

RED
ELÉCTRICA
CORPORACIÓN

Results 1H2015

29 July 2015

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Chief Executive Officer, Red Eléctrica
Corporación

SOUND PROGRESS IN THE FIRST HALF

FINANCIAL RESULTS

- Net profit amounted to €309 million, 6.5% higher year-on-year growth.
- Payment of a dividend on 2014 earnings of €3 per share, up 18% year-on-year.
- A €500 million ten-year euromarket bond issue with a coupon of 1.176% and a swap for other bonds corresponding to previous issues for a nominal amount of €446.1 million and at rates of between 4.75% and 2.375%.
- Standard & Poor's has raised its rating for Red Eléctrica to 'BBB+' with a stable outlook. The company's rating with Fitch is 'A-' with a positive outlook.

INVESTMENT

- Red Eléctrica and Endesa signed an agreement to transfer the assets of the Chira-Soria hydroelectric plant in Gran Canaria.
- Red Eléctrica Internacional, in partnership with the Peruvian fund management firm AC Capitales, secured the contract for the 220 kV Azángaro-Juliaca-Puno line in Peru.
- Significant progress on the Mallorca-Ibiza interconnection. Award of the operation certificate for the first cable of the Mallorca-Ibiza project in June 2015.

REGULATION

- Draft of unit costs for the remuneration of transmission of electricity and RD that modifies the RD of transmission and distribution.

CORPORATE GOVERNANCE BEST PRACTICES

- Approval by the EGM of the separation of the positions of Chairman of the Board of Directors and Chief Executive Officer of the company.
- Board of Directors with a majority of independent members: 58%. There is still a Lead Independent Director.
- Self-evaluation of the Board with external advice.

ADVANCES IN CORPORATE RESPONSIBILITY

- Inclusion of fulfilment of the corporate responsibility programme in the management objectives and long-term goals of the management team.
- Approval of the 2015-2020 Climate Change Action Plan. Contribution to a more sustainable energy model and reduction in the company's carbon footprint.
- Publication of the Corporate Responsibility Report in accordance with the G4 Guidelines of the GRI and external verification in line with the ISAE 3000 standard.

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Highlights

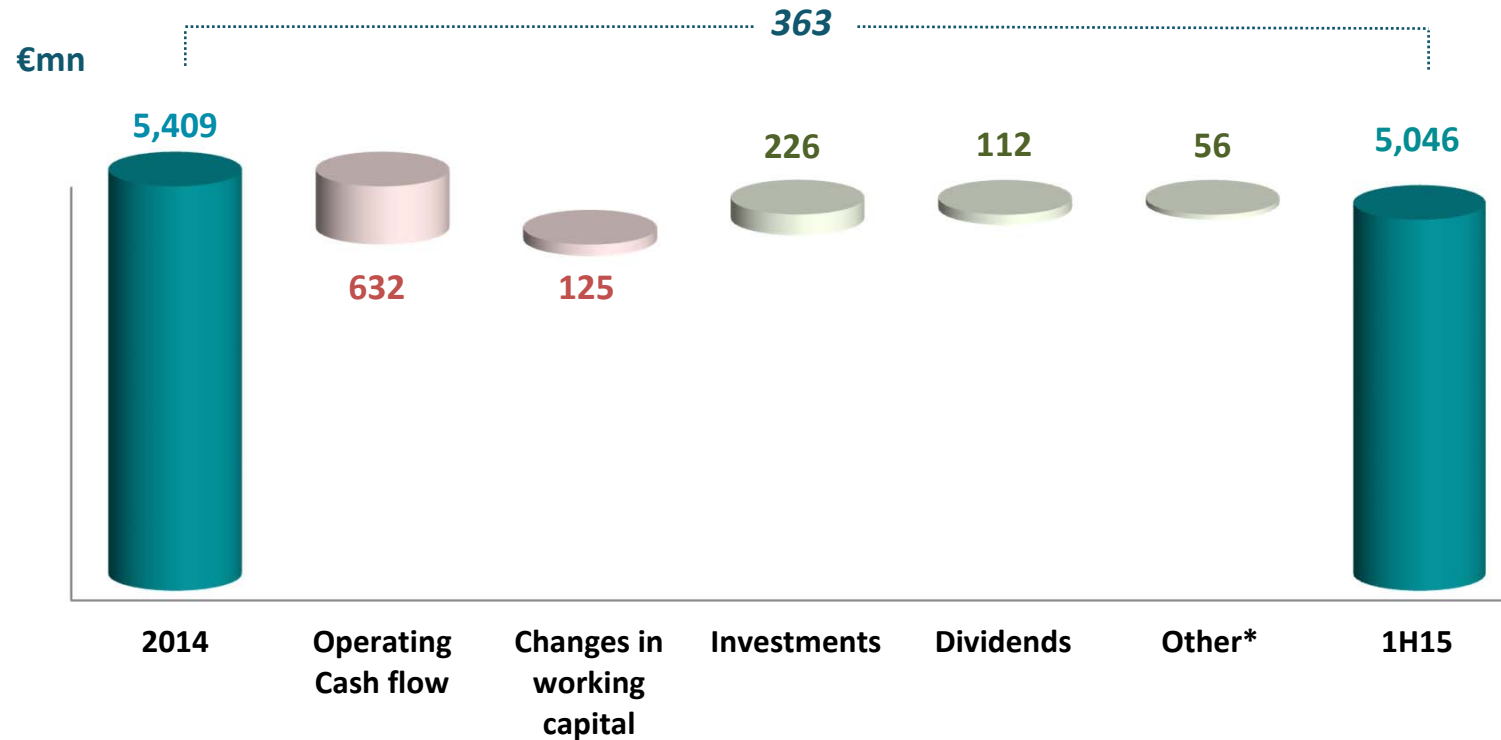
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<i>€mn</i>	1H2015	1H2014	%
Revenues	973	926	5.0
Gross operating result (EBITDA)	740	695	6.6
Net operating result (EBIT)	507	485	4.5
Profit for the year	309	290	6.5
Total investment	226	249	(9.3)

