



INDEPENDENT AUDITORS' REPORT



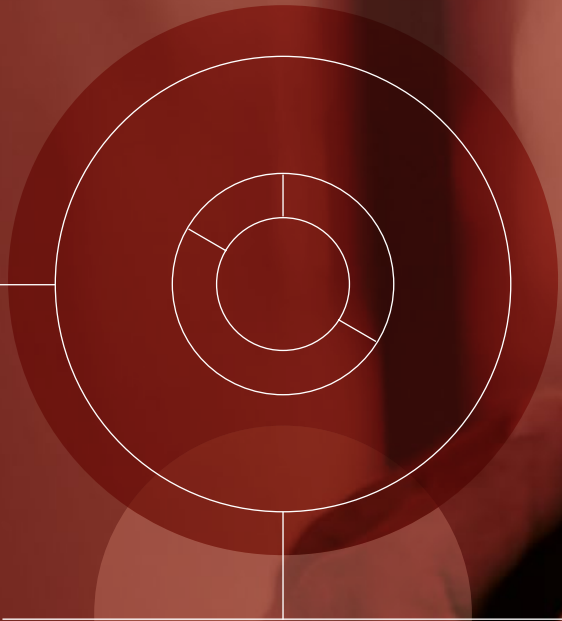
CONSOLIDATED STATEMENT OF FINANCIAL POSITION



CONSOLIDATED ANNUAL ACCOUNTS



CONSOLIDATED DIRECTORS' REPORT



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

**Red Eléctrica Group. Consolidated Statement of Financial Position**

Thousands of €

**AT 31 DECEMBER 2017 AND 2016**

	<b>31/12/2017</b>	<b>31/12/2016</b>
<b>ASSETS</b>		
Intangible assets <a href="#">(note 5)</a>	154,939	134,572
Property, plant and equipment <a href="#">(note 6)</a>	8,747,376	8,776,711
Investment property <a href="#">(note 7)</a>	2,385	2,429
Equity-accounted investees <a href="#">(note 8)</a>	172,727	200,757
Non-current financial assets <a href="#">(note 16)</a>	108,235	111,861
Deferred tax assets <a href="#">(note 20)</a>	27,824	28,903
Other non-current assets	752	1,532
<b>NON-CURRENT ASSETS</b>	<b>9,214,238</b>	<b>9,256,765</b>
Inventories <a href="#">(note 9)</a>	39,753	39,467
Trade and other receivables <a href="#">(note 10)</a>	1,013,355	962,122
Trade receivables	14,940	15,052
Other receivables	994,627	943,376
Deferred tax assets <a href="#">(note 20)</a>	3,788	3,694
Other current financial assets <a href="#">(note 16)</a>	80,668	40,575
Cash and cash equivalents	569,869	251,421
<b>CURRENT ASSETS</b>	<b>1,703,645</b>	<b>1,293,585</b>
<b>TOTAL ASSETS</b>	<b>10,917,883</b>	<b>10,550,350</b>

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



## Red Eléctrica Group. Consolidated Statement of Financial Position

Thousands of €

AT 31 DECEMBER 2017 AND 2016

## EQUITY AND LIABILITIES

## Equity

	31/12/2017	31/12/2016
Capital	270,540	270,540
Reserves	2,384,396	2,222,906
Own shares and equity holdings [-]	[29,769]	[36,739]
Profit attributable to the Parent	669,836	636,920
Interim dividend [-]	[137,509]	[128,417]
<b>Valuation adjustments</b>	<b>[64,104]</b>	<b>[62,156]</b>
Available-for-sale financial assets	15,435	16,125
Hedging transactions	[77,241]	[83,801]
Translation differences and other	[2,298]	5,520
<b>EQUITY ATTRIBUTABLE TO THE PARENT</b>	<b>3,093,390</b>	<b>2,903,054</b>
Non-controlling interests	59	17,495
<b>TOTAL EQUITY (note 11)</b>	<b>3,093,449</b>	<b>2,920,549</b>
Grants and other (note 12)	597,122	547,941
Non-current provisions (note 13)	100,982	94,651
Non-current financial liabilities (note 16)	4,692,352	5,034,400
Loans and borrowings, bonds and other marketable securities	4,630,691	4,960,556
Other non-current financial liabilities	61,661	73,844
Deferred tax liabilities (note 20)	472,475	486,570
Other non-current liabilities (note 14)	87,019	64,225
<b>NON-CURRENT LIABILITIES</b>	<b>5,949,950</b>	<b>6,227,787</b>
Current financial liabilities (note 16)	1,471,957	1,066,909
Loans and borrowings, bonds and other marketable securities	824,497	384,044
Other current financial liabilities	647,460	682,865
Trade and other payables (note 18)	402,527	335,105
Suppliers	343,694	301,272
Other payables	47,974	19,787
Deferred tax liabilities (note 20)	10,859	14,046
<b>CURRENT LIABILITIES</b>	<b>1,874,484</b>	<b>1,402,014</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>10,917,883</b>	<b>10,550,350</b>

