



**RED**  
**ELÉCTRICA**  
CORPORACIÓN

# Financial results

## January - September 2013

Earnings for the first nine months of 2013 were affected by measures in Royal Decree-Law 9/2013 (see earnings release for first half), which will reduce remuneration for the year for the transmission business by €75 million.

The company also availed itself of Law 16/2012 of 27 December (asset revaluation), which reduced the income tax expense by €33.9 million.

Recurring profit increased by 8.9% in homogeneous terms from the first nine months of 2012.

The Group invested a total of €379 million in the period, of which €364 million were accounted for the domestic transmission grid.

30 October 2013

### Index

1. Red Eléctrica: Financial highlights .....	2
2. Earnings performance .....	4
3. Cash flow and balance sheet performance .....	5
4. Relevant events during the quarter .....	6
Consolidated income statement .....	8
Summary consolidated balance sheet .....	9
Summary consolidated cash flow statement .....	9
Financial calendar .....	10
Appendix .....	11



## 1. Red Eléctrica: Financial highlights

### Income statement

(in thousands of euros)	January - September			January - September (pro-forma)		
	2013	2012	Δ %	2013	2012	Δ %
Net revenue	1,302,210	1,279,429	1.8	1,353,830	1,269,144	6.7
Gross operating result (EBITDA)	961,099	957,218	0.4	1,014,138	950,267	6.7
Net operating result (EBIT)	660,137	618,803	6.7	714,398	658,878	8.4
Profit before tax	531,783	482,758	10.2	583,249	536,466	8.7
Profit for the period	389,441	337,942	15.2	407,519	374,274	8.9

### Balance sheet

(in thousands of euros)	September 2013	December 2012	Δ %
Total non-current assets	8.607.882	8.487.685	1,4
Equity	2.170.299	1.991.545	9,0
Net financial debt	4.806.761	4.872.546	(1,4)

### Other financial figures

(in thousands of euros)	January - September		
	2013	2012	Δ %
Operating cash flow after taxes	830.411	501.269	65,7
Investments	379.489	438.842	(13,5)
Dividends paid	319.031	297.677	7,2

## EXPLANATORY NOTE TO THE FINANCIAL STATEMENTS

As indicated in the previous earnings release, the following effects arising from exceptional events in 2012 and 2013 must be taken into consideration for a proper understanding of trends in the company's results:

- Application of Royal Decree-Law 9/2013 and the proposal for an order to establish remuneration in the second period of 2013 for electricity transmission and distribution, which reduced income from electricity transmission by €56.3 million in the first nine months of 2013.
- Application of Law 16/2012 allowing for asset revaluation, reducing income tax expense for 2013 by €33.9 million as a balancing entry against a receivable arising from the future deductibility of the depreciation and amortisation charge for revalued assets.



- Changes to the Group's scope of consolidation during the two years following the expropriation in 2012 of the Bolivian company Transportadora de Electricidad, S.A. (TDE), the increased stake in Red Eléctrica del Sur, S.A. (REDESUR) in 2013 and modification of the consideration of portfolio losses from foreign subsidiaries by the Spanish tax authorities in 2013.
- Impairment of property, plant and equipment in the first half of 2012 amounting to €46.4 million.

The impact of these effects on Group results is set out below:

(in thousands of euros)	2012	Recurring	Change to consolidation scope	Revaluation of assets	Impairment of assets	Regulatory adjustment	2013
Net revenue	1,279,429	84,686	(5,655)	-	-	(56,250)	1,302,210
Gross operating result (EBITDA)	957,218	63,871	(3,740)	-	-	(56,250)	961,099
Net operating result (EBIT)	618,803	55,520	(4,336)	-	46,400	(56,250)	660,137
Profit before tax	482,758	46,783	12,092	-	46,400	(56,250)	531,783
Income tax and non-controlling interests	(144,816)	(13,538)	(20,885)	33,942	(13,920)	16,875	(142,342)
Profit for the period	337,942	33,245	(8,793)	33,942	32,480	(39,375)	389,441

Pro-forma income statements for the first nine months of 2012 and 2013 applying each of the effects described in this table to the year in which they arise are as follows:

(in thousands of euros)	Pro-forma		Δ%
	2013	2012	
Net revenue	1,353,830	1,269,144	6.7
Gross operating result (EBITDA)	1,014,138	950,267	6.7
Net operating result (EBIT)	714,398	658,878	8.4
Profit before tax	583,249	536,466	8.7
Profit for the period	407,519	374,274	8.9

**Recurring profit** in homogeneous terms rose 8.9% year-on-year in the first nine months of 2013.

To illustrate the company's trends as transparently as possible, we first look at the pro-forma income statement, then the balance sheet and cash flow statement including all the adjustments.



