

**RED**  
ELÉCTRICA  
CORPORACIÓN

GENERAL  
SHAREHOLDERS  
MEETING

2016 15 April



José Folgado Blanco

CHAIRMAN

# Key milestones in 2015



## Ushering in a period of certainty and growth

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**1** Completion of the regulatory and remunerative process for our core business



**2** Approval of the 2015-2020 Electrical Infrastructure Plan



**3** Culmination of the process of separating the roles of board chairman and chief executive



# Process of separating powers



## Separation of the board chairman and chief executive

**Annual General Shareholders Meeting - 2012**

Commitment expressed to adopt measures to balance the powers vested in the unified position of Chairman/CEO

**Extraordinary General Shareholders Meeting - 2015**

Appointment of Juan Lasala Bernad as executive board member of the company

**Board of Directors, July 2015**

Appointment of Juan Lasala Bernad as chief executive officer

**Annual General Shareholders Meeting - 2016**

Full separation of executive functions (CEO) from those of supervision and control (chairman)

**The company delivers on its commitment to shareholders and proxy advisors**

# Completion of the remunerative system



## Start of a cycle of regulatory stability

- **Close of the remuneration model for transmission:**  
Approval of reference unit values for investment and maintenance, plus the remaining useful life of assets prior to 1998.
- **Remuneration model for the system operator (still pending).**

- **The new remunerative system is more restrictive and demanding.**
- **Requires greater effort to make gains in operational efficiency.**

# Shareholder returns



We continue to honour our commitments in these testing times

EARNINGS  
PER SHARE  
2014-2019



**5-6 %**

GROWTH  
(CAGR in  
the period)

NET PROFIT  
2015



**M€ 606**

(+8.3%) Versus  
2014

On a like-for-like basis

GROSS DIVIDEND  
2015



**€ 3.21**

PER SHARE

(+7%) Versus  
2014

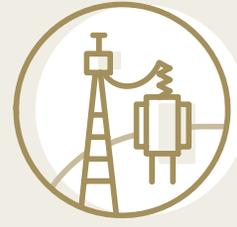
# Investment plan



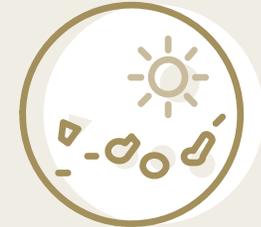
## Highly visible investments over the coming years



Investments envisaged in the 2015-2020 Electrical Infrastructure Plan



Investments deriving from EU energy policy (three new interconnections with France and the rest of Europe)



Investments associated with the new energy model for the Canary Islands

# Planning of the transmission grid



## Development of infrastructure (2015-2020)

### HIGHLIGHTS

- Upgrading international interconnections and inter-island connections.
- Enhancing the grid to improve security of supply and ensure fewer technical restrictions.
- Reinforcing the grid to provide added support to distribution grids.

### PLANNING IN FIGURES

- **4,554** million euros in total investment.
- **2,975** km of mainland grid and **959** km across the islands.
- **662** mainland and **489** island positions.
- **10** new inter-island connections (8 in the 2015-2020 period).

The new infrastructure will be built under the principles of: security of supply, economic efficiency and environmental sustainability

# International interconnections



## Steady integration of the domestic energy market

- Publication of the “Energy Union Package” with the aim of:
  - Boosting interconnection capacity between countries.
  - Ensuring full integration of the European energy market.
- Madrid Declaration: summit between the Prime Minister of Spain, the President of France, the Prime Minister of Portugal and the President of the European Commission to discuss and champion energy interconnection projects.
- Creation of a High Level Group for South-West Europe to improve interconnections through the Pyrenees.
- Creation of the European Fund for Strategic Investment [Juncker Plan].

OPERATIONAL  
START-UP  
2015



SPAIN-FRANCE  
INTERCONNECTION

**2,800** MW  
of interconnection  
capacity



# International interconnections

## Steady integration of the domestic energy market

### EUROPEAN SUSTAINABILITY OBJECTIVES FOR 2030

 Reduction in CO<sub>2</sub> emissions compared to 1990 levels  
**40 %**



Interconnection capacity

**15 %**

Progress towards integration of the European energy market:

- Creation of European network codes.
- Review of regulations governing security of supply, renewable energies and energy efficiency.



