

06 CREATION OF VALUE



CONNECTED TO
SOLID GROWTH
AND A CLEAR
ORIENTATION
TOWARDS
EFFICIENCY
AND FINANCIAL
SOUNDNESS

CORNERSTONES FOR THE CREATION OF VALUE

Financial soundness, solvency and solid growth

FINANCIAL RESULTS



636.9

M€

IN NET PROFIT

5.1% greater than in 2015

SOUND RESULTS

Creation of value on an ongoing basis through the attainment of solid financial results.

1,486m€ of EBITDA [1.9% greater than in 2015]



FINANCIAL STRATEGY

A financial policy adapted to the new remuneration model, maintaining a diversified financial debt and a comfortable position of liquidity to cover upcoming maturities.

4,949.5m€ of Net Financial Debt
[0.9% greater than in 2015]



SHAREHOLDER RETURN

Maximising returns for shareholders and investors, offering an attractive dividend yield, and contributing to the increase in the share price through efficient business management.

Dividend of €0.8587 per share
[7% greater than in 2015]

EVOLUTION OF RESULTS / G4-DMA / G4-9

In 2016, Red Eléctrica has shown **stable growth through solid results, the strengthening of its core solvency ratios, operational efficiency and the ongoing creation of value.**

During 2016, Red Eléctrica managed to show stable growth. The Company achieved solid results and a significant strengthening of its core solvency ratios whilst maintaining a clear focus on operational efficiency and the permanent creation of value.

Net revenue for 2016 amounted to 1,932.3 million euros, compared to 1,938.9 million euros in the previous year. This figure includes the remuneration of the transmission

in Spain that includes the assets commissioned in 2015. It includes further revenues such as those from the provision of telecommunications services, amounting to 86 million euros, and regulated incomes from system operation in the

amount of 56.0 million euros, and revenues derived from international transmission activity, amounting to 19.8 million euros.

Gross operating profit (EBITDA) amounted to 1,486.0 million euros, showing growth of 1.9% year-on-year. Profit for the year amounted to 636.9 million euros, a rise of 5.1% year-on-year. The effective tax rate stood at 24.9%, in line with the figure of 25% defined in the Corporate Income Tax Act 27/2014.





Investments undertaken by the Group in 2016 amounted to 643.1 million euros, up 43.6% year-on-year.

ECONOMIC VALUE GENERATED AND DISTRIBUTED (GROUP)

/ G4-EC1

M€

	2014	2015	2016
Economic value generated (EVG)	1,884.1	1,992.2	2,014.3
Net revenue	1,846.7	1,938.9	1,932.3
Other net profits and losses [1]	37.4	53.3	81.9
Economic value distributed to stakeholders (EVD)	-1,122.3	-1,330.2	-1,336.0
Employees: personnel costs	-133.0	-139.6	-145.1
Company: Corporate Income Tax [2]	-134.4	-223.0	-212.2
Investment in the community [3]	-5.7	-6.6	-6.4
Suppliers: other operating expenses [4]	-347.7	-367.5	-356.4
Shareholders: dividends [5]	-405.8	-434.2	-464.6
Other Capital providers: net financial costs	-148.0	-159.3	-151.3
Economic value retained (EVR)	761.9	662.1	678.2
Reserves	312.0	172.5	174.0
Amortisation and depreciation [6]	449.8	489.5	504.2

Note: Data obtained from Consolidated Annual Accounts. [1] Includes: other operating income/net results obtained via equity method/results from divestment of non-current assets (divestitures)/capital subsidies and other subsidies, in accordance to that indicated in the Annual Consolidated Accounts/deferred incomes transferred to the fiscal year's results/works performed by the Company on its assets. In 2016, 6.9 million euros were received from official bodies for the construction of electricity facilities. Similarly, the Company has recognised deductions for investments in the Canary Islands for a total of 63.8 million euros. In 2016, 11.3 million euros were transferred to results corresponding to subsidies received by Red Eléctrica de España S.A.U. for the construction of electricity facilities of official organisms and deductions for investments. More information in note 12 of the Consolidated Annual Accounts / G4-EC4. [2] Costs due to Corporate Income Tax. [3] Investments in the community; data obtained by applying the LBG methodology and subsequently subject to external verification. [4] Procurements and other operating costs (excluding investments in the community). [5] Includes the interim dividend and complementary dividend. [6] Includes: Amortisation / Depreciations (includes mainly provisions for deterioration in asset value).

