

RED
ELÉCTRICA
CORPORACIÓN

2017 Results
Progress of the Strategic Plan
2014-2019

19 February 2018



Contents

2017 Results	3
Progress of the Strategic Plan 2014-2019	9
Energy transition. 2030 Horizon	17



2017 Results

Significant events 2017

Financial results

- Net profit €670M, a 5.2% rise year-on-year
- EBITDA amounted to €1,519M, a 2.3% rise year-on-year
- Dividend proposed in the AGM of €0.9188 per share, a 7% increase on last year.
- Net financial debt was €4,792M

Investments

- Investments in the transmission network in Spain of €412M
- Public consultation on the Spain-France electrical interconnection project through the Biscay gulf
- Commissioning of the Mejillones-Cardones line that is the first connection between the Sistema Interconectado del Norte Grande (SING) and the Sistema Interconectado Central (SIC) in Chile
- Awarding of a new Project in Chile with a total estimated investment of \$96M
- Awarding of the “Tintaya-Azángaro 220 kV Transmission Line” project in Peru
- Acquisition of 45% of Redesur in Peru

Significant events 2017

Sustainability and good governance

- Golden Class award in the RobecoSAM Sustainability Yearbook
- Leader in the Electric Utilities sector in the Dow Jones Sustainability Index, and leading also the super sector Utilities, which encompasses the electricity, gas and water sectors
- Achievement of 718 points in the EFQM model evaluation
- Red Eléctrica includes sustainability criteria in its €800M syndicated credit
- Distinguished as the company with the best Corporate Governance in the Utilities sector in Europe and Africa by Ethical Boardroom

Highlights

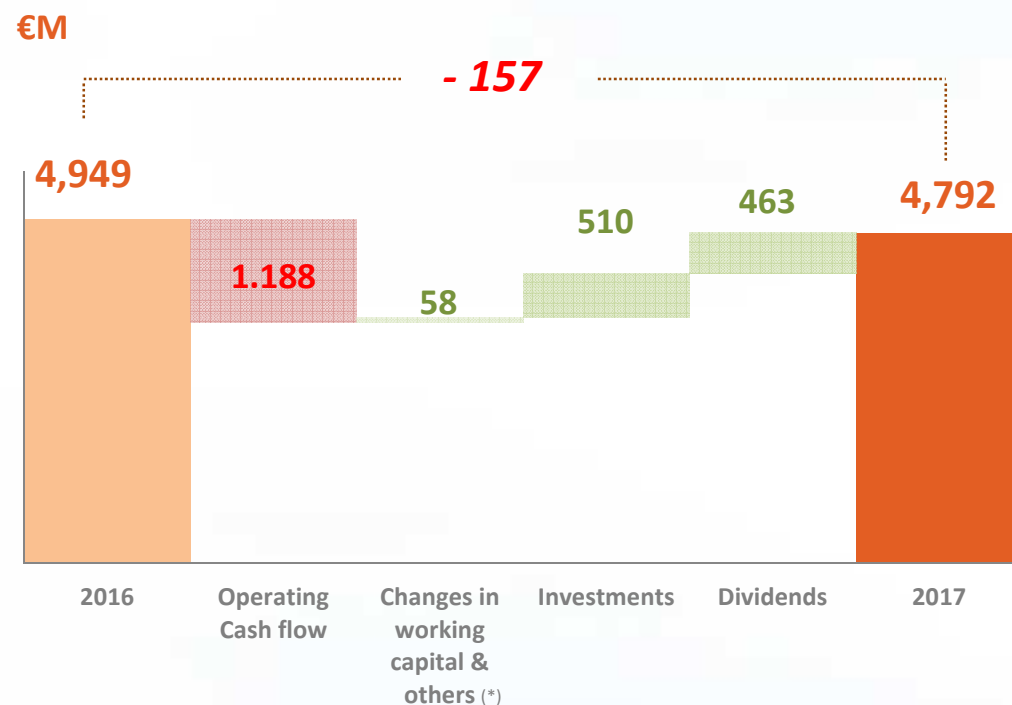
€M	2016	2017	2016-17
Revenue	1,932	1,941	0.5%
EBITDA	1,486	1,519	2.3%
Profit before tax	851	890	4.6%
Profit for the period	637	670	5.2%
Total investment	643^(*)	510	

(*) The 2016 investment figure includes the disbursement for 50% of the capital of the Chilean Company TEN

Profit for the year has risen by 5.2%
CAGR EPS 2014-2017=6.1%

Financial structure

Performance of net financial debt



Average debt maturity
5.3 years
2.78 % debt cost 2017
vs. 2.94 % in 2016
89 % of debt at fixed rate

(*) "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.

