

RED
ELÉCTRICA
CORPORACIÓN

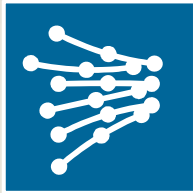
**ORDINARY GENERAL
SHAREHOLDERS' MEETING** **2014**



The background features a stylized illustration of a power grid with several pylons and power lines stretching across the sky. In the lower-left corner, a flock of birds is shown in flight. In the lower-right corner, three silhouetted figures of people are walking through a field of tall grass. The entire scene is rendered in a light, golden-brown color palette against a white background.

José Folgado Blanco

CHAIRMAN



RED
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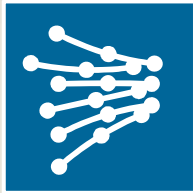
**ORDINARY GENERAL
SHAREHOLDERS' MEETING** **2014**



The background features a faded, golden-brown image of high-voltage power lines and transmission towers. In the lower-left corner, there are several small, dark blue bird silhouettes in flight. In the lower-right corner, three human silhouettes are walking through a field of tall grass. A semi-transparent teal rectangular box is positioned in the upper-middle section of the image, containing white text.

Rafael García de Diego Barber

GENERAL COUNSEL AND SECRETARY
OF THE BOARD OF DIRECTORS



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**ORDINARY GENERAL
SHAREHOLDERS' MEETING** **2014**





RED ELÉCTRICA
DE ESPAÑA

**Red Eléctrica
has been able to
demonstrate its
strength despite the
complicated backdrop
with a 7.5 % increase
in net profit.**

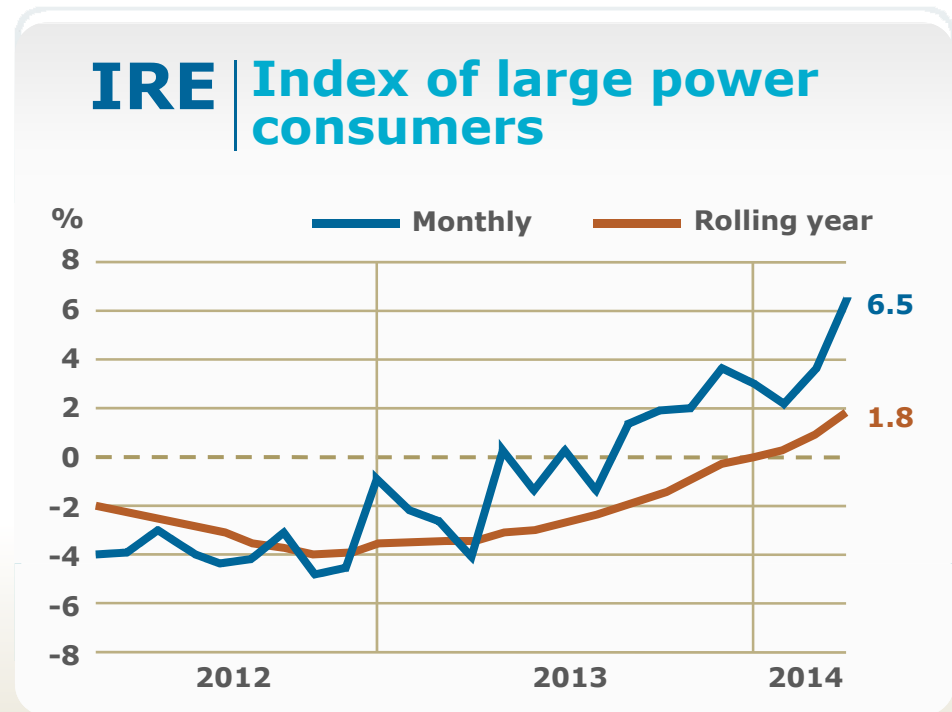




Macroeconomic backdrop

Signs that economy is picking up

- GDP growth in recent quarters.
- Net job creation in recent months.
- Economic activity forecast to grow around 1.2 % in 2014.



IRE increasingly growing



Macroeconomic backdrop

Factors underpinning economic recovery

- **Rethink of corporate sector's management and strategy.**
 - ❖ **Positive adjustment in companies.**
 - ❖ **Increased competitiveness.**
 - ❖ **Strong external balance.**

- **Greater confidence and higher domestic demand.**



Electricity reform

New regulatory framework to guarantee system's economic and financial sustainability

- **Royal Decree Law 9/2013.**
 - ❖ Temporary methodology for transmission remuneration for second half of 2013 and for 2014.