NET REVENUE 2016



1,932.3

M€

Compared to 1,938.9 million euros in 2015

Operating cash flow after taxes was 1,146.9 million euros, a rise of 1.1% year-on-year. This item includes the increase of 16.7% undergone in the corporate income tax paid as a result of the application of Royal Decree Law 2/2016 that increases the instalment payments of corporate tax.

Group investments in 2016 amounted to 643.1 million euros, up 43.6% year-on-year. 398.5 million euros of this amount was earmarked for the development of the national transmission grid, and 199.8 million euros for the acquisition of 50% of the share capital of the Chilean company Transmisora Eléctrica del Norte (TEN). For its part, 50% of the investment by TEN in Chile to date has amounted to 273 million euros.

At the end of the 2016 fiscal year, 96% of the Group's financial debt is long term. Regarding interest

rates, 84% of the Group's net debt is at a fixed rate interest, while the remaining 16% is at a variable rate. The average cost of the Group's financial debt in 2016 was 2.94%, compared to 3.20% in the previous year.

Lastly, the Net Equity of the Red Eléctrica Group reached 2,920.5 million euros, a 5.8% rise on 2015-year end. This growth is mainly due to the results from the period reduced by the corresponding distribution of dividends.

INVESTMENT 2016



398.5
M€
EARMARKED
FOR THE SPANISH
TRANSMISSION
GRID

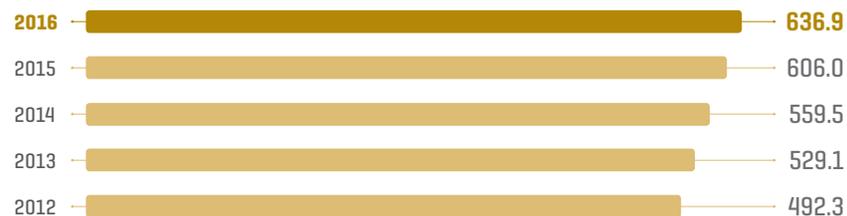
NET EQUITY

Has amounted to 2,920.5 million euros, 5.8% greater than in 2015.

MAIN FINANCIAL INDICATORS

	2015	2016	Δ%
Revenue	1,938.9	1,932.3	-0.3
Gross operating profit (EBITDA)	1,458.4	1,486.0	1.9
Net operating profit (EBIT)	989.0	1,003.3	1.4
Profit before tax	829.7	850.8	2.5
Profit for the period	606.0	636.9	5.1
Non-current assets	9,156.5	9,256.8	1.1
Equity	2,760.6	2,920.5	5.8
Net Financial Debt	4,905.9	4,949.5	0.9
Operating cash flow after taxes	1,134.9	1,146.9	1.1
Investments	447.8	643.1	43.6

NET PROFIT



FINANCIAL STRATEGY

The financial strategy traditionally followed by Red Eléctrica is geared towards reflecting the nature of the business it carries out, whilst adapting to the legislation in force at each moment.

Transmission and operation of the electricity system are very capital-intensive activities, wherein investments mature over long periods.

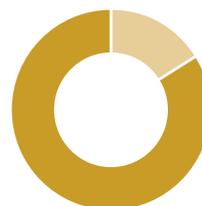
In addition, the remuneration of these assets is for periods of 40 years at rates linked

to Spanish long-term government debt. Therefore, our financial debt is primarily long-term and referenced mainly at fixed rates.