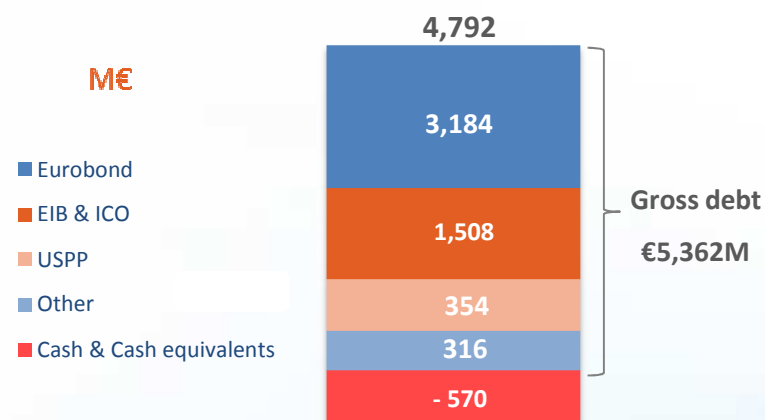
Financial Structure

Solvency ratios

€M	2016	2017
EBITDA / Interest (*)	9.4x	10.3x
FFO / Debt	23.2 %	24.8 %
Debt / EBITDA	3.5x	3.2x

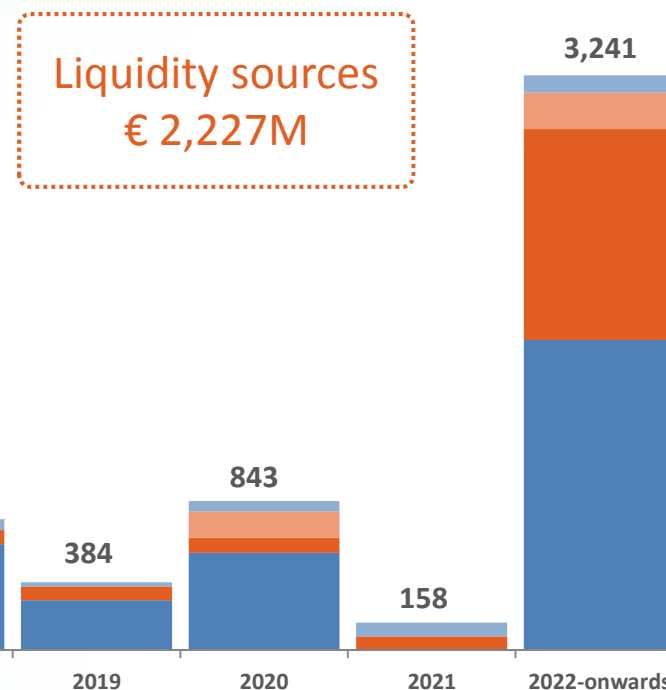
(*) EBITDA / Net finance cost excluding capitalisations

Debt structure by instrument 2017



Maturities

€ million



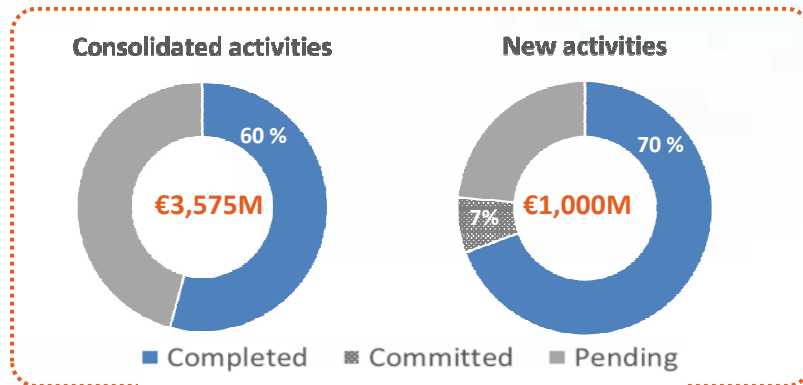
€200M euromarket bond issue with maturity of 9 years and 1.065% cost
Red Eléctrica includes sustainability criteria in its €800M syndicated credit