Improvement in energy savings

**27 %**



Share of renewables

**27 %**

# New energy model for the Canary Islands



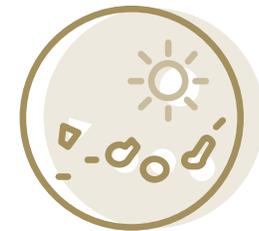
## More secure, efficient and sustainable

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### PRIORITY ACTIONS

- **Advance towards more secure and robust electrical power systems.**
  - Upgrading the network grid.
  - Correcting structural shortcomings in the grid.
  - Developing inter-island interconnections.
- **Bring about changes to the energy model:**
  - Improving evacuation and integration of renewable energies.
  - Implementing energy storage systems as operational support tools for the system [Chira-Soria pumped hydro plant].
  - Guaranteeing a more efficient and sustainable supply.

### ENERGY STORAGE ON THE CANARY ISLANDS



**200** MW  
OF POWER

At the Chira-Soria  
pumped hydro  
plant

# Corporate responsibility



## Our contribution to the challenge of achieving sustainable energy

### ACTIONS

Neutral, independent and efficient management of the electrical power system to ensure a secure and efficient supply

Developing a sustainable and integrated transmission network from an environmental and social standpoint

Integrating the maximum renewable energy share

Preparing an action plan to help combat climate change

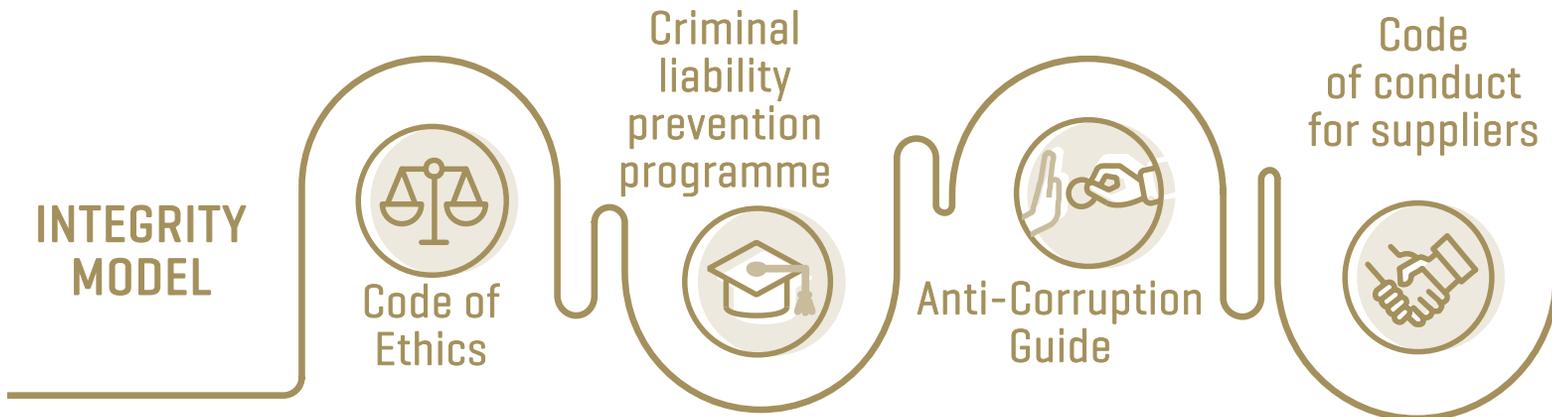
### RESULTS 2015

- High service quality of facilities: 98 % transmission grid availability.
- Projects to control demand, energy efficiency and innovation.
- Collaboration agreements reached with 56 % of affected municipalities in 2015.
- 94 % of agreements reached on amicable terms with affected land owners.
- Projects to protect biodiversity and the social and economic development of the affected areas.
- Average of 40 % of electrical power demand met by renewable energies in the past three years.
- 21 % reduction or offsetting in emissions for 2020 compared to 2010.

# Corporate responsibility



## Core principles of our business management: Ethics, integrity and transparency



## PROGRESS IN 2015

- Approval of the Anti-Corruption Guide.
- Approval of the Group's tax strategy and adherence to the Code of Good Tax Practices.
- New system of regulatory compliance.

# Corporate responsibility



## We follow best corporate governance practices

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### ACTIONS

**Gender diversity  
on the Board of Directors**

### RESULTS 2015

- **42 % female directors (50 % for non-executive female directors).**
- **Ranks first among Ibx 35 companies.**

**Variable remuneration of the CEO  
and management team**

- **Pegged to attainment of the multi-year corporate responsibility plan.**

**Annual self-assessment  
of the Board of Directors**

- **Conducted with the advice and support of independent experts.**

**Good Governance Code  
of Listed Companies**

- **Compliance with virtually all recommendations:**
  - Only non-compliant with recommendations: 48, 61 and 62.

