

RED
ELÉCTRICA
CORPORACIÓN

2016 Results
Solid Progress toward
2014-2019 Targets

23 February 2017



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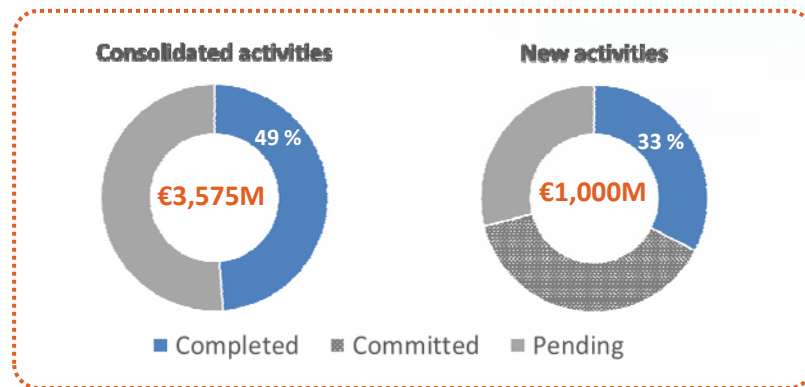
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2014-2016 Achievements

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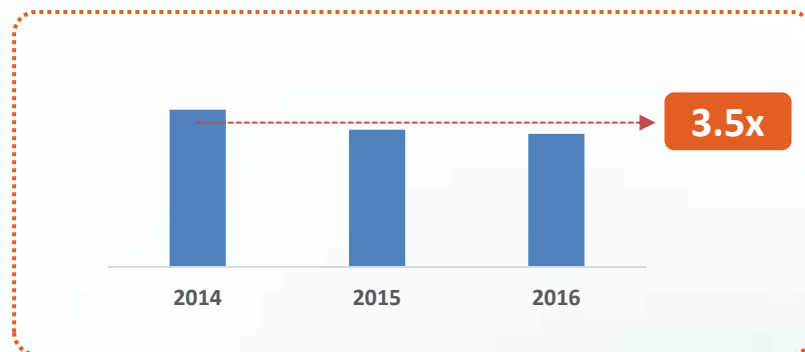
Investment 2014-19: €4,575M



Efficiency 2014-19: EBITDA margin \geq 200b.p.



Financial structure 2014-19: ND/EBITDA 3.5x



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



(*) Target based on 2013 calculation

Strategic Plan progressing as expected



2016 Results

Significant events

FY2016

Investment

- Group investments €643M.
- Mallorca-Ibiza interconnection.
- Acquisition of 50 % of Transmisora Eléctrica del Norte (TEN).
- Acquisition of 45 % of Redesur(*).

(*) Acquisition made last 19th January 2017.

Financial structure

- €300M issue at 10-year maturity and 1.042 % cost.
- Closure of Project Finance Chile.
- 25-year disposal for a €200M EIB tranche.
- 'A' rating from Fitch. 'A-' from S&P, both with stable outlooks.

Efficiency

- EBITDA margin 76.9 %.
- Review of O&M, construction and procurement policies.

Growth

- Net profit €637M, 5.1% higher than in 2015.
- The dividend proposed to the General Shareholders' Meeting amounts to €0.8587 per share, 7 % higher than the previous year.

Significant events

FY2016

Corporate governance

- Completion of the separation of powers process.
- GSM approval of REC share split.
- The Ethical Boardroom Corporate Governance Awards.



Sustainability

- “RobecoSam Silver Class 2017” distinction.
- Established presence on Dow Jones Sustainability Indices (World & Europe).
- Added to the Carbon Disclosure Project’s “A list”.

Regulation

- REPEX policy to increase useful life.
- European proposal to ensure transition to clean energy.
- ENTSOE network development plan (TYNDP2016).

System operation

- International simulation on service restoration led by Red Eléctrica.
- 40.8% demand covered by renewable energy.
- 18% reduction of CO₂ emissions through increased contribution of renewables.

