



RED
ELÉCTRICA
CORPORACIÓN

Financial Results January-March 2018

25 April 2018

Profit for the first quarter of 2018 was €189.1 million, a 4.0% rise year-on-year, which is in keeping with the growth target of the 2014-2019 Strategic Plan.

EBITDA was €402.4 million, up 0.4% on the first three months of 2017.

Total investment by the Red Eléctrica Group was €71.3 million. Of this amount, €59.3 million is earmarked for development of the national transmission network, which represents an 18.8% increase on investments in the third quarter of last year

The General Shareholders' Meeting approved the gross dividend payment of €0.9188 per share charged against 2017 profits, which is a 7% rise on the dividend paid out the previous year.



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1. Red Eléctrica: Financial highlights

Income Statement

<i>(in thousands of euros)</i>	January-March		
	2018	2017	Δ %
Revenue	496,997	496,496	0.1
Gross operating profit (EBITDA)	402,415	400,776	0.4
Net operating profit (EBIT)	284,732	276,896	2.8
Profit before tax	250,928	240,555	4.3
Profit for the period	189,088	181,794	4.0

Balance sheet

<i>(in thousands of euros)</i>	March 2018	December 2017	Δ %
Non-current assets	9,148,802	9,214,238	(0.7)
Equity	2,940,999	3,093,449	(4.9)
Net financial debt*	4,731,181	4,791,798	(1.3)

(*) Includes exchange rate derivatives.

Other financial figures

<i>(in thousands of euros)</i>	January-March		
	2018	2017	Δ %
Operating cash flow after taxes	365,291	366,313	(0.3)
Investments	71,346	87,647	(18.6)
Dividends paid	137,509	128,417	7.1



2. Profit performance

Revenue for the first quarter of 2018 amounted to €497.0 million, which is a 0.1% rise year-on-year. This performance is the result of increased remuneration from system operations and the telecommunications business. The increase has been offset by the reduced income from international business, due to negative performance of exchange rate and other non-recurrent activities such as insurance indemnity.

EBITDA amounted to €402.4 million, showing growth of 0.4% 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 3.4% compared with the first quarter of last year, highlighting the efforts made by Red Eléctrica to improve efficiency.
- **Personnel expenses** rose 1.7% to March. The rise in costs is fundamentally due to the 1.8% rise in the Group's average workforce compared with last year.

The **final headcount** at 31 March was 1,812, while the average headcount was 1,809 employees.

<i>(in thousands of euros)</i>	January-March		
	2018	2017	Δ %
Supplies and other operating expenses	76,280	78,933	(3.4)
Personnel expenses	36,403	35,797	1.7
Operating expenses	112,683	114,730	(1.8)

Net operating profit (EBIT) stood at €284.7 million, which is 2.8% higher year-on-year. This figure shows the €5.4 million reduction in provisions for amortisation of fixed assets owing to adjustments made in the estimation of the useful life of certain transmission assets.

Financial loss was -€36.3million, compared to -€37.0 million in the same period last year. The improvement seen is mainly owing to lower average interest rates.

Finally, **profit for the period** amounted to €189.1 million, a rise of 4.0% year-on-year. The average tax rate was 24.7% compared with 24.4% in the same period last year.



3. Cash flow and balance sheet performance

Cash Flows ⁽¹⁾

<i>(in thousands of euros)</i>	January-March		
	2018	2017	Δ %
Profit before tax	250,928	240,555	4.3
Taxes paid on earnings	(2,239)	(102)	-
Provision for amortisation/depreciation of non-current assets	123,423	128,809	(4.2)
Other adjustments	(6,821)	(2,949)	-
Operating cash flow after taxes	365,291	366,313	(0.3)
Changes to working capital	(32,549)	42,683	-
Changes to other non-current assets and liabilities	(53,113)	(29,642)	79.2
Changes to suppliers of PP&E	(59,299)	(68,667)	(13.6)
Investments	(71,346)	(87,647)	(18.6)
Free cash flow	148,984	223,040	(33.2)
Dividends paid	(137,509)	(128,417)	7.1
Change in net financial debt ⁽²⁾	(11,475)	(94,623)	(87.9)

(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, the difference with investment payments is fundamentally contained in Changes to assets and liabilities.

