



LETTER FROM THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS

01. THE COMPANY



02. STRATEGY



03. CORPORATE GOVERNANCE



04. MANAGEMENT APPROACH



05. SUSTAINABLE ENERGY



06. CREATION OF VALUE



07. EMPLOYEES



08. SOCIETY



09. DIALOGUE WITH STAKEHOLDERS



10. THE ENVIRONMENT