Key figures

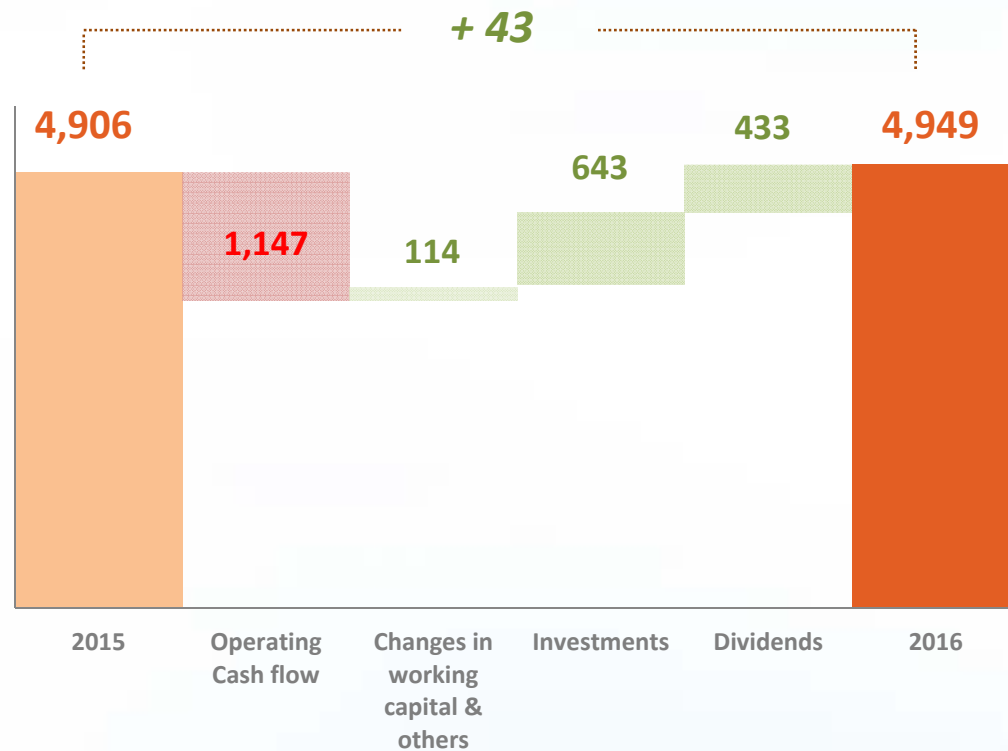
€ million	2015	2016	2015-16
Revenue	1,939	1,932	-0.3 %
EBITDA	1,458	1,486	1.9 %
Profit before tax	830	851	2.5 %
Net profit	606	637	5.1 %
Capex	448	643	

Profit for the period rose 5.1%
EPS CAGR 2014-2016=6.4 %

Financial structure

Net financial debt evolution

€ million



The average remaining term to maturity stands at 5.5 years
 2.94 % cost of debt in 2016 vs.
 3.20 % in 2015
 84 % of debt at fixed rates

Financial structure

Solvency ratios

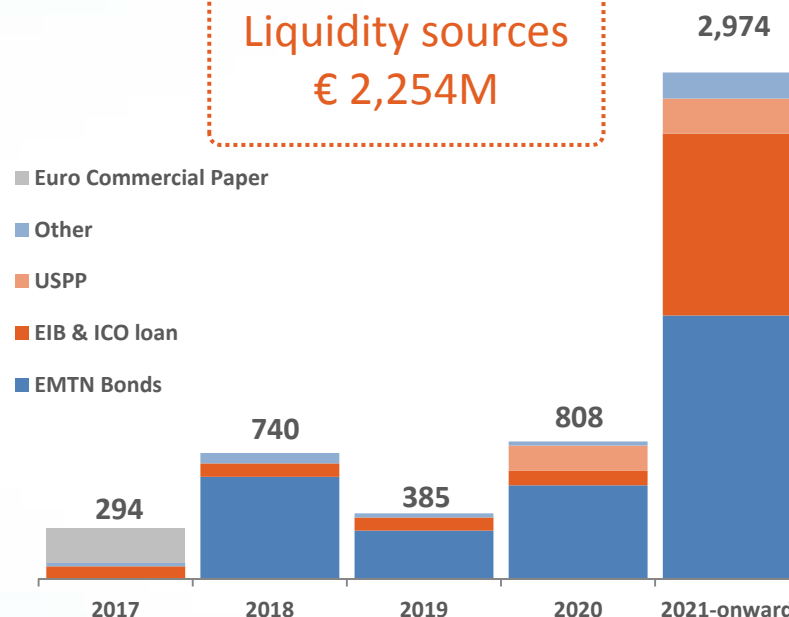
€ million	2015	2016
EBITDA / Interests(*)	8.5x	9.4x
FFO / Debt	23.1 %	23.2 %
Net debt/ EBITDA	3.4x	3.3x