Progress in our Strategic Plan 2014-2019

2014-2017 Achievements

Investment 2014-19: €4,575M

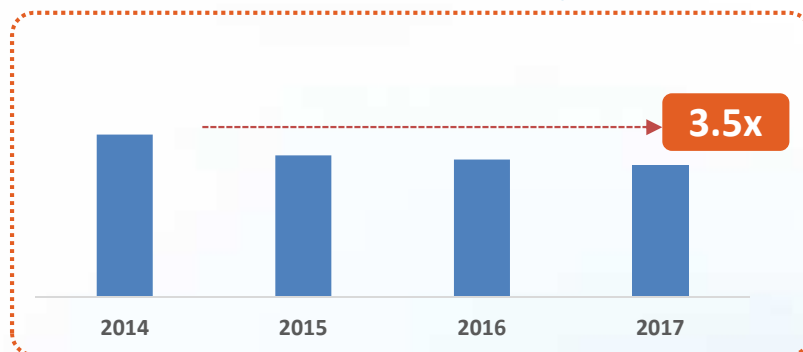


Efficiency 2014-19: EBITDA margin \geq 200bps

EBITDA Margin 2017: 78.3 %

Control of operating costs

Financial structure 2014-19: ND/EBITDA 3.5x



Growth 2014-19: EPS 5-6% & DPS 7% CAGR

Growth in EPS 6.1 % CAGR 14-17^(*)

