

RED
ELÉCTRICA
CORPORACIÓN

Financial results

January - December 2017

Profit for the year was 669.8 million euros, a 5.2% increase on 2016.

EBITDA was 1,519.5 million euros in 2017, up 2.3% on the previous year.

Investments for the Red Eléctrica Group totalled 510.2 million euros, of which 411.8 million euros was earmarked for developing the national transmission grid, representing a 3.3% increase on the amount earmarked last year.

The dividend for the 2017 financial year proposed to the General Shareholders' Meeting will amount to 0.9188 per share, 7% more than was paid last year and in line with that announced in Red Eléctrica's strategic plan.

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19 February 2018

The Consolidated Financial Statements forming part of the financial information presented in this document were subject to a review by the financial auditor. This information was drawn up in accordance with the International Financial Reporting Standards (IFRS).



1. Red Eléctrica: Financial highlights

Income statement

(in thousands of euros)	January-December			October-December		
	2017	2016	Δ %	2017	2016	Δ %
Revenue	1,941,165	1,932,343	0.5	475,805	487,025	(2.3)
Gross operating profit (EBITDA)	1,519,498	1,486,049	2.3	382,930	372,988	2.7
Net operating profit (EBIT)	1,031,415	1,003,288	2.8	263,639	251,678	4.8
Profit before tax	890,240	850,788	4.6	228,700	215,414	6.2
Profit for the period	669,836	636,920	5.2	174,299	165,633	5.2

Balance Sheet

(in thousands of euros)	December 2017	December 2016	Δ %
Non-current assets	9,214,238	9,256,765	(0.5)
Equity	3,093,449	2,920,549	5.9
Net financial debt(*)	4,791,798	4,949,456	(3.2)

(*) Includes exchange rate derivatives.

Other financial figures

(in thousands of euros)	January-December			October-December		
	2017	2016	Δ %	2017	2016	Δ %
Operating cash flow after taxes	1,187,927	1,146,939	3.6	223,952	198,928	12.6
Investments	510,247	643,100	(20.7)	214,283	185,028	15.8
Dividends paid	463,189	432,834	7.0	-	-	-



2. Profit performance

Revenue for 2017 was 1,941.2 million euros, compared to 1,932.3 million euros in the previous year. This figure includes the revenue for transmission in Spain for 2016 and includes the commissioning of 2016. It includes further revenues such as those from the telecommunications services provided, amounting to 86.5 million euros, and regulated revenue from system operation in the amount of 56.0 million euros, as well as revenues from overseas transmission activity, amounting to 19.6 million euros.

EBITDA amounted to 1,519.5 million euros, showing growth of 2.3% year-on-year.

Operating costs were as follows:

- **Supply costs and other operating expenses** for the first nine months rose 1.8% year-on-year, principally due to the inclusion of the investment in construction projects in Peru, in application of accounting standard IFRIC 12 and loss-related expenses. Without those elements, this heading would have fallen around 3% with respect to 2016 expenditure, thus highlighting the effort made by Red Eléctrica to improve efficiency.
- **Personnel expenses** rose 2.4% year-on-year. More than half of this increase is owing to the change in wages and salaries, which takes into account the increase in the workforce. The rest is due to greater Social Security expenditure and other similar expenses.

The **final headcount** was 1,815 employees at 31 December 2017, while the average workforce stood at 1,801 employees, a rise of 2.0% compared to 2016.

Operating expenses

(in thousands of euros)	January-December			October-December		
	2017	2016	Δ %	2017	2016	Δ %
Supplies and other operating expenses	369,181	362,811	1.8	91,445	100,753	(9.2)
Personnel expenses	148,693	145,145	2.4	39,614	39,029	1.5
Operating expenses	517,874	507,956	2.0	131,059	139,782	(6.2)

Net operating profit (EBIT) stood at 1,031.4 million, a 2.8% rise year-on-year.

Financial result was -142.6 million euros, compared with -151.3 million euros last year. The improvement seen is mainly due to paying less interest thanks to a fall in the company's cost of finance.