FINANCIAL DEBT STRUCTURE

FIXED VS. VARIABLE

Fixed	84%
Variable	16%



SHORT-TERM VS. LONG-TERM

Short-term	4%
Long-term	96%

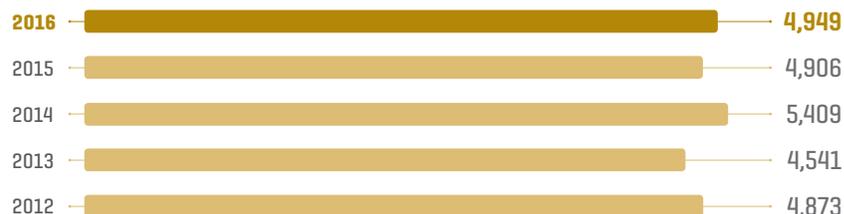


Credit rating

Red Eléctrica has been given a long-term credit rating of 'A-' by Standard & Poor's with a stable outlook and a short-term rating of 'A-2'. Meanwhile, Fitch has given Red Eléctrica a long-term rating of 'A-' with a stable outlook, and 'F1' in the short term.

Both rating agencies indicated the predictability and recurrent earnings as well as the soundness of its income statement.

NET FINANCIAL DEBT



NET FINANCIAL DEBT



4,949 M€

96% long-term
84% at fixed-rate interest



Financial strategy information in the 'Shareholders and Investors' section of the corporate website.

SHAREHOLDER RETURN

Stock market performance

The 2016 fiscal year has been a year characterised by volatility and uncertainty. Political instability has been the main cause of tension in the markets, and the economy was marked by the directives of the US Federal Reserve, with the increase in rates, the stimulus adopted by the European Central Bank (ECB) and the recovery of oil prices.

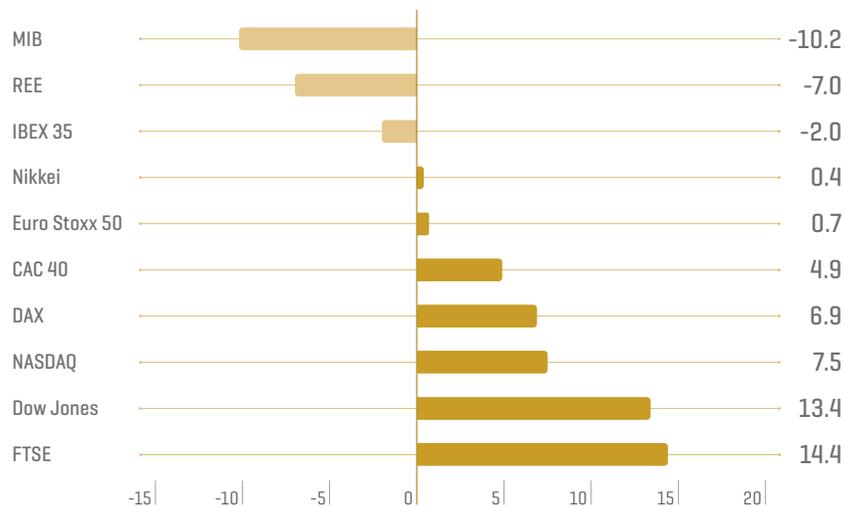
Once again, the United States leads the rankings in the stock markets, achieving double-digit gains. Among the major US indexes, the Dow Jones has performed best closing with a 13% increase, followed by the S&P 500 which has risen 10% and the Nasdaq which advanced over 7.5%. All this under the impact at the end of the year of the presidential elections and the entry into the White House of Donald Trump, which, contrary to what the markets thought, did not drive down stock market values.

