



**RED**  
**ELÉCTRICA**  
CORPORACIÓN

# Financial Results

## January - September 2016

Profit for the first nine months of 2016 was €471.3 million, 5.0% up on the same period of 2015.

EBITDA was €1,113.1 million, a 2.3% higher if compared with the first nine months of 2015.

Investments for the Red Eléctrica Group totalled €458.1 million and included €236.9 million for the domestic transmission network.

These figures are in line with the targets established in the 2014-2019 Strategic Plan.

26 October 2016

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## 1. Red Eléctrica: Financial highlights

### Income statement

(in thousands of euros)	January-September			July - September		
	2016	2015	Δ %	2016	2015	Δ %
Revenue	1,445,318	1,456,332	(0.8)	477,111	483,607	(1.3)
Gross operating profit (EBITDA)	1,113,061	1,088,454	2.3	358,708	348,173	3.0
Net operating profit (EBIT)	751,610	738,246	1.8	237,694	231,141	2.8
Profit before tax	635,374	619,184	2.6	198,686	190,615	4.2
Profit for the period	471,287	448,774	5.0	147,788	139,955	5.6

### Balance Sheet

(in thousands of euros)	September 2016	December 2015	Δ %
Non-current assets	9,175,216	9,156,541	0.2
Equity	2,870,170	2,760,613	4.0
Net financial debt*	5,176,264	4,905,873	5.5

(\*) Includes exchange rate derivatives.

### Other financial highlights

(in thousands of euros)	January-September			July - September		
	2016	2015	Δ %	2016	2015	Δ %
Operating cash flow after taxes	948,011	930,492	1.9	316,671	298,790	6.0
Investments	458,073	328,334	39.5	93,226	102,534	(9.1)
Dividends paid	432,834	404,825	6.9	312,752	292,362	7.0



## 2. Earnings performance

**Revenue** for the first nine months of 2016 was €1,445.3 million, a change of -0.8% year-on-year. This figure includes the Spain Transmission tariff for 2016, which was published on 17 June, and the commissioning of 2015 transmission assets. It also includes revenue from telecommunications services amounting to €64.7 million for the period, the regulated revenue from system operation in the amount of €42.0 million and revenues related to international activity.

**EBITDA** amounted to €1,113.1, an increase of 2.3% year-on-year.

Operating costs were as follows:

- **Supply costs and other operating expenses** posted a drop of 9.8% during the first nine months of the year and continue to reflect the efficiency improvement efforts being made by the company.
- **Personnel expenses** rose by 3.6% year-on-year as a consequence of the increase in headcount, the application of the collective bargaining agreement entered into force in 2014 and the increases in Social Security expenditure and other less significant expenses.
- The **final headcount** was 1,767 employees at 30 September 2016, while the average headcount stood at 1,762 employees, an increase of 0.6% on the first nine months of 2015.

### Operating expenses

(in thousands of euros)	January-September			July - September		
	2016	2015	Δ %	2016	2015	Δ %
Supplies and other operating expenses	262,058	290,560	(9.8)	101,191	106,581	(5.1)
Personnel expenses	106,116	102,478	3.6	34,751	33,747	3.0
<b>Operating expenses</b>	<b>368,174</b>	<b>393,038</b>	<b>(6.3)</b>	<b>135,942</b>	<b>140,328</b>	<b>(3.1)</b>

**Net operating profit (EBIT)** reached €751.6 million, a 1.8% rise year-on-year, influenced by a 3.4% rise in the provision for amortisation and depreciation of non-current assets as a result of the new assets commissioned in 2015.

**Financial profit (loss)** was €-114.8 million compared with €-119.1 million in the same period of last year, mainly because of lower average interest rates.

Lastly, **Profit for the period** amounted to €471.3 million, a rise of 5.0% year-on-year. The effective tax rate stood at 25.6% as a result of application of the Corporate Income Tax Act (Law 27/2014).



### 3. Cash flow and balance sheet performance

#### Cash flows

(in thousands of euros)	January-September			July - September		
	2016	2015	Δ %	2016	2015	Δ %
Profit before tax	635,374	619,184	2.6	198,686	190,615	4.2
Taxes paid on earnings	(47,716)	(43,674)	9.3	(4,824)	(9,495)	(49.2)
Provisions for amortisation/depreciation of non-current assets	377,266	364,873	3.4	126,338	121,935	3.6
Other adjustments	(16,913)	(9,891)	71.0	(3,529)	(4,265)	(17.3)
<b>Operating cash flow after taxes</b>	<b>948,011</b>	<b>930,492</b>	<b>1.9</b>	<b>316,671</b>	<b>298,790</b>	<b>6.0</b>
Changes to working capital	(160,551)	95,254	-	(9,363)	(29,939)	(68.7)
Changes to other non-current assets and liabilities	(141,639)	(11,464)	-	(24,061)	28,470	-
Changes to suppliers of PP&E	(23,958)	(45,127)	(46.9)	7,712	(29,177)	-
Investments	(458,073)	(328,334)	39.5	(93,226)	(102,534)	(9.1)
<b>Free cash flow</b>	<b>163,790</b>	<b>640,821</b>	<b>(74.4)</b>	<b>197,733</b>	<b>165,610</b>	<b>19.4</b>
Dividends paid	(432,834)	(404,825)	6.9	(312,752)	(292,362)	-
<b>Change in net financial debt (*)</b>	<b>269,044</b>	<b>(235,996)</b>	<b>-</b>	<b>115,019</b>	<b>126,752</b>	<b>(9.3)</b>

