

G E N E R A L S H A R E  
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C O M M I T T E D  
 T O  
 I N T E L L I G E N T  
 E N E R G Y



**RED**  
 ELÉCTRICA  
 CORPORACIÓN

## ENVIRONMENT

We are facing a changing and challenging period...  
... that will present opportunities

### OUR STRENGTHS

1. We play an essential role in successfully tackling our country's energy transformation.
2. We have become a global operator of strategic infrastructures both in Spain and internationally.
3. Our solvency position and performance are strong.

## KEY EVENTS IN 2018

# More meshed and interconnected transmission grid

### HIGHLIGHTS

**277** kilometres of new lines.

**109** new substations.

**2,592** MVA improvement in transformation capacity.

**98.11 %** availability for the national transmission grid.

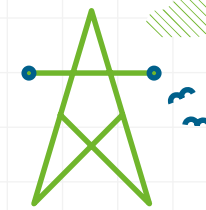
### Purpose of investments

**Bolstering** of transmission grid meshing.

**Better** supply guarantee and grid reliability.

**Strengthening** of interconnections between systems.

Investment  
IN THE  
TRANSMISSION  
GRID



€**378**  
M

invested  
in 2018

## KEY EVENTS IN 2018

# Most significant actions related to the transmission grid

### MAJOR LINES

- Gran Tarajal-Matas Blanca line [Fuerteventura].
- Arinaga line [Gran Canaria].
- Abona and El Poris lines [Tenerife].
- Son Moix and Arenal-Llucmajor line [Majorca].

Bolstering of the meshing of the grid and evacuation of renewables on the islands.

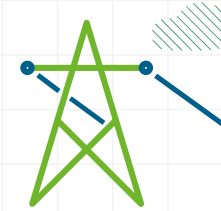
- Cañuelo-Pinar del Rey line.
- San Miguel de Salinas line [Torrevieja].

Better supply guarantee.

- North Gerona supply line.
- Progress in submarine link with France.

Strengthening of interconnections with the European electricity system.

### HEADLINE PROJECT



Progress in electrical interconnection

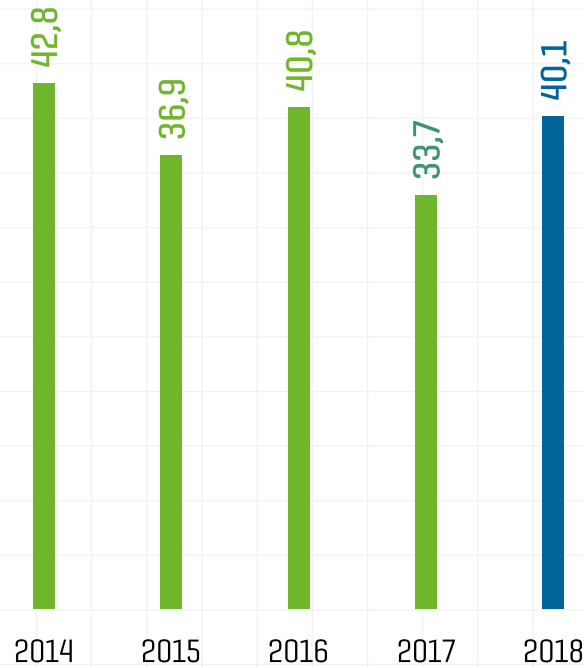
**Spain-France**  
under the Bay of Biscay

€578 M  
subsidy  
(European  
Commission)

44,069 km of lines in service in 2018.

## KEY EVENTS IN 2018

### Integration of renewable energy



New wind energy generation record (23 January 2019)

