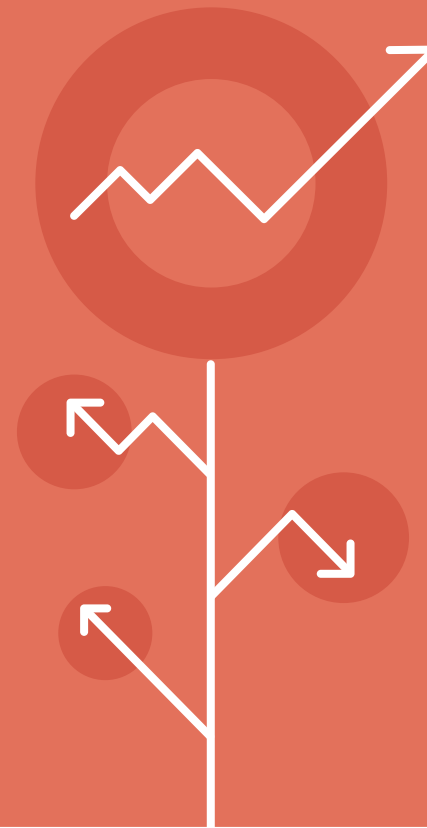




CONSOLIDATED STATEMENT OF FINANCIAL POSITION





RED ELÉCTRICA GROUP. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2016 and 2015

Thousands of €

	31/12/2016	31/12/2015
ASSETS		
Intangible assets (note 5)	134,572	118,471
Property, plant and equipment (note 6)	8,776,711	8,884,598
Investment property (note 7)	2,429	2,473
Equity-accounted investees (note 8)	200,757	-
Non-current financial assets (note 16)	111,861	119,986
Deferred tax assets (note 20)	28,903	30,111
Other non-current assets	1,532	902
NON-CURRENT ASSETS	9,256,765	9,156,541
Inventories (note 9)	39,467	41,755
Trade and other receivables (note 10)	962,122	1,010,265
Trade receivables	15,052	14,023
Other receivables	943,376	993,784
Current tax assets	3,694	2,458
Other current financial assets (note 16)	40,575	2,522
Cash and cash equivalents	251,421	386,861
CURRENT ASSETS	1,293,585	1,441,403
TOTAL ASSETS	10,550,350	10,597,944

Notes 1 to 32 and Appendix I form an integral part of these consolidated annual accounts.



RED ELÉCTRICA GROUP. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2016 and 2015

Thousands of €

EQUITY AND LIABILITIES

Capital and reserves

	31/12/2016	31/12/2015
Capital	2,965,210	2,774,745
Reserves	270,540	270,540
Own shares [-]	2,222,906	2,051,350
Profit attributable to the Parent	[36,739]	[33,076]
Interim dividend [-]	636,920	606,013
	[128,417]	[120,082]
Valuation adjustments	[62,156]	[29,482]
Available-for-sale financial assets	16,125	15,480
Hedging transactions	[83,801]	[48,613]
Translation differences and other	5,520	3,651
EQUITY ATTRIBUTABLE TO THE PARENT	2,903,054	2,745,263
Non-controlling interests	17,495	15,350
TOTAL EQUITY (note 11)	2,920,549	2,760,613

Grants and other (note 12)

547,941 548,598

Non-current provisions (note 13)

94,651 84,528

Non-current financial liabilities (note 16)

5,034,400 4,827,113

Loans and borrowings, bonds and other marketable securities

4,960,556 4,770,841

Other non-current financial liabilities

73,844 56,272

Deferred tax liabilities (note 20)

486,570 512,286

Other non-current liabilities (note 14)

64,225 68,196

NON-CURRENT LIABILITIES

6,227,787 6,040,721

Current financial liabilities (note 16)

1,066,909 1,313,328

Loans and borrowings, bonds and other marketable securities

384,044 648,156

Other current financial liabilities

682,865 665,172

Trade and other payables (note 18)

335,105 483,282

Suppliers

301,272 402,334

Other payables

19,787 74,672

Current tax liabilities

14,046 6,276

CURRENT LIABILITIES

1,402,014 1,796,610

TOTAL EQUITY AND LIABILITIES

10,550,350 10,597,944

Notes 1 to 32 and Appendix I form an integral part of these consolidated annual accounts.