DPS 7 % CAGR 14-17

(*) Calculated based on 2013

Solid progress in the investment plan 2014-2017

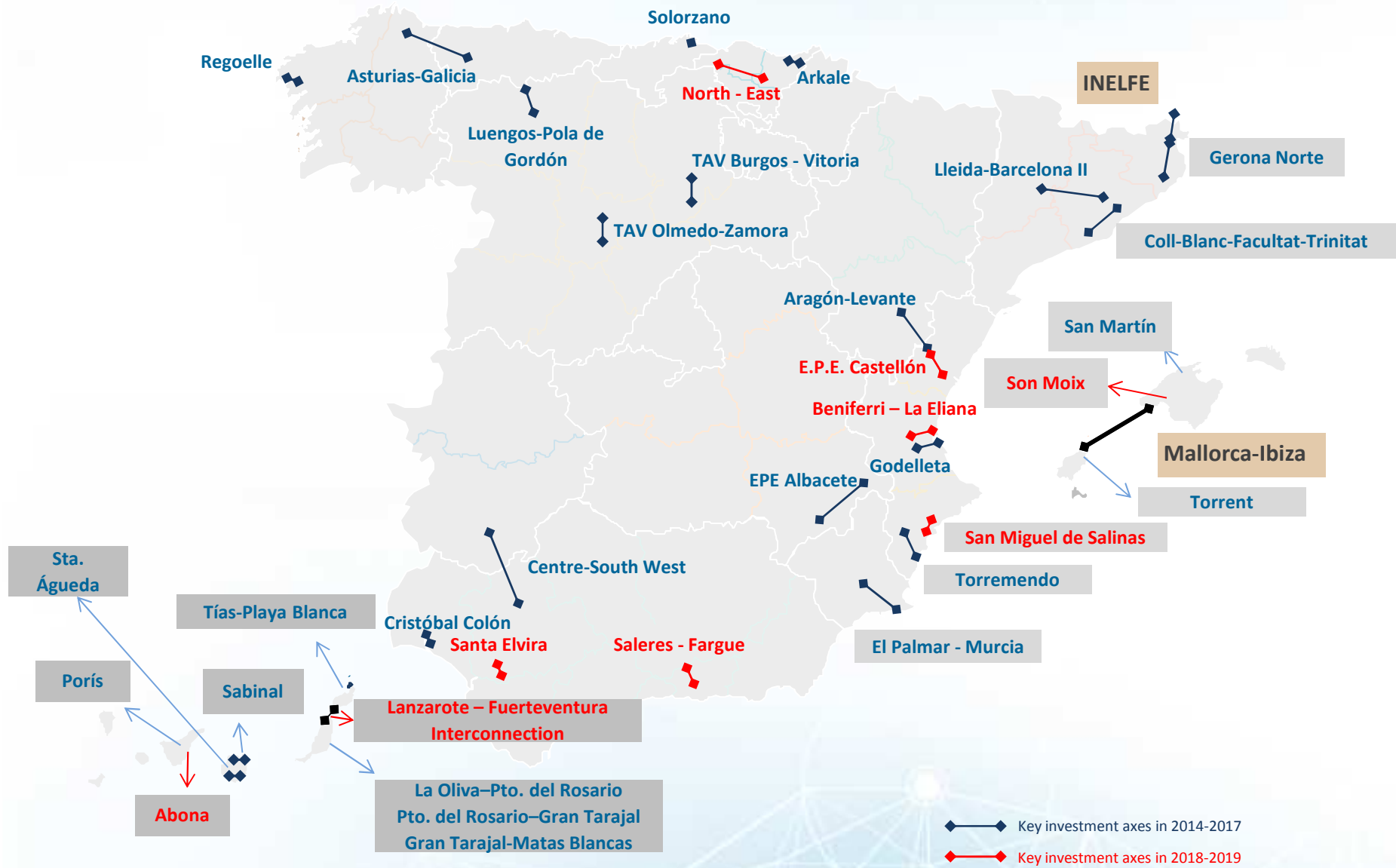
2014 -2019 Investment



- Approval of the electricity transmission Plan 2015-2020
- Progress in interconnections: new interconnection with France through Catalonia; strengthening of the interconnection with Portugal and the beginning of the new interconnection with France through the Bay of Biscay