## 2. Earnings performance

**Revenue** for the first nine months of 2013 in homogeneous terms rose 6.7% year-on-year to €1,353.8 million. The increase was driven primarily from revenues on assets put into service in 2012.

**Recurring gross operating result (EBITDA)** totalled €1,014.1 million, up 6.7% year-on-year. EBITDA growth was driven by the following trends in operating costs:

- 8.6% year-on-year increase in **cost of supplies and other operating expenses** in the nine-month period -flat in the third quarter- due mainly to upgrades and improvements on assets made in the first half of the year.
- 1.0% year-on-year decrease in **personnel expenses** due mainly to the reduction in indemnities paid this year compared to last.

The Red Eléctrica Group's **final headcount** at 30 September 2013 stood at 1,711, with **average headcount** in the first nine months of the year of 1,726.

### Operating expenses

(in thousands of euros)	January - September			July - September		
	2013	2012	Δ %	2013	2012	Δ %
Supplies and other operating expenses	269,021	247,720	8.6	105,232	104,969	0.3
Personnel expenses	93,873	94,792	(1.0)	31,462	30,105	4.5
<b>Operating expenses</b>	<b>362,894</b>	<b>342,512</b>	<b>6.0</b>	<b>136,694</b>	<b>135,074</b>	<b>1.2</b>

**EBIT** advanced by 8.4% on the first nine months of 2013. The increase does not consider the impact of the €46.4 million impairment loss on property, plant and equipment in 2012 or the effects of changes to the Group's consolidation scope.

**Net finance result** was -€131.6 million in like-for-like terms, compared to a net expense of -€123.4 million in the same period last year. The increase was due to both higher average interest rates (3.93% compared to 3.78% in 2012) and a larger gross financial debt balance. The 2012 figure included the effect of the expropriation of TDE (- €13.3 million). In 2013, the company recognised income of €3.2 million from the increase in value of the interest already held in REDESUR.

All in all, pro-forma **profit for the period** amounted to €407.5 million, up 8.9% year-on-year. The adjusted figure does not take into account the revaluation of assets adopted by the company pursuant to Law 16/2012, which lowered the income tax rate for the first nine months of the year to 26.7%.





### 3. Cash flow and balance sheet performance

#### Cash flows

(in thousands of euros)	January - September		
	2013	2012	Δ %
Profit before tax	531,783	482,758	10.2
Taxes paid on earnings	(67,439)	(26,190)	-
Provision for amortisation/depreciation of non-current assets	311,065	301,455	3.2
Other adjustments	(14,944)	50,256	-
Changes to working capital	69,946	(307,010)	-
<b>After-tax cash flows from operations</b>	<b>830,411</b>	<b>501,269</b>	<b>65.7</b>
Changes to other non-current assets and liabilities	14,460	35,334	(59.1)
Change to suppliers of PP&E	(72,569)	(86,389)	(16.0)
Investments	(379,489)	(438,842)	(13.5)
<b>Free cash flow</b>	<b>392,813</b>	<b>11,372</b>	<b>-</b>
Dividends paid	(319,031)	(297,677)	7.2
<b>Variation in net financial debt (*)</b>	<b>(73,782)</b>	<b>286,305</b>	<b>-</b>

(\*) The difference between this figure and the net financial debt figure on page 2, which is €65,785 thousand lower, is the result of items related to exchange rate derivatives, which do not generate cash outflows or inflows.

**Operating cash flow after taxes** increased by 65.7% year-on-year to €830.4 million, thanks to the positive performance of working capital driven by the settlements of transmission receivables collected in 2013 compared to last year and regulatory receivables from services rendered by Red Eléctrica. This cash flow enabled the company to fund its investments in the period, pay a dividend and reduce financial debt by €73.8 million.

The Group **invested** €379.5 million in the first nine months of the year. Development of the Spanish transmission grid accounted for the bulk of capital expenditure during the period (€363.5 million).

