



Contents

1. Main highlights	3
2. Red Eléctrica: Main aggregates	4
3. Earnings performance	5
4. Cash flow and balance sheet performance	6
5. Significant events in Q1 and thereafter.....	8
Appendix 1. Consolidated financial statements.....	10
Consolidated income statement	10
Consolidated balance sheet	11
Consolidated statement of cash flows.....	12
Financial calendar.....	13
Appendix 2. Sustainability certifications	14



1. Main highlights

Profit for the first quarter stood at €191.0 million, up 1.0% on the same period of 2018.

EBITDA was €405.9 million, up 0.9% on the first three months of 2018.

Total **investments** of the Red Eléctrica Group reached €71.8 million, up 0.7% on that invested in the first quarter of 2018. Of this amount, €56.3 million was earmarked for development of the **transmission network** in Spain.

With regard to the **operation** of the electricity system, it maintained high levels of service quality with an availability of more than 98% on the Iberian Peninsula, 98.7% on the Balearic Islands and 98.8% on the Canary Islands.

Our activities are aimed at facilitating the energy transition and enabling proper **integration of renewable energy sources**, with the ultimate goal of driving progress towards a low-carbon economy. In the first quarter of 2019, mainland production from renewable sources amounted to 39.7% and CO₂-free mainland production represented 64.7% of production.

With regard to the **telecommunications business**, on 12 February significant progress was made to position the Company as a global operator of telecommunications infrastructure, as an agreement was reached with Abertis Infraestructuras, S.A. to acquire 89.68% of the shares of Hispasat, S.A. The acquisition cost amounted to €949 million. This acquisition will be financed with external debt and, therefore, without recourse to the shareholder.

The shareholders at the General Meeting approved the **gross dividend** payment of €0.9831 per share charged against 2018 profits, which is a 7% rise on the dividend paid out the previous year and in line with that announced in Red Eléctrica's strategic plan.



2. Red Eléctrica: Main aggregates

Income statement

<i>(Thousands of euros)</i>	January - March		
	2019	2018	Δ %
Revenue	499,738	496,997	0.6
EBITDA	405,898	402,415	0.9
EBIT	289,032	284,732	1.5
Profit before tax	253,928	250,928	1.2
Profit for the year	191,026	189,088	1.0

Balance sheet

<i>(Thousands of euros)</i>	March 2019	December 2018	Δ %
Non-current assets	9,274,412	9,303,514	(0.3)
Equity	3,157,972	3,361,366	(6.1)
Net financial debt*	4,584,180	4,682,720	(2.1)

(*) Includes foreign currency derivatives.

Other financial aggregates

<i>(Thousands of euros)</i>	January - March		
	2019	2018	Δ %
Operating cash flow after taxes	367,984	365,291	0.7
Investments	71,831	71,346	0.7
Dividends paid	147,250	137,509	7.1

Credit rating

Agent	Credit rating	Outlook	Date
Standard & Poor's	A-	Stable	15/02/2019
Fitch Ratings	A-	Stable	08/04/2019



3. Earnings performance

Revenue for the first quarter of 2019 amounted to €499.7 million, which is a 0.6% rise year-on-year. This figure includes the remuneration of the electricity transmission business in Spain, the regulated income related to system operation amounting to €16.5 million, the external telecommunications business in Spain, which reached €24.6 million, and the income arising from international business, which reached €8.6 million. It should also be noted that profit for the Chilean company TEN amounted to €1.9 million, which is included in EBITDA as Profit of Equity-Accounted Investees.

EBITDA amounted to €405.9 million, showing growth of 0.9% year-on-year, the fruit of the consolidation of efficiency measures implemented by Red Eléctrica.

Operating costs performed as follows:

- **Supply costs and other operating expenses** dropped 2.5% compared with the first quarter of last year, highlighting the efforts made by Red Eléctrica to improve efficiency. This change includes lower overhead costs as well as lower expenses arising from leases, in application of IFRS 16, and as a result of completing the construction of TESUR2 (a transmission line in southeast Peru, between the cities of Juliaca, Puno and Azángaro).
- The **final headcount** at 31 March was 1,796 while the average headcount was 1,792.4 employees.

Personnel expenses rose 4.0% year-on-year. This increase is explained by the rise in social security contribution bases, an increase in average salary costs and the transfer of certain training expenses to the first quarter. The lower average headcount (down 0.9%), together with the effect of rolling forward the training expenses, will reduce the growth of this expense item throughout 2019.