Lastly, **Profit for the year** amounted to 669.8 million euros, a rise of 5.2% year-on-year. The effective tax rate stood at 24.8%, in line with the 25% defined in the Corporate Income Tax Act 27/2014.



3. Cash flow and balance sheet performance

Cash flows ⁽¹⁾

(in thousands of euros)	January-December			October-December		
	2017	2016	Δ %	2017	2016	Δ %
Profit before tax	890,240	850,788	4.6	228,700	215,414	6.2
Taxes paid on earnings	(196,419)	(190,351)	3.2	(125,333)	(142,635)	(12.1)
Provision for amortisation/depreciation of non-current assets	515,151	504,200	2.2	128,772	126,934	1.4
Other adjustments	(21,045)	(17,698)	18.9	(8,187)	(785)	-
Operating cash flow after taxes	1,187,927	1,146,939	3.6	223,952	198,928	12.6
Changes to working capital	(30,319)	(144,304)	(79.0)	(33,161)	16,247	-
Changes to other non-current assets and liabilities	(40,014)	5,171	-	6,380	146,810	(95.7)
Changes to suppliers of PP&E	(2,091)	43,729	-	82,678	67,687	22.1
Investments	(510,247)	(643,100)	(20.7)	(214,283)	(185,028)	15.8
Free cash flow	605,256	408,435	48.2	65,567	244,644	(73.2)
Dividends paid	(463,189)	(432,834)	7.0	-	-	-
Change in net financial debt ⁽²⁾	(142,067)	24,399	-	65,567	(244,644)	-

(1) This table is solely for the purpose of simplifying the consolidated cash flows table. It includes investments made by the Group in this period, the different with investment payments is fundamentally contained in Changes to assets and liabilities.

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

Operating cash flow after taxes was 1,187.9 million euros, a rise of 3.6% year-on-year.

Changes to working capital were negative in the amount of 30.3 million euros, compared with the negative variation of 144.3 million euros in the previous year. The performance of this heading in 2017 against the negative variation of the previous year is mainly owing to entries pending settlement of the electrical system.

Group **investment** in 2017 totalled 510.2 million euros, which is 20.7% down on 2016, which included the 199.8 million euros for the acquisition of 50% of the Chilean company TEN ^(*). Investment in development of the national transmission network amounted to 411.8 million euros, up 3.3% on 2016.

Dividends paid against the previous year's profits were 463.2 million euros, equivalent to 0.8587 euros per share, which is 7% up on the previous year, as envisaged in the Strategic Plan 2014-19.

As a result, the performance of the different headings described here has led to drop of 142.1 million euros in the Group's **net financial debt** during this year.

(*) Company consolidated in the group's financial statements under the participation method.

**Net financial debt (*)**

(in thousands of euros)	National currency	Foreign currency	Total
Cash and cash equivalents	(553,403)	(16,466)	(569,869)
Long-term debenture bonds	3,183,842	437,192	3,621,034
Long-term loans	1,638,130	102,503	1,740,633
Promissory notes and current loans	-	-	-
Total net financial debt	4,268,569	523,229	4,791,798

(*) Debt classified according to its original contracting, without considering short-term transfers.

At 2017 year-end, 100% of the Group's financial debt was long term. 89% of the Group's net debt is at a fixed rate interest, while the remaining 11% is at a floating rate.

The average cost of the Group's financial debt in 2017 was 2.78%, compared to 2.94% in the previous year. The average balance of gross debt stood at 5,346.5 million euros, compared with 5,462.1 million euros in the previous year.

Moreover, the Red Eléctrica Group's **equity** stood at 3,093.4 million euros, a 5.9% rise on 2016 year-end. This growth is mainly due to the results from the period reduced by the corresponding distribution of dividends.