43.2 % of peninsular electricity generation

WIND ENERGY GENERATION



19.8 %

of peninsular electricity generation in 2018

## KEY EVENTS IN 2018

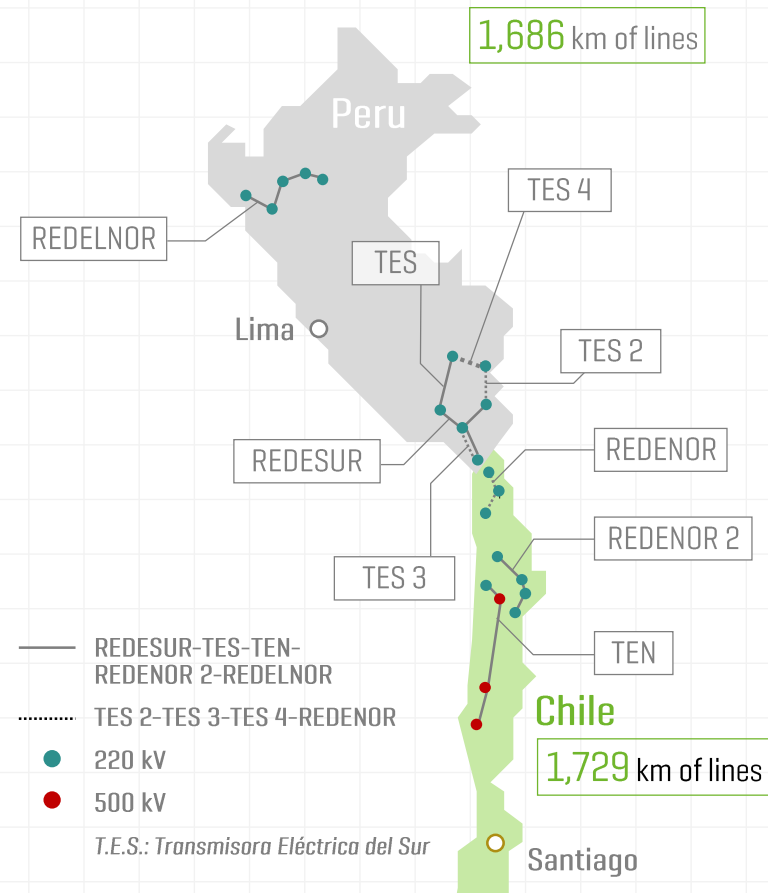
### International business: new investments

#### CHILE

- Acquisition of the company Centinela Transmisión for €101 M (REDENOR 2).
- Acquisition of the project for the construction of 258 kilometres of 220 kV lines (REDENOR).

#### PERU

- Agreement for the acquisition of CCNCM in north Peru for €181 M (REDELNOR).
- Commissioning of the Azángaro-Juliaca-Puno line through Transmisora Eléctrica del Sur 2.



## KEY EVENTS IN 2018

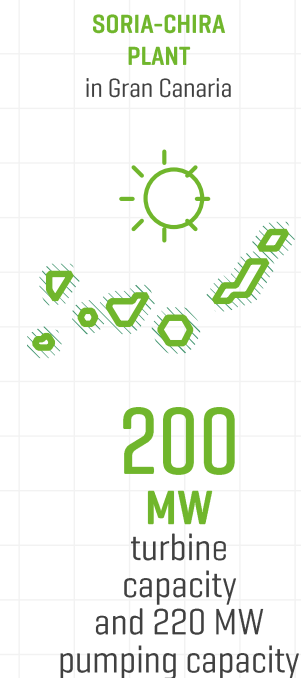
### Energy storage in Canary Islands

#### CHIRA-SORIA PUMPED-STORAGE HYDROELECTRIC PLANT

- The site geotechnics campaign ended in 2018 and the design and engineering of the construction project was awarded.
- The project is in the final phase of the environmental assessment process.

#### POSSIBLE PUMPING PROJECT IN TENERIFE

- The basic designs of the best options identified were prepared in 2018.



**OBJECTIVE** Improve the guaranteed supply of the isolated systems, maximising the integration of renewables.

## KEY EVENTS IN 2018

# Good evolution of the telecommunications business

### KEY DATA

- Dark fibre optic network of over 33,000 km and 232 sites for technical equipment.
- Backbone composed of the surplus fibre optic from the electricity transmission grid and that dedicated to the rail service.
- Growth driven by the developing customer base and network interconnection.

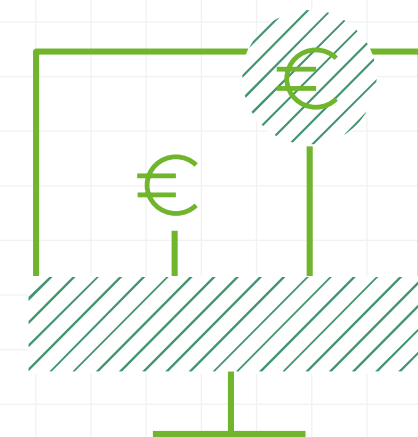
We are the benchmark neutral operator in Spain in the management of dark fibre optic networks.