For its part, the stock market performance in Europe has been

more moderate. Noteworthy was the 14% increase of the FTSE 100 in London, in the midst of the stir created by the Brexit that, as happened with the arrival of Trump and despite closing several sessions in the red in the summer months, has not meant huge setbacks in the medium term. The rest of the European markets closed with positive values, Paris (+5%),

Frankfurt (+7%), except for the Italian stock market, which closed with losses (down 10%) given the weakness of its financial system, and the Spanish IBEX 35, which fell by 2% also marked by political instability that was not clarified until the end of the year with the formation of a government after a second election.

EVOLUTION OF RED ELÉCTRICA AND THE MAIN STOCK MARKET INDEXES - 2016



SHARES TRADED



714.4 MILLION IN 2016

1.32 times the Company's share capital

SPLITTING OF SHARES

In a ratio of four new shares for each old one, changing its nominal value from €2 euros to €0.5 per share.

Red Eléctrica's share

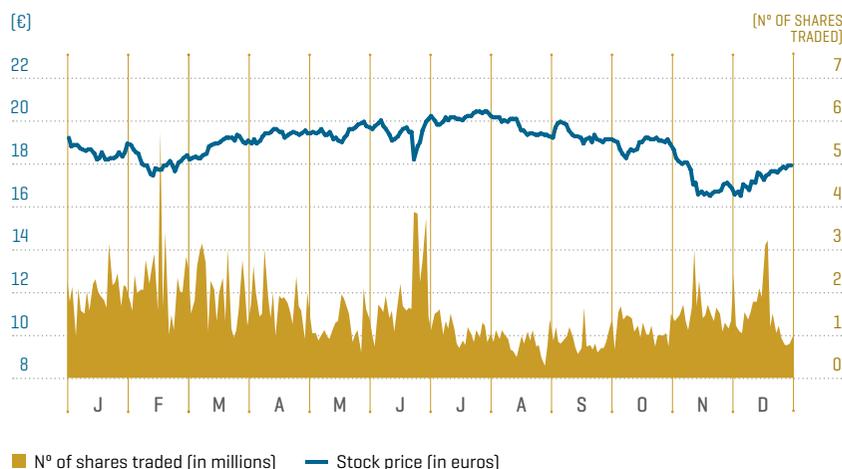
2016 has been a challenging fiscal period for utilities. During the year, Red Eléctrica's share price dropped 7%, despite the favourable reception of the 2014-2019 strategic plan, which is characterised by the setting of challenging objectives and a competitive dividend yield for shareholders.

As a notable milestone in the period, it should be highlighted

that on 11 July, the new shares of the Company began to be traded after the splitting of shares was approved by the General Shareholders' Meeting and carried out in a 4:1 ratio, changing its nominal value from 2 euros to 0.5 euros per share and maintaining the capital stock intact.

Throughout 2016, 714.4 million shares were traded, representing 1.32 times the Company's share capital. Purchases made in cash

SHARE PRICE PERFORMANCE AND DAILY VOLUME ^[1]



[1] Homogeneous values for 2016, taking as a reference the share value after the stock split performed on 11 July 2016 [at a ratio of four new shares for each old, changing its nominal value from €2 to €0.50 per share].

GROSS DIVIDEND 2016



€0.8587
PER SHARE

+7%

Compared to 2015

totalled 13,432 million euros, down 28% on the previous year which totalled 18,537 million euros.

Distribution of dividends

In 2016, the direct shareholder return in the form of dividends increased by 7% over the previous year. The gross dividend proposed at the General Shareholder's Meeting with a charge to 2016 profit, is €0.8587 per share. On 5 January 2017, a gross interim dividend payout of €0.2382 per share was made, with €0.6205 per share pending distribution, as part of a gross complementary dividend.

MAIN STOCK MARKET INDICATORS -2016- ^[1]

	2016
Share price [in €]	
Maximum	20.685
Minimum	16.255
Year-end	17.925
Market capitalisation at close of fiscal year [in €M]	9,698.9
Earnings per share [EPS] [in €]	1.18
Share price/EPS [N° of times]	15.23
Dividend per share [in €]	0.8587

[1] Homogeneous values for the entire year after the stock split.