- Mallorca-Ibiza interconnection
- Commercial use of the Adif fibre optic network and consolidation of the telecommunications business
- Growth of the business based in Chile and Peru
- Onset of the investment in energy storage on the Canary islands

Transmission network progress 2014-2017

Main investment axes to 2019



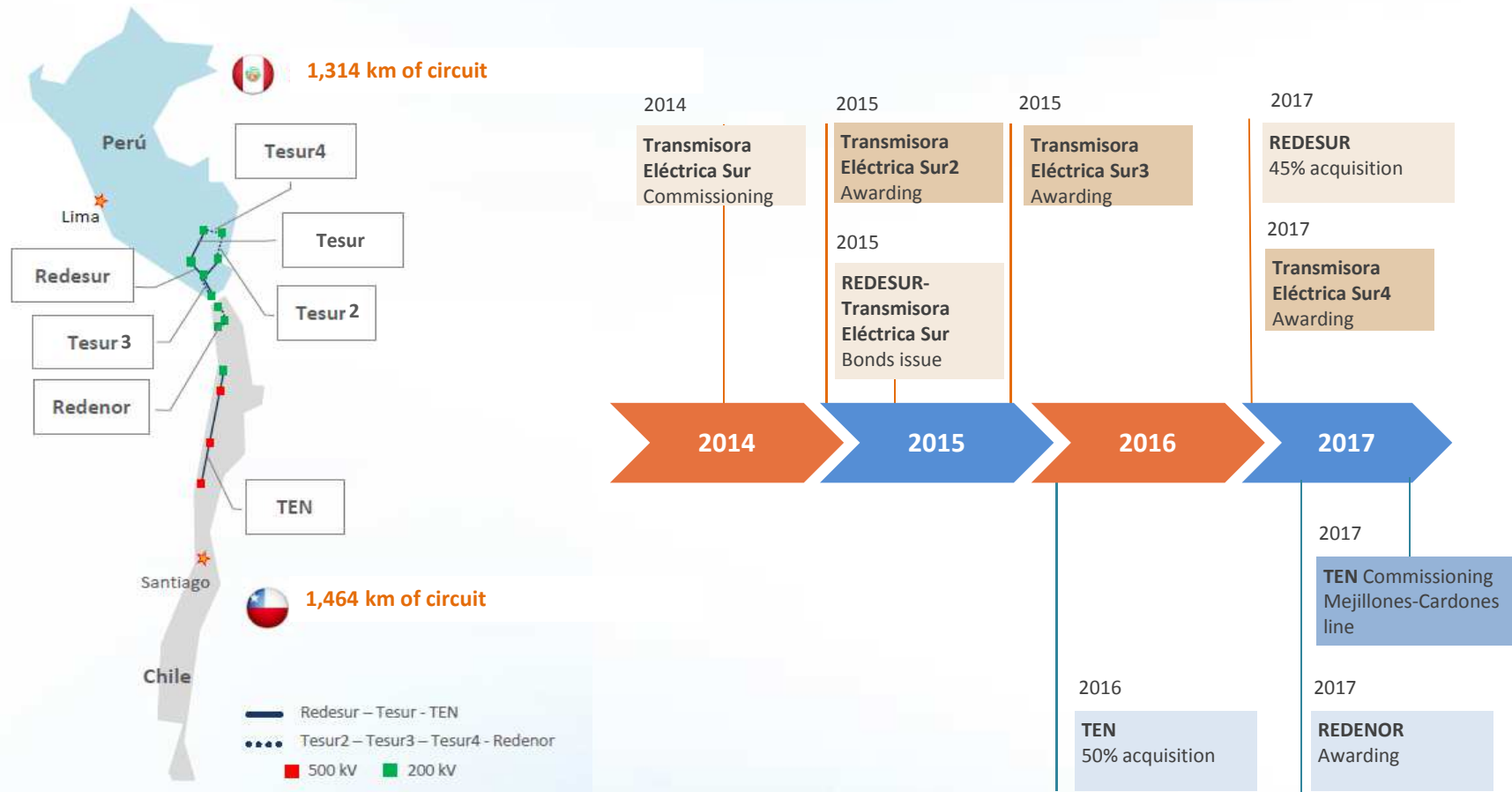
Performance of the telecommunication infrastructure business