# Corporate responsibility



## In touch with talent, equality and personal well-being

### ACTIONS

**Commitment to internal promotion and equal opportunities**

### RESULTS 2015

- 80 % of appointments of new executive officers carried out through internal promotions.
- 31 % of these promotions involved women.

**Implementation of the healthy company model**

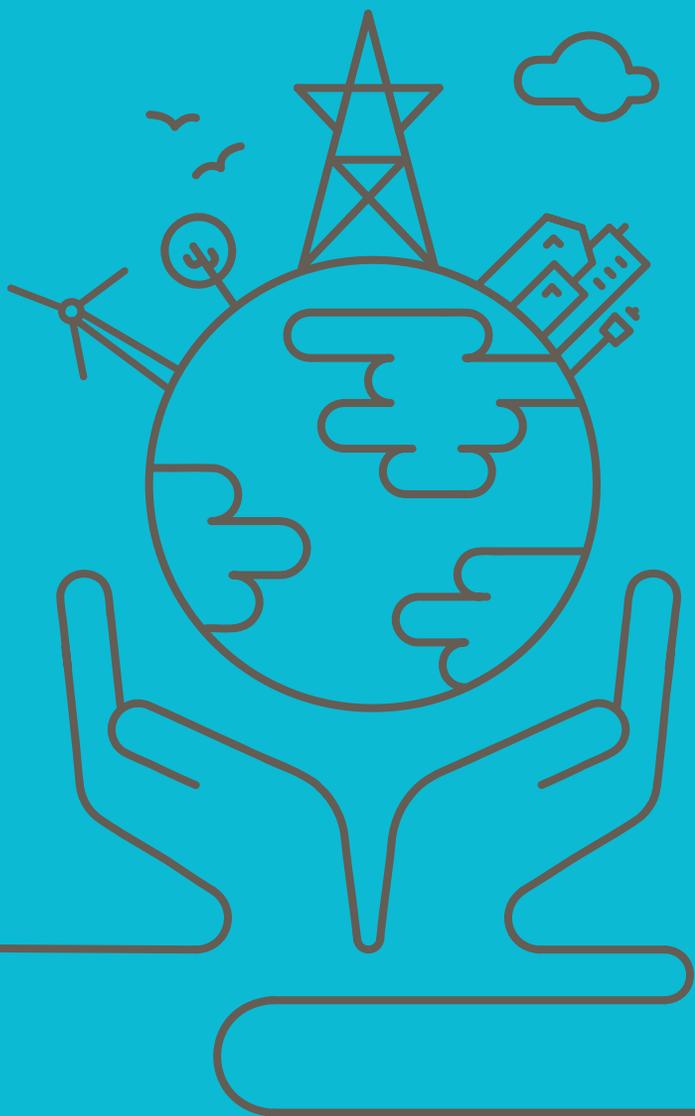
- New initiatives when it comes to promoting personal health and a work-life balance and preventing occupational risks.

**Work climate survey**

- 9.4 out of 10 in employee satisfaction, with a 91 % survey turnout.

**Accolades in the field of sustainability**

- Featured on the global and European Dow Jones sustainability indices.
- European EFQM 500+ excellence award renewed for a score of over 700 points.



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ELÉCTRICA  
CORPORACIÓN

# GENERAL SHAREHOLDERS MEETING

2016 15 April



Juan Lasala Bernad

CHIEF EXECUTIVE OFFICER



# Milestones in 2015



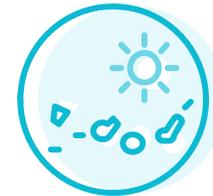
## Drive to diversify business

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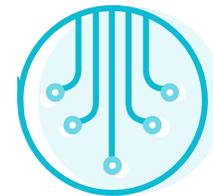
**1** Major advances in international business with new projects



**2** Development of energy storage systems on the Canary Islands



**3** Final consolidation of the telecommunications business



# Milestones in 2015



## Transmission activity: a more meshed and interconnected grid

### HIGHLIGHTS

- **414** kilometres of new lines.
- **136** new substations.
- **605** MVA improvement in transformation capacity.
- **98 %** availability for the transmission grid.