(2) The difference between this figure and the change in Net Financial Debt shown on page 2 is owing to items that do not involve cash movements.

Operating cash flow after taxes was €365.3 million, in line with the previous year.

Changes to working capital meant a variation of funds of -€32.5 million in the first quarter, fundamentally due to higher payments made to creditors for the provision of services.

Investment by the Group during the period was €71.3 million. Of this amount, €59.3 million is earmarked for development of the national transmission network, which represents an 18.8% increase on investments in the third quarter of last year. Meanwhile, the international investment was €7.4 million, this figure is compared to €34.9 million recorded in the first quarter of 2017 that included the acquisition of 45% of Redesur.

Dividends paid out amounted to €137.5 million, equivalent to €0.2549 per share, which is 7% higher than the €0.2382 paid out last year, and is in line with the shareholder remuneration policy proposed by the company.

The Red Eléctrica Group's **net financial debt** at 31 March 2018 was €4,731.2 million, compared with €4,791.8 million at the end of 2017.



Net financial debt (*)

<i>(in thousands of euros)</i>	National currency	Foreign currency	Total
Cash and cash equivalents	(638,569)	(11,833)	(650,402)
Long-term debenture bonds	3,136,539	434,155	3,570,694
Long-term loans	1,709,029	101,860	1,810,889
Promissory notes and current loans	-	-	-
Total net financial debt	4,206,999	524,182	4,731,181

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

As regards interest rates, 91% of the Group's net debt is at a fixed rate, while the remaining 9% is at a floating rate.

In the first quarter, the average cost of the Group's financial debt was 2.52%. The average debt balance during the period was €5,419.3 million. The average cost of debt in the same period last year was 2.85%, with an average balance of €5,251.7 million.

In addition, at 31 March 2018, the Red Eléctrica Group's Equity totalled €2,941.0 million following the approval of the 2017 additional dividend pay-out by the General Shareholders' Meeting.



4. Significant events

- On 22 March 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 2017.

It also agreed the payment of a gross dividend of 0.9188 euros per share for 2 July, minus the gross amount of 0.2549 euros per share paid out as an interim dividend on 5 January.

The General Shareholders' Meeting re-elected Ms. Socorro Fernández Larrea and Mr. Antonio Gómez Ciria as independent directors. It also ratified as external director Ms. Mercedes Real Rodríguez.

- On 15 March, the public consultation and participation phase of the Spain-France electrical interconnection project came to a close. The project was declared a "Project of Common Interest" by the European Commission and the European Parliament in October 2013. This underwater link will bolster the electrical connection with Europe, increasing the commercial exchange capacity with France to 5,000 megawatts (MW).
- On 27 February, Red Eléctrica Corporación, through its subsidiary Red Eléctrica Financiaciones, S.A.U., performed under its Euro Medium Term Note Programme (EMTN Programme) a notes issues in the euromarket with the guarantee of Red Eléctrica Corporación, S.A. and Red Eléctrica de España, S.A.U., for €600 million. This issue has a nine-year maturity and a yield of 1.316%.
- On 28 February, Red Eléctrica renewed the EFQM 500+ Global Excellence Award, thus consolidating its commitment to management excellence, by forming part of a selective group of 94 Spanish companies who have been awarded the distinction, and by being one of three organisations in Spain with more than 700 points.
- On 1 February, the Red Eléctrica Group obtained the RobecoSAM "Gold Class" distinction, being the only company in its industry to have obtained such a distinction in the Sustainability Yearbook, which is prepared by ranking agency RobecoSAM, which recognises the companies with best practice in corporate responsibility. RobecoSAM grants this distinction only to companies that are distinguished for their high performance in social, environmental and corporate governance matters in the Dow Jones Sustainability index, which in its most recent edition recognised Red Eléctrica as a global leader in the utilities sector.