- Acquisition of the right to use the ADIF fibre optic network, for the sum of €434M
- Fibre optic network of 33,000 km, meshed and deployed across two infrastructures: the electricity transmission grid and the railway network
- Growth driven by the developing customer base and network interconnection
- 49% market share of dark fibre rental
- Income from the telecommunications business was €86.5M in 2017
- Results better than Business Plan initial estimates



Spain's neutral telecommunications infrastructure operator of reference

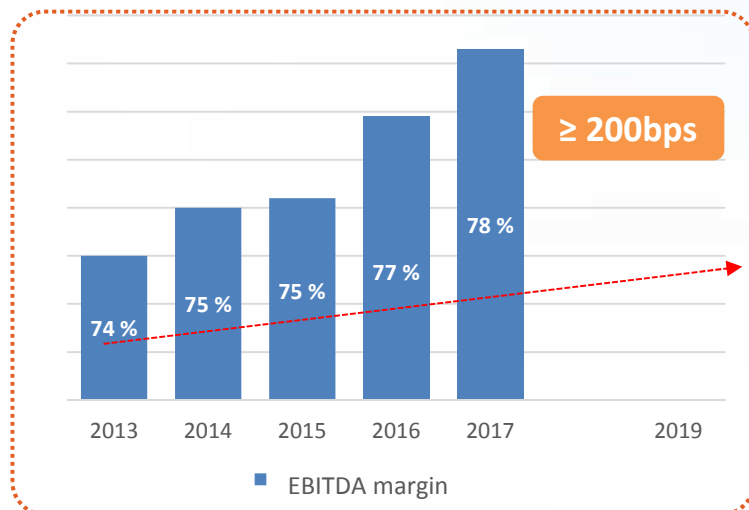
International business performance



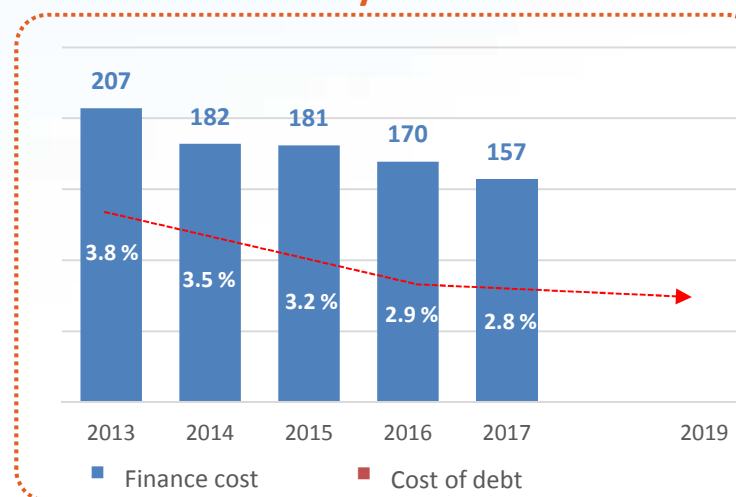
Discipline in the allocation of capital at international level
c.€800M invested in international assets

Efficiencies

Operative efficiency



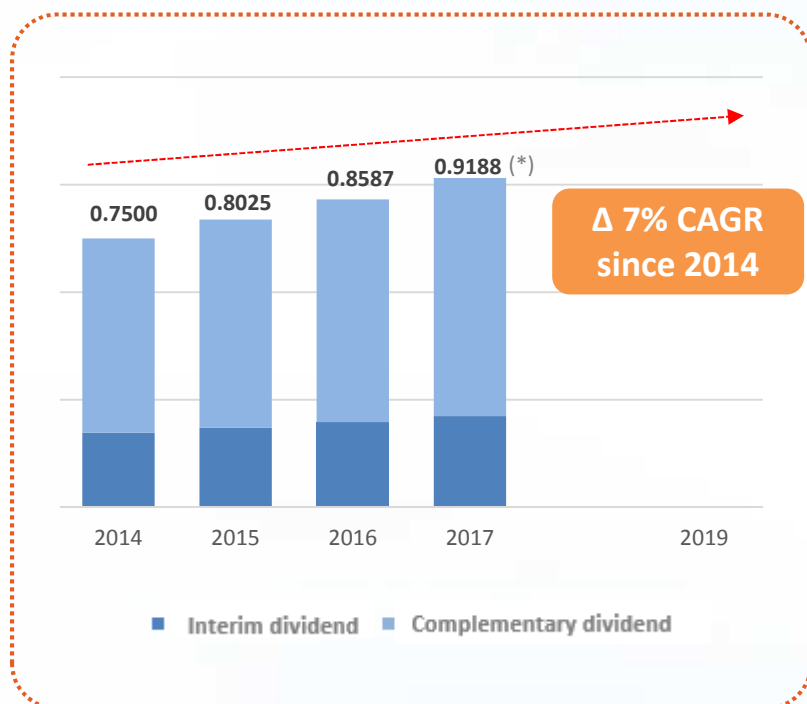
Financial efficiency



- Review of O&M, construction and supply policies
- Containment of operative and structural costs
- Optimisation of financing through bond buybacks, and financing agreement with EIB
- Redesur refinancing and conclusion of the financing project in Chile
- Credit rating improvement from “BBB” to “A-” by S&P and from “A-” to “A” by Fitch, since 2014
- Debt cost improved by 100 basis points since 2013

Attractive returns for the shareholder

Distribution of dividends



(*) Proposed dividend for approval by the AGM

Note: Dividend calculated according to the share split effective as of 11 July 2016.

Shareholder remuneration policy

- DPS Growth of 7% (CAGR 2014-19)
- Interim dividend payment in January and additional dividend in July, to all shares with dividend rights

High visibility of the dividend policy. 3.33 euros per share charged to the period 2014-2017



Energy transition 2030 horizon

Sustainable future

Paris Agreement December 2015 (COP 21) & Clean Energy Package*

- 40% reduction in greenhouse gas emissions
- 27% renewable energy
- 30% energy efficiency
- 15% electrical interconnections

* November 2016



Draft Law of Climate Change
and Energy Transition in Spain
Committee of Experts for the energy transition