- **New Electricity Sector Law.**
 - ❖ Establishes mechanisms limiting divergences caused by revenue shortfalls.
 - ❖ Clarifies criteria for remuneration of regulated activities, in line with European peers.

- **Royal Decree Law 1047/2013.**
 - ❖ New electricity transmission remuneration methodology.
 - ❖ Removes regulatory uncertainty.



New regulation to guarantee stability of electricity transmission

Transparent, stable and predictable

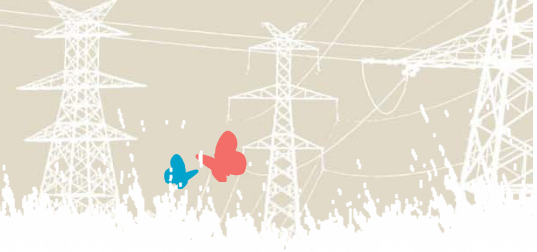
- Single methodology, irrespective of when asset commissioned.
- 6-year regulatory periods established.

Sustainable

- Annual revenues for 2015-2019 to grow an average of 3 % per year.
- Tariff for transmission activity of €1,622 Mn in 2014, estimated at €1,685 Mn for 2015.

Incentives for efficiency

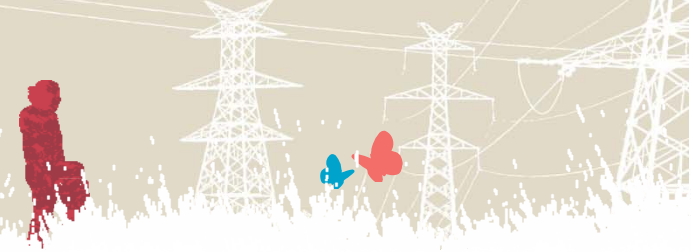
- Operating efficiencies and availability of network.



European energy policy

Construction of internal electricity market

- **Need to harmonise regulations.**
 - ❖ **Develop European standards: network security, congestion management, interconnection capacity, etc.**
- **Integration of electricity markets.**
 - ❖ **Coupling of markets in SW Europe.**
- **Implementation of Third Energy Package.**
 - ❖ **Application of rules on integrating markets, energy efficiency and achieving 10% of interconnections.**

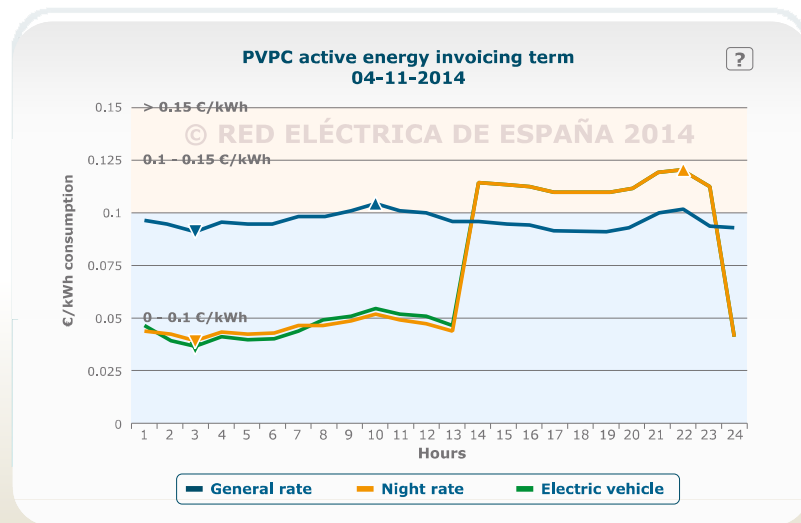


Voluntary price for small-scale consumers

Replaces last resort tariff

- Applicable to all consumers with contracted capacity of less than 10 kW.