## RESULTS: KEY FIGURES

Millions of euros	2017	2018	Δ%
Revenue	1,941	1,949	0.4
Gross operating profit (EBITDA)	1,519	1,540	1.3
Profit before tax	890	936	5.2
Profit for the year	670	705	5.2
Investments	510	547	7.1



Rise in profit: **5.2 %**  
EBITDA margin: **79 %**

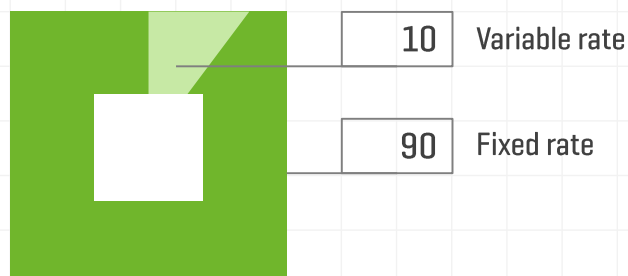
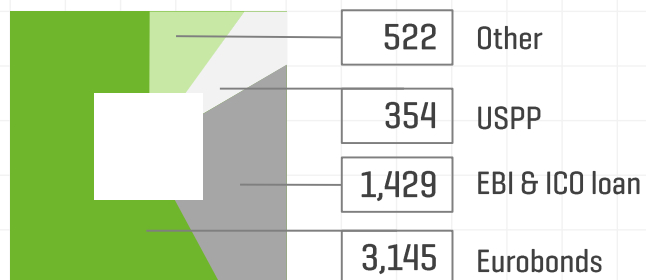
2018 dividend: **€0.9831/share**  
[**7 %** increase]

Stable growth and strong results

# FINANCIAL STRENGTH AND SOLVENCY

## Net financial debt

€4.683 billion [-2.3 % compared with 2017]



Average debt life	5.3 years
Cost of debt	2.4 % [2.8 % in 2017]
FFO/Debt	26.0 % [24.8 % in 2017]
Net debt/EBITDA	3.0 x [3.2x in 2017]

Red Eléctrica has signed the world's first multi-currency syndicated credit facility with blockchain technology.

# 2014-2019 STRATEGIC PLAN

## 2014-2018 achievements

### 2014-19 investment: €4,575 M



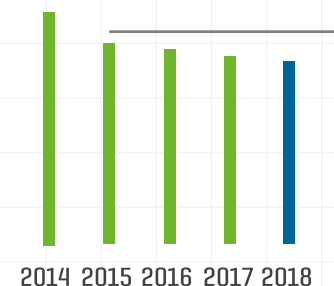
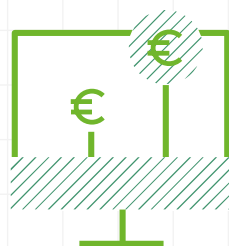
Investments made

€3,456 M

Investments committed

€4,575 M

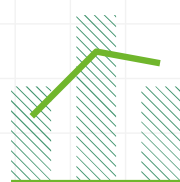
### 2014-19 financial structure: Net debt/EBITDA 3.5x



3.4x

Period average

### 2014-19 efficiency: EBITDA margin $\geq$ 200 bp



2018  
EBITDA  
Margin

79 %

(429 bp > 2013 margin)

### 2014-19 growth: BPA 5-6 % & DPA 7 % TACC



BPA growth:

5.9 %

2014-2018 TACC\*

DPA growth:

7 %

2014-2018 TACC\*

\*Calculated based on 2013

## SATELLITE INFRASTRUCTURE BUSINESS

Wholesale business

Efficient technology

Stable revenue

Capital intensive with high margins

Complementary business to dark fibre optics



Video retransmission

Data retransmission

Mobility services

### HISPASAT

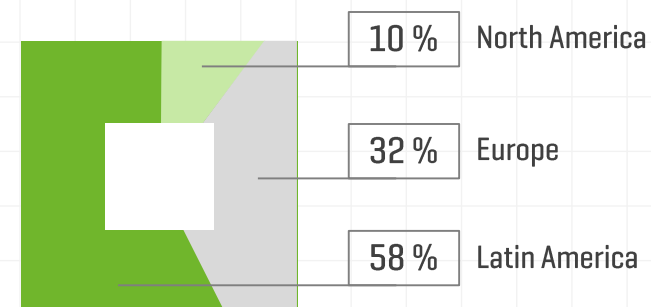
- Has 7 operating satellites that provide coverage to Europe and the American continent
- Main distributor of content in Spanish and Portuguese via satellite.



# HISPASAT

- 8<sup>th</sup> leading global operator in satellites.
- 4<sup>th</sup> leading satellite operator in Latin America.
- Stable, consolidated strategic customer base.
- Leader in content distribution in Spain and Portugal.