1) This table is a simplification of the Consolidated Cash Flow Statement. It includes Group investments for the period, while the difference with investment payments is essentially recorded in Changes to other assets and liabilities.

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

**Operating cash flow after taxes** was €948.0 million, an increase of 1.9% on the amount generated in the same period of last year, mainly from higher pre-tax income and amortisations.

**Changes to working capital** were negative in the amount of €160.6 million, compared with the positive contribution of €95.3 million in the previous year. This performance is explained by the absence during the current year of the extraordinary items present in 2015, such as the recovery of VAT from the purchase of long-term fibre optic network rights and certain items pending settlement in the system.

**Changes in other assets and liabilities** show a negative variation of €141.6 million, compared with €11.5 million in the third quarter of 2015, mainly from the temporary financing granted to TEN until the definitive financing will be obtained.

Group **Investments** in the first three quarters of 2016 reached €458.1 million, 39.5% more than in the same period of 2015, with €236.9 million earmarked for the development of the national transmission network.

**Dividends paid** against results for the previous year were €432.8 million, equivalent to €3.21 per share, or €0.8025 per share if the share split carried out on 11 July last is taken into account.

The **net financial debt** of the Red Eléctrica Group at 30 September 2016 was €5,176.3 million, compared with €4,905.9 at the end of 2015.



## Net financial debt

(in thousands of euros)	Domestic currency	Foreign currency	Total
Cash and cash equivalents	(260,917)	(32,429)	(293,346)
Long-term debenture bonds	3,300,030	447,912	3,747,942
Long-term loans	1,565,667	37,176	1,602,843
Promissory notes and current loans	-	118,825	118,825
<b>Total net financial debt (*)</b>	<b>4,604,780</b>	<b>571,484</b>	<b>5,176,264</b>

(\*) Debt classified in accordance with its original contract terms.

Based on type of interest, 86% of the Group's net debt is at a fixed interest rate, while the remaining 14% is at a floating rate.

Through to September the average cost of the Group's financial debt was 2.99%. The average balance of this debt was €5,478.0 million. In the same period of the last year the average cost of the debt was 3.21%, with an average balance of €5,430.9 million.

At 30 September 2016 shareholders' equity of the Red Eléctrica Group stood at €2,870.2 million, an increase of €109.6 million on the total at the end of 2015.

## 4. Relevant events during the quarter

- On 26 September, Red Eléctrica received an award from sustainability assessment agency **Vigeo Eiris** as a **Top Performer in the responsible integration of social factors within its supply chain**, making it the only Spanish company to be included among the world's 20 leading companies in the field.
- Red Eléctrica Corporación has strengthened its position on the global and European Dow Jones sustainability indexes, **Dow Jones Sustainability World Index** and **Dow Jones Sustainability Index Europe**, according to the results of the 2016 edition published on 8 September. The company obtained an overall score of 90 points out of 100, improving on the result for the previous year, leading nine different areas of sustainability and just one point behind the leading company in its sector.
- On 3 August, the **credit rating agency Standard & Poor's** issued its latest report on Red Eléctrica, maintaining the level of its rating and the outlook assigned to the company. Red Eléctrica Corporación, S.A. and its subsidiary Red Eléctrica de España, S.A.U. have maintained their long-term rating at 'A-' and their short-term rating at 'A-2' with a stable outlook.
- On 11 July, trading began of the new Red Eléctrica shares resulting from the **split** of each old share into four new shares (4x1) as approved by the General Shareholders' Meeting held on 15 April last. The new shares have a par value of €0.50.
- On 1 July a **gross additional dividend payment** was made of **€2.3194** per share corresponding to the 2015 financial year. The total dividend for that year is now €3.21 per share (equivalent to €0.80 per share following the split carried out on 11 July last), in line with the shareholder remuneration policy included in the Red Eléctrica Strategic Plan that envisages average annual growth of 7%.



