



**RED**  
**ELÉCTRICA**  
CORPORACIÓN

## **Financial results** **January - September 2019**

30 October 2019

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](http://www.ree.es).



## Contents

<b>1. Main highlights .....</b>	<b>3</b>
<b>2. Red Eléctrica: Main aggregates .....</b>	<b>4</b>
<b>3. Earnings performance .....</b>	<b>5</b>
<b>4. Cash flow and balance sheet performance .....</b>	<b>6</b>
<b>5. Significant events for the first nine months and thereafter .....</b>	<b>8</b>
<b>Appendix 1. Consolidated financial statements .....</b>	<b>9</b>
Consolidated income statement .....	9
Consolidated balance sheet .....	10
<b>LIABILITIES .....</b>	<b>10</b>
Consolidated statement of cash flows.....	11
Financial calendar.....	12
<b>Appendix 2. Sustainability certifications .....</b>	<b>13</b>



## 1. Main highlights

Our **electricity transmission and system operation activities in Spain** for these first nine months of 2019 have been aimed at facilitating the energy transition and enabling proper integration of renewable energy sources, with the ultimate goal of driving progress towards a low-carbon economy. Mainland production from renewable sources amounted to 35.6% and CO<sub>2</sub>-free mainland production represented 58.5% of production.

With regard to the **telecommunications business**, on 3 October, and following the agreement reached on 12 February with Abertis Infraestructuras, S.A. to acquire 89.68% of the shares of Hispasat, S.A., and once the required conditions precedent were met, the acquisition was formally concluded. The acquisition price of the 89.68% interest in the share capital of Hispasat amounted to €933 million. This acquisition is not incorporated in the financial statements of the Group at 30 September, as it will be included in the Red Eléctrica Group's financial statements on 3 October.

In relation to **international electricity transmission**, highlights include the formalisation on 18 July of the acquisition of 100% of the Carhuaquero - Moyobamba line in Peru valued at \$205 million (including debt), which was announced in December 2018.

Total **investments** of the Red Eléctrica Group reached €464.4 million, up 14.9 % on that invested in the first nine months of 2018. Of this amount, €235.3 million was earmarked for development of the **transmission network** in Spain.

**Profit for the first nine months stood at €529.2 million**, up 1.6% on the same period of 2018.

**EBITDA** was €1,155.8 million, up 0.7% on the first nine months of 2018.

The Board of Directors agreed to **distribute a gross interim dividend for 2019** of €0.2727 per share.

Finally, on 5 July the **draft circulars** were published, establishing **the methodology for calculating the remuneration for electricity transmission activities and remuneration for the operator of the electricity system**. Likewise, on 25 July the transmission of public information began for the **draft circular of the CNMC on the model facilities and the unitary benchmark values for operations and maintenance of the transmission facilities**. Red Eléctrica made its submissions for the proposed circulars within the periods established by the regulator and within the framework of the transmission of public information.



## 2. Red Eléctrica: Main aggregates

### Income statement

<i>(Thousands of euros)</i>	January - September			July - September		
	2019	2018	Δ %	2019	2018	Δ %
Revenue	1,477,199	1,470,184	0.5	484,125	479,867	0.9
EBITDA	1,155,775	1,147,407	0.7	376,414	370,601	1.6
EBIT	803,126	792,514	1.3	258,420	251,529	2.7
Profit before tax	703,697	692,920	1.6	222,817	217,184	2.6
Profit for the year	529,230	520,701	1.6	167,031	163,728	2.0

### Balance sheet

<i>(Thousands of euros)</i>	September 2019	December 2018	Δ %
Non-current assets	9,449,376	9,303,514	1.6
Equity	3,446,126	3,361,366	2.5
Net financial debt*	4,973,367	4,682,720	6.2

(\*) Includes foreign currency derivatives.

### Other financial aggregates

<i>(Thousands of euros)</i>	January - September			July - September		
	2019	2018	Δ %	2019	2018	Δ %
Operating cash flow after taxes	990,684	980,821	1.0	342,818	336,215	2.0
Investments	464,447	404,071	14.9	298,380	221,104	35.0
Dividends paid	530,841	495,138	7.2	383,591	357,629	7.3

### Credit rating

Agent	Credit rating	Outlook	Date
Standard & Poor's	A-	Stable	15/02/2019
Fitch Ratings	A-	Stable	08/04/2019



### 3. Earnings performance

**Revenue** for the first nine months of 2019 amounted to €1,477.2 million, which is a 0.5 % rise year-on-year. This figure includes the remuneration of the electricity transmission business in Spain, the regulated income related to system operations amounting to €49.4 million, the external telecommunications business in Spain, which reached €69.7 million, and the income arising from international business, which reached €36.6 million. It should also be noted that profit for the Chilean company TEN amounted to €5.8 million, which is included in EBITDA as Profit of Investees.