Operating expenses

<i>(Thousands of euros)</i>	January - March		
	2019	2018	Δ %
Supplies and other operating expenses	74,389	76,280	(2.5)
Personnel expenses	37,873	36,403	4.0
Operating expenses	112,262	112,683	(0.4)

Net operating profit (EBIT) stood at €289.0 million, up 1.5% year-on-year.

Financial loss was €-35.1 million, compared with €-36.3 million for the same period of last year. The main reason for this improvement is the lower interest paid as a result of the drop in finance costs, offset in part by a higher average balance of gross financial debt.

Finally, **profit for the period** amounted to €191.0 million, a rise of 1.0% year-on-year. The effective tax rate stood at 24.8%, in line with the 25% defined in the Spanish Law 27/2014, of 27 November, on Corporation Tax (*Ley 27/2014, de 27 de noviembre, del Impuesto sobre Sociedades*).



4. Cash flow and balance sheet performance

Cash flows ⁽¹⁾

<i>(Thousands of euros)</i>	January - March		
	2019	2018	Δ %
Profit before tax	253,928	250,928	1.2
Income taxes paid	(3,260)	(2,239)	45.6
Depreciation and amortisation charge and other adjustments	117,316	116,602	0.6
Operating cash flow after taxes	367,984	365,291	0.7
Changes in working capital	19,785	(32,549)	-
Changes in other assets and liabilities	9,954	(53,113)	-
Changes in payables to non-current asset suppliers	(74,054)	(59,299)	24.9
Investments	(71,831)	(71,346)	0.7
Free cash flow	251,838	148,984	69.0
Dividends paid	(147,250)	(137,509)	7.1
Change in net financial debt ⁽²⁾	(104,588)	(11,475)	-

(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 difference between this figure and payments due to investments is included mainly under Changes in other assets and liabilities.

(2) The difference between this figure and the change in net financial debt shown on page 4 is owing to items that do not involve cash movements.

Operating cash flow after taxes was €368.0 million, up 0.7% on the first quarter of the previous year.

Changes in working capital as of March 2019 stood at €19.8 million, an improvement on the previous year due mainly to lower payments to suppliers.

Changes in other assets and liabilities include, among others, the repayment of a portion of the loan to TEN.

Investments by the Group during the period amounted to €71.8 million, up 0.7% on the same period of the previous year. Of this amount, €56.3 million were earmarked for development of the national transmission network. Furthermore, €9.1 million were allocated to the development of the international business in relation to the construction of Tesur 3 (transmission line in the south of Peru between Montalvo and Los Héros) and Redenor (transmission line in the north of Chile, in the Pozo Almonte area).

Dividends paid amounted to €147.3 million, up 7.1% on the €137.5 million paid in the previous year and in line with the shareholder remuneration policy included in the 2014-2019 Strategic Plan.

The Red Eléctrica Group's **net financial debt** at 31 March 2019 amounted to €4,584.2 million, compared to €4,682.7 million at the end of 2018.



Net financial debt (*)

<i>(Thousands of euros)</i>	Euros	Foreign currency	Total
Cash and cash equivalents	(1,152,354)	(63,807)	(1,216,161)
Non-current debt securities	3,147,325	437,348	3,584,673
Non-current loans	1,615,515	259,876	1,875,391
Promissory notes and current loans	340,277	-	340,277
Total net financial debt	3,950,763	633,417	4,584,180

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

At 31 March 2019, 94% of the Group's financial debt was long term. As regards interest rates, 84% of the Group's debt is at a fixed rate, while the remaining 16% is at a floating rate.

The average cost of the Group's financial debt in the first quarter of the year was 2.32%, compared to 2.52% in the same period of the previous year. The average balance of **gross debt** stood at €5,788 million, compared to €5,419 million in the first quarter of the previous year.

Lastly, at 31 March 2019, the Red Eléctrica Group's **equity** totalled €3,158.0 million following the recognition of the final dividend for 2018 approved at the General Shareholders Meeting.

Credit rating

Standard & Poor's has given Red Eléctrica a long-term credit rating of 'A-' with a stable outlook and a short-term credit rating of 'A-2'. Fitch granted the Company a long-term rating of 'A-' with a stable outlook and a short-term rating of 'F2'.