43,000 km of power lines in service

### TRANSMISSION GRID



### INVESTMENT - 2015

M€ **410.7**

# Objectives under the Strategic Plan



## 2014-2019 STRATEGIC PLAN



### OBJECTIVES

SOLID GROWTH  
IN CONSOLIDATED  
BUSINESS

**M€ 3,100**

to be invested in the  
transmission grid

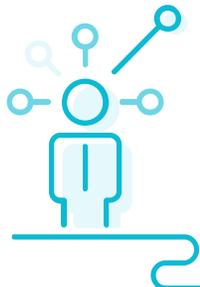


**M€ 475**

to be invested  
in dark fibre optic  
network

FURTHER GROWTH  
IN NEW BUSINESSES

**M€ 1,000**



IMPROVE  
MENT IN  
EBITDA  
MARGIN  
BY 2019

**≥200**  
BP

Average  
NET DEBT/  
EBITDA  
RATIO

**3.5** x

GROWTH IN  
EPS [CAGR  
in the  
period]

**5-6** %

GROWTH  
IN DPS [CAGR  
in the  
period]

**7** %

# Milestones in 2015



## Interconnections between electrical power systems

### ACTIONS IN 2015

- Start-up of the interconnection with France.
- Installation of the first Mallorca-Ibiza interconnection cable [second circuit to be brought online in late April].

Infrastructure planning for the 2015-2020 horizon attaches huge importance to interconnections between electrical systems

### FUTURE ACTIONS\*

- 2015-2020 horizon
  - Phase-shifting transformer on the 220 kV Arkale-Argía line.
  - Interconnection with Portugal via Galicia [Beraiz-Fonfría/Ponte de Lima].
- Post-2020 [a further 8,000 MW in interconnection capacity]:
  - Submarine interconnection via the Bay of Biscay.
  - Two additional interconnections through Navarra and Aragón.

\* Classified by the European Union as projects of common interest.

# Milestones in 2015



## International business

### FIRST PROJECT IN CHILE

- Acquisition of a 50 % stake in Transmisora Eléctrica del Norte (TEN) with the aim of:
  - Constructing and operating the Mejillones-Cardones line.
  - Investment of 780 million dollars.
  - Roughly 90 million dollars in regulated revenue.

We have extended our presence to a low-risk country with a stable regulatory framework

500 kV  
MEJILLONES-CARDONES  
LINE  
CHILE



600 km

First interconnection of the electrical power systems in northern and central Chile

# Milestones in 2015



## International business

### TWO NEW PROJECTS IN PERU

- 220 kV lines:  
Azángaro-Juliaca-Puno  
and Montalvo-Los Héroes.
  - Investment totalling 110 million dollars.
  - 1,200 km of new infrastructure.
  - Start-up: 2018/2019
  - 30-year contract.

We have cemented our status as the leading manager of transmission grids in southern Peru

EXCELLENT  
QUALITY OF SERVICE  
AT FACILITIES  
PERU



99.79 %

Average facility  
availability in the past  
5 years

# Milestones in 2015



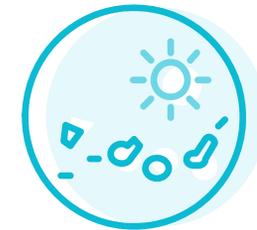
## Energy storage on the Canary Islands

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### CHIRA-SORIA PUMPED STORAGE HYDRO PLANT

- Subsidiary company REINCAN created to carry out the project.
- The project will provide further operational support to:
  - Guarantee the supply.
  - Improve system security.
  - Optimise the integration of renewable energies.

### ENERGY STORAGE ON THE CANARY ISLANDS



M€ **320**  
INVESTED

in the Chira-Soria pumped storage hydro plant

# Milestones in 2015

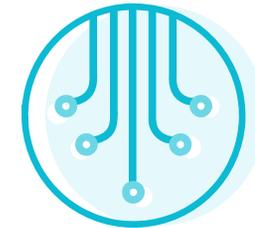


## Telecommunications business

### INCORPORATION OF REINTEL

- Operation of a single fibre optic trunk network based on two core infrastructures.
  - The high-voltage electricity grid.
  - The rail network.
- The telecommunications business accounted for over 50 % of the Group's EBITDA growth in 2015.