## Revenue by geographical zone



2018	€M	31/12/2018	
Revenue	204	EBITDA margin	79 %
EBITDA	161	Assets	€1,242 M
Net profit	42	Net debt/EBITDA	1,8x

Financing of investment:  
100 % with financial debt.

## 2018-2022 STRATEGIC PLAN

### Total Group investments (2018-2022): ≈ €6,000 M

#### INVESTMENTS TO DRIVE THE ENERGY TRANSITION:

- Investments in the transmission grid:
  - Integration of renewables.
  - Supply reliability and safety.
  - Network and technology digitalisation.
- Increase in interconnection capacity to:
  - Face variability in renewable generation.
  - Reduce the need for backup generation.
- Storage:
  - Facilitating the massive integration of renewables.
  - Stabilising and optimising network capacity.

#### Total investments: ≈ €3,200 M

- ≈ €2,900 M  
[transmission grid].
- ≈ €200 M  
[storage in the Canary Islands].
- ≈ €50 M  
[system operation].

Average estimated investment in the transmission grid: €575 € per annum in 2018-2022

## 2018-2022 STRATEGIC PLAN

### Visibility and regulatory stability

- Next regulatory period 2020-2025.
- Proposed financial remuneration rate: Nominal 5.58 % before tax.
- The rate may not undergo annual variations greater than 50 bp, both upward and downward.
- Incentives for efficiency and for transmission grid availability are established.
- Incentives for useful life extension. Once completed, extension will be remunerated in addition to O&M remuneration.
- Sufficient and adequate model for System Operator remuneration to face the challenges of the energy transition.

Remuneration model that makes it possible to implement and finance the investments required by the energy transition with reasonable returns.



## 2018-2022 STRATEGIC PLAN

### Satellite business and dark fibre rental

#### Customer portfolio increase

Access to new market segments in fibre optic business and new clients base through Hispasat acquisition.

#### Extension to other markets

- Extending the telecommunications supply of services to new sectors (utilities, transmission...) and geographical areas.
- Looking for strategic associates, maintaining while possible a majority stake

#### Analysis of opportunities

Analysing the synergies of the assets available in Spain with the deployment of the new telecommunications technologies.

#### New infrastructures

Acquiring optic fibre or other telecommunications structures that can be exploited neutrally, guaranteeing transparent access under equal conditions to all sector agents.

Investments about €1,700 M, including Hispasat's acquisition.

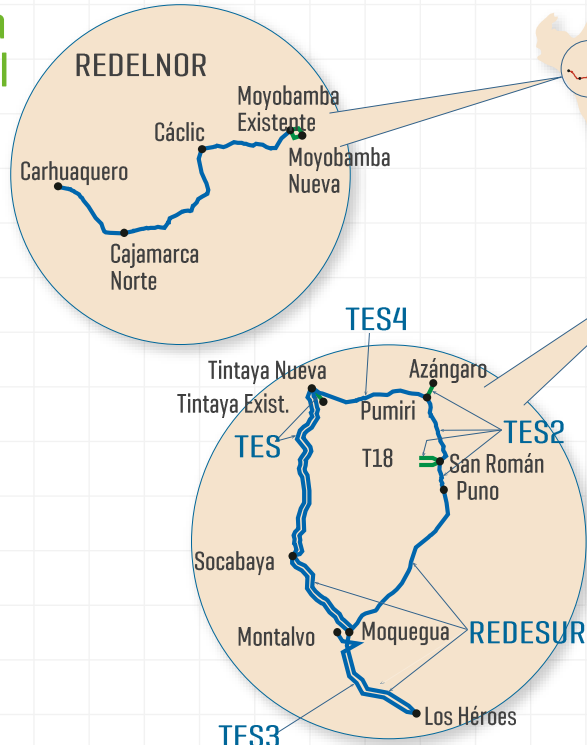


# 2018-2022 STRATEGIC PLAN

## International development

### Red Eléctrica Internacional in Peru

1,686 km



#### Legend

- Substation
- 220 kV line
- 138 kV line

T.E.S.: Transmisora Eléctrica del Sur [subsidiaries of REDESUR]

### Red Eléctrica Internacional in Chile

1,729 km



#### Legend

- Substation
- 500 kV line
- 220 kV line

Investments about €1,000 M in low-risk countries and stable regulatory areas.

## 2018-2022 STRATEGIC PLAN

### OPERATIVE EFFICIENCY

- Digitalisation as a lever to optimise business processes.
- Technologies to optimise predictive maintenance.
- Big Data technologies, artificial intelligence, and task automation.