RED ELÉCTRICA GROUP. CONSOLIDATED INCOME STATEMENT

2016 and 2015

Thousands of €

CONSOLIDATED INCOME STATEMENT

	2016	2015
Revenue (note 21-a)	1,932,343	1,938,939
Self-constructed assets	40,398	20,719
Supplies (note 21-b)	(49,222)	(47,865)
Other operating income	21,264	12,506
Personnel expenses (note 21-c)	(145,145)	(139,635)
Other operating expenses (note 21-b)	(313,589)	(326,237)
Depreciation and amortisation (notes 5, 6 and 7)	(504,200)	(489,533)
Non-financial and other capital grants (note 12)	21,318	20,084
Impairment and gains/(losses) on disposal of fixed assets (note 6)	121	40
RESULTS FROM OPERATING ACTIVITIES	1,003,288	989,018
Finance income (note 21-d)	10,970	8,932
Finance costs (note 21-d)	(162,003)	(167,457)
Exchange losses	(313)	(41)
Impairment and gains/(losses) on disposal of financial instruments (note 21-e)	-	(730)
NET FINANCE COST	(151,346)	(159,296)
Share in profit/(loss) of equity-accounted investees (note 8)	(1,154)	-
PROFIT BEFORE INCOME TAX	850,788	829,722
Income tax (note 20)	(212,181)	(222,962)
CONSOLIDATED PROFIT FOR THE YEAR	638,607	606,760
a) Consolidated profit for the year attributable to the parent	636,920	606,013
b) Profit for the year attributable to non-controlling interests	1,687	747
EARNINGS PER SHARE IN EUROS		
Basic earnings per share in Euros (note 30) (*)	1.18	1.12
Diluted earnings per share in Euros (note 30) (*)	1.18	1.12

(*) In 2016 a share split was performed resulting in four new shares per each old share. For comparison purposes, the 2015 figure shows the earnings per share if this share split had been performed in 2015.

Notes 1 to 32 and Appendix I form an integral part of these consolidated annual accounts.



RED ELÉCTRICA GROUP. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

2016 and 2015

Thousands of €

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

A) CONSOLIDATED PROFIT FOR THE YEAR

B) OTHER COMPREHENSIVE INCOME - ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS:

1. Revaluation/[reversal] of PPE and intangible assets
2. Actuarial gains and losses
3. Share in other comprehensive income from investments in joint ventures and associates
4. Other income and expense that will not be reclassified to profit or loss
5. Tax effect

C) OTHER COMPREHENSIVE INCOME - ITEMS THAT COULD SUBSEQUENTLY BE RECLASSIFIED TO PROFIT OR LOSS:

1. Available-for-sale financial assets:

- a) Revaluation gains/[losses]
- b) Amounts transferred to the income statement
- c) Other reclassifications

2. Cash flow hedges:

- a) Revaluation gains/[losses]
- b) Amounts transferred to the income statement
- c) Amounts transferred to initial value of hedged items
- d) Other reclassifications

3. Translation differences:

- a) Revaluation gains/[losses]
- b) Amounts transferred to the income statement
- c) Other reclassifications

4. Share in other comprehensive income from investments in joint ventures and associates

- a) Revaluation gains/[losses]
- b) Amounts transferred to the income statement
- c) Other reclassifications

5. Other income and expense that could subsequently be reclassified to profit or loss

- a) Revaluation gains/[losses]
- b) Amounts transferred to the income statement
- c) Other reclassifications

6. Tax effect

TOTAL COMPREHENSIVE INCOME FOR THE YEAR (A + B + C)

