



RED
ELÉCTRICA
CORPORACIÓN

Financial results

January - September 2015

Profit for the first nine months of 2015 rose 8.2% year-on-year to €448.8 million.

EBITDA was 7.0% higher year-on-year, at €1,088.5 million.

The Red Eléctrica Group invested a total of €328.3 million, of which €310.2 million was earmarked for developing the national transmission grid and energy storage in the Canary Islands.

28 de October de 2015

Contents

1. Red Eléctrica: Financial highlights.....	2
2. Earnings performance.....	3
3. Cash flow and balance sheet performance	4
4. Relevant events during the quarter	5
Consolidated P&L Account.....	6
Summary consolidated balance sheet	7
Summary consolidated cash flow statement.....	7
Financial calendar	8
Appendix	9



1. Red Eléctrica: Financial highlights

Income statement

(in thousands of euros)	January - September			July - September		
	2015	2014	Δ %	2015	2014	Δ %
Revenue	1,456,332	1,374,318	6.0	483,607	447,846	8.0
Gross operating profit (EBITDA)	1,088,454	1,016,884	7.0	348,173	322,215	8.1
Net operating profit (EBIT)	738,246	702,016	5.2	231,141	216,723	6.7
Profit before tax	619,184	593,380	4.3	190,615	178,478	6.8
Profit for the period	448,774	414,763	8.2	139,955	124,791	12.2

Balance sheet

(in thousands of euros)	September 2015	December 2014	Δ %
Non-current assets	9,146,089	9,138,164	0.1
Equity	2,715,445	2,552,452	6.4
Net financial debt*	5,176,242	5,408,548	(4.3)

(*) Includes exchange rate derivatives.

Other financial figures

(in thousands of euros)	January - September			July - September		
	2015	2014	Δ %	2015	2014	Δ %
Operating cash flow after taxes	930,492	847,817	9.8	298,790	284,703	4.9
Investments	328,334	367,821	(10.7)	102,534	118,798	(13.7)
Dividends paid	404,825	343,782	17.8	292,362	245,915	18.9



2. Earnings performance

Revenue for the first nine months of 2015 amounted to €1,456.3 million, up 6.0% year-on-year. This increase includes the growth in Transmission revenue in Spain from the facilities started up in 2014 and from the revenue associated with the provision of telecommunication services which totalled €62.5 million in the period, a fourfold increase on that invoiced in the same period of 2014, due to the inclusion of revenue from services associated with the rights to use and manage ADIF's fibre optic network.

EBITDA totalled €1,088.5 million, up 7.0% on the previous year.

EBITDA and revenue growth is due to the almost equal growth in the telecommunications and transport activities.

We would note the following regarding operating costs:

- **Supply costs and other operating expenses** rose by 5.5% in the first nine months of the year and continue to reflect the company's efforts to improve efficiency, since in 2015 this item includes the costs associated with the management contract signed with ADIF, which were not included in 2014.
- **Personnel expenses** increased by 4.6% year-on-year, whereby 2.8% relates to the increase in the workforce, the related social security costs and other similar expenses, 0.4% to the telecommunications activity and the rest to the application of the collective labour agreement entered into in 2014.

The **final headcount** was 1,757 employees at 30 September 2015, while the average headcount stood at 1,752 employees, up 0.6% on the first nine months of 2014.

Operating expenses

(in thousands of euros)	January - September			July - September		
	2015	2014	Δ %	2015	2014	Δ %
Supplies and other operating expenses	290,560	275,291	5.5	106,581	97,115	9.7
Personnel expenses	102,478	97,990	4.6	33,747	32,814	2.8
Operating expenses	393,038	373,281	5.3	140,328	129,929	8.0

Net operating profit (EBIT) stood at €738.2 million, up 5.2% year-on-year due to the 12.3% increase in amortisation and depreciation of non-current assets as a result of the facilities started up in 2014. These included the new interconnection with France and the impact of the amortisation of the rights to use and manage ADIF's fibre optic network.

The **net finance expense** was -€119.1 million, compared with -€108.6 million for the same period a year earlier, as a result of the impact of a higher average financial debt balance of €492.0 million in the other finance costs, partially offset by a lower average interest rate.

Finally, **profit for the period** totalled €448.8 million, up 8.2% year-on-year. The effective tax rate stood at 27.4% as a result of the application of Corporate Income Tax Law 27/2014.