Red Eléctrica Group

Consolidated Income Statement

<i>(in thousands of euros)</i>	31/03/2018	31/03/2017	2018/2017
Revenue	496,997	496,496	0.1%
Own work capitalised	14,684	12,628	16.3%
Other operating income	3,416	6,382	(46.5%)
Supply costs	(8,189)	(9,046)	(9.5%)
Personnel expenses	(36,403)	(35,797)	1.7%
Other operating expenses	(68,091)	(69,887)	(2.6%)
Gross operating profit (EBITDA)	402,415	400,776	0.4%
Amortisation/depreciation of non-current assets	(123,423)	(128,809)	(4.2%)
Release of grants related to non-financial assets	5,762	4,906	17.4%
Impairment and gains/losses on disposal of fixed assets	(22)	23	-
Net operating profit (EBIT)	284,732	276,896	2.8%
Finance income	565	667	(15.3%)
Finance costs	(36,707)	(37,802)	(2.9%)
Exchange differences	(205)	184	-
Net financial result	(36,347)	(36,951)	(1.6%)
Profit participation in companies under the participation method	2,543	610	-
Profit before tax	250,928	240,555	4.3%
Income tax expense	(61,856)	(58,761)	5.3%
Consolidated profit for the period	189,072	181,794	4.0%
A) Consolidated profit attributable to the Parent	189,088	181,794	4.0%
B) Consolidated profit attributable to non-controlling interests	(15)	-	-



Red Eléctrica Group

Consolidated Balance Sheet

ASSETS <i>(in thousands of euros)</i>	31/03/2018	31/12/2017
Non-current assets	9,148,802	9,214,238
Current assets	1,861,405	1,703,645
Total assets	11,010,208	10,917,883

LIABILITIES <i>(in thousands of euros)</i>	31/03/2018	31/12/2017
Equity	2,940,999	3,093,449
Non-current liabilities	6,561,924	5,949,950
Current liabilities	1,507,285	1,874,484
Total equity and liabilities	11,010,208	10,917,883

Consolidated Cash Flow Statement

<i>(in thousands of euros)</i>	31/03/2018	31/03/2017
Cash flows from operating activities	303,228	388,626
Profit before tax	250,928	240,555
Adjustments for:	153,502	164,152
Changes in working capital	(32,549)	42,683
Other cash flows from operating activities	(68,653)	(58,764)
Cash flows from investing activities	(130,870)	(162,849)
Payments for investments	(132,520)	(163,694)
Proceeds from disposals	549	480
Other cash flows from investing activities	1,101	365
Cash flows from financing activities	(91,401)	(120,837)
Proceeds from/(payments for) equity instruments	(16,875)	(2,159)
Proceeds from/(payments for) financial liabilities	69,055	9,739
Dividend payments	(137,509)	(128,417)
Other cash flows from financing activities	(6,072)	-
Effect of exchange rates fluctuations	(427)	(578)
Net increase/(decrease) in cash and cash equivalents	80,530	104,362
Cash and cash equivalents at beginning of period	569,872	251,421
Cash and cash equivalents at end of period	650,402	355,783



Financial calendar

Upcoming events

Estimated dates

2017 additional dividend	2 July 2018
First six months 2018 results presentation	July/ August 2018

For more information

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



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Appendix

Corporate responsibility certifications



Recognised as the global leader in the Electric Utilities and in the super-sector Utilities, which includes the electricity, gas and water sectors.



Silver Class distinction in the RobecoSAM Sustainability Yearbook 2017.



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 Indexes following its inclusion in 2014.



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



Red Eléctrica leads the Vigeo - Eiris ranking in human resources, by obtaining the best score for its performance and best practice in this area.



Included among the ten leading companies in the ranking of the study on the status of environmental sustainability reporting of IBEX 35 companies.

(*) 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.