Information available on Red Eléctrica's website:

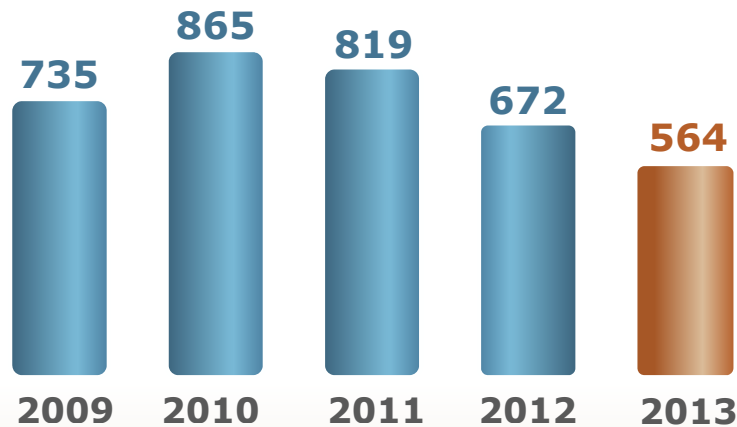


- Offers transparent information on hourly electricity prices.
- Allows consumers to adjust consumption according to hourly price.
- Encourages responsible electricity consumption.



Improvements to transmission network

Annual investment
(in line with economic backdrop)
(€ Mn)



More network in service

- **776 km** of new circuits.
- **162** new positions.
- **2,525 MVA** more in transformer capacity.

Priority projects

- Almaraz-Guillena axis, Guillena-Puebla de Guzmán axis and Grado-Salas axis.
- Significant advances in interconnection with France.

More condensed and better connected network offering better quality of service.



Network improvements in island system

Asset improvement plan

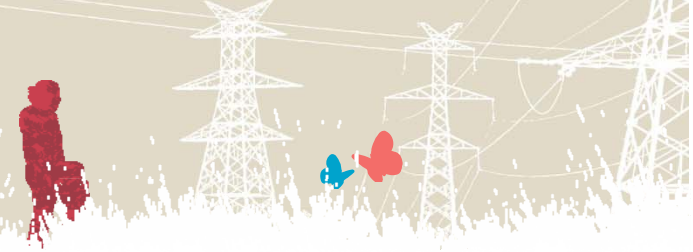
- Facility renovation and upgrade programme (MAR project).
- Notable improvement in quality of service.

Major investment

- €125-130 Mn invested annually.
- Key project: Mallorca-Ibiza interconnection.

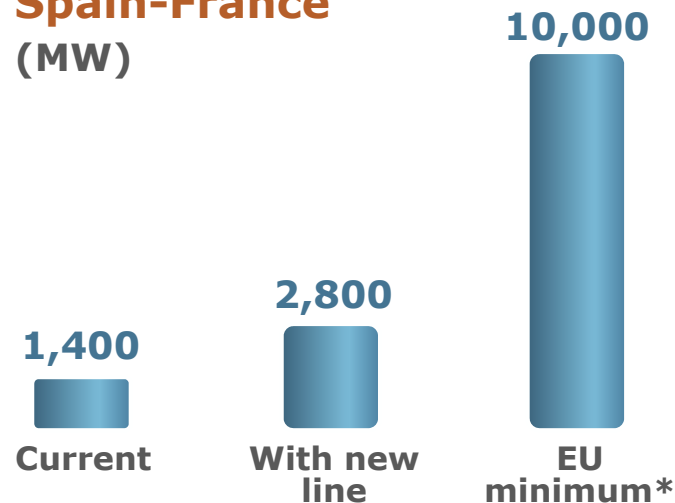
Peninsula-Mallorca link in numbers

- Provides 22 % of demand in Balearic Islands.
- Offers 18 % savings in coverage costs in the Balearic system.
- Prevents emission of 250,000 tonnes of CO₂



Strengthening international interconnections

Interconnection capacity Spain-France (MW)



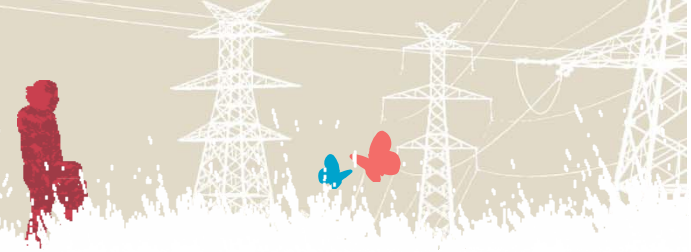
* 10 % of installed capacity.

New interconnection with France

- Doubles current interconnection capacity.
- Bolsters security of the Iberian system.
- Greater support to integrate renewable generation.
- First interconnection with European network for 30 years.

2020 outlook: new interconnection from Basque Country via Bay of Biscay*.