The S&P rating is based on the stability of the cash flows arising mainly from regulated transmission activities. Fitch also highlighted the low level of business risk given TSO's natural monopoly position in Spain and the steady increase in the flow of income from contracts of the telecommunications business and the electricity transmission concessions in Peru and Chile.



5. Significant events in Q1 and thereafter

- On 17 April 2019, the Council of Ministers authorised Red Eléctrica Sistemas de Telecomunicación, S.A.U. to acquire all shares owned by Abertis Telecom Satélites, S.A.U. in the Company HISPASAT, S.A. It also authorised a new shareholder agreement signed by Red Eléctrica Sistemas de Telecomunicación, S.A.U., the Spanish state-owned industrial holding company (Sociedad Estatal de Participaciones Industriales, "SEPI"), the Centre for Industrial Technological Development, and HISPASAT, S.A. Moreover, it authorised Red Eléctrica Sistemas de Telecomunicación, S.A.U. to acquire the HISPASAT, S.A.'s shareholding position in the share capital of HISDESAT Servicios Estratégicos, S.A. For its part, on 10 April 2019, the National Commission on Markets and Competition (Comisión Nacional de los Mercados y la Competencia, "CNMC") issued a Resolution authorising the acquisition without imposing conditions. Once the remaining pending authorisations are obtained, payment will be issued for the transaction.
- On 8 April 2019, Fitch Ratings reduced the long-term rating of Red Eléctrica Corporación, S.A. to 'A-' from the previous rating of 'A', removing its status of Rating Watch Negative and establishing a stable outlook. Following the announcement, Red Eléctrica Corporación, S.A. and Red Eléctrica de España, S.A.U. maintain a long-term rating of 'A-' and a short-term rating of 'F2' with a stable outlook.
- On 26 March 2019, the Board of Directors of Red Eléctrica Corporación appointed José Juan Ruiz Gómez as member of the Appointments and Remuneration Committee and re-elected María José García Beato as member of the Audit Committee and Carmen Gómez de Barreda as Independent Lead Director. The Board also appointed Socorro Fernández Larrea as chairman of the Appointments and Remuneration Committee.
- On 22 March 2019, the shareholders at the General Meeting approved the Financial Statements and Management Report of Red Eléctrica Corporación, S.A. and the consolidated Red Eléctrica Corporación Group and its subsidiaries for the year ended 31 December 2018.

They also agreed to the payment of a gross dividend of €0.9831 per share for 1 July, minus the gross amount of €0.2727 per share paid out as an interim dividend on 8 January.

The shareholders at the General Meeting ratified the appointment of Jordi Sevilla, María Teresa Costa and Antonio Gómez Expósito as directors, and approved the appointment of José Juan Ruiz Gómez as an independent director.

- On 1 March 2019, the Ministry of Ecological Transition published in the Spanish Official State Gazette the Ministerial Order initiating the process of drafting the new infrastructure plan for the electricity transmission network for 2021-2026.
- On 20 February 2019, the Red Eléctrica Group presented the results of 2018 and its new 2018-2022 Strategic Plan. The Group will invest €6 billion over the next five years to facilitate the energy transition, consolidate its position as a benchmark telecommunications infrastructure operator, expand its international business and speed up innovation in Spain, providing technological services to third parties and contributing to the development of an entrepreneurial environment with the launch of a start-ups accelerator.
- On the 15 February 2019, S&P confirmed the 'A-' rating with a stable outlook for the Red Eléctrica Group.
- On 14 February 2019, Spain and Morocco signed a Memorandum of Understanding (MOU) to construct a third electrical interconnection cable between both countries. The agreement assigns Red Eléctrica de España (REE) and L'Office National de l'Électricité et de l'Eau Potable (ONEE) –the equivalent body in Morocco– the task of studying and analysing the project, which is expected to enter into service prior to 2026.
- On 12 February 2019, Abertis Infraestructuras, S.A. and Red Eléctrica Corporación, S.A. reached an agreement for Red Eléctrica Corporación, through Red Eléctrica Sistemas de Telecomunicaciones, S.A.U., a wholly-owned subsidiary of Red Eléctrica Corporación, to acquire 89.68% of the Hispasat, S.A. shares currently held by Abertis. The acquisition price for 89.68% of the share capital of Hispasat



amounted to €949 million. This acquisition will be financed with external debt and, therefore, without recourse to the shareholder. Once the corresponding authorisations have been obtained, the transaction will be paid, and it is expected to be included in the financial statements effective for accounting purposes from 1 January 2019.