Results in line with the growth target of the strategic plan 2014-2019.

Results 1H2015

Balance sheet: Net debt evolution



(*) "Other" includes changes in other non-current assets and liabilities, suppliers of property, plant and equipment, exchange rate derivatives and other items that did not involve inflows or outflows of cash.

The average cost of the net debt is 3.24% and its remaining term to maturity stands at 6.0 years

Results 1H2015

Debt

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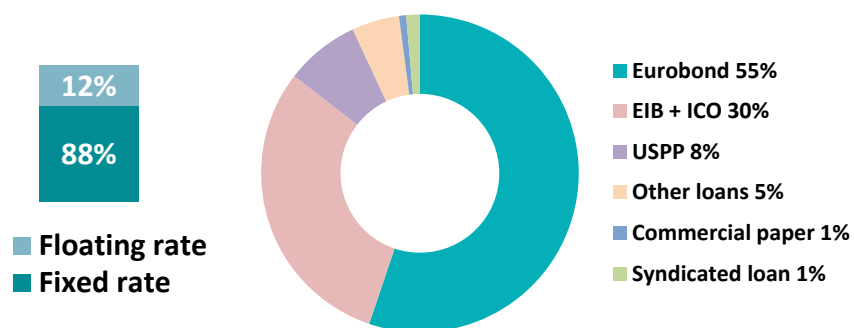
SOLVENCY RATIOS

	1H2015	1H2014
EBITDA / Interest*	8.7x	8.5x
FFO / Debt	21.4%	20.9%
Debt/ EBITDA	3.5x	3.6x

(*) EBITDA / Net finance cost excluding capitalisations

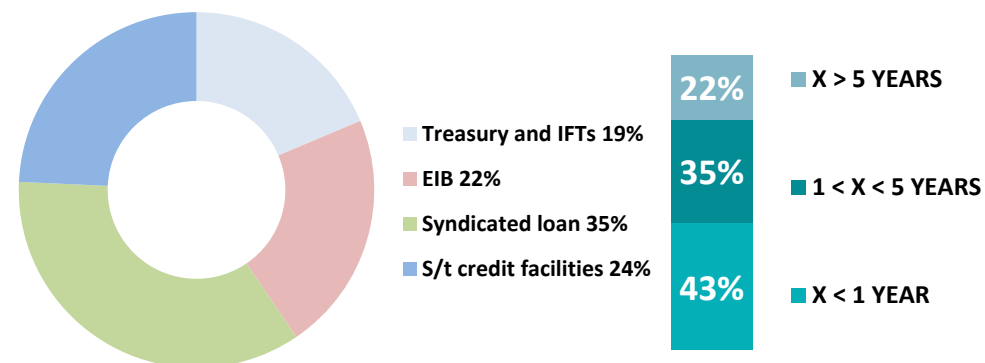
DEBT STRUCTURE BY INSTRUMENT

Total gross debt € 5,430mn



BREAKDOWN OF LIQUIDITY

Total liquidity sources € 2,059mn



- € 500mn euromarket bond issue with maturity of 10 years.





Targets

Strategic Plan 2014-2019

Targets

Strategic Plan 2014-2019

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	Growth in a low-risk environment	2015
	SOLID GROWTH IN “CONSOLIDATED” ACTIVITIES <ul style="list-style-type: none">• Investment of € 3,100mn in transmission network.• Investment of € 475mn in the dark fibre optic network*.	✓
	ADDITIONAL GROWTH IN NEW ACTIVITIES € 1,000MN <ul style="list-style-type: none">• Investment in storage on islands.• International investment.	✓
 	TARGETS OF THE GROUP FOR 2019 (with a 2013 calculation basis) <ul style="list-style-type: none">• Improvement in EBITDA Margin \geq 200 bp.• Net Debt / EBITDA average estimated at 3.5x in the period.• EPS growth of 5 % - 6 % in the period (CAGR).	✓

(*) Includes an agreement for the operation and marketing of Adif's fibre optic network for 20 years worth €434mn.