**Dividends paid** at 30 September 2013 totalled €319.0 million, 7.2% higher than in the same period last year.

The Red Eléctrica Group's **net financial debt** at 30 September 2013 stood at €4,806.8 million, 1.4% lower than at the end of 2012.



## Net financial debt

(in thousands of euros)	National currency	Foreign currency	Total
Cash and cash equivalents	(206,261)	(7,668)	(213,929)
Long-term debenture bonds (*)	2,908,316	-	2,908,316
Long-term loans (*)	1,885,701	54,122	1,939,823
Promissory notes and current loans	172,552	-	172,552
<b>Total net financial debt</b>	<b>4,760,307</b>	<b>46,454</b>	<b>4,806,761</b>

(\*) Debt classified by transaction source.

The debt structure remained steady during the period, with long term debt representing 96% of the total. Of the Group's net debt, 82% is fixed rate and 18% is floating rate.

The average cost of the Group's debt in the first nine months of 2013 was 3.93% (3.78% in the same period in 2012), with an average balance gross debt of €5,260.8 million (up 8.0% year-on-year on the figure of €4,870.9 million seen in the same period in 2012).

Meanwhile, the Red Eléctrica Group's **equity** at 30 September 2013 totalled €2,170.3 million, up 9.0% from 31 December 2012. The increase was driven mainly by earnings in the period, which were partly offset by the corresponding dividend payment.

## 4. Relevant events during the quarter

- On 15 July, the Ministry for Industry issued a draft decree setting the methodology for calculating the remuneration for electricity transmission and opening a dialogue process, as set out in Spanish legislation, between the regulator and industry players to make improvements to the proposed law. In this respect, on 26 July Red Eléctrica submitted its **comments on the draft Royal Decree**. In short, in Red Eléctrica's opinion the following issues should be a priority:
  - The remuneration rate should ensure a reasonable return above agents' cost of capital.
  - The remunerated asset base should include all costs incurred.
  - A system should be implemented to update net asset value.
  - The residual lives of assets should be determined based on their technical lives.
  - An appropriate remuneration mechanism for useful life extension should be designed.
  - Suitable incentives should be introduced to remunerate availability of facilities, as well as plant construction and maintenance.

In this vein, on 20 September the **National Energy Commission** released its comments on the Ministry of Industry's proposals. Many of its opinions coincided with Red Eléctrica's.

- On 12 September, Red Eléctrica was included in the DJSI World index for the eighth straight year. Inclusion in this index recognises the company's place among the leaders in corporate social responsibility within its industry worldwide.
- On 9 October 2013, **Fitch** affirmed Red Eléctrica Corporación, S.A.'s **A- rating, negative outlook** and assigned Red Eléctrica S.A.U. an A- rating. The rating agency highlighted the low risk of the electricity transmission business and cash flow visibility and stability. The agency also said the company's rating and outlook were constrained by Spain's sovereign rating.

Meanwhile, Red Eléctrica Corporación, S.A. informed **Moody's** of its decision to end its contractual relationship based on the recommendations of Regulation (EU) 462/2013 of the European



Parliament and of the Council of 21 May 2013 to increase competition among credit rating agencies and to encourage the rotation of credit agencies. Moody's informed Red Eléctrica Corporación, S.A. that it has begun the process to remove its current corporate debt ratings. From now on, Red Eléctrica has the solicited and participating credit ratings of Standard & Poor's and Fitch.