- a) Attributable to the Parent
- b) Attributable to non-controlling interests

2016	2015
638,607	606,760
(1,592)	12,182
-	-
(2,123)	16,242
-	-
-	-
531	(4,060)
(32,215)	32,233
(2,242)	10,039
(2,242)	10,039
-	-
-	-
(39,902)	28,428
(41,082)	27,526
1,180	902
-	-
-	-
3,103	5,389
3,103	5,389
-	-
-	-
(5,263)	-
(5,263)	-
-	-
-	-
-	-
-	-
12,089	(11,623)
604,800	651,175
602,655	648,608
2,145	2,567

Notes 1 to 32 and Appendix I form an integral part of these consolidated annual accounts.



RED ELÉCTRICA GROUP. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

at 31 December 2016 and 2015

Thousands of €

EQUITY	Current period								
	Equity attributable to the Parent							Non-controlling interests	Total equity
	Subscribed capital	Reserves	Interim dividend	Own shares	Profit attributable to the Parent	Valuation adjustment	Equity attributable to the Parent		
Balances at 1 January 2016	270,540	2,051,350	(120,082)	(33,076)	606,013	(29,482)	2,745,263	15,350	2,760,613
I. Comprehensive income for the year	-	(1,591)	-	-	636,920	(32,674)	602,655	2,145	604,800
II. Transactions with shareholders or owners	-	(313,270)	(8,335)	(3,663)	(120,082)	-	(445,350)	-	(445,350)
Distribution of dividends (note 11)	-	(313,745)	(8,335)	-	(120,082)	-	(442,162)	-	(442,162)
Transactions with own shares (note 11)	-	475	-	(3,663)	-	-	(3,188)	-	(3,188)
III. Other changes in equity	-	486,417	-	-	(485,931)	-	486	-	486
Transfers between equity line items	-	485,931	-	-	(485,931)	-	-	-	-
Other changes	-	486	-	-	-	-	486	-	486
Balances at 31 December 2016	270,540	2,222,906	(128,417)	(36,739)	636,920	(62,156)	2,903,054	17,495	2,920,549
EQUITY	Prior period								
	Equity attributable to the Parent							Non-controlling interests	Total equity
	Subscribed capital	Reserves	Interim dividend	Own shares	Profit attributable to the Parent	Valuation adjustment	Equity attributable to the Parent		
Balances at 1 January 2015	270,540	1,723,852	(112,463)	(10,390)	717,821	(59,894)	2,529,466	22,986	2,552,452
I. Comprehensive income for the year	-	12,183	-	-	606,013	30,412	648,608	2,567	651,175
II. Transactions with shareholders or owners	-	2,890	(7,619)	(22,686)	(405,687)	-	(433,102)	(853)	(433,955)
Distribution of dividends (note 11)	-	-	(7,619)	-	(405,687)	-	(413,306)	(853)	(414,159)
Transactions with own shares (note 11)	-	2,890	-	(22,686)	-	-	(19,796)	-	(19,796)
III. Other changes in equity	-	312,425	-	-	(312,134)	-	291	(9,350)	(9,059)
Transfers between equity line items	-	312,134	-	-	(312,134)	-	-	-	-
Other changes	-	291	-	-	-	-	291	(9,350)	(9,059)
Balances at 31 December 2015	270,540	2,051,350	(120,082)	(33,076)	606,013	(29,482)	2,745,263	15,350	2,760,613

Notes 1 to 32 and Appendix I form an integral part of these consolidated annual accounts.