3. Cash flow and balance sheet performance

Cash flows

(in thousands of euros)	January - September			July - September		
	2015	2014	Δ %	2015	2014	Δ %
Profit before tax	619,184	593,380	4.30	190,615	178,478	6.8
Taxes paid on earnings	(43,674)	(56,983)	(23.40)	(9,495)	(252)	-
Provision for amortisation/depreciation of non-current assets	364,873	324,919	12.30	121,935	108,916	12.0
Other adjustments	(9,891)	(13,499)	(26.70)	(4,265)	(2,439)	74.9
Operating cash flow after taxes	930,492	847,817	9.80	298,790	284,703	4.9
Changes to working capital	95,254	(421,280)	-	(29,939)	(101,091)	(70.4)
Changes to other non-current assets and liabilities	(11,464)	16,680	-	28,470	48,962	(41.9)
Changes to suppliers of PP&E	(45,127)	(137,250)	(67.10)	(29,177)	16,938	-
Investments	(328,334)	(367,821)	(10.70)	(102,534)	(118,798)	(13.7)
Free cash flow	640,821	(61,854)	-	165,610	130,714	26.7
Dividends paid	(404,825)	(343,782)	17.80	(292,362)	(245,915)	18.9
Change in net financial debt (*)	(235,996)	405,636	-	(126,752)	115,201	-

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

Operating cash flow after taxes amounted to €930.5 million, a 9.8% increase on the same period in the previous year. Strong cash flow generation and the positive trend in working capital have enabled the Red Eléctrica Group to meet investment payments, pay dividends and reduce its **net financial debt**, which stood at €5,176.2 million at 30 September 2015.

Working capital increased by €95.3 million, which was largely underpinned by the recovery of the VAT on the acquisition of the long-term rights to use ADIF's fibre optic network, thereby reversing the negative performance of this item in the previous year. Accordingly, payments made to **suppliers of property, plant and equipment** in these first nine months of the year rose by €45.1 million.

Group **investments** during the first three quarters of 2015 totalled €328.3 million, down 10.7% on the same period of 2014, with investment in developing the Spanish transmission grid and energy storage in the Canary Islands accounting for €310.2 million.

The **dividends paid** out of 2014 profit amounted to €404.8 million, which is equivalent to €3 per share.



Net financial debt

(in thousands of euros)	National currency	Foreign currency	Total
Cash and cash equivalents	(179,397)	(26,859)	(206,256)
Long-term debenture bonds	2,997,153	508,621	3,505,774
Long-term loans	1,876,724	-	1,876,724
Promissory notes and current loans	-	-	-
Total net financial debt	4,694,480	481,762	5,176,242

Of the Group's net debt, 89% is fixed rate while 11% is floating rate.

This means that up until September the average cost of the Group's financial debt was 3.21%. The average debt balance during the period was €5,430.9 million. In the same period of the previous year, the average cost of debt was 3.56% and the average debt balance was €4,938.9 million.

In addition, at 30 September 2015 the Red Eléctrica Group's equity totalled €2,715.4 million, an increase of €163 million on year-end 2014.

4. Relevant events during the quarter

- On 13 October, the credit rating agency Standard & Poor's raised its rating for Red Eléctrica from 'BBB+' to 'A-'. This change is the result of the recent improvement in Spain's rating and places Red Eléctrica among the companies with the highest credit rating in the country.
- On 10 September, Red Eléctrica was included in the Dow Jones Sustainability World Index and Dow Jones Sustainability Europe Index, according to the results of the 2015 edition. The company is positioned among the top eight companies selected from the electric utilities sector worldwide and among the top two in Europe with the greatest sustainability performance, with an overall rating of 88 points out of 100. The Dow Jones sustainability indexes are a benchmark worldwide to measure a company's contribution to sustainable development and their objective is to select the largest listed companies in the world that stand out based on the criteria established in their evaluation methodology.
- On 16 October 2015, Red Eléctrica entered into an agreement with the Island Council of Gran Canaria, the holder of the hydraulic infrastructure, to acquire the concession for the rights to use the pond water and reservoir of the Chira dam (Chira-Soria) for hydroelectric purposes, as approved on 17 July by the Junta General de Gobierno del Consejo Insular de Aguas (the general board of the canary water authorities).

Red Eléctrica develops this hydroelectric energy storage system to enable the integration of renewable energy generated on Gran Canaria and strengthen security of supply. The total investment includes the construction of a reversible hydroelectric power station and its connexion with the Santa Agueda substation through a 220 kilovolts line with a final estimated investment of €300 million.



Red Eléctrica Group

Consolidated income statement

(in thousands of euros)	30/09/2015	30/09/2014	2015/2014
Revenue	1,456,332	1,374,318	6.0%
Own work capitalised	14,762	12,975	13.8%
Supply costs	(36,118)	(49,744)	(27.4%)
Other operating income	10,398	2,872	-
Personnel expenses	(102,478)	(97,990)	4.6%
Other operating expenses	(254,442)	(225,547)	12.8%
Gross operating profit (EBITDA)	1,088,454	1,016,884	7.0%
Amortisation/depreciation of non-current assets	(364,873)	(324,919)	12.3%
Release of grants related to non-financial assets	14,641	10,051	45.7%
Impairment and gains/(losses) on disposal of fixed assets	24	-	-
Net operating result (EBIT)	738,246	702,016	5.2%
Finance income	8,327	10,256	(18.8%)
Finance costs	(127,054)	(118,853)	6.9%
Exchange differences	395	(39)	-
Impairment and gains/(losses) on disposal of financial instruments	(730)	-	-
Net finance expense	(119,062)	(108,636)	9.6%
Profit before tax	619,184	593,380	4.3%
Income tax expense	(169,767)	(177,665)	(4.4%)
Consolidated profit for the period	449,417	415,715	8.1%
A) Consolidated profit attributable to the Parent	448,774	414,763	8.2%
B) Consolidated profit attributable to non-controlling interests	643	952	(32.5%)



