



RED
ELÉCTRICA
CORPORACIÓN

Financial results

January - September 2018

31 October 2018

Profit for the first nine months of 2018 was €520.7 million, a 5.1% rise year-on-year, which is in keeping with the growth target of the 2014-2019 Strategic Plan. Likewise, EBITDA amounted to €1,147.4 million.

Investments for the Red Eléctrica Group totalled €404.1 million, and include €101.2 million relating to the acquisition of the Chilean electricity transmission company Centinela Transmisión. Investment allocated to the national transmission grid amounted to €257.9 million.

The Board of Directors agreed to pay a gross interim dividend for 2018 amounting to €0.2727 per share, up 7% on 2017, in line with our Strategic Plan commitment of profitability to shareholders.

For the purpose of facilitating the understanding of the information provided in this document, certain alternative performance measures have been included, the definition of which can be found at www.ree.es.



Contents

1. Red Eléctrica: Financial highlights	3
Income statement.....	3
Balance sheet.....	3
Other financial figures	3
2. Profit performance	4
3. Cash flow and balance sheet performance	5
Cash flows ⁽¹⁾	5
Net financial debt ^(*)	6
4. Significant events	7
Consolidated income statement	8
Consolidated balance sheet	9
Consolidated statement of cash flows	10
Financial calendar	11
Estimated dates	11
Appendix	11



1. Red Eléctrica: Financial highlights

Income statement

<i>(in thousands of euros)</i>	January-September			July-September		
	2018	2017	Δ %	2018	2017	Δ %
Revenue	1,470,184	1,465,360	0.3	479,867	478,065	0.4
Gross operating profit (EBITDA)	1,147,407	1,136,568	1.0	370,601	366,865	1.0
Results from operating activities (EBIT)	792,514	767,776	3.2	251,529	244,314	3.0
Profit before income tax	692,920	661,540	4.7	217,184	207,648	4.6
Consolidated profit for the period	520,701	495,537	5.1	163,728	155,456	5.3

Balance sheet

<i>(in thousands of euros)</i>	September 2018	December 2017	Δ %
Non-current assets	9,260,831	9,214,238	0.5
Equity	3,295,834	3,093,449	6.5
Net financial debt (*)	4,865,361	4,791,798	1.5

(*) Includes exchange rate derivatives.

Other financial figures

<i>(in thousands of euros)</i>	January-September			July-September		
	2018	2017	Δ %	2018	2017	Δ %
Operating cash flow after taxes	980,821	963,975	1.7	336,215	320,989	4.7
Investments	404,071	295,964	36.5	221,104	97,803	-
Dividends paid	495,138	463,189	6.9	357,629	334,772	6.8



2. Profit performance

Revenue for the first nine months of 2018 amounted to €1,470.2 million, which is a 0.3% rise year-on-year. This performance is a result of increased remuneration from system operations, which reached €49.4 million, and from the external telecommunications business, which contributed €67 million. In addition, international activities reached €15.2 million following the entry into operation of the Azángaro-Juliaca-Puno line in the south of Peru.

Since June the profit from the Chilean company TEN, in which the Red Eléctrica Group has a 50% interest, was included in gross operating profit (EBITDA) as **Profit of equity-accounted investees**, which totalled €6.1 million in the first nine months of the year.

EBITDA amounted to €1,147.4 million, showing growth of 1.0% year-on-year, the fruit of the consolidation of efficiency measures implemented by Red Eléctrica.

Operating costs performed as follows:

- **Supply costs and other operating expenses** dropped 2.2% compared to the first nine months of last year, highlighting the efforts made by Red Eléctrica to improve efficiency.
- **Staff costs** rose 2.3% to September. The increase in costs is due in part to the 2.1% rise in average salary costs and a 0.7% increase in the Group's average workforce compared to the same period of last year.

The **final headcount** at 30 September was 1,799, while the average headcount was 1,807 employees.

<i>(in thousands of euros)</i>	January-September			July-September		
	2018	2017	Δ %	2018	2017	Δ %
Supplies and other operating expenses	271,723	277,736	(2.2)	90,901	94,316	(3.6)
Personnel expenses	111,562	109,079	2.3	37,090	36,255	2.3
Operating expenses	383,285	386,815	(0.9)	127,991	130,571	(2.0)

Operating profit (EBIT) stood at €792.5 million, up 3.2% on the first nine months of last year. This figure shows the reduction in provisions for the depreciation and amortisation of fixed assets owing mainly to adjustments made in the estimate of the useful life of certain transmission assets.

Financial loss was €99.6 million, compared to €106.8 million loss in the same period last year. The improvement seen is mainly owing to lower average interest rates.