4. Significant events fourth quarter and later

- The Board of Directors, in its meeting held on 16 February, agreed to propose to the General Shareholders' Meeting a dividend per share of 0.9188 euros paid against 2017 profits, pursuant to the dividend policy communicated by the company in its strategic plan. The 0.2549 euros per share interim dividend paid on 5 January must be deducted from this amount.
- On 28 December, Red Eléctrica put out a call to tender for the construction engineering of the Soria-Chira reversible hydroelectric power station in Gran Canaria. The contract is expected to be awarded in May, and it will be one of the primary milestones of the construction of what is an essential facility for the new Canaries energy model.
- On 21 December, Red Eléctrica transformed its 800 million euro syndicated credit that was signed in 2014 into green financing, by adding environmental, social and good governance criteria to its interest rate. It is the first sustainable syndicated credit in the electricity sector and its conditions are linked to the company's credit profile and the performance of ESG (Environmental, Social and Governance) parameters, pursuant to the rating given by sustainability ratings agency Vigeo Eiris.
- Through its subsidiary Red Eléctrica del Sur, S.A. (Redesur), on 1 December the Red Eléctrica Group was awarded the Tintaya-Azángaro transmission line in Peru. The new line, which will pass through the south of the Andean country, will be 128km in total and will require a total investment of 55 million dollars. It will be built in 40 months and the concession is for a 30-year period as of the onset of construction.
- At the end of November, the company Transmisora Eléctrica del Norte (TEN), in which the Red Eléctrica Group holds a 50% stake, commissioned the Mejillones-Cardones line, with 500 kV and a total length of 600 kilometres. This new line is of paramount importance for Chile, since it will connect the country's electrical systems of the north (SING) and the centre (SIC) for the first time. This new infrastructure is the product of 800 million dollars of investment.



Red Eléctrica Group

Consolidated Income Statement

(in thousands of euros)	31/12/2017	31/12/2016	2017/2016
Revenue	1,941,165	1,932,343	0.5%
Own work capitalised	66,757	40,398	65.2%
Supply costs	(61,110)	(49,222)	24.2%
Other operating income	29,450	21,264	38.5%
Personnel expenses	(148,693)	(145,145)	2.4%
Other operating expenses	(308,071)	(313,589)	(1.8%)
Gross operating profit (EBITDA)	1,519,498	1,486,049	2.3%
Amortisation/depreciation of non-current assets	(515,151)	(504,200)	2.2%
Release of grants related to non-financial assets	23,441	21,318	10.0%
Impairment and gains/losses on disposal of fixed assets	3,627	121	-
Net operating profit (EBIT)	1,031,415	1,003,288	2.8%
Finance income	9,236	10,970	(15.8%)
Finance costs	(151,738)	(162,003)	(6.3%)
Exchange differences	(88)	(313)	(71.9%)
Net financial result	(142,572)	(151,346)	(5.8%)
Profit participation in companies under the participation method	1,397	(1,154)	-
Profit before tax	890,240	850,788	4.6%
Income tax expense	(220,421)	(212,181)	3.9%
Consolidated profit for the period	669,819	638,607	4.9%
A) Consolidated profit attributable to the Parent	669,836	636,920	5.2%
B) Consolidated profit attributable to non-controlling interests	(17)	1,687	-



Consolidated Balance Sheet

ASSETS (in thousands of euros)	31/12/2017	31/12/2016
Intangible assets	154,939	134,572
Property, plant and equipment	8,747,376	8,776,711
Investment property	2,385	2,429
Investments recognised under the participation method	172,727	200,757
Non-current financial assets	108,235	111,861
Deferred tax assets	27,824	28,903
Other non-current assets	752	1,532
Non-current assets	9,214,238	9,256,765
Inventories	39,753	39,467
Trade and other receivables	1,013,355	962,122
Other current financial assets	80,668	40,575
Cash and cash equivalents	569,869	251,421
Current assets	1,703,645	1,293,585
Total assets	10,917,883	10,550,350