### FINANCIAL EFFICIENCY

- Optimization of cost of financing.
- Advance in the integration of sustainability criteria in financing:
- 100% financing with ESG 2030 criteria.
- Net Financial Debt / EBITDA average in the period: in levels of 4x.
- FFO / debt: higher than 17 % during the period.

Financing policy that optimises the cost of financing and integrates sustainability criteria in the financing of the activities.

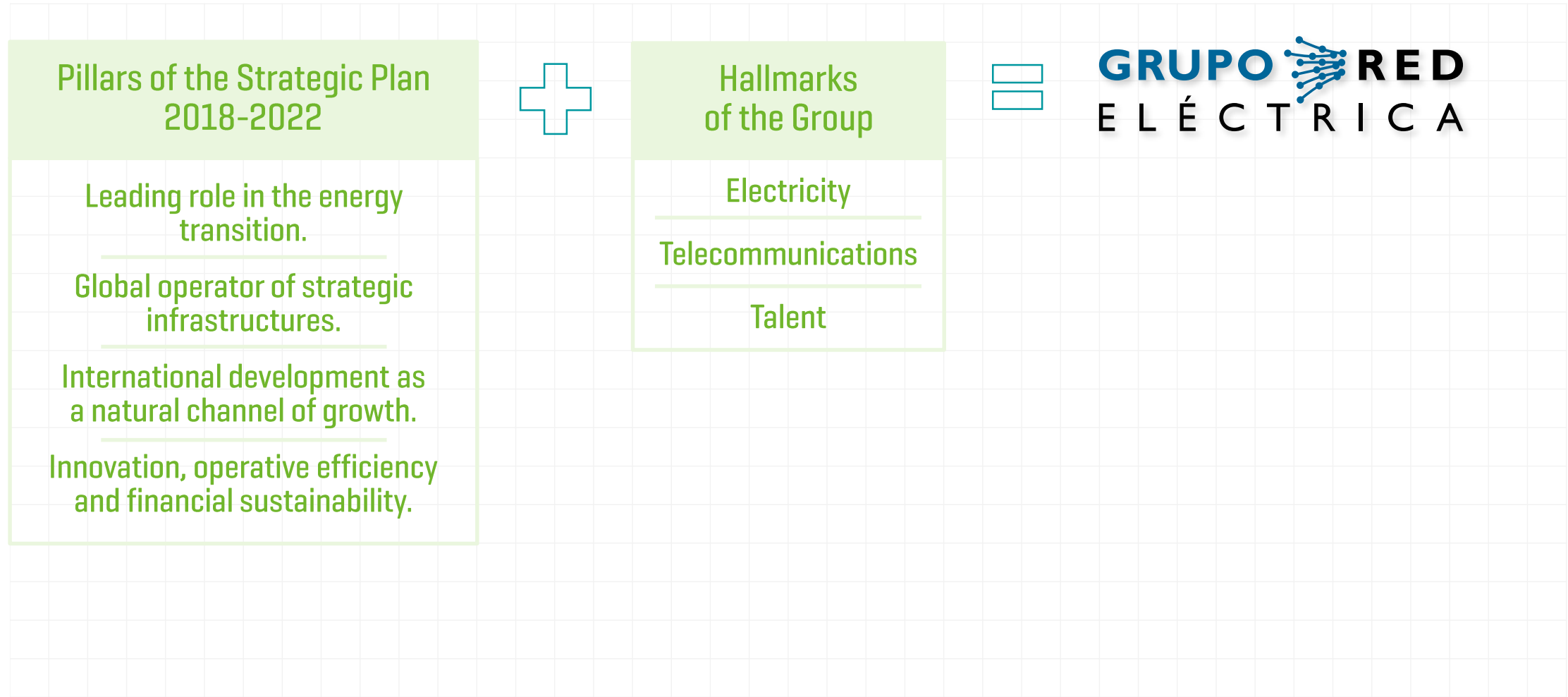
## 2018-2022 STRATEGIC PLAN

Total investment ≈€6,000 M	around 50 % of the investments for the energy transition.
EBITDA margin	Over 76 % ~ average in the period.
Financial discipline	Net Debt /EBITDA ~ 4x average.
Net Profit	BDI > 1 % TACC 2018-2022*
Dividend policy	2019: €1.05/share 2020-2022: at least €1/share.

Creating sustainable value for our stakeholders.

\* Base year 2017.

## OUR COMMITMENT



**GRUPO**  **RED**  
E L É C T R I C A

*Committed to intelligent energy*

[www.ree.es](http://www.ree.es)