



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN AND THE CEO



KEY PERFORMANCE INDICATORS 2017



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02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



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Letter from the Chairman and the CEO / 102-14

The challenge of combating both the global warming of the planet and climate change is a priority issue on the world agenda and is a challenge that, as is made clear in the energy targets that the European Union has set itself in the medium and long term, requires making economic growth compatible with the reduction of greenhouse gases. To address this, it is essential to accelerate the transition to an energy model that offers reliable, affordable and increasingly cleaner energy for the consumer and which favours growth and job creation.

Red Eléctrica, as the centrepiece of the electricity system, is a crucial player in the transition to this new energy model, whose key elements must be the electrification of the economy, the maximum integration of renewable energy in the energy mix and increasing energy efficiency, ensuring at all times the security of supply.

Therefore, the Company maintains a clear position on this aspect as reflected in its climate change action plan, which, in addition to taking on challenging targets to reduce its carbon footprint by the 2020 and 2030 horizons, includes different courses of action to contribute to an energy model that is capable of providing electricity based on more emission-free energy sources.



JUAN LASALA
Chief Executive Officer

JOSÉ FOLGADO
Chairman of Red Eléctrica Corporación





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In this regard, the Company has continued in 2017 with the sustainable development of the transmission grid and has invested 411.8 million euros in new infrastructure mainly aimed at improving grid reliability, favouring the evacuation of renewable energy and the development of interconnections between electricity systems.

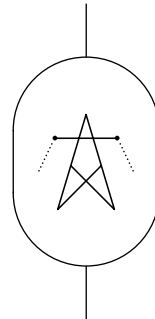
Among the projects undertaken, those aimed at improving interconnections with Europe are noteworthy due to their major influence on improving the quality and security of the Spanish electricity system and the integration of renewable energy.

These projects are aimed at ensuring that by 2030 the Spanish electricity system has a 15% interconnection capacity in relation to the installed power capacity in our country, a milestone that is a priority in Europe, as it is an essential aspect

INVESTMENT FOCUS

Improvement in the reliability and security of the grid and the development of interconnections between electricity systems.

Investment
IN THE
TRANSMISSION
GRID



411.8
M€

in new
line and
new
substation
bays

for the integration of the European single electricity market.

Similarly, Red Eléctrica has continued to guarantee the security and quality of the electricity supply, making it compatible with the maximum integration of renewable energy. In this regard, the work of the Control Centre of Renewable Energies has been key, as it made it possible for 33.8% of the energy integrated into the system on the Spanish peninsula to have come from renewable sources.

In addition, the Company is carrying out projects aimed at energy storage, such as the construction of the Soria-Chira pumped-storage hydroelectric power station in Gran Canaria, conceived as system operation tools to optimise the efficiency of the electricity system and to safely integrate renewable energy into isolated systems.

Complementary to these projects, initiatives are also carried out regarding demand-side management and energy efficiency, in addition to those undertaken for the promotion of electric mobility.

OTHER AREAS OF BUSINESS

In the international arena, the Red Eléctrica Group has continued to manage projects for the construction and operation of electricity grids in two border areas between Peru and Chile. During 2017, noteworthy was the awarding of a new concession contract for the construction of a new line in the southern region of Peru, which will enable the closing of the ring that links up the rest of the infrastructure managed by the Group in that area.

On the other hand, in 2017 the Chilean subsidiary TEN commissioned the first interconnection between the north and central electricity systems of the country, through the Mejillones-Cardones transmission line. Similarly, the Group, through the subsidiary REDENOR, has been awarded the contract for the construction of a new project in northern Chile.

In the telecommunications services business line, the subsidiary REINTEL has continued to consolidate itself as a telecommunications infrastructure operator of reference in Spain, through the commercial management and operation of the country's largest dark fibre optic network.



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FINANCIAL RESULTS

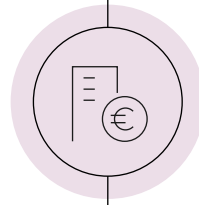
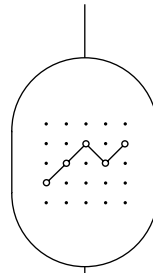
Focusing on the creation of value, during 2017, the Red Eléctrica Group has shown stable growth, achieving solid results and an important strengthening of its main solvency ratios, while maintaining a clear orientation towards operational efficiency and the permanent generation of value. This is reflected in the sound financial results obtained: revenue reached 1,941.2 million euros, 0.5% higher than the previous year, and the EBITDA margin stood at 78.3%.

Additionally, net profit for the year amounted to 669.8 million euros, 5.2% higher than the previous year, and shareholder remuneration in the form of dividends increased by 7% compared to 2016; all this, in line with the objectives set out in the 2014-2019 Strategic Plan.

SHAREHOLDER RETURN

Shareholder remuneration in the form of dividends has increased 7% with respect to the previous year.

Value CREATION



669.8 M€

of net profit

- 5.2% higher than in 2016

Red Eléctrica has been recognised as the top company in the world in sustainability in the Electric Utilities sector by the Dow Jones Sustainability Index.

SUSTAINABILITY COMMITMENT

The commitment to sustainability taken on by the Red Eléctrica Group ever since the Company began obtained clear backing in 2017 through recognition by the Dow Jones Sustainability Index [DJSI] as the top company in the world in sustainability in the Electric Utilities sector, also reaching the leading position in the Utilities super-sector, which encompasses the electricity, gas and water sectors.

On its path of continuous improvement, the Company has taken huge strides in the management of this area through

the design of the Sustainability Commitment 2030 of the Red Eléctrica Group; a cross-cutting commitment, with a long-term vision and in keeping with the Company's strategy, which allows us to establish a global scope and a common framework to give a better response to stakeholders, increase efficiency and showcase all of the Group's actions in the field of sustainability.

THE RED ELÉCTRICA GROUP'S COMMITMENT TO SUSTAINABILITY 2030

Based on four priorities: anticipation change and taking action, decarbonisation of the economy, responsible value chain and contribution to the development of society.



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The Sustainability Commitment 2030 of the Red Eléctrica Group: a cross-cutting commitment, with a long-term vision and in keeping with the Company's strategy.

The new commitment to sustainability is based on four priorities: anticipating change and taking action; decarbonisation of the economy; a responsible value chain; and contribution to the development of society. These priorities will act as the key drivers to respond to the challenges and opportunities that the Company faces. The design of this commitment has taken into account, among others, the objectives set in the United Nations Sustainable Development Goals, so that the sustainability priorities contribute significantly to the achievement of the SDGs.

In this new scenario of sustainability, innovation is conceived as an important lever for growth and anticipation, extending to all areas of business activity: digitalisation, people, sustainability and technology. Digital transformation occupies a priority position in order to improve operational efficiency, develop new business models and adapt the Group's human capital to the Company's transformation process in the coming years.

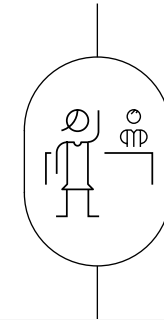
The involvement of our professionals and their high level of expertise are the basis of the success of our business management. To foster this commitment, the Company is committed to their training and

professional development, an aspect that is enhanced through the new Red Eléctrica Campus, as the corporate university.

Similarly, gender equality and equal opportunity is one of the aspects where significant progress is being made, as reflected in the progressive increase of women in the workforce and in managerial positions, and the continued high level of representation of women on the Board of Directors.

Another aspect to which the Company attaches special significance is health and safety at work. In 2017, there was an improvement in the main accident indicators for both Company employees and employees of contracted companies.

Equal OPPORTUNITIES



83.3 %

of new appointments to managerial positions have been women

- 24.8% of women in the workforce of the Group's companies in Spain hold managerial positions

GENDER EQUALITY

Red Eléctrica continues to progressively increase the number of women in the workforce and in managerial positions.



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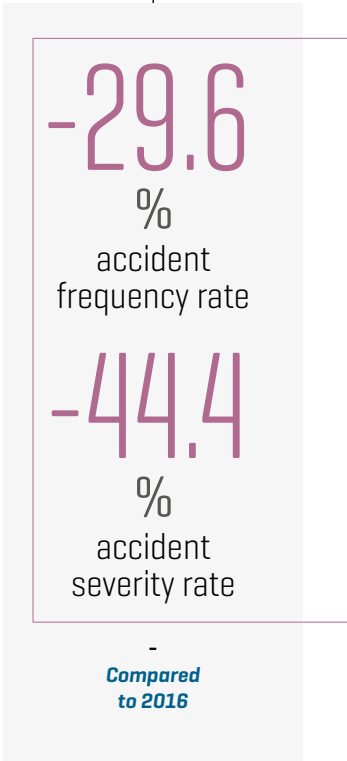
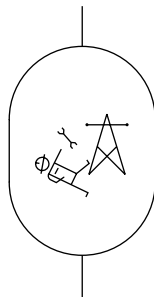
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Compared to 2016, the frequency rate and severity rate experienced a reduction of 29.6% and 44.4% respectively within the Group's companies in Spain. Similarly, in the contracted companies the frequency rate was reduced by 29% and the severity rate by 13%.

For the Red Eléctrica Group, good governance, ethics and compliance are fundamental pillars to ensure the proper functioning of the business activity. For this, the Company has a series of corporate conduct rules that establish the values and business conduct guidelines, and it has a compliance system in place aligned with the best practices in this area, aimed at ensuring that the organisation adequately respects the established obligations and the commitments undertaken; all this, based on a proactive culture of risk management.

Red Eléctrica is aware that its long-term sustainability depends on providing a service that adds value to society and generates a positive impact on society.

Significant reduction IN THE ACCIDENT INDICATORS [employees]



The Company complements its projects in the territory with collaborative programmes that embody its social commitment and generate shared value in the communities in which the Company's facilities are located.

Therefore, one of its priorities is to contribute to the economic, environmental and social progress of society, for which it complements its projects in the territory with collaborative programmes that generate shared value in the communities in which the Company's facilities are located. In addition, to assess the beneficial impact of its projects on society, the Company has adopted a methodology that allows the contribution of its investment, as a dynamic element of the country's economic activity, to be measured.

This contribution is supplemented, in turn, through a commitment that ensures maximum respect and care for the environment in the Company's execution of its

activities throughout the useful life of the facilities. Furthermore, said commitment fosters biodiversity protection, through the development of various courses of action aimed at its conservation, or the promotion of projects in collaboration with public administrations, NGOs and other stakeholder groups.

Lastly, it should be noted that Red Eléctrica voluntarily adheres to various initiatives that strengthen its commitment to sustainability, including the commitment acquired through the principles of the United Nations Global Compact.