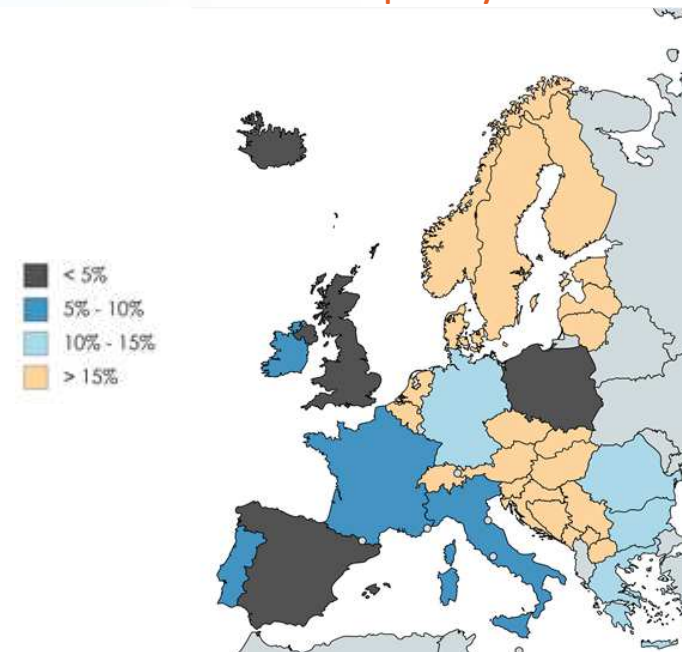
- Change to less emitting energy vectors, development of emission-free generation and increased energy efficiency:
 - ✓ Electrifying mobility
 - ✓ Electrification of Industry
 - ✓ Increased electrification in services and residential
 - ✓ Storage
 - ✓ Increased renewable capacity
 - ✓ Management of demand

Electricity grids play a key role in contributing to the energy transition: facilitating the integration of renewables, meeting rises in demand and active demand management

Key role of network operators

- Increase interconnection capacity to efficiently continue the transition to a single European market :
 - ✓ Bay of Biscay and Trans-Pyrenees Interconnections
 - ✓ Links on Balearic and Canary islands
- Guarantee system operation with high penetrations of intermittent generation
- Integration of distributed resources: electric vehicle
- Active control and management of demand
- Storage
- Digitalisation and automation

Available international interconnection capacity

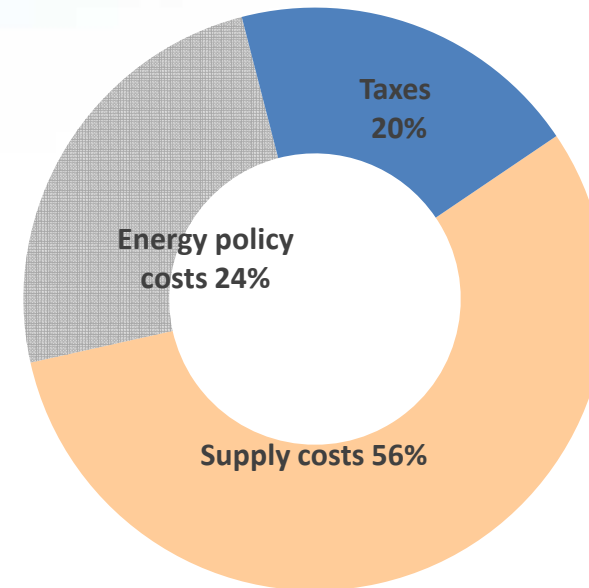


The transition of the energy model and the modernisation and digitalisation of grids requires investments in the electrical transmission network in excess of the fifteen-year historical average

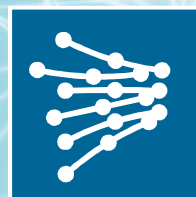
Challenges and principles of the energy transition

- Financial stability of the electricity sector
- Adequate profitability to enable the investment necessary for the transition of the energy model
- Turn the electrical tariff into a signal of efficient pricing
- Extension of useful life for pre-98 assets
- Benefits for the consumer and society

Electricity tariff breakdown of costs



Note: **Energy policy costs** (Specific renewable remuneration 17%; Tariff deficit 7%); **Supply costs** (Generation 35%; Distribution 12%; Transport 4%, Others 5%); **Taxes** (VAT 16%, Electricity duty 4%).



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www.ree.es

Shareholders and investors



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Sustainability Indices
In Collaboration with RobecoSAM

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