(*) EBITDA / net financial expenses excluding capitalisations

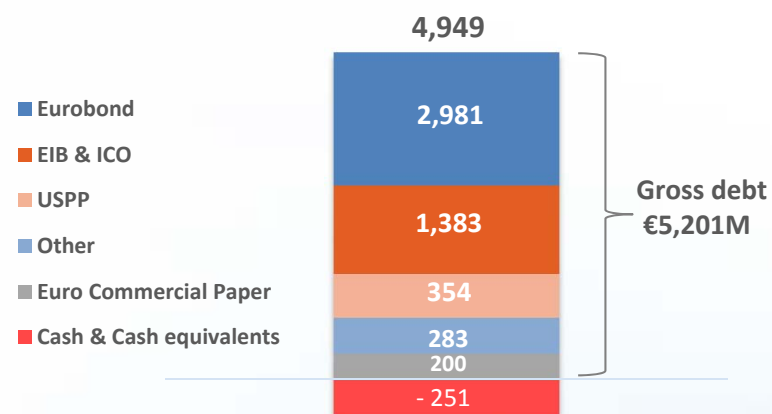
Maturities

€ million

Liquidity sources
€ 2,254M



Debt structure by instrument. 2016



€300M issue at 10-year maturity and 1.042 % cost

Project finance Chile closing

“Latam Power Deal of the Year” award to TEN financing





2014-2019 Horizon

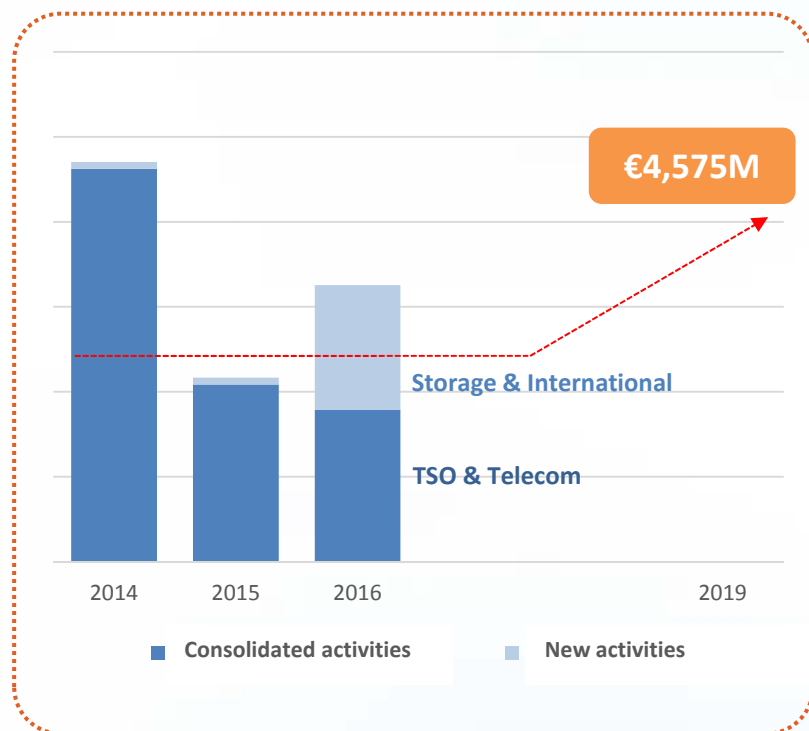
In the first 3 years, solid progress toward 2014-2019 targets

- Strategic Plan progressing as expected.
- Closure of the methodology for calculating transmission activity remuneration.
- Extension of the useful life of assets through renovation and improvement.
- Approval of energy planning to develop the 2015-2020 electrical energy transmission network.
- Energy planning appendix includes installations to be developed in the second regulatory period.
- Obtaining commercial use of the Adif fibre optic network.
- Start of energy storage investments in the Canary Islands.
- Expansion of the business base in Chile and Peru.