- On 23 January 2019, wind production set a new record maximum producing 367,697 MWh. This represents a 0.6% increase on the previous maximum, recorded on 12 February 2016.



Appendix 1. Consolidated financial statements

Red Eléctrica Group

Consolidated income statement

<i>(Thousands of euros)</i>	31/03/2019	31/03/2018	2019/2018
Revenue	499,738	496,997	0.6%
Work on non-current assets	14,181	14,684	(3.4%)
Profit/(Loss) of investees	1,853	-	-
Supply costs	(6,487)	(8,189)	(20.8%)
Other operating income	2,388	3,416	(30.1%)
Personnel expenses	(37,873)	(36,403)	4.0%
Other operating expenses	(67,902)	(68,091)	(0.3%)
Gross operating profit	405,898	402,415	0.9%
Depreciation and amortisation charge for non-current assets	(122,916)	(123,423)	(0.4%)
Allocation to profit or loss of grants related to non-financial assets	6,050	5,762	5.0%
Impairment and gains or losses on disposal of non-current assets	0	(22)	-
Net operating profit	289,032	284,732	1.5%
Finance income	480	565	(15.1%)
Finance costs	(35,591)	(36,707)	(3.0%)
Exchange differences	7	(205)	-
Impairment and gains or losses on disposal of financial instruments	-	-	-
Financial loss	(35,104)	(36,347)	(3.4%)
Share of profit of companies accounted for using the equity method	-	2,543	-
Profit before tax	253,928	250,928	1.2%
Income tax expense	(62,906)	(61,856)	1.7%
Consolidated profit for the period	191,022	189,072	1.0%
A) Consolidated profit attributable to the Parent	191,026	189,088	1.0%
B) Consolidated profit attributable to non-controlling interests	(4)	(15)	(74.1%)



Red Eléctrica Group

Consolidated balance sheet

ASSETS (<i>thousands of euros</i>)	31/03/2019	31/12/2018
Non-current assets	9,274,412	9,303,514
Current assets	2,411,608	1,958,566
Total assets	11,686,020	11,262,080

LIABILITIES (<i>thousands of euros</i>)	31/03/2019	31/12/2018
Equity	3,157,972	3,361,366
Non-current liabilities	6,305,997	6,336,322
Current liabilities	2,222,052	1,564,392
Total liabilities	11,686,020	11,262,080



Red Eléctrica Group

Consolidated statement of cash flows

<i>(Thousands of euros)</i>	31/03/2019	31/03/2018
CASH FLOWS FROM OPERATING ACTIVITIES	382,278	303,228
Profit before tax	253,928	250,928
Adjustments to profit	154,101	153,502
Changes in working capital	19,785	(32,549)
Other cash flows from operating activities	(45,536)	(68,653)
CASH FLOWS FROM INVESTING ACTIVITIES	(126,503)	(130,870)
Payments due to investments	(145,885)	(132,520)
Proceeds from disposals	16,125	549
Other cash flows from investing activities	3,257	1,101
CASH FLOWS FROM FINANCING ACTIVITIES	193,039	(91,401)
Proceeds/(payments) relating to equity instruments	(2,814)	(16,875)
Proceeds/(payments) relating to financial liability instruments	344,424	69,055
Dividends paid	(147,250)	(137,509)
Other cash flows from financing activities	(1,321)	(6,072)
Effect of foreign exchange rate changes	198	(427)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	449,012	80,530
Cash and cash equivalents at beginning of year	767,149	569,872
Cash and cash equivalents at end of year	1,216,161	650,402



Financial calendar

Upcoming events

Estimated dates

Final dividend payment	1 July 2019
First six months 2019 results presentation	31 July 2019
First nine months 2019 results presentation	30 October 2019

For more information

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Appendix 2. Sustainability certifications



The Company was once again placed on the DJSI World and the DJSI Europe indices.



Silver Class distinction in the RobecoSAM Sustainability Yearbook 2019.



Included in the FTSE4Good index since 2008^(*).



Continued inclusion in the STOXX Global ESG Leaders indices.



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



Renewed presence in the Euronext-Vigeo sustainability indices (Eurozone 120, Europe 120 and Global 120).



The Company confirmed 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.



Ranked second in the Utilities/Network Operators sector with a B+ rating.

(*) 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 recognised 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.