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



## Red Eléctrica Group. Consolidated Income Statement 2017 AND 2016

Thousands of €

### CONSOLIDATED INCOME STATEMENT

	2017	2016
Revenue <a href="#">(note 21-a)</a>	1,941,165	1,932,343
Self-constructed assets	66,757	40,398
Supplies <a href="#">(note 21-b)</a>	[61,110]	[49,222]
Other operating income	29,450	21,264
Personnel expenses <a href="#">(note 21-c)</a>	[148,693]	[145,145]
Other operating expenses <a href="#">(note 21-b)</a>	[308,071]	[313,589]
Depreciation and amortisation <a href="#">(notes 5, 6 and 7)</a>	[515,151]	[504,200]
Non-financial and other capital grants <a href="#">(note 12)</a>	23,441	21,318
Impairment and gains/(losses) on disposal of fixed assets <a href="#">(note 6)</a>	3,627	121
<b>RESULTS FROM OPERATING ACTIVITIES</b>	<b>1,031,415</b>	<b>1,003,288</b>
Finance income <a href="#">(note 21-d)</a>	9,236	10,970
Finance costs <a href="#">(note 21-d)</a>	[151,738]	[162,003]
Exchange losses	[88]	[313]
Impairment and gains/(losses) on disposal of financial instruments	18	-
<b>NET FINANCE COST</b>	<b>[142,572]</b>	<b>[151,346]</b>
Share in profit/(loss) of equity-accounted investees <a href="#">(note 8)</a>	1,397	[1,154]
<b>PROFIT BEFORE INCOME TAX</b>	<b>890,240</b>	<b>850,788</b>
Income tax <a href="#">(note 20)</a>	[220,421]	[212,181]
<b>CONSOLIDATED PROFIT FOR THE YEAR</b>	<b>669,819</b>	<b>638,607</b>
a) Consolidated profit for the year attributable to the parent	669,836	636,920
b) Profit for the year attributable to non-controlling interests	[17]	1,687
<b>EARNINGS PER SHARE IN EUROS</b>		
Basic earnings per share in Euros <a href="#">(note 30)</a>	1.24	1.18
Diluted earnings per share in Euros <a href="#">(note 30)</a>	1.24	1.18

