	(120,082)	(112,463)
Valuation adjustments	(29,482)	(59,894)
Non-controlling interests	15,350	22,986
Equity	2,760,613	2,552,452
Grants and other	548,598	482,442
Non-current provisions	84,528	105,522
Non-current financial liabilities	4,827,113	5,037,125
Deferred tax liabilities	512,286	482,584
Other non-current liabilities	68,196	70,726
Non-current liabilities	6,040,721	6,178,399
Current financial liabilities	1,313,328	1,549,431
Trade and other payables	483,282	277,689
Current liabilities	1,796,610	1,827,120
Total liabilities	10,597,944	10,557,971



Consolidated statement of cash flows

(in thousands of euros)	31/12/2015	31/12/2014
CASH FLOWS FROM OPERATING ACTIVITIES	1,326,140	511,985
Profit before tax	829,722	853,496
Adjustments for:	639,039	538,303
Amortisation and depreciation	489,533	440,699
Other adjustments to results (net)	149,506	97,604
Changes in working capital	196,879	(497,681)
Other cash flows from operating activities	(339,500)	(382,133)
Interest paid	(173,135)	(159,738)
Interest received	4,566	4,566
Dividends received	4,366	7,407
Income tax received/(paid)	(163,112)	(227,442)
Other collections/(payments) on operating activities	(12,185)	(6,926)
CASH FLOWS FROM INVESTING ACTIVITIES	(384,257)	(1,049,095)
Payments for investments	(469,190)	(1,109,640)
Property, plant and equipment, intangible assets and investment property	(458,890)	(1,104,920)
Other financial assets	(10,300)	(4,720)
Proceeds from disposals	3,346	29,636
Property, plant and equipment, intangible assets and investment property	59	-
Other assets	3,287	29,636
Other cash flows from investing activities	81,587	30,909
CASH FLOWS FROM FINANCING ACTIVITIES	(854,594)	621,398
Proceeds from/(payments for) equity instruments	(19,796)	(5,541)
Acquisitions	(156,457)	(107,416)
Disposals	136,661	101,875
Proceeds from/(payments for) financial liabilities	(420,737)	969,359
Issue and placements	1,198,485	1,943,673
Redemption and repayment	(1,619,222)	(974,314)
Dividend payments	(404,825)	(343,782)
Other cash flows from financing activities	(9,236)	1,362
Effect of exchange rates fluctuations	204	219
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	87,493	84,507
Cash and cash equivalents at beginning of period	299,368	214,861
Cash and cash equivalents at end of period	386,861	299,368



Financial calendar

Upcoming events

Estimated dates

1Q16 results presentation	April 2016
General Shareholders' Meeting	April 2016

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
Tel: (34) 91 650 20 12

relacioninversores@ree.es

Red Eléctrica has the following credit ratings: 'A-' from S&P, outlook stable, and 'A-' from Fitch, outlook positive.



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APPENDIX

Corporate responsibility certifications



Inclusion in the Dow Jones sustainability indices (Europe and World) in 2015.



'Gold Class' distinction in The Sustainability Yearbook 2016. The only Spanish company in the "electric utilities" sector to receive the maximum distinction.



Included in the FTSE4Good index since 2008. (*)



Included again in the STOXX Global ESG Leaders indices.



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



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



Included again in 2015 in the Ethibel Sustainability Index (ESI) Excellence Europe with effect from 21/09/2015.



Included in the Ethibel Excellence index since 2009.



Included in the ECPI Indexes since 2008.



REE identified as a leader for disclosure on climate change information with a score of 100 points.



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

(*) 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.