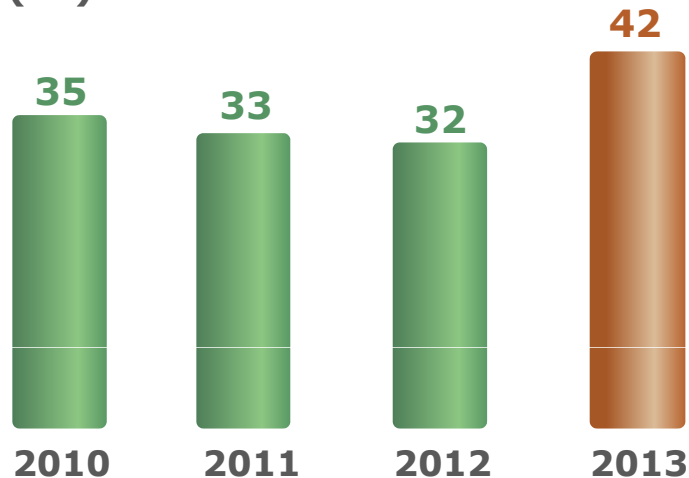
*Included on European Commission's list of projects of common interest.



Integrating renewables

Demand met with renewables

(%)



Other renewables data

- For the **first time ever** wind power is contributing the most to meet demand.
- **23 %** fewer CO₂ emissions from electricity production.
- **55 %** of demand in 1Q14 covered by renewables.

CECRE
CECRE

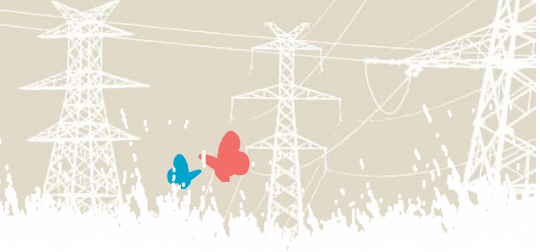
Global benchmark in safely integrating renewables.



2013 Results: highlights (recurring)

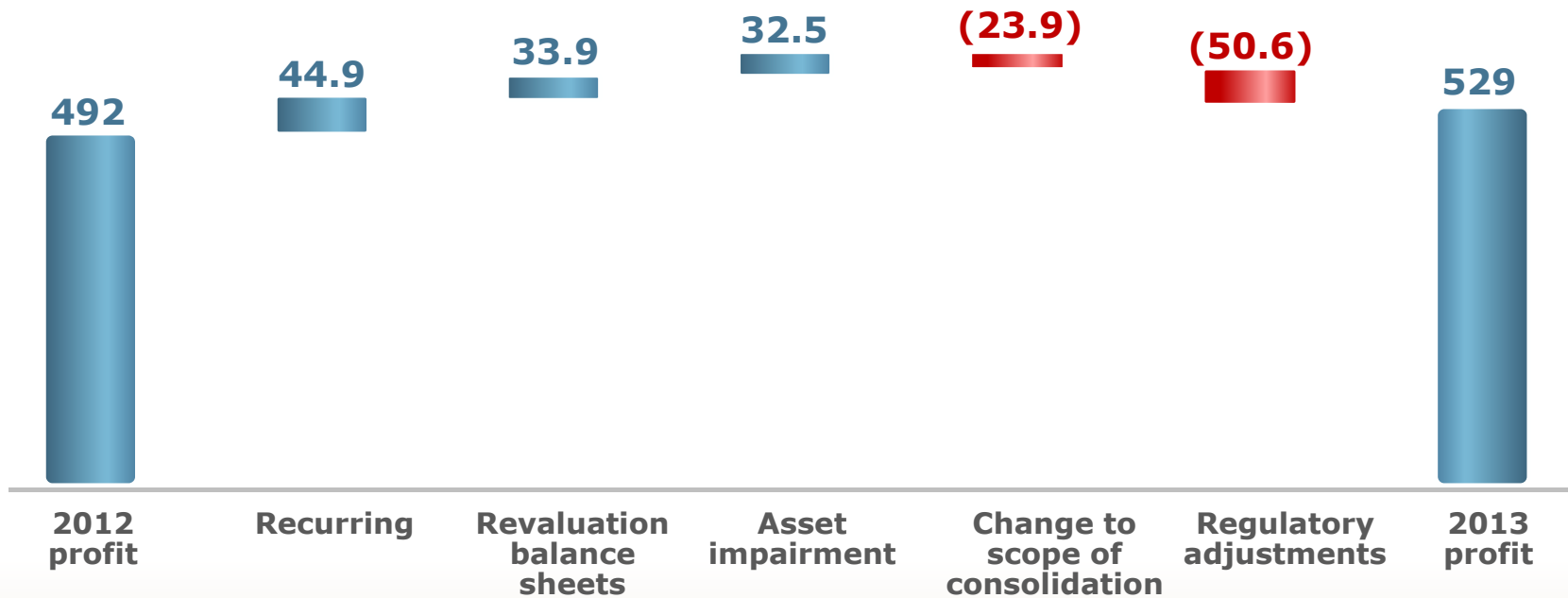
€ Mn	2012	2013	Δ%
Net revenue	1,745	1,823	4.4
Gross operating result (EBITDA)	1,292	1,369	5.9
Net operating result (EBIT)	900	968	7.5
Profit before taxes	734	799	8.8
Profit for the year	513	558	8.8