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



## Red Eléctrica Group. Consolidated Statement of Comprehensive Income 2017 AND 2016

Thousands of €

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2017	2016
<b>A) CONSOLIDATED PROFIT IN THE YEAR (from the statement of profit and loss)</b>	<b>669,819</b>	<b>638,607</b>
<b>B) OTHER COMPREHENSIVE INCOME – ITEMS NOT RECLASSIFIED TO PROFIT AND LOSS IN THE YEAR:</b>	<b>(2,991)</b>	<b>(1,592)</b>
1. Revaluation/(revaluation reversal) of property, plant and equipment and intangible assets	-	-
2. Actuarial gains and losses	(3,989)	(2,123)
3. Share in Other comprehensive income recognised from investments in jointly-controlled businesses and associates	-	-
4. Rest of income and expenses not reclassified to profit and loss in the year	-	-
5. Tax effect	998	531
<b>C) OTHER COMPREHENSIVE INCOME – ITEMS THAT MAY SUBSEQUENTLY BE RECLASSIFIED TO PROFIT AND LOSS IN THE YEAR:</b>	<b>(1,948)</b>	<b>(32,215)</b>
<b>1. Available-for-sale financial assets:</b>	<b>(1,833)</b>	<b>(2,242)</b>
a) Valuation gains/(losses)	(1,833)	(2,242)
b) Amounts transferred to the income statement	-	-
c) Other reclassifications	-	-
<b>2 Cash flow hedges:</b>	<b>14,626</b>	<b>(39,902)</b>
a) Valuation gains/(losses)	13,253	(41,082)
b) Amounts transferred to the income statement	1,373	1,180
c) Amounts transferred to initial value of hedged items	-	-
d) Other reclassifications	-	-
<b>3 Translation differences:</b>	<b>(10,451)</b>	<b>3,103</b>
a) Valuation gains/(losses)	(10,451)	3,103
b) Amounts transferred to the income statement	-	-
c) Other reclassifications	-	-
<b>4 Share in Other comprehensive income recognised from investments in jointly-controlled businesses and associates:</b>	<b>(4,389)</b>	<b>(5,263)</b>
a) Valuation gains/(losses)	(4,389)	(5,263)
b) Amounts transferred to the income statement	-	-
c) Other reclassifications	-	-
<b>5 Rest of income and expenses that may subsequently be reclassified to profit and loss in the year</b>	<b>-</b>	<b>-</b>
a) Valuation gains/(losses)	-	-
b) Amounts transferred to the income statement	-	-
c) Other reclassifications	-	-
<b>6 Tax effect</b>	<b>99</b>	<b>12,089</b>
<b>TOTAL COMPREHENSIVE INCOME IN THE YEAR (A + B + C)</b>	<b>664,880</b>	<b>604,800</b>
a) Attributable to the parent company	664,897	602,655
b) Attributable to minority interests	(17)	2,145

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

Thousands of €

AT 31 DECEMBER 2017 AND 2016

EQUITY	Equity attributable to the Parent							Prior period	
	Subscribed capital	Reserves	Interim dividend	Own shares	Profit attributable to the Parent	Valuation adjustments	Equity attributable to the parent	Non-controlling interests	Total equity
<b>BALANCE AT 01 JANUARY 2017</b>	<b>270,540</b>	<b>2,222,906</b>	<b>(128,417)</b>	<b>(36,739)</b>	<b>636,920</b>	<b>(62,156)</b>	<b>2,903,054</b>	<b>17,495</b>	<b>2,920,549</b>
<b>I. Comprehensive income for the year</b>	-	(2,991)	-	-	669,836	(1,948)	664,897	(17)	664,880
<b>II. Transactions with shareholders or owners</b>	-	(335,265)	(9,092)	6,970	(128,417)	-	(465,804)	-	(465,804)
Distribution of dividends (note 11)	-	(335,740)	(9,092)	-	(128,417)	-	(473,249)	-	(473,249)
Transactions with own shares (note 11)	-	475	-	6,970	-	-	7,445	-	7,445
<b>III. Other changes in equity</b>	-	499,746	-	-	(508,503)	-	(8,757)	(17,419)	(26,176)
Transfers between equity line items	-	508,503	-	-	(508,503)	-	-	-	-
Other variations (note 2.g)	-	(8,757)	-	-	-	-	(8,757)	(17,419)	(26,176)
<b>BALANCE AT 31 DECEMBER 2017</b>	<b>270,540</b>	<b>2,384,396</b>	<b>(137,509)</b>	<b>(29,769)</b>	<b>669,836</b>	<b>(64,104)</b>	<b>3,093,390</b>	<b>59</b>	<b>3,093,449</b>

EQUITY	Equity attributable to the Parent							Prior period	
	Subscribed capital	Reserves	Interim dividend	Own shares	Profit attributable to the Parent	Valuation adjustments	Equity attributable to the parent	Non-controlling interests	Total equity
<b>BALANCE AT 01 JANUARY 2016</b>	<b>270,540</b>	<b>2,051,350</b>	<b>(120,082)</b>	<b>(33,076)</b>	<b>606,013</b>	<b>(29,482)</b>	<b>2,745,263</b>	<b>15,350</b>	<b>2,760,613</b>
<b>I. Comprehensive income for the year</b>	-	(1,591)	-	-	636,920	(32,674)	602,655	2,145	604,800
<b>II. Transactions with shareholders or owners</b>	-	(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)
<b>III. Other changes in equity</b>	-	486,417	-	-	(485,931)	-	486	-	486
Transfers between equity line items	-	485,931	-	-	(485,931)	-	-	-	-
Other changes	-	486	-	-	-	-	486	-	486
<b>BALANCE AT 31 DECEMBER 2016</b>	<b>270,540</b>	<b>2,222,906</b>	<b>(128,417)</b>	<b>(36,739)</b>	<b>636,920</b>	<b>(62,156)</b>	<b>2,903,054</b>	<b>17,495</b>	<b>2,920,549</b>

