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The Red Eléctrica Group

The main activity of the Group is carried out by **Red Eléctrica de España**, whose role is that of transmission agent and operator of the Spanish electricity system (TSO -Transmission System Operator).

The Group's international business is focused on investment in electricity transmission infrastructure abroad. This activity, initiated in 1999, and with a current presence in Peru and Chile, is managed through the companies integrated into **Red Eléctrica Internacional**.

In recent years there has been a significant boost in the development of activities for the diversification of the Red Eléctrica Group, with significant advances

in international business (new projects in Peru and Chile), the definitive consolidation of our telecommunications activity (with the creation of **REINTEL**), and the beginning of the development of energy storage infrastructure in the Canary Islands (with the creation of **REINCAN**).



The Red Eléctrica Group has had a holding structure since 2008 to strengthen the separation and transparency of regulated activities [the electricity business in Spain] from the rest of the Group's activities. Red Eléctrica Corporación is the parent company.



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STRUCTURE OF THE RED ELÉCTRICA GROUP 102-1 / 102-2 / 102-5 / 102-10 / 102-45

The core activity, the transmission of electricity and the operation of the electricity system in Spain, represents 93% of the consolidated revenue. The other activities together represent the remaining 7%.

RED ELÉCTRICA CORPORACIÓN

Electricity activity in Spain

93%
of revenue

Other activities

7%
of revenue

Transmission agent and electricity system operator

100%



Construction of international interconnections Spain-France

50%



International business

100%



Telecommunications business

100%



Energy storage in the Canary Islands

100%



Financing and risk reinsurance

100%



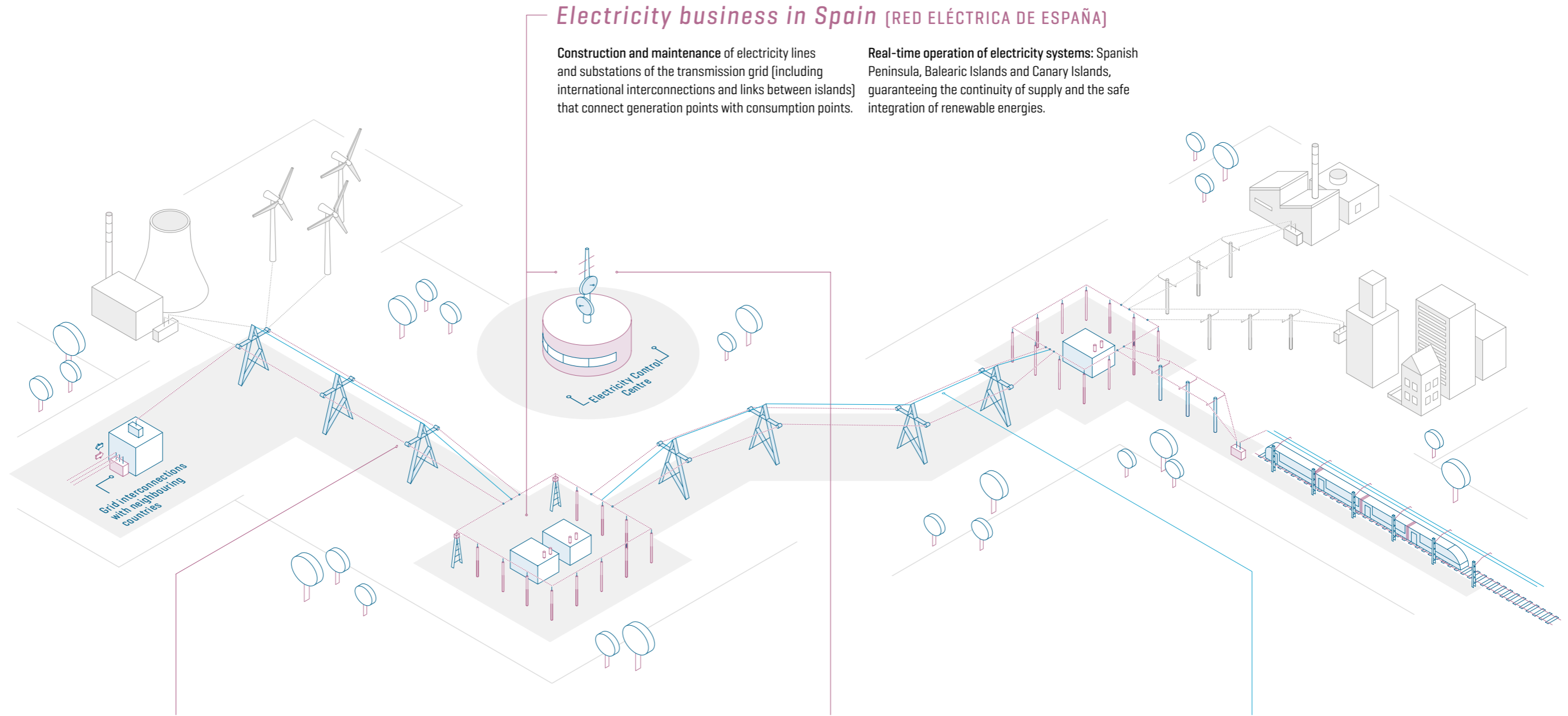
100%

REDESUR (Peru) TES TES 2 TES 3
RED ELÉCTRICA ANDINA (Peru)
RED ELÉCTRICA CHILE 50% TEN 70% REDENOR

TES: Transmisora Eléctrica del Sur

Business activities of the Red Eléctrica Group /102-2/102-4/102-6

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Electricity business in Spain (RED ELÉCTRICA DE ESPAÑA)

Construction and maintenance of electricity lines and substations of the transmission grid (including international interconnections and links between islands) that connect generation points with consumption points.

Real-time operation of electricity systems: Spanish Peninsula, Balearic Islands and Canary Islands, guaranteeing the continuity of supply and the safe integration of renewable energies.

Electricity business abroad (RED ELÉCTRICA INTERNACIONAL)

Construction, management and operation of energy transmission infrastructure in Peru and Chile and the provision of electricity infrastructure maintenance services in Peru.

Energy storage infrastructure (REINCAN)

Construction, management and operation of energy storage infrastructure in the Canary Islands (Soria-Chira pumped-storage hydroelectric power station in Gran Canaria) as a tool for system operation.

Telecommunications Services (REINTEL)

Commercial management and operation of the surplus dark fibre optic network associated with both the electricity transmission grid and the railway network.



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Red Eléctrica continues working to improve the electricity exchange capacity with France through the new submarine interconnection across the Bay of Biscay.



ACTIVITY IN SPAIN Electricity activity

Red Eléctrica de España is the sole transmission agent and operator (TSO) of the Spanish electricity system. As a key part of the electricity supply process, the electricity system operates in real time to keep the generation and the electricity demand of our country in constant balance, in order to guarantee the continuity and security of supply to citizens 24 hours a day, 365 days a year.

In turn, Red Eléctrica transports electricity in high voltage from the production centres to the points of distribution to consumers. In addition, it has the responsibility to develop, expand and maintain the transmission grid, as well as to manage the exchange of energy between external systems through international interconnections.

On the other hand, Red Eléctrica owns 50% of the share capital of INELFE, a company created jointly together with its French counterpart, RTE, for the development of electricity interconnections with France.

In 2017, this company started the public information consultation period for the submarine interconnection project with France across the Bay of Biscay. This new electricity link will strengthen the electricity exchange capacity between Spain and France, increasing it up to 5,000 MW.

Telecommunications activity

The Group's telecommunications business is geared towards the management and operation of telecommunications infrastructure and carried out through the subsidiary Red Eléctrica Infraestructuras de Telecomunicación (REINTEL). Its main activity is the leasing of dark fibre and of sites and technical spaces for the housing of telecommunications equipment.





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Currently, REINTEL is the neutral telecommunications infrastructure provider of reference in Spain.

The Group's experience in the telecommunications market started in 1997 and, since then, it has been a provider of reference for the main agents in the sector. For this reason, it currently has a solid customer base that includes the main telecommunications operators with a presence in Spain. The Company manages and operates a fibre optic network of more than 33,000 km of cable deployed over the electricity transmission grid and the railway network, and at the same time guarantees access to the network which is both transparent and on equal terms for its clients and agents in the telecommunications sector. It is a robust, redundant and meshed fibre optic network, which is not only connected to the systems on the Spanish islands, but also has international access.



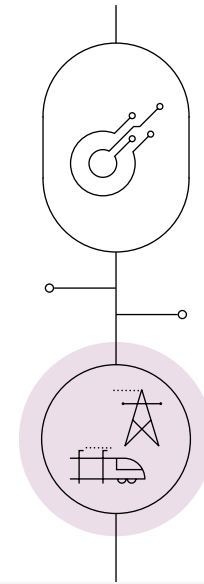
Furthermore, REINTEL has its own permanent client helpdesk and monitoring centre [24/7] that controls and monitors the state of the entire network and deals with the incidents and the scheduled work of the clients, in order to offer a service which is both reliable and of the highest quality.

Energy storage activity in the Canary Islands

The subsidiary Red Eléctrica Infraestructuras en Canarias (REINCAN), created in 2015, is focused on promoting energy storage projects on the Canary Islands that can act as tools for the system operator so as to guarantee the electricity supply on the islands, as well as to improve system security and optimise the integration of renewable energy.

Initial progress was made in this activity in 2016 with the start of the permitting process and the public information period for the construction project for the pumped-storage power station between the reservoirs of Soria and Chira in Gran Canaria, following the declaration of strategic interest of the project by the Governing Council of the Canary Islands.

TELECOMMUNICATIONS Activity



REINTEL manages and operates a fibre optic network of more than

33,000 km

Deployed over the electricity transmission grid and the railway network





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The Soria-Chira pumped-storage hydroelectric power station will enable a greater development and use of renewable energy on the island of Gran Canaria.

In 2017, the procedures for the beginning of the exploratory drilling and excavation campaign have been conducted. The exploratory works, of different depths, were carried out in order to have an in-depth knowledge of the geological and geotechnical characteristics of the terrain where the facility will be located; and specific tests will be carried out for the optimised design of the caverns where the power station and the substation are to be housed. On the other hand, in relation to the desalination plant associated with the project, a seawater pumping test will be carried out to study the permeability of the land.

This energy storage power station, which has an investment of 320 million euros, will enable a greater development and use of renewable energy on the island, therefore it represents an essential element to progress towards the sustainability of the new energy model in the Canary Islands, which is safer, more efficient and more environmentally friendly.

ACTIVITY ABROAD

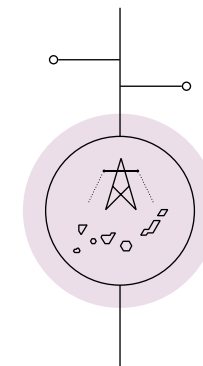
For the Company, the development of international business is a natural growth path which is centred mainly on the construction, management and operation of transmission

grids outside Spain, currently in Peru and Chile. To boost this business, the Company, through Red Eléctrica Internacional (REI), analyses corporate acquisitions and frequently participates in tenders for concession contracts.

Activity in Peru

REI owns 100% of both the following companies: Red Eléctrica Andina (REA), a company specialised in electricity maintenance in medium and high voltages, protection systems and telecommunications systems, as well as the provision of technical advice for energy projects; and Red Eléctrica del Sur (REDESUR), which manages the transmission of electricity in the southern departments of Peru: Arequipa, Moquegua, Tacna and Puno.

SORIA-CHIRA HYDROELECTRIC power station



The project has an investment of **320 M€**

The power station is a key element to move towards the sustainability of the new energy model in the Canary Islands





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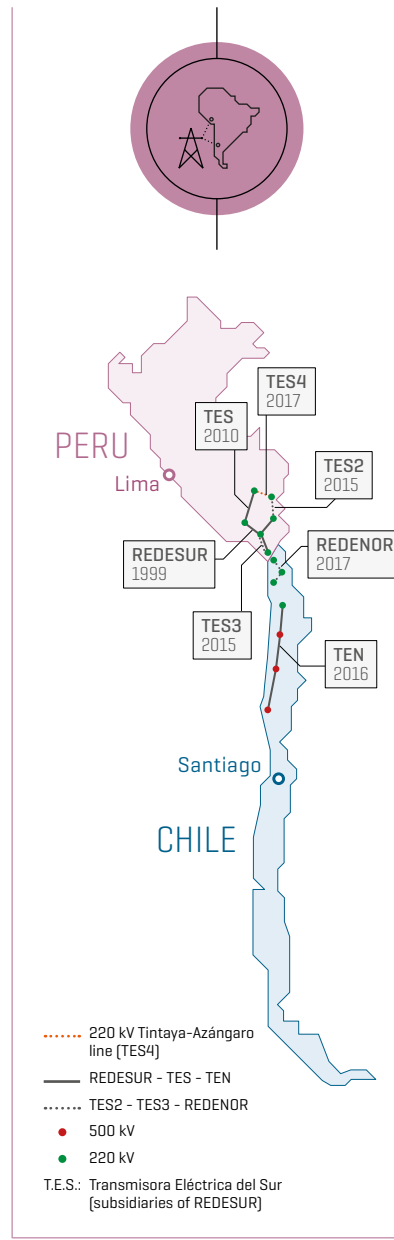


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REDESUR is, in turn, the owner of the companies: TESUR (220 kV Tintaya - Socabaya line, and the 138 kV Tintaya Nueva-Tintaya existing line and associated substations), TESUR 2 (220 kV Azángaro-Juliaca-Puno line) and TESUR 3 (220 kV Montalvo-Los Héroes line), the latter two are currently under construction.

In 2017, REDESUR was awarded the concession contract for 220 kV Tintaya-Azángaro transmission line project. In this regard, the company will be responsible for the design, construction, financing, operation and maintenance of 128 km of 220 kV line in the southern region of the country, together with new 220 kV bays in the Tintaya and Azángaro substations. With this new section of line, a connection is established between the projects of TESUR and TESUR 2 closing the ring that will link up these facilities.

Similarly, in 2017, REA has completed all the tasks for the development and implementation of the special projects undertaken by REDESUR, the pending ones in the TESUR facilities, as well as the management services of the projects under construction of TESUR 2 and TESUR 3.



The business abroad, managed by Red Eléctrica Internacional (REI), is a natural growth channel focused on the construction, management and operation of transmission grids, currently in Peru and Chile.

Activity in Chile

In Chile, REI manages Red Eléctrica de Chile, of which it owns 100% of the shareholding. Red Eléctrica de Chile, in turn, owns 50% of the company Transmisora Eléctrica del Norte (TEN), owned by the Chilean company EC-L (belonging to the Engie Group). This has allowed Red Eléctrica to enter the energy transmission business in this country.

In 2017, after twenty-eight months of construction and eight months of preparation to guarantee its correct execution, the Chilean company TEN commissioned the first interconnection between the north and central electricity systems of the country, through

the 500 kV Mejillones-Cardones transmission line which is 600 km in length. This infrastructure has had an investment of around 800 million dollars (about 679 million euros).

On the other hand, in 2017 Red Eléctrica Chile, through REDENOR (a company created in a 70%-30% consortium with Cobra Instalaciones y Servicios), was awarded the concession contract for the execution and subsequent management and operation of more than 258 kilometres of line in Chile. The project includes the design, financing, construction, operation and maintenance of the first 220 kV line in northern Chile.