Recurring profit for the year has grown 8.8 %.



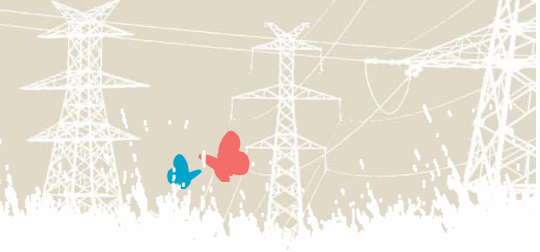
2013 Results: reconciliation of net profit

€ Mn



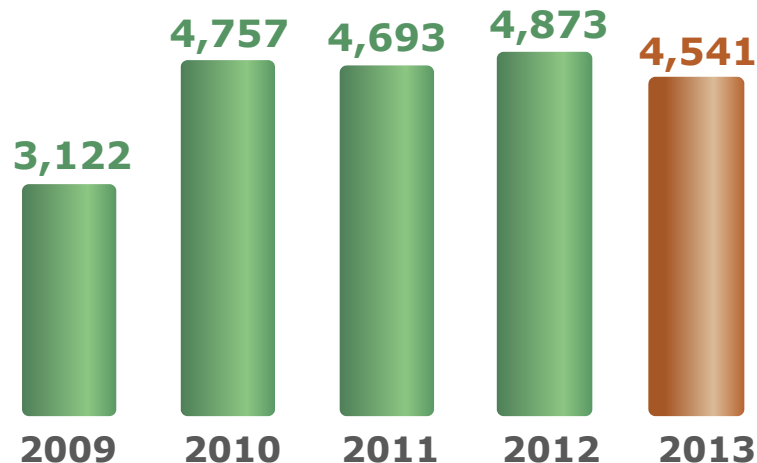
Reported profit for 2013 increased 7.5 %.

Up 6 % in 1Q14.



Financial strength

Net financial debt (€ Mn)



	2012	2013
Leverage	71 %	67 %
Avg. cost	3.8 %	3.8 %
Net debt/EBITDA	3.8 x	3.5 x

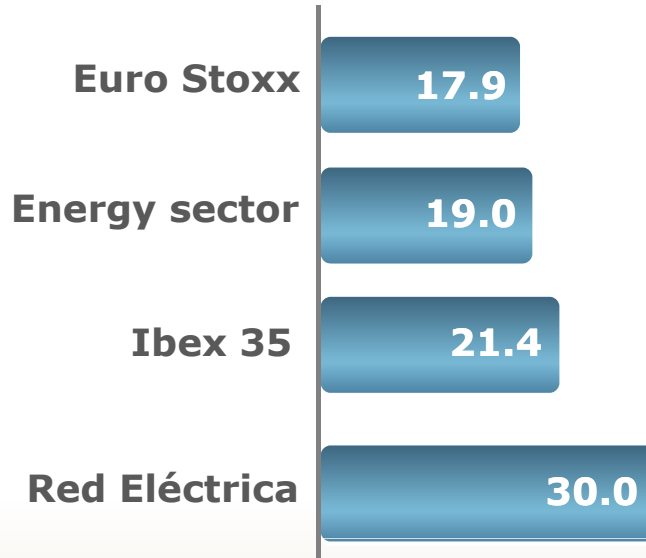
- 88 % of debt at fixed rates.
- Average life 5.7 years.

Our financial strength is the foundation on which to develop our corporate objectives.