Finally, **profit for the period** amounted to €520.7 million, a rise of 5.1% year-on-year. The average tax rate was 24.9% compared to 25.1% in the same period last year.



3. Cash flow and balance sheet performance

Cash flows ⁽¹⁾

<i>(in thousands of euros)</i>	January-September			July-September		
	2018	2017	Δ %	2018	2017	Δ %
Profit before income tax	692,920	661,540	4.7	217,184	207,648	4.6
Income tax paid	(69,563)	(71,086)	(2.1)	(2,056)	(9,831)	(79.1)
Depreciation and amortisation charge for non-current assets	372,332	386,379	(3.6)	124,977	128,433	(2.7)
Other adjustments	(14,868)	(12,858)	15.6	(3,890)	(5,261)	(26.1)
Operating cash flow after taxes	980,821	963,975	1.7	336,215	320,989	4.7
Changes in working capital	(134,502)	2,842	-	(161,933)	(52,241)	-
Changes in other assets and liabilities	(37,715)	(46,394)	(18.7)	18,132	(24,727)	-
Changes to asset suppliers	(19,382)	(84,769)	(77.1)	13,244	11,547	14.7
Investments	(404,071)	(295,964)	36.5	(221,104)	(110,516)	-
Free cash flow	385,150	539,689	(28.6)	(15,446)	145,052	-
Dividends paid	(495,138)	(463,189)	6.9	(357,629)	(334,772)	6.8
Change in net financial debt⁽²⁾	109,988	(76,500)	-	373,075	189,720	96.6

(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, and the difference between the investment payments is included mainly in "Changes in other assets and liabilities".

(2) The difference between this figure and the change in net financial debt shown on page 3 is owing to items that do not involve movements of cash and, in particular, as a result of the application of IFRS 9 as of 1 January 2018. The effect of this standard on the first-time application amounted to €47.1 million.

Operating cash flow after taxes was €980.8 million, a rise of 1.7% year-on-year.

Changes in working capital include a drop of €134.5 million in the first nine months of the year, mainly due to higher accounts receivable from the electricity system in Spain.

Investment by the Group during the period was €404.1 million, of which €257.9 million are allocated to the development of the national transmission grid, which represents a 13.6% increase on investments in the first nine months of the previous year. Accordingly, the international business obtained €101.2 million relating to the acquisition of Centinela Transmisión, which then changed its name to Katari Transmisión.

The **dividends paid** with a charge to profit of the previous year amounted to €495.1 million, which is equal to €0.6639 per share.

The Red Eléctrica Group's **net financial debt** at 30 September 2018 was €4,865.4 million, compared to €4,791.8 million at the end of 2017.



Net financial debt (*)

<i>(in thousands of euros)</i>	Euros	Foreign currency	Total
Cash and cash equivalents	(597,472)	(13,626)	(611,098)
Long-term debenture bonds	3,141,936	436,031	3,577,967
Long-term loans	1,673,924	224,568	1,898,492
Promissory notes and short-term loans	-	-	-
Total net financial debt	4,218,388	646,973	4,865,361

(*) Debt classified according to its original contracting, without considering short-term transfers.

As regards interest rates, 90% of the Group's net debt is at a fixed rate, while the remaining 10% is at a floating rate.

In the first nine months of the year, the average cost of the Group's financial debt was 2.42%. The average debt balance during the period was €5,478.8 million. In the same period of the previous year, the average cost of debt was 2.80% and the average debt balance was €5,320.0 million.

Moreover, at 30 September 2018, the Red Eléctrica Group's equity stood at €3,295.8 million.



4. Significant events

- At its meeting held on 30 October, the Board of Directors agreed to pay an interim dividend for 2018 in the amount of €0.2727 per share. This dividend will be paid for all shares with dividend rights on 8 January 2019, in accordance with the rules of operation of Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. (IBERCLEAR).
- At its meeting held on 25 September, the Board of Directors of Red Eléctrica Corporación approved the appointment of María Teresa Costa Campi and Antonio Gómez Expósito as non-executive proprietary directors representing Sociedad Estatal de Participaciones Industriales (SEPI).
- On 18 September 2018, Fitch Ratings confirmed the long-term rating of Red Eléctrica Corporación, S.A. as 'A' with a stable outlook. Following the announcement, Red Eléctrica Corporación, S.A. and Red Eléctrica de España, S.A.U. maintain a long-term rating of 'A' and a short-term rating of 'F-1' with a stable outlook.
- On 13 September, the new ranking of the Dow Jones Sustainability Index (DJSI) was published. Red Eléctrica was selected for a further year by the prestigious index as one of the four utilities present on a global basis (DJSI World) and at the European level (DJSI Europe), and the only company of its sector that has maintained its presence on both indices during last four years.