RED ELÉCTRICA GROUP. CONSOLIDATED STATEMENT OF CASH FLOWS

2016 and 2015

Thousands of €

CONSOLIDATED STATEMENT OF CASH FLOWS

CASH FLOWS FROM OPERATING ACTIVITIES

Profit before tax

Adjustments for:

Depreciation and amortisation (notes 5,6 and 7)

Other adjustments (nets)

Equity-accounted investees (losses)

(Gains)/losses on disposal/impairment of non-current assets and financial instruments (note 21-f)

Accrued finance income (note 21-d)

Accrued finance costs (note 21-d)

Charge to/surplus provisions for liabilities and charges (note 13)

Capital and other grants taken to income (note 12)

Changes in operating assets and liabilities

Changes in inventories, receivables, prepayments for current assets and other current assets

Changes in trade payables, current revenue received in advance and other current liabilities

Other cash flows used in operating activities:

Interest paid

Dividends received (note 21-d)

Interest received

Income tax paid

Other proceeds from and payments for operating activities

2016

1,007,130

850,788

647,262

504,200

143,062

1,154

[121]

[10,970]

162,003

9,013

[18,017]

[144,304]

44,624

[188,928]

[346,616]

[157,508]

3,881

6,350

[190,351]

[8,988]

2015

1,326,140

829,722

639,039

489,533

149,506

-

770

[8,932]

167,457

7,432

[17,221]

196,879

25,409

171,470

[339,500]

[173,135]

4,566

4,366

[163,112]

[12,185]

Notes 1 to 32 and Appendix I form an integral part of these consolidated annual accounts.

[Continued on the next page]



RED ELÉCTRICA GROUP. CONSOLIDATED STATEMENT OF CASH FLOWS

2016 and 2015

Thousands of €

CONSOLIDATED STATEMENT OF CASH FLOWS

CASH FLOWS USED IN INVESTING ACTIVITIES

Payments for investments

Property, plant and equipment, intangible assets and investment property (notes 5, 6 and 7)

Group companies, associates and business units (note 8)

Other financial assets (note 16)

Proceeds from sale of investments

Property, plant and equipment, intangible assets and investment property (notes 5, 6 and 7)

Other financial assets (note 16)

Other cash flows from investing activities

Other proceeds from investing activities (note 12)

CASH FLOWS USED IN FINANCING ACTIVITIES

Proceeds from and payments for equity instruments (note 11)

Acquisition

Disposal

Proceeds from and payments for financial liability instruments (note 16)

Issue and drawdowns

Redemption and repayment

Dividends and interest on other equity instruments paid (note 11)

Other cash flows used in financing activities (note 11)

EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH AND CASH EQUIVALENTS

NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS

Cash and cash equivalents at beginning of year

Cash and cash equivalents at year end

	2016	2015
CASH FLOWS USED IN INVESTING ACTIVITIES	(587,605)	(384,257)
Payments for investments	(599,048)	(469,190)
Property, plant and equipment, intangible assets and investment property (notes 5, 6 and 7)	(364,355)	(458,890)
Group companies, associates and business units (note 8)	(200,616)	(10,300)
Other financial assets (note 16)	(34,077)	-
Proceeds from sale of investments	875	3,346
Property, plant and equipment, intangible assets and investment property (notes 5, 6 and 7)	-	59
Other financial assets (note 16)	875	3,287
Other cash flows from investing activities	10,568	81,587
Other proceeds from investing activities (note 12)	10,568	81,587
CASH FLOWS USED IN FINANCING ACTIVITIES	(555,879)	(854,594)
Proceeds from and payments for equity instruments (note 11)	(3,188)	(19,796)
Acquisition	(93,975)	(156,457)
Disposal	90,787	136,661
Proceeds from and payments for financial liability instruments (note 16)	(111,041)	(420,737)
Issue and drawdowns	1,047,939	1,198,485
Redemption and repayment	(1,158,980)	(1,619,222)
Dividends and interest on other equity instruments paid (note 11)	(432,834)	(404,825)
Other cash flows used in financing activities (note 11)	(8,816)	(9,236)
EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH AND CASH EQUIVALENTS	914	204
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(135,440)	87,493
Cash and cash equivalents at beginning of year	386,861	299,368
Cash and cash equivalents at year end	251,421	386,861

Notes 1 to 32 and Appendix I form an integral part of these consolidated annual accounts.