9M16 Results
Confirmation of 2014-2019 targets

26 October 2016
Significant progress in 2014-2019 Strategic Plan

2014-2015 achievements

**Targets 2014-2019**

- **Solid growth in consolidated activities**
  - Investment in transmission grid €3,100 million
  - Investment in dark fibre optic network €475 million

- **Additional growth in new activities** €1,000 million

- **Improvement in EBITDA margin ≥ 200 bp.**

- **Average net debt/EBITDA ratio 3.5x**

- **EPS growth 5-6% CAGR in the period**

**Achievements 2014-2015**

- 903 M€
- 437 M€
- 234 M€
- +100 bp.
- 3.6x
- 6.9%

Strategic Plan advancing as envisaged
9M16 results
Relevant events in 9M16

**Financial results**
- Net profit came to €471.3 million, 5.0% higher than profit in 9M15
- Dividend of €3.21 per share charged to 2015 profits, up 7% on 2014
- €300 million 10-year Euromarket bond issue with a cost of 1.042%

**Investments**
- Investment in transmission network in Spain amounted to €236.9 million
- Start-up of the second cable in the Majorca - Ibiza Interconnection
- Acquisition of 50% of Transmisora Eléctrica del Norte (TEN) for €199.8 million. Construction and commercial operation of the first interconnection between the northern and central electricity subsystems of Chile

**Regulation**
- Ministerial Order IET/981/2016 of 15 June, establishes transmission remuneration for 2016, applying the new unit values of investment and operation and maintenance of transmission facilities (Ministerial Order IET/2659 of 12 December)
Relevant events in 9M16

Corporate Governance
- GSM re-elected Mr. José Folgado, holding the position of non-executive Chairman of the Board of Directors
- GSM approved the splitting of company shares, by reducing par value from €2 to €0.50 per share, at a ratio of four new shares for each old share. Trading of the new shares of Red Eléctrica Corporación, S.A. began on 11 July

Corporate Social Responsibility
- Sustainability assessment agency Vigeo Eiris awarded Red Eléctrica as a Top Performer in the responsible integration of social factors within its supply chain, making it the only Spanish company to be included among the world’s 20 leading companies in the field
- Red Eléctrica has strengthened its position on the global and European Dow Jones sustainability indexes, Dow Jones Sustainability World Index and Dow Jones Sustainability Index Europe, according to the results of the 2016 edition
## 9M16 Highlights

<table>
<thead>
<tr>
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<th>9M15</th>
<th>9M16</th>
<th>2015-16</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>€ million</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>1,456</td>
<td>1,445</td>
<td>-0.8%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>1,088</td>
<td>1,113</td>
<td>2.3%</td>
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<tr>
<td>Profit before tax</td>
<td>619</td>
<td>635</td>
<td>2.6%</td>
</tr>
<tr>
<td><strong>Net profit</strong></td>
<td>449</td>
<td>471</td>
<td>5.0%</td>
</tr>
<tr>
<td><strong>Capex</strong></td>
<td>328</td>
<td>458</td>
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1 Includes payment of €199,8 million for the acquisition of 50% of TEN, carried out in January 2016 following approval by the European Commission

Profit for the period rose 5.0%
Figures aligned to the fulfilment of the targets included in 2014-19 Strategic Plan
The average remaining term to maturity stands at 5.5 years.
The cost of debt in 9M16 was 2.99% vs. 3.21% in 9M15.
86% of debt at fixed rates.
9M16 Balance sheet

Solvency ratios

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<thead>
<tr>
<th></th>
<th>9M15</th>
<th>9M16</th>
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</thead>
<tbody>
<tr>
<td>EBITDA / Interest ¹</td>
<td>8.5x</td>
<td>9.2x</td>
</tr>
<tr>
<td>FFO / Debt</td>
<td>21.1%</td>
<td>22.3%</td>
</tr>
<tr>
<td>Debt / EBITDA</td>
<td>3.6x</td>
<td>3.5x</td>
</tr>
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¹ EBITDA / net financial expenses excluding capitalisations

Debt structure by instrument

Gross debt €5,470 million

- Eurobond
- EIB
- Other Loans and Credits
- USD Bonds
- Syndicated Credit & loans
- Cash & cash equivalents