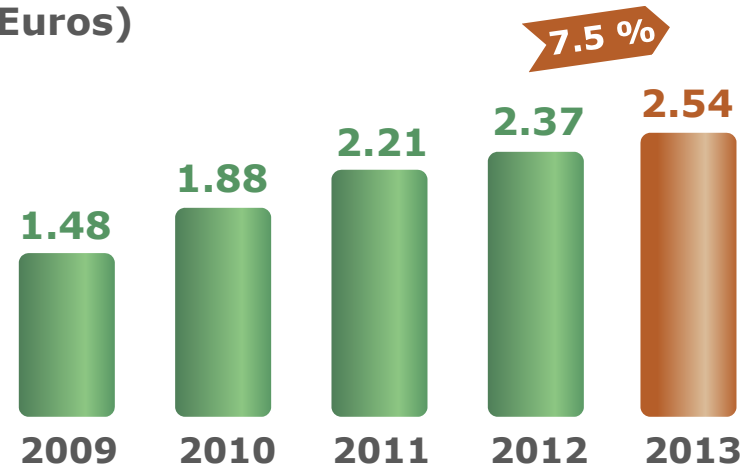


Shareholder returns

Stock market performance 2013 (%)

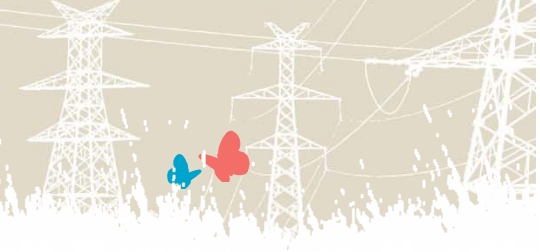


Dividend per share (Euros)



Pay-out: 65 %

Share price at record high



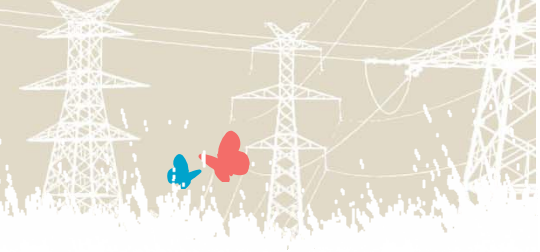
CSR and corporate governance

Committed to the environment

- Strategy of preserving biodiversity.
 - ❖ Avoiding areas rich in biodiversity.
 - ❖ Protecting habitats and species.
- Controlling pollutant emissions:
 - ❖ 39 % of emissions offset by REE Forest.

Committed to our workforce

- Creating stable, high-quality employment.
- Fostering equality:
 - ❖ Constantly increasing number of female employees.
 - ❖ 43.5 % increase in female managerial staff in 2009-2013.
- New collective bargaining agreement:
 - ❖ Committed to efficiency, work-life balance and sustainability in the workplace.



CSR and corporate governance

Adopting international corporate governance best practices

Acts as counterbalance to roles of chief executive and Chairman of Board

- Appointment of Lead Independent Director.

New remuneration structure for Board of Directors

- Consolidation of principle of remuneration moderation.
- External director remuneration only comprises fixed remuneration.

Gender diversity

- 45 % of female directors and 50 % of external female directors.

**Presence in international sustainability indices:
Dow Jones Sustainability Indices and FTSE4Good.**



Key challenges moving forward

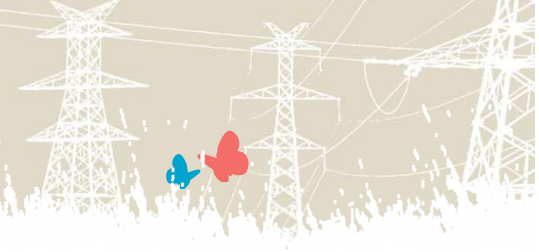
- **Obtain optimum level of electrification in the country.**
 - ❖ Reduce dependence on imported power.
 - ❖ Greater integration of renewables.
 - ❖ Reduce pollutant emissions.
- **Strengthen international interconnections.**
 - ❖ Develop large-scale electricity highways (super-grids).

Key factors in obtaining a more efficient and sustainable energy future.



Basic strategic lines

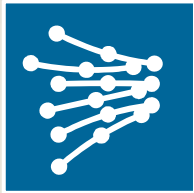
- **Develop activities as TSO.**
 - ❖ **Help guarantee sustainable supply.**
- **Optimise and make operating processes more efficient.**
 - ❖ **Create value by improving operating margins.**
- **Expand the business base.**
- **Promote technological innovation as a growth driver.**
- **Foster talent to meet the challenges facing the company.**



2014 financial targets

- **Profit: growth rate of 4-5 %.**
- **Investments: €500-550 Mn a year.**

We shall remain focused on creating value and a management model based on excellence, corporate responsibility and good governance.



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