## Red Eléctrica Group

## Consolidated Income Statement

(in thousands of euros)	30/09/2016	30/09/2015	2016/2015
Revenue	1,445,318	1,456,332	(0,8%)
Own work capitalized	24,113	14,762	63,3%
Supply costs	(30,038)	(36,118)	(16,8%)
Other operating income	11,804	10,398	13,5%
Personnel expenses	(106,116)	(102,478)	3,6%
Other operating expenses	(232,020)	(254,442)	(8,8%)
<b>Gross operating profit (EBITDA)</b>	<b>1,113,061</b>	<b>1,088,454</b>	<b>2,3%</b>
Amortisation/Depreciation of non-current assets	(377,266)	(364,873)	3,4%
Release of grants related to non-financial assets	15,766	14,641	7,7%
Impairment and gains/losses on disposal of fixed assets	49	24	-
<b>Net operating profit (EBIT)</b>	<b>751,610</b>	<b>738,246</b>	<b>1,8%</b>
Financial income	8,570	8,327	2,9%
Finance costs	(123,139)	(127,054)	(3,1%)
Exchange differences	(257)	395	-
Impairment and gains/losses on disposal of financial instruments	-	(730)	-
<b>Net financial result</b>	<b>(114,826)</b>	<b>(119,062)</b>	<b>(3,6%)</b>
Profit participation in companies under the participation method	(1,410)	-	-
<b>Profit before tax</b>	<b>635,374</b>	<b>619,184</b>	<b>2,6%</b>
Income tax expense	(162,745)	(169,767)	(4,1%)
<b>Consolidated profit for the period</b>	<b>472,629</b>	<b>449,417</b>	<b>5,2%</b>
<b>A) Consolidated profit attributable to the Parent</b>	<b>471,287</b>	<b>448,774</b>	<b>5,0%</b>
<b>B) Consolidated profit attributable to non-controlling interests</b>	<b>1,342</b>	<b>643</b>	<b>-</b>



## Red Eléctrica Group

## Summary Consolidated Balance Sheet

ASSETS (in thousands of euros)	30/09/2016	31/12/2015
Non-current assets	9,175,216	9,156,541
Current assets	1,517,122	1,441,403
<b>Total assets</b>	<b>10,692,338</b>	<b>10,597,944</b>

LIABILITIES (in thousands of euros)	30/09/2016	31/12/2015
Shareholders' equity	2,870,170	2,760,613
Non-current liabilities	6,248,649	6,040,721
Current liabilities	1,573,519	1,796,610
<b>Total liabilities</b>	<b>10,692,338</b>	<b>10,597,944</b>

## Summary Consolidated Cash Flow Statement

(in thousands of euros)	30/09/2016	30/09/2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>768,544</b>	<b>1,010,037</b>
Profit before tax	635,374	619,184
Adjustment to results	483,214	475,292
Changes in working capital	(160,551)	95,254
Other cash flows from operating activities	(189,493)	(179,693)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(597,256)</b>	<b>(339,806)</b>
Payments for investments	(608,377)	(383,082)
Proceeds from disposals	969	2,935
Other cash flows from investing activities	10,152	40,341
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>(264,107)</b>	<b>(763,493)</b>
Proceeds from/(payments for) equity instruments	2,014	(21,868)
Proceeds from/(payments for) financial liabilities	175,529	(329,109)
Dividend payments	(432,834)	(404,825)
Other cash flows from financing activities	(8,816)	(7,692)
<b>Effect of exchange rate fluctuations</b>	<b>(696)</b>	<b>150</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(93,515)</b>	<b>(93,112)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>386,861</b>	<b>299,368</b>
<b>Cash and cash equivalents at end of period</b>	<b>293,346</b>	<b>206,256</b>



## Financial calendar

### Upcoming events

#### Estimated dates

2016 results presentation

February 2017

For more information:

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



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## APPENDIX

### Corporate responsibility certifications



Consolidation of its position on the Dow Jones (Europe and World) sustainability indexes in 2016.



Gold Class distinction in the Sustainability Yearbook 2016. The only Spanish company in the electric utilities sector to have obtained the highest distinction.



FTSE4Good

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



Renewed inclusion in the STOXX Global ESG Leaders indexes.



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



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



Renewed inclusion in 2015 on the Ethibel Sustainability Index (ESI) Excellence Europe effective 21/09/2015.



Renewed inclusion in the Ethibel PIONEER and Ethibel EXCELLENCE Investment Registers on 29 January 2015. Part of the Ethibel Excellence index since 2009.



Part of the ECPI indexes since 2008.



Inclusion in CDP's transparency leadership index (CDLI) with a score of 100 because of its level of climate change disclosure.



One of the ten companies best identifying material sustainability and corporate governance issues according to the IRR Survey 2015.



Included among the ten top companies in the ranking of sustainability reporting by IBEX 35 companies.

(\*) FTSE Group confirms that Red Eléctrica Corporation has been independently assessed according to the FTSE4Good criteria, and it satisfies the requirements to join the FTSE4Good indexes, 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.