9M16 Balance sheet

Maturities

<table>
<thead>
<tr>
<th>Year</th>
<th>€ million</th>
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<tbody>
<tr>
<td>2016</td>
<td>478</td>
</tr>
<tr>
<td>2017</td>
<td>94</td>
</tr>
<tr>
<td>2018</td>
<td>737</td>
</tr>
<tr>
<td>2019-onwards</td>
<td>4,160</td>
</tr>
</tbody>
</table>

€300 million 10-year euromarket bond issue with a cost of 1.042%
Regulatory reform finalised
A single methodology applicable to all electricity transmission facilities
• 6-year regulatory periods. First regulatory period ends 31 December 2019
• Remuneration of investment shall be made for all assets in service according to their net value. All assets currently in operation are assigned a useful life and a return on investment
• Based on reference unit capex costs and operation and maintenance costs approved in MO IET/2659/2015, 11th December
• The financial return is benchmarked to the Spanish 10-year bond yield. 6.5% financial return established for the first regulatory period
• 10 years residual useful life for pre-98 assets. The useful life of facilities may be extended through renovation and improvement
• Incentives for efficiency and availability of the transmission network will be established
• Pursuant to Law 2/2015, references to an update of standard values in accordance with inflation are eliminated
Closing of the methodology for calculating the transmission activity remuneration

New treatment of renovation and improvement

- Recognition of Red Eléctrica's long-standing request to consider renovation and improvement to be a part of its investments
- The useful life of assets prior to 1998 may be extended for up to another 5 years in the second regulatory period
- The possibility is allowed for renovations and improvements carried out from 2019 to be entitled to remuneration from 2021 if they are included in the investment plans

Recognition of renovation and improvement as investment
Confirmation of 2014-2019 targets
Main levers to achieve our Strategic Plan goals

- Progress in investment in consolidated activities
- International investment: Peru and Chile
- Review of maintenance policy
- Additional efforts towards improving efficiency
**Investments**

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<tr>
<th>Consolidated activities: €3,575 million in 2014-2019</th>
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- Efficient TSO management:
  - Approval of 2015-2020 Infrastructure Plan
  - €3,100 million in total investment in 2014-2019
  - This figure does not include new Spain - France interconnections (Bay of Biscay project, and two more projects in the Pyrenees), or the second Spanish Peninsula - Balearic Islands cable, whose time horizons are thought to lie beyond 2019

- Management of fibre-optic networks
  - Progress in the efficient integration of fibre optic networks
  - €475 million in investment in 2014-2019

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<tr>
<th>New activities: €1,000 million in 2014-2019</th>
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- **International**
  - Opportunities in stable markets and adequate returns
  - Low-risk countries and stable regulatory environment

- **Energy storage**
  - Chira – Soria expected to be commissioned in after 2019

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Optimum mix of consolidated activities and new activities
Investments
Expanding the business base

**Chile**
- 50% stake in TEN
- 600 km of lines
- Put into operation in Q4 2017
- €90 million estimated revenues for 2018
- Financing: Project finance
- Capex project €780 million

**PERU**
- Projects in which REE holds a majority stake
- 942 km of lines in service
- 240 km in progress
- Put into operation in 2019
- €28 million estimated revenues for 2019
- Estimated pending capex €88 million

Internationalisation based on our know-how and profitability criteria
Review of maintenance policies

Maintenance policy

- Simplification of range and frequency of maintenance activities
- Optimisation of operating policies based on the implementation of technological solutions
- Maintenance of current quality-of-service levels

Opex

Capex

- Investment in renovation and improvement aimed at assets brought into service prior to 1998
- Extension of regulatory useful life

Efficiency-oriented. Adaptation to new remuneration environment, while maintaining the same levels of safety and quality of service
Additional efforts towards improving efficiency

- Design of facilities
- Adaptation to new maintenance standards
- Reorganization
- Adaptation of useful life of facilities to regulatory life
- Financing
- Taxes

≥ 200 bp improvement in EBITDA margin by 2019

Additional increases in EPS
Confirmation of 2014-2019 targets

- Investment in consolidated activities\(^1\): €3,575 Mn
- New investment opportunities: €1,000 Mn
- Improvement in EBITDA margin by 2019: ≥200 bp
- Average net debt/EBITDA: 3.5x
- Δ EPS (CAGR 2019/13): 5-6%
- Δ 7% dividend per share (CAGR since 2014): 7.0%

\(^1\) Investment in transmission and telecommunications network

Confirmation of growth once regulatory reform is completed
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