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Appendix: Financial statements at 30th of June

1H2015 Consolidated income statement

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Consolidated Income Statement

(in thousands of euros)	30/06/2015	30/06/2014	Δ %
Revenue	972,725	926,472	5.0%
Own work capitalised	10,913	9,101	19.9%
Supply costs	(26,213)	(35,667)	(26.5%)
Other operating income	9,353	2,448	-
Personnel expenses	(68,731)	(65,176)	5.5%
Other operating expenses	(157,766)	(142,509)	10.7%
Gross Operating Result (EBITDA)	740,281	694,669	6.6%
Amortisation/depreciation of non-current assets	(242,938)	(216,003)	12.5%
Release of grants related to non-financial assets	9,738	6,627	46.9%
Impairment of and gains/losses on disposals of fixed assets	24	-	-
Net Operating result (EBIT)	507,105	485,293	4.5%
Finance income	7,463	8,223	(9.2%)
Financial costs	(85,714)	(78,438)	9.3%
Exchange differences	445	(176)	-
Impairment of and gains/losses on disposals of financial instruments	(730)	-	-
Net finance expense	(78,536)	(70,391)	11.6%
Profit before tax	428,569	414,902	3.3%
Income tax expense	(119,417)	(124,282)	(3.9%)
Consolidated profit for the period	309,152	290,620	6.4%
A) Consolidated profit attributable to the parent company	308,819	289,972	6.5%
B) Consolidated profit attributable to non-controlling interests	333	648	(48.6%)

1H2015 Consolidated balance sheet

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Consolidated Balance Sheet

	30/06/2015	31/12/2014
ASSETS (in thousands of euros)		
Intangible assets	116,917	109,069
Property, plant and equipment	8,907,337	8,923,262
Investment properties	2,495	2,517
Non-current financial assets	97,579	71,998
Deferred tax assets	31,232	30,938
Other non-current assets	723	380
Non-current assets	9,156,283	9,138,164
Activos no corrientes mantenidos para la venta	-	-
Inventories	50,878	46,445
Trade and other receivables	1,116,099	1,072,690
Current financial assets	8,107	1,304
Cash and cash equivalents	384,153	299,368
Current assets	1,559,237	1,419,807
Total assets	10,715,520	10,557,971
LIABILITIES (in thousands of euros)	30/06/2015	31/12/2014
Equity	2,593,860	2,589,360
Share capital	270,540	270,540
Reserves	2,044,045	1,723,852
Treasury shares and own equity instruments (-)	(29,544)	(10,390)
Profit attributable to the parent company	308,819	717,821
Interim dividend	-	(112,463)
Adjustments due to changes in value	(35,499)	(59,894)
Non-controlling interests	24,673	22,986
Equity	2,583,034	2,552,452
Grants and other non-current advances	524,149	482,442
Non-current provisions	98,822	105,522
Non-current financial liabilities	4,991,269	5,037,125
Deferred tax liabilities	493,967	482,584
Other non-current liabilities	74,788	70,726
Non-current liabilities	6,182,995	6,178,399
Current financial liabilities	1,418,655	1,549,431
Trade and other payables	530,836	277,689
Current liabilities	1,949,491	1,827,120
Total equity and liabilities	10,715,520	10,557,971

1H2015 Consolidated cash flow statement

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Consolidated Cash Flow Statement

(in thousands of euros)	30/06/2015	30/06/2014
CASH FLOWS FROM OPERATING ACTIVITIES	717,058	207,563
Profits before tax	428,569	414,902
Adjustments to profit	316,037	280,610
Depreciation/amortization	242,938	216,003
Other adjustments to results (net)	73,099	64,607
Changes in working capital	125,193	(320,189)
Other cash flows from operating activities	(152,741)	(167,760)
Interest paid	(125,551)	(113,800)
Collection of interest	2,897	3,657
Collection of dividends	4,566	4,566
Corporate income tax received/ (paid)	(34,179)	(56,731)
Other collections/(payments) on operating activities	(474)	(5,452)
CASH FLOWS FROM INVESTING ACTIVITIES	(225,698)	(401,671)
Payments from investments	(241,750)	(406,250)
Property, plant and equipment, intangible assets and investment property	(241,138)	(403,817)
Other financial assets	(612)	(2,433)
Proceeds from disposals	2,777	201
Other cash flows from investing activities	13,274	4,378
CASH FLOWS FROM FINANCING ACTIVITIES	(406,758)	118,383
Proceeds from/(payments for) equity instruments	(17,876)	334
Acquisitions	(89,188)	(37,167)
Disposals	71,312	37,501
Proceeds from/(payments for) financial liabilities	(277,963)	214,890
Issue and placements	1,156,584	486,873
Redemption and write-off	(1,434,547)	(271,983)
Dividend payments	(112,463)	(97,867)
Other cash flows from financing activities	1,544	1,026
Effect of variations in exchange rates	184	181
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	84,785	(75,544)
Cash and cash equivalents at beginning of period	299,368	214,861
Cash and cash equivalents at end of period	384,153	139,317



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