Red Eléctrica Group

Consolidated income statement

<i>(in thousands of euros)</i>	30/09/2018	30/09/2017	2018/2017
Revenue	1,470,184	1,465,360	0.3%
Self-constructed assets	47,370	45,105	5.0%
Share of profit/(loss) of equity-accounted investees (with a similar activity to that of the Group)	6,102	-	-
Supplies	(28,151)	(38,488)	(26.9%)
Other operating income	7,036	12,918	(45.5%)
Personnel expenses	(111,562)	(109,079)	2.3%
Other operating expenses	(243,572)	(239,248)	1.8%
Gross operating profit (EBITDA)	1,147,407	1,136,568	1.0%
Amortisation and depreciation	(372,332)	(386,379)	(3.6%)
Non-financial and other capital grants	17,472	17,533	(0.3%)
Impairment and gains/(losses) on disposal of fixed assets	(33)	54	-
Results from operating activities (EBIT)	792,514	767,776	3.2%
Finance income	7,938	6,843	16.0%
Finance costs	(107,337)	(113,633)	(5.5%)
Exchange gains/(losses)	(195)	12	-
Net finance cost	(99,594)	(106,778)	(6.7%)
Share of profit/(loss) of equity-accounted investees	-	542	-
Profit before income tax	692,920	661,540	4.7%
Income tax	(172,267)	(166,003)	3.8%
Consolidated profit for the period	520,653	495,537	5.1%
A) Consolidated profit for the period attributable to the Parent	520,701	495,537	5.1%
B) Profit/(loss) attributable to non-controlling interests	(48)	-	-



Red Eléctrica Group

Consolidated balance sheet

ASSETS <i>(in thousands of euros)</i>	30/09/2018	31/12/2017
Non-current assets	9,260,831	9,214,238
Current assets	1,931,543	1,703,645
Total assets	11,192,374	10,917,883

LIABILITIES <i>(in thousands of euros)</i>	30/09/2018	31/12/2017
Total Equity	3,295,834	3,093,449
Non-current liabilities	6,215,015	5,949,950
Current liabilities	1,681,525	1,874,484
Total equity and liabilities	11,192,374	10,917,883



Consolidated statement of cash flows

<i>(in thousands of euros)</i>	30/09/2018	30/09/2017
Cash flows from operating activities	820,707	941,429
Profit before tax	692,920	661,540
Adjustments	460,136	484,994
Changes in operating assets and liabilities	(134,502)	2,842
Other cash flows used in operating activities	(197,847)	(207,946)
Cash flows used in investing activities	(418,391)	(390,618)
Payments for investments	(437,755)	(399,042)
Proceeds from sale of investments	883	1,143
Other cash flows from investing activities	18,481	7,281
Cash flows from (used in) financing activities	(361,580)	(275,137)
Proceeds from and payments for equity instruments	(11,586)	3,231
Proceeds from and payments for financial liability instruments	151,216	195,966
Dividends paid	(495,138)	(463,189)
Other cash flows used in financing activities	(6,072)	(11,145)
Effect of exchange rates fluctuations	492	(3,208)
Net increase in cash and cash equivalents	41,228	272,466
Cash and cash equivalents at beginning of period	569,869	251,421
Cash and cash equivalents at period end	611,099	523,888



Financial calendar

Upcoming events

Estimated dates

2018 interim dividend	8 January 2019
Presentation of 2018 results	February 2019

For more information

Visit our website: www.ree.es

or contact us at: [Investor relations](mailto:relacioninversores@ree.es)

Paseo del Conde de los Gaitanes, 177
28109 Alcobendas (Madrid)
Telephone (34) 91 650 20 12

relacioninversores@ree.es

Red Eléctrica has a S&P rating of 'A-' and a Fitch rating of 'A'.



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Appendix



Sustainability certifications



DJSI once again placed the company on the DJSI World and the DJSI Europe indices.



Gold Class distinction in the RobecoSAM Sustainability Yearbook 2018.



FTSE4Good

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



Continued inclusion in the STOXX Global ESG Leaders indices.



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



Renewed presence in the Euronext-Vigeo sustainability indices (Eurozone 120 and Europe 120) following its first inclusion in 2014.



Red Eléctrica Corporación confirms its presence in the Ethibel Sustainability Index Excellence Europe.



Renewed inclusion in the Ethibel PIONEER and Ethibel EXCELLENCE Investment Registers.



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.



Ranked second in the Utilities/Network Operators sector with a B+ rating.



Ranked fourth among the companies with the best environmental sustainability reporting worldwide, according to the State Study on Sustainability Reporting.

(*) FTSE Group confirms that Red Eléctrica Corporation has been independently assessed based on 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 recognised 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.