In the first three years, we have laid the foundations to fulfil our commitment to the market in 2019 and make progress in the second regulatory period

Growth through a balanced investment plan

2014-2019 Investments

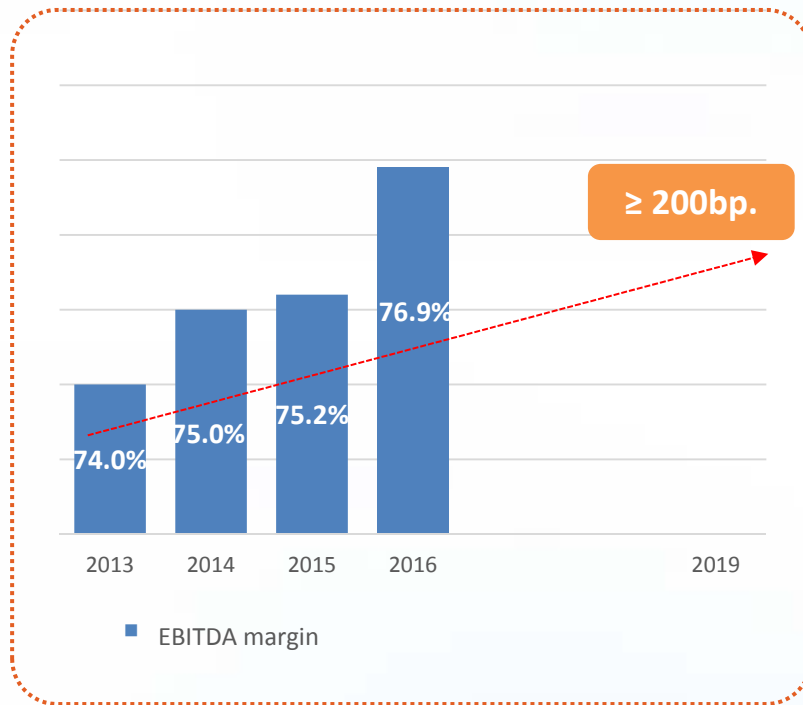


II Strategic Plan Period

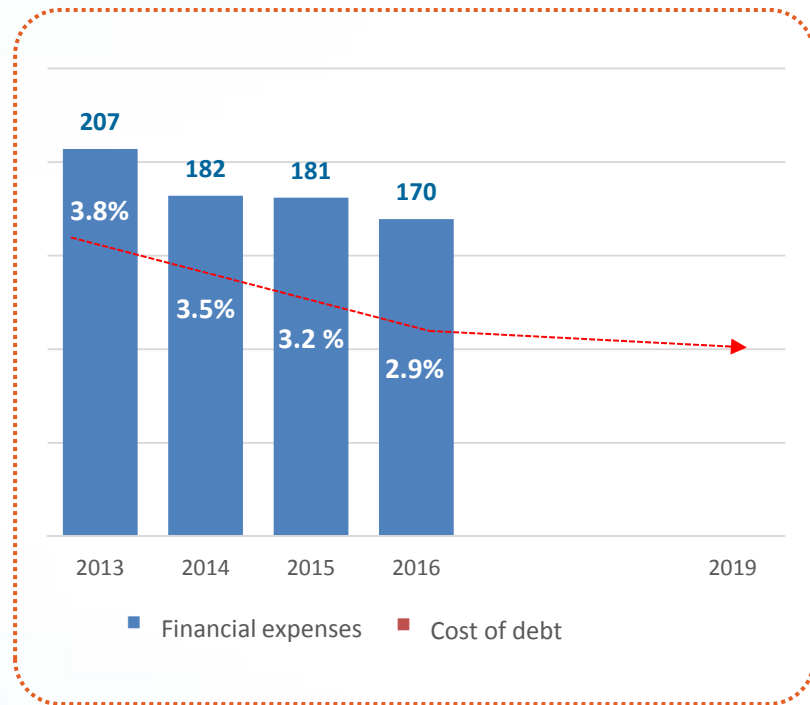
- 2015-2020 National Infrastructure Plan.
- Increase Spain-Portugal interconnection capacity.
- Progress on the Soria-Chira project.
- Chile tenders, Expansion Plan for the Backbone Transmission System.
- Peru tenders, Transmission Plan projects.