Red Eléctrica Group

Consolidated balance sheet

ASSETS (in thousands of euros)	30/09/2015	31/12/2014
Non-current assets	9,146,089	9,138,164
Current assets	1,363,725	1,419,807
Total assets	10,509,814	10,557,971

LIABILITIES	30/09/2015	31/12/2014
Equity	2,715,445	2,552,452
Non-current liabilities	6,167,488	6,178,399
Current liabilities	1,626,881	1,827,120
Total equity and liabilities	10,509,814	10,557,971

Consolidated statement of cash flows

(in thousands of euros)	30/09/2015	30/09/2014
CASH FLOWS FROM OPERATING ACTIVITIES	1,010,037	422,027
Profit before tax	619,184	593,380
Adjustments to profit	475,292	425,582
Changes in working capital	95,254	(421,280)
Other cash flows from operating activities	(179,693)	(175,655)
CASH FLOWS FROM INVESTING ACTIVITIES	(339,806)	(481,517)
Payments for investments	(383,082)	(508,110)
Proceeds from disposals	2,935	351
Other cash flows from investing activities	40,341	26,243
CASH FLOWS FROM FINANCING ACTIVITIES	(763,493)	47,065
Proceeds from/(payments for) equity instruments	(21,868)	(4,544)
Proceeds from/(payments for) financial liabilities	(329,109)	394,029
Dividend payments	(404,825)	(343,782)
Other cash flows from financing activities	(7,692)	1,362
Effect of exchange rate fluctuations	150	818
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(93,112)	(11,607)
Cash and cash equivalents at beginning of period	299,368	214,861
Cash and cash equivalents at end of period	206,256	203,254



Financial calendar Upcoming events

Estimated dates

2015 results presentation

February 2016

For more information,

Visit our website: <http://www.ree.es>

or contact us at:

Investor relations

Paseo Conde de los Gaitanes, 177
28109 Alcobendas · Madrid
Tel.: (34) 91 650 20 12

relacioninversores@ree.es

Red Eléctrica has the following credit ratings: 'A-' from S&P and from Fitch.



Disclaimer

This document has been produced by Red Eléctrica Corporación, S.A. for the sole purpose expressed therein. It should not in any event be construed as an offer of sale, exchange or acquisition, or as an invitation to make any kind of offer, in particular for the purchase of securities issued by Red Eléctrica Corporación, S.A.

Its content is provisional and purely for information purposes and the statements it contains reflect the intentions, expectations and forecasts of Red Eléctrica Corporación, S.A. and its management. The content has not necessarily been verified by independent third parties and is, in any event, subject to negotiation, changes and modifications.

In this respect, neither Red Eléctrica Corporación, S.A. nor its directors, executives, staff, consultants or advisors or the companies belonging to its group (referred to collectively as its "Representatives") may be held liable for the precision, accuracy or integrity of the information or statements included in this document, and no form of explicit or implicit declaration or guarantee on the part of Red Eléctrica Corporación, S.A. or its Representatives may be construed from its content. Neither may Red Eléctrica Corporación, S.A. or any of its Representatives be held liable in any way (including negligence) for any damage which may arise from the use of this document or any information contained in it.

Furthermore, Red Eléctrica Corporación, S.A. does not assume any commitment to publish potential modifications or revisions to the information, data or statements contained in the document in the event of changes in strategy or intention, or any unforeseen events which may affect them.

This disclaimer should be taken into consideration by all the individuals or entities to whom this document is targeted and by those who consider that they have to make decisions or issue opinions related to securities issued by Red Eléctrica Corporación, S.A., especially analysts, notwithstanding the option to consult the public documentation and disclosures notified or registered with the Spanish stock market authority (CNMV), which Red Eléctrica Corporación, S.A. recommends all interested parties to do.



APPENDIX

Corporate responsibility certifications



Included in the Dow Jones Sustainability World Index and the Dow Jones Sustainabil-



The company obtained the RobecoSAM Bronze Class distinction, placing it among the 13 best companies in the sector in 2015.



Included in the FTSE4Good Index since 2008. (*)



Renewed its inclusion in the STOXX Global ESG Leaders Indexes.



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



Remained a member of the Euronext-Vigeo Sustainability Indexes (Eurozone 120, Europe 120, Global 120) since its inclusion in 2014.



Renewed in 2015 its inclusion in the Ethibel Sustainability Index (ESI) Excellence Europe, effective as of 21/09/2015.



Included in the Ethibel Excellence Index since 2009.



Included in the ECPI Index since 2008.



Included in the Natural Capital Efficiency Leader Index in 2014.



Again granted Prime status and was ranked as one of the most sustainable companies in the industry in 2014.

(*) 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 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.