LIABILITIES (in thousands of euros)	31/12/2017	31/12/2016
Equity	3,157,494	2,965,210
Capital	270,540	270,540
Reserves	2,384,396	2,222,906
Treasury shares and own equity instruments (-)	(29,769)	(36,739)
Profit attributable to the Parent	669,836	636,920
Interim dividend	(137,509)	(128,417)
Valuation adjustments	(64,104)	(62,156)
Non-controlling interests	59	17,495
Equity	3,093,449	2,920,549
Grants and other	597,122	547,941
Non-current provisions	100,982	94,651
Non-current financial liabilities	4,692,352	5,034,400
Deferred tax liabilities	472,475	486,570
Other non-current liabilities	87,019	64,225
Non-current liabilities	5,949,950	6,227,787
Current financial liabilities	1,471,957	1,066,909
Trade and other payables	402,527	335,105
Current liabilities	1,874,484	1,402,014
Total equity and liabilities	10,917,883	10,550,350



Consolidated Cash Flow Statement

(in thousands of euros)	31/12/2017	31/12/2016
CASH FLOWS FROM OPERATING ACTIVITIES	1,153,255	1,007,130
Profit before tax	890,240	850,788
Adjustments for	641,492	647,262
Amortisation and depreciation	515,151	504,200
Other adjustments to results (net)	126,341	143,062
Changes in working capital	(30,319)	(144,304)
Other cash flows from operating activities	(348,158)	(346,616)
Interest paid	(156,091)	(157,508)
Interest received	3,881	3,881
Dividends received	4,944	6,350
Income tax received/(paid)	(196,419)	(190,351)
Other collections/(payments) on operating activities	(4,473)	(8,988)
CASH FLOWS FROM INVESTING ACTIVITIES	(536,410)	(587,605)
Payments for investments	(545,588)	(599,048)
Property, plant and equipment, intangible assets and investment property	(472,654)	(364,355)
Other financial assets	(72,934)	(234,693)
Proceeds from disposals	882	875
Property, plant and equipment, intangible assets and investment property	24	-
Other assets	858	875
Other cash flows from investing activities	8,296	10,568
CASH FLOWS FROM FINANCING ACTIVITIES	(294,597)	(555,879)
Proceeds from/(payments for) equity instruments	7,445	(3,188)
Acquisitions	(32,387)	(93,975)
Disposals	39,832	90,787
Proceeds from/(payments for) financial liabilities	176,381	(111,041)
Issue and placements	537,559	1,047,939
Redemption and repayment	(361,178)	(1,158,980)
Dividend payments	(463,189)	(432,834)
Other cash flows from financing activities	(15,234)	(8,816)
Effect of exchange rates fluctuations	(3,800)	914
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	318,448	(135,440)
Cash and cash equivalents at beginning of period	251,421	386,861
Cash and cash equivalents at end of period	569,869	251,421



Financial calendar

Upcoming events

Estimated dates

General Shareholders' Meeting	22 March 2018
First quarter 2018 results presentation	April 2018
Additional dividend payment	July 2018

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



Disclaimer

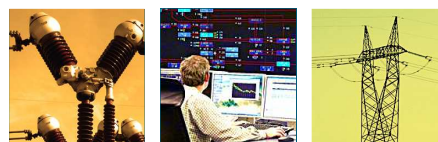
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APPENDIX

Corporate responsibility certifications



In Collaboration with RobecoSAM

Recognised as the global leader in the electric utilities and the super-sector utilities, which includes the electricity, gas and water sectors.



Silver class distinction in the RobecoSAM Sustainability Yearbook 2016.



Included in the FTSE4Good index since 2008. (*)



Continued inclusion in the STOXX Global ESG Leaders indices.



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



Renewed presence in the Euronext-Vigeo sustainability indices (Eurozone 120 and Europe 120) following first inclusion in 2014.



Red Eléctrica Corporación confirms its presence in the Ethibel Sustainability Index Excellence Europe.



Renewed inclusion in the Ethibel PIONEER and Ethibel EXCELLENCE Investment Registers.



Included in the ECPI Indices since 2008.



Part of the "A list" of the Carbon Disclosure Project, recognised as a leading company for its efforts and actions to combat climate change.



Red Eléctrica leads the Vigeo-Eiris ranking in human resources, by obtaining the best score for its performance and best practice in this area.



Included among the ten leading companies in the ranking of the study on the status of environmental sustainability reporting of IBEX 35 companies.

(*) 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.