### TELECOMMUNICATIONS BUSINESS



**33,000** km

OF DARK FIBER OPTIC

Upwards of 800 technical sites and spaces

**First neutral telecoms operator in Spain**

# 2015 results: key figures



Millions of euros	2015	2014	Δ%
Revenue	1,939	1,847	5.0
Gross operating profit (EBITDA)	1,458	1,385	5.3
Profit before tax	830	854	(2.8)
Profit for the period	606	718	(15.6)
Recurring profit for the period*	606	560	8.3

\* Stripping out non-recurring items from profit for 2014: TDE compensation of M€ 52.3 and M€ 106.1 impact of the tax reform.



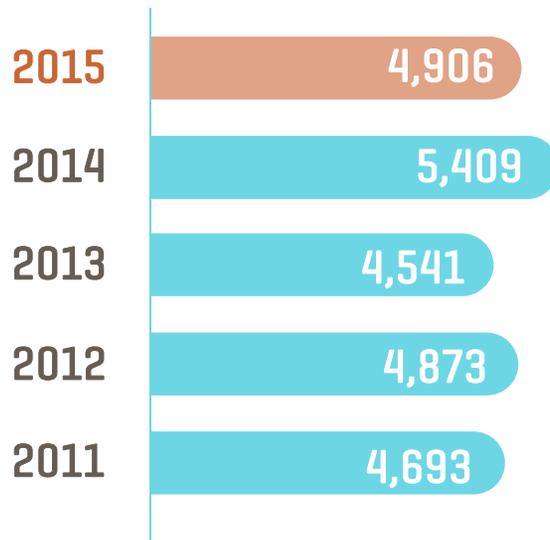
**Profit from ordinary course of business in 2015  
up 8.3 % year on year**

# Financial strength and solvency



## NET FINANCIAL DEBT

€ Mn



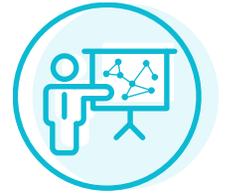
## SOLVENCY RATIOS

	2014	2015
EBITDA/Interest <sup>1</sup>	8.1x	8.5x
FFO/Debt <sup>2</sup>	18.7%	23.1%
Net debt/EBITDA <sup>2</sup>	3.8x	3.4x

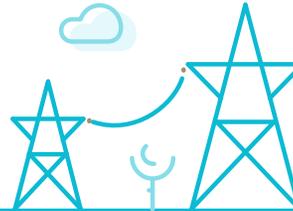
- Average life 5.9 years.
- Average cost of debt: 3.20 %.
- 85 % of debt at fixed rate.

1. EBITDA/Net finance costs stripping out the impact of capitalisations.
2. Includes the contract to assign ADIF's optic fibre network signed on 20/11/2014.

# Strategic Plan 2014-2019



## CORE STRATEGIES



CONSOLIDATE  
AS A TSO



EFFICIENCY



EXPAND  
BUSINESS  
BASE

## TRANSVERSAL STRATEGIES



INNOVATION



EXCELLENCE



PEOPLE

# Strategic Plan 2014-2019



## Implementation of the Plan in 2015

### CONSOLIDATE AS A TSO



- Approval of the 2015-2020 Plan.
- Regulatory reform finalised.
- Operational start-up of the interconnection with France.
- Start-up of the first cable of the Mallorca-Ibiza connection.

### EXPAND BUSINESS BASE



- Creation of Red Eléctrica Infraestructuras de Telecomunicaciones (REINTEL).
- Incorporation of Red Eléctrica Infraestructuras en Canarias (REINCAN).
- Award of two new lines in Peru.
- Acquisition of a 50 % stake in Transmisora Eléctrica del Norte (TEN), in Chile.

### EFFICIENCY



- Improvement in the EBITDA margin: from 74 % in 2013 to 75.2 % in 2015.
- Financing structure optimised by buying back bonds.
- REDESUR refinanced by issuing bonds in Peru.

# Strategic Plan 2014-2019



## Implementation of the Plan in 2015

### INNOVATION



- Development of 76 technological innovation projects to improve system efficiency and integrate renewables.
- New technological innovation and development plan for 2016-2019.

### PEOPLE



- Implementation of the healthy business model.
- New measures rolled out to reconcile health and well-being.
- Development of new knowledge management programmes and leadership model.
- Added focus on internal promotions.

### EXCELLENCE



- Company listed on the Dow Jones global and European sustainability indices.
- European EFQM 500+ excellence award renewed, with a score of over 700 points.
- Approval of the 2015-2020 Climate Change Action Plan.
- Roll-out of the sustainable mobility plan.