



RED
ELÉCTRICA
CORPORACIÓN

Alternative Performance Measures

The European Securities and Markets Authority (ESMA) published the Guidelines 2015/1415 on Alternative Performance Measures (APMs) (hereinafter, "the Guidelines"), which must be complied with by all issuers whose securities are admitted to trading on an official market and that must publish regulated information in accordance with that established in Directive 2014/109/EC on transparency, so that their compliance improves the comparability, reliability and understanding of these measures. These Guidelines are applicable to any regulated information, such as directors' reports that are attached to annual or interim financial statements, intermediate management statements, presentations of results disclosed as significant events, etc.

Red Eléctrica presents these APMs to supplement the consolidated financial statements presented in accordance with the International Financial Reporting Standards adopted by the European Union (IFRSs-EU). The APMs are used, together with the other financial measures considered in IFRSs, to provide greater clarity regarding budgets and targets, assess operating and financial performance, and compare this performance with previous periods and with that of its competitors. The presentation of such measures is useful as they can be used to analyse and compare the return and solvency levels between companies and industries. These and other similar measures are used in general by investors, security analysts and other agents as measures that are supplementary to performance and must be considered by the reader as supplementary with regard to those presented in accordance with EU-IFRSs, although they are not considered a substitute.



Aggregates

Alternative Performance Measures	Definition	Purpose
Gross operating profit, Earnings before interest, taxes, depreciation and amortisation (EBITDA)	Profit/(loss) from operations + Depreciation and amortisation of assets - Allocation to profit or loss of grants related to non-financial assets and other grants+ / - Impairment and gains or losses on disposal of assets.	Alternative performance measure that is used to approximate the funds that could be obtained from the assets in operation, before taxes and depreciation..
Results from operating activities, Earnings before interest and taxes (EBIT)	Profit/(loss) from operations.	
Operating cash-flow after taxes, Funds From Operations (FFO)	Profit/(loss) before tax - Income tax payments + Depreciation and amortisation charge for non-current assets + /- Other adjustments to items that do not entail movements in cash + Dividends from companies accounted for using the equity method.	An indicator on the company's cash generation. It jointly measures the cash generation of the business and the cash generation for the group based on dividends of investees, after deducting payments for tax obligations and interest related to the group's financial debt, adjusted by the accounting changes that do not represent cash flows.
Changes in other assets and liabilities	Changes in the period in other balance sheet items included for the most part under non-current assets and liabilities, such as deferred tax assets and liabilities and other non-current assets and liabilities.	It measures the effect on the cash generated in the period as a result of changes in these items.
Gross Financial Debt	Principal at amortised cost of the bank borrowings and debt instruments and other marketable securities in euros.	Gross Financial Debt is an aggregate used to analyse the Group's level of gross debt. It includes financial liabilities with the cost incurred by the Group.
Net Financial Debt	Gross Financial Debt - Debt asset derivative instruments - Cash and cash equivalents	Net Financial Debt is an aggregate used to analyse the Group's level of net debt. It eliminates cash and cash equivalents from the Gross Financial Debt in order to attempt to determine what part of the debt finances its activities.



Ratios

Alternative Performance Measures	Definition	Purpose
Debt coverage ratios	Net financial debt / EBITDA	This debt coverage ratio relates net debt with EBITDA and allows the company's ability to repay its borrowings within a certain number of years (x times) to be assessed. It allows the company's performance to be analysed and facilitates comparison with other companies.
	Funds From Operations (FFO) / Net financial debt	This financial debt coverage ratio relates net debt with FFO and allows the company's ability to repay its borrowings in percentage to be assessed. It allows the company's performance to be analysed and facilitates comparison with other companies.
Interest coverage ratio	EBITDA / Financial profit/(loss) excluding capitalised interest and exchange differences	This ratio relates the interest expense with EBITDA to assess the company's ability to meet its borrowing costs within a certain number of years (x times). It allows the company's performance to be analysed and facilitates comparison with other companies.
EBITDA margin (%)	EBITDA / Revenue	A measurement of the degree of efficiency of the company in calculating the percentage of EBITDA obtained from the Revenue. It allows the company's performance to be analysed and facilitates comparison with other companies.
Financial leverage	Net financial debt / (Net financial debt + Equity)	This ratio measures the proportion of financial debt out of the total funds with the cost used by the company. It allows the company's performance to be analysed and facilitates comparison with other companies.
Return on Equity - ROE	Profit for the year / Equity	This ratio measures the profitability of total equity. It allows the company's performance to be analysed and facilitates comparison with other companies.