## Red Eléctrica Group

## Consolidated income statement

(in thousands of euros)	30/09/2013	30/09/2012	2013/2012
Revenue	1,302,210	1,279,429	1.8%
Own work capitalised	12,380	11,463	8.0%
Supply costs	(40,428)	(34,105)	18.5%
Other operating income	9,403	8,838	6.4%
Personnel expenses	(93,873)	(94,792)	(1.0%)
Other operating expenses	(228,593)	(213,615)	7.0%
<b>Gross Operating Result (EBITDA)</b>	<b>961,099</b>	<b>957,218</b>	<b>0.4%</b>
Amortisation/depreciation of non-current assets	(311,065)	(301,455)	3.2%
Release of grants related to non-financial assets	9,891	9,378	5.5%
Impairment and gains/(losses) on disposal of fixed assets	212	(46,338)	-
<b>Net Operating Result (EBIT)</b>	<b>660,137</b>	<b>618,803</b>	<b>6.7%</b>
Finance income	12,102	7,830	54.6%
Finance costs	(144,224)	(128,243)	12.5%
Exchange differences	138	(583)	-
Impairment and gains/(losses) on disposal of financial instruments	3,219	(15,999)	-
<b>Net finance expense</b>	<b>(128,765)</b>	<b>(136,995)</b>	<b>(6.0%)</b>
Results of companies accounted for using the equity method	411	950	(56.7%)
<b>Profit before tax</b>	<b>531,783</b>	<b>482,758</b>	<b>10.2%</b>
Income tax expense	(141,918)	(144,894)	(2.1%)
<b>Consolidated profit for the period</b>	<b>389,865</b>	<b>337,864</b>	<b>15.4%</b>
<b>A) Consolidated profit attributable to the parent company</b>	<b>389,441</b>	<b>337,942</b>	<b>15.2%</b>
<b>B) Consolidated profit attributable to non-controlling interests</b>	<b>424</b>	<b>(78)</b>	<b>-</b>





## Red Eléctrica Group Summary consolidated balance sheet

ASSETS (in thousands of euros)	30/09/2013	31/12/2012
Non-current assets	8,607,882	8,487,685
Current assets	749,980	727,506
<b>Total assets</b>	<b>9,357,862</b>	<b>9,215,191</b>

LIABILITIES (in thousands of euros)	30/09/2013	31/12/2012
Equity	2,170,299	1,991,545
Non-current liabilities	5,943,290	5,185,874
Current liabilities	1,244,273	2,037,772
<b>Total equity and liabilities</b>	<b>9,357,862</b>	<b>9,215,191</b>

## Summary consolidated cash flow statement

(in thousands of euros)	30/09/2013	30/09/2012
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>833,335</b>	<b>507,723</b>
Profit before tax	531,783	482,758
Adjustments to profit	438,595	474,608
Changes in working capital	69,946	(307,010)
Other cash flows from operating activities	(206,989)	(142,633)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>(445,992)</b>	<b>(512,142)</b>
Payments for investments	(452,058)	(525,231)
Proceeds from disposals	737	454
Other cash flows from investing activities	5,329	12,635
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>(213,486)</b>	<b>(3,864)</b>
Proceeds from/(payments for) equity instruments	3,985	12,652
Proceeds from/(payments on) financial liabilities	99,833	278,026
Dividend payments	(319,031)	(297,677)
Other cash flows from financing activities	1,727	3,135
<b>Effect of variations in exchange rates</b>	<b>(242)</b>	<b>4</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>173,615</b>	<b>(8,279)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>40,314</b>	<b>19,343</b>
<b>Cash and cash equivalents at end of period</b>	<b>213,929</b>	<b>11,064</b>



## Financial calendar Upcoming events

### Estimated dates

2013 earnings presentation

February 2014

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](mailto:relacioninversores@ree.es)

Red Eléctrica has the following credit ratings: BBB from S&P and A- 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 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



Red Eléctrica included in the DJSI World Index for the eighth year running, with a score of 80 points out of 100.

Awarded the “Bronze Class” award for the fifth consecutive year in the Sustainability Yearbook.



An overall score of 4.5 out of 5, and a relative score of 100 points out of 100 in 2013 (\*).



Included in the Ethibel Excellence index since 2008.

Included in the Ethibel Pioneer index in December 2012.



Included in the Aspi Eurozone index since 2011.



Included in the Kempen SNS SRI index since 2004.



Included in the ESG STOXX Leaders index since 2011.



Included in the ECPI Ethical EMU Equity Index since 2011.



Awarded “Best in class” distinction in 2009.



Included since 2008. Chosen in 2011 as one of the four leading European companies in terms of sustainability, securing the maximum score (96 out of 130).



Included in the investor universe in 2010. Top-ranked in a comparative analysis of the sustainability performance of 13 European utilities.

(\*) FTSE Group confirms that Red Eléctrica Corporación has been independently evaluated in accordance with FTSE4Good criteria and meets the requirements to be ranked in the FTSE4Good indices, the global index established by the FTSE Group. FTSE4Good is a global index designed to encourage investments in companies that meet globally recognised corporate responsibility standards. Companies ranked in the FTSE4Good index adhere to strict environmental, social and corporate governance criteria, and are in a position to benefit from sustainable business practices.