**EBITDA** amounted to €1,155.8 million, showing growth of 0.7 % 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 4.1% compared to the first nine months of last year, highlighting the efforts made by Red Eléctrica to improve efficiency. This change is a result of lower overhead costs, insurance costs, and lower expenses arising from leases, in application of IFRS 16, and as a result of completing the construction of TESUR 2 (a transmission line in southeast Peru, between the cities of Juliaca, Puno and Azángaro).
- The **final headcount** at 30 September was 1,816, while the average headcount was 1,802 employees.

**Personnel expenses** rose 3.4% year-on-year. This increase is mainly due to the increase in wages and salaries reflected due to the evolution of the average wage costs, the increase of the maximum base for Social Security payments in 2019 and higher training and worker's compensation expenses.

#### Operating expenses

<i>(Thousands of euros)</i>	January - September			July - September		
	2019	2018	Δ %	2019	2018	Δ %
Supplies and other operating expenses	260,493	271,723	(4.1)	86,722	90,901	(4.6)
Personnel expenses	115,305	111,562	3.4	38,282	37,090	3.2
<b>Operating expenses</b>	<b>375,798</b>	<b>383,285</b>	<b>(2.0)</b>	<b>125,004</b>	<b>127,991</b>	<b>(2.3)</b>

**Net operating profit (EBIT)** stood at €803.1 million, up 1.3% year-on-year.

The **financial loss** amounted to €99.4 million, down 0,2% on the figure for the first nine months of 2018. This decrease compared to the previous year is mainly due to lower finance costs resulting from lower average rates (currently 2.32% compared to 2.42% in September 2018). These effects have been partially offset by a higher average gross financial debt (€5,732 million compared to €5,479 million in September 2018).

Finally, **profit for the period** amounted to €529.2 million, a rise of 1.6% year-on-year. The effective tax rate was 24.8%.



## 4. Cash flow and balance sheet performance

### Cash flows <sup>(1)</sup>

<i>(Thousands of euros)</i>	January - September			July - September		
	2019	2018	Δ %	2019	2018	Δ %
Profit before tax	703,697	692,920	1.6	222,816	217,184	2.6
Income taxes paid	(68,279)	(69,563)	(1.8)	(167)	(2,056)	(91.9)
Depreciation and amortisation charge and other adjustments	355,266	357,464	(0.6)	120,169	121,087	(0.8)
<b>Operating cash flow after taxes</b>	<b>990,684</b>	<b>980,821</b>	<b>1.0</b>	<b>342,818</b>	<b>336,215</b>	<b>2.0</b>
Changes in working capital	(215,685)	(134,502)	60.4	(141,753)	(161,933)	(12.5)
Changes in other assets and liabilities	15,213	(37,716)	-	9,623	18,132	(46.9)
Changes in payables to non-current asset suppliers	(62,347)	(19,382)	-	(1,677)	13,244	-
Investments	(464,447)	(404,071)	14.9	(298,380)	(221,104)	35.0
<b>Free cash flow</b>	<b>263,418</b>	<b>385,150</b>	<b>(31.6)</b>	<b>(89,369)</b>	<b>(15,446)</b>	<b>-</b>
Dividends paid	(530,841)	(495,138)	7.2	(383,591)	(357,629)	7.3
<b>Change in net financial debt <sup>(2)</sup></b>	<b>267,423</b>	<b>109,988</b>	<b>-</b>	<b>472,960</b>	<b>373,075</b>	<b>26.8</b>

(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 between this figure and payments due to investments is included mainly under changes in other assets and liabilities.

(2) The difference between this figure and the change in net financial debt shown on page 4 is owing to items that do not involve cash movements.

**Operating cash flow after taxes** was €990.7 million, up 1.0% on the first nine months of the previous year.

**Changes in working capital** as at September 2019 totalled -€215.7 million, due to greater transmission receivables and fewer outstanding items to be settled to the system.

**Investments** by the Group during the period amounted to €464.4 million, up 14.9% on the same period of the previous year. Of this amount, €235.3 million were earmarked for development of the national transmission network. Furthermore, €202.2 million were allocated to the development of the international business in relation to the acquisition of Cajamarca in Peru, the construction of Tesur 3 (transmission line in the south of Peru between Montalvo and Los Héroes), Tesur 4 (Tintaya – Azángaro line) and Redenor (transmission line in the north of Chile, in the Pozo Almonte area).

The **dividends paid** with a charge to profit for the previous year amounted to €530.8 million, which is equal to €0.9831 per share.

The Red Eléctrica Group's **net financial debt** at 30 September 2019 amounted to €4,973.4 million, compared to €4,682.7 million at the end of 2018.



## Net financial debt (\*)

<i>(Thousands of euros)</i>	Euros	Foreign currency	Total
Cash and cash equivalents	(606,694)	(41,768)	<b>(648,462)</b>
Non-current debt securities	2,868,748	521,888	<b>3,390,636</b>
Non-current loans	1,479,494	350,899	<b>1,830,392</b>
Promissory notes and current loans	400,801	-	<b>400,801</b>
<b>Total net financial debt</b>	<b>4,142,349</b>	<b>831,019</b>	<b>4,973,367</b>

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

At 30 September 2019, 92.9% of the Group's financial debt was long term. As regards interest rates, 83% of the Group's debt is at a fixed rate, while the remaining 17% is at a floating rate.

The average cost of the Group's financial debt in the first nine months of the year was 2.32%, compared to 2.42% in the same period of the previous year. Accordingly, the **average balance of gross debt** stood at €5,732 million, compared to €5,478.8 million in the first nine months of the previous year.

Moreover, at 30 September 2019, the Red Eléctrica Group's **Equity** stood at €3,446.1 million.

## Credit rating

Standard & Poor's has given Red Eléctrica a long-term credit rating of 'A-' with a stable outlook and a short-term credit rating of 'A-2'. Fitch granted the Company a long-term rating of 'A-' with a stable outlook and a short-term rating of 'F2'.

The S&P rating is based on the stability of the cash flows arising mainly from regulated transmission activities. Fitch also highlighted the low level of business risk given TSO's natural monopoly position in Spain and the steady increase in the flow of income from contracts of the telecommunications business and the electricity transmission concessions in Peru and Chile.



## 5. Significant events for the first nine months and thereafter

- At its meeting held on 29 October, the Board of Directors agreed to pay an interim dividend for 2019 in the amount of €0.2727 per share. This dividend will be paid for all shares with dividend rights on 7 January 2020, in accordance with the rules of operation of Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. (IBERCLEAR).
- On 3 October, the acquisition of Hispasat, S.A. was formally concluded, once the required conditions precedent were met. The acquisition price of the 89.68% interest in the share capital of Hispasat amounted to €933 million. This agreement positions the Red Eléctrica Group as a global operator of electricity and telecommunications infrastructures, both in Spain and internationally, within the framework of the 2018-2022 Strategic Plan.

Within the context of the integration of Hispasat in the Red Eléctrica Group, Red Eléctrica's Board of Directors Corporación, S.A. approved the reorganisation of the Red Eléctrica Group's corporate and support services for the purpose of optimising the organisational structure and business management of the various companies that form part of the Red Eléctrica Group.

At the request of Red Eléctrica's Board of Directors, the shareholders at Hispasat's General Meeting agreed the formal appointment of eight Red Eléctrica's representatives on Hispasat's Board of Directors, out of thirteen members. Hispasat's Board previously had twenty-three members. Miguel Ángel Panduro will replace Carlos Espinós as the Company's new Chief Executive Officer.

- On 1 and 2 October, the REE Group held a workshop at its offices entitled "*Creating a sustainable future together*", led by the Group's Chairman, Jordi Sevilla. At the workshop, the Company set eleven sustainability objectives to be reached by 2030, within the framework of its Sustainability Commitment and in line with its 2018-2022 Strategic Plan.
- On 13 September, the new ranking of the Dow Jones Sustainability Index (DJSI) was published. Red Eléctrica was once again selected by the prestigious index. In this new ranking, a total of 2,526 of the largest companies in the world in terms of market capitalisation were eligible, of which only the 318 most sustainable companies were selected, including the Red Eléctrica Group, following a rigorous analysis process. Only 15 Spanish companies were included in the latest ranking of this world index.



## Appendix 1. Consolidated financial statements

Red Eléctrica Group

### Consolidated income statement

<i>(Thousands of euros)</i>	30/09/2019	30/09/2018	2019/2018
Revenue	1,477,199	1,470,184	0.5%
Work on non-current assets	37,853	47,370	(20.1%)
Profit from investees	5,799	6,102	(5.0%)
Supply costs	(20,811)	(28,151)	(26.1%)
Other operating income	10,722	7,036	52.4%
Personnel expenses	(115,305)	(111,562)	3.4%
Other operating expenses	(239,682)	(243,572)	(1.6%)
<b>Gross operating profit</b>	<b>1,155,775</b>	<b>1,147,407</b>	<b>0.7%</b>
Depreciation and amortisation charge for non-current assets	(370,887)	(372,332)	(0.4%)
Allocation to profit or loss of grants related to non-financial assets	18,239	17,472	4.4%
Impairment and gains or losses on disposal of non-current assets	(1)	(33)	(97.0%)
<b>Net operating profit</b>	<b>803,126</b>	<b>792,514</b>	<b>1.3%</b>
Finance income	8,055	7,938	1.5%
Finance costs	(106,432)	(107,337)	(0.8%)
Exchange differences	(1,052)	(195)	-
<b>Net finance expense</b>	<b>(99,429)</b>	<b>(99,594)</b>	<b>(0.2%)</b>
<b>Profit before tax</b>	<b>703,697</b>	<b>692,920</b>	<b>1.6%</b>
Income tax expense	(174,484)	(172,267)	1.3%
<b>Consolidated profit for the period</b>	<b>529,213</b>	<b>520,653</b>	<b>1.6%</b>
<b>A) Consolidated profit attributable to the Parent</b>	<b>529,230</b>	<b>520,701</b>	<b>1.6%</b>
<b>B) Consolidated profit attributable to non-controlling interests</b>	<b>(17)</b>	<b>(48)</b>	<b>(64.6%)</b>



Red Eléctrica Group

**Consolidated balance sheet**

<b>ASSETS</b> ( <i>thousands of euros</i> )	<b>30/09/2019</b>	<b>31/12/2018</b>
Non-current assets	9,449,376	9,303,514
Current assets	2,019,598	1,958,566
<b>Total assets</b>	<b>11,468,974</b>	<b>11,262,080</b>

<b>LIABILITIES</b> ( <i>thousands of euros</i> )	<b>30/09/2019</b>	<b>31/12/2018</b>
Equity	3,446,126	3,361,366
Non-current liabilities	5,990,973	6,336,322
Current liabilities	2,031,875	1,564,392
<b>Total liabilities</b>	<b>11,468,974</b>	<b>11,262,080</b>



Red Eléctrica Group

## Consolidated statement of cash flows

<i>(Thousands of euros)</i>	<b>30/09/2019</b>	<b>30/09/2018</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>757,044</b>	<b>820,707</b>
Profit before tax	703,697	692,920
Adjustments to profit	456,116	460,136
Changes in working capital	(215,685)	(134,502)
Other cash flows from operating activities	(187,084)	(197,847)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(333,065)</b>	<b>(418,391)</b>
Payments due to investments	(379,165)	(437,755)
Proceeds from disposals	20,453	883
Other cash flows from investing activities	25,647	18,481
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>(543,133)</b>	<b>(361,580)</b>
Proceeds from/(payments for) equity instruments	(9,048)	(11,586)
Proceeds from/(payments for) financial liability instruments	1,104	151,216
Dividends paid	(530,841)	(495,138)
Other cash flows from financing activities	(4,348)	(6,072)
<b>Effect of foreign exchange rate changes</b>	<b>464</b>	<b>492</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(118,690)</b>	<b>41,229</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>767,152</b>	<b>569,869</b>
<b>Cash and cash equivalents at end of period</b>	<b>648,462</b>	<b>611,099</b>



## Financial calendar

### Upcoming events

#### Estimated dates

2019 interim dividend	7 January 2020
Presentation of 2019 results	February 2020

#### For more information

Visit our website: [www.ree.es](http://www.ree.es)

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## Appendix 2. Sustainability certifications



The company was once again placed on the DJSI World index.



Silver Class distinction in the RobecoSAM Sustainability Yearbook 2019.



FTSE4Good

Included in the FTSE4Good index since 2008<sup>(\*)</sup>.



Continued inclusion in the STOXX Global ESG Leaders indices.



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



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



The Company confirmed 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.



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

(\*) 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 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.