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

**Red Eléctrica Group. Consolidated Statement of Cash Flows**  
2017 AND 2016

Thousands of €

**CONSOLIDATED STATEMENT OF CASH FLOWS**

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>1,153,255</b>	<b>1,007,130</b>
Profit before tax	890,240	850,788
<b>Adjustments for:</b>	<b>641,492</b>	<b>647,262</b>
Depreciation and amortisation (notes 5,6 and 7)	515,151	504,200
Other adjustments (net)	126,341	143,062
Equity-accounted holdings (profit and loss)	[1,397]	1,154
[Gains]/losses on disposal/impairment of non-current assets and financial instruments	[3,645]	[121]
Accrued finance income (note 21-d)	[9,254]	[10,970]
Accrued finance costs (note 21-d)	151,738	162,003
Charge to/surplus provisions for liabilities and charges (note 13)	8,637	9,013
Capital and other grants taken to income (note 12)	[19,738]	[18,017]
<b>Changes in operating assets and liabilities</b>	<b>[30,319]</b>	<b>[144,304]</b>
Changes in inventories, receivables, prepayments for current assets and other current assets	[71,478]	44,624
Changes in trade payables, current revenue received in advance and other current liabilities	41,159	[188,928]
<b>Other cash flows used in operating activities:</b>	<b>[348,158]</b>	<b>[346,616]</b>
Interest paid	[156,091]	[157,508]
Dividends received (note 21-d)	3,881	3,881
Interest received	4,944	6,350
Income tax paid	[196,419]	[190,351]
Other proceeds from and payments for operating activities	[4,473]	[8,988]

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



## Red Eléctrica Group. Consolidated Statement of Cash Flows 2017 AND 2016

Thousands of €

### CONSOLIDATED STATEMENT OF CASH FLOWS

	2017	2016
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>	<b>(536,410)</b>	<b>(587,605)</b>
<b>Payments for investments</b>	<b>(545,588)</b>	<b>(599,048)</b>
Property, plant and equipment, intangible assets and investment property <a href="#">(notes 5,6 and 7)</a>	(472,654)	(364,355)
Group companies, associates and jointly-controlled entities <a href="#">(note 8)</a>	(27,184)	(200,616)
Other financial assets <a href="#">(note 16)</a>	(45,750)	(34,077)
<b>Proceeds from sale of investments</b>	<b>882</b>	<b>875</b>
Property, plant and equipment, intangible assets and investment property <a href="#">(notes 5,6 and 7)</a>	24	-
Other financial assets <a href="#">(note 16)</a>	858	875
<b>Other cash flows from investing activities</b>	<b>8,296</b>	<b>10,568</b>
Other proceeds from investing activities <a href="#">(note 12)</a>	8,296	10,568
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>	<b>(294,597)</b>	<b>(555,879)</b>
<b>Proceeds from/(payments for) equity instruments <a href="#">(note 11)</a></b>	<b>7,445</b>	<b>(3,188)</b>
Acquisition	(32,387)	(93,975)
Disposal	39,832	90,787
<b>Proceeds from/(payments for) financial liability instruments <a href="#">(note 16)</a></b>	<b>176,381</b>	<b>(111,041)</b>
Issue and drawdowns	537,559	1,047,939
Redemption and repayment	(361,178)	(1,158,980)
<b>Dividends and interest on other equity instruments paid <a href="#">(note 11)</a></b>	<b>(463,189)</b>	<b>(432,834)</b>
<b>Other cash flows used in financing activities</b>	<b>(15,234)</b>	<b>(8,816)</b>
<b>EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH AND CASH EQUIVALENTS</b>	<b>(3,800)</b>	<b>914</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>318,448</b>	<b>(135,440)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>251,421</b>	<b>386,861</b>
<b>Cash and cash equivalents at year end</b>	<b>569,869</b>	<b>251,421</b>

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