Efficiencies

Operating efficiencies



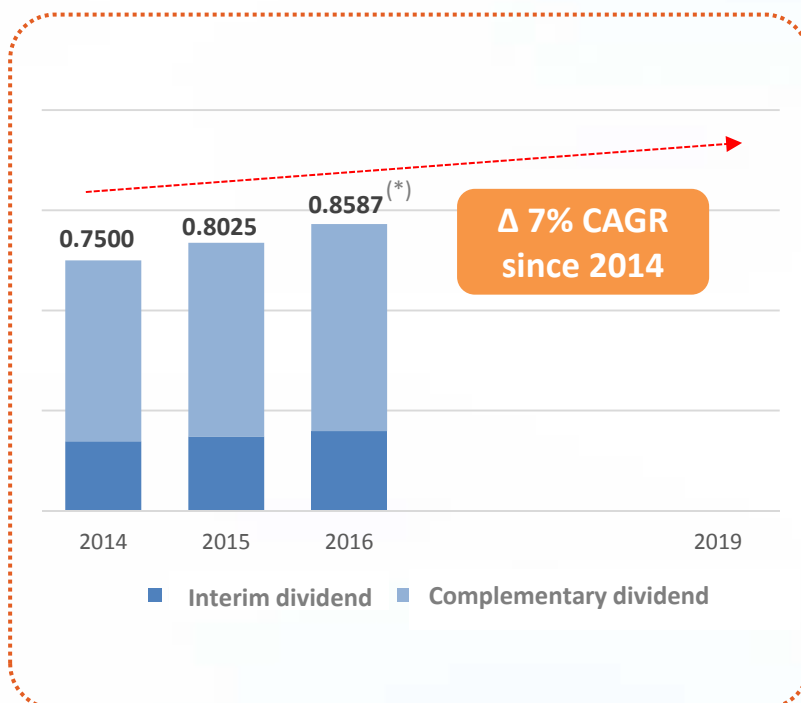
Financial efficiencies



Our efficiency targets supports the growth of the period

Attractive returns for shareholders

Dividend distribution



(*) Proposed dividend for the approval of the GSM.

Note: Dividend calculated on the basis of the share split effective 11 July 2016.

Shareholder remuneration policy

- DPS growth 7 % (CAGR 2014-19).
- Payment of interim dividend in January and the complementary dividend in July, on all shares with dividend rights.

High visibility in shareholder remuneration

Sustainable future

- Decarbonisation of the economy
- Interconnections
- Electric vehicles
- Industry digitalization
- Financial stability of the electricity sector

Interconnections

- Bay of Biscay and Trans-Pyrenees interconnections.
- Link between islands: Balearic Islands-Peninsula and Gran Canaria-Fuerteventura.

Security of supply

- Renewable growth in generation mix (55-60%).
- Renovation and improvement of pre-98 assets.
- Canary Island storage.

Telecommunications, digitisation & internationalisation

- Fibre Optic Network Integration Plan progress.
- Neutrality in the management of electricity sector measures.
- Opportunities in stable markets and adequate returns.
- Countries with low risk and stable regulatory environment.

Our investments serve as a driver toward the most cost efficient decarbonisation

2014-2019 Strategic Plan

Growth: EPS 5-6 % & DPS 7 % CAGR 2014-2019

Highly visible EPS and DPS growth

Balanced investment plan:

€4,575M

78 % Consolidated activities
(TSO & Telecom)

22 % New activities
(Storage and international)



Performance optimisation:

EBITDA margin \geq 200 b.p.

In a very demanding environment, we are able to keep our commitment to the market

Strong financial infrastructure:

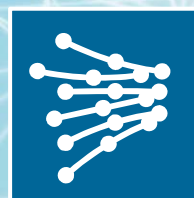
Estimated average net debt/EBITDA of 3.5x in the period

Note: Targets based on 2013 calculation, excluding DPS growth, which is based on 2014 figures.



2016 Results and solid progress toward 2014-2019 targets

23 February 2017



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Presentation available at:

www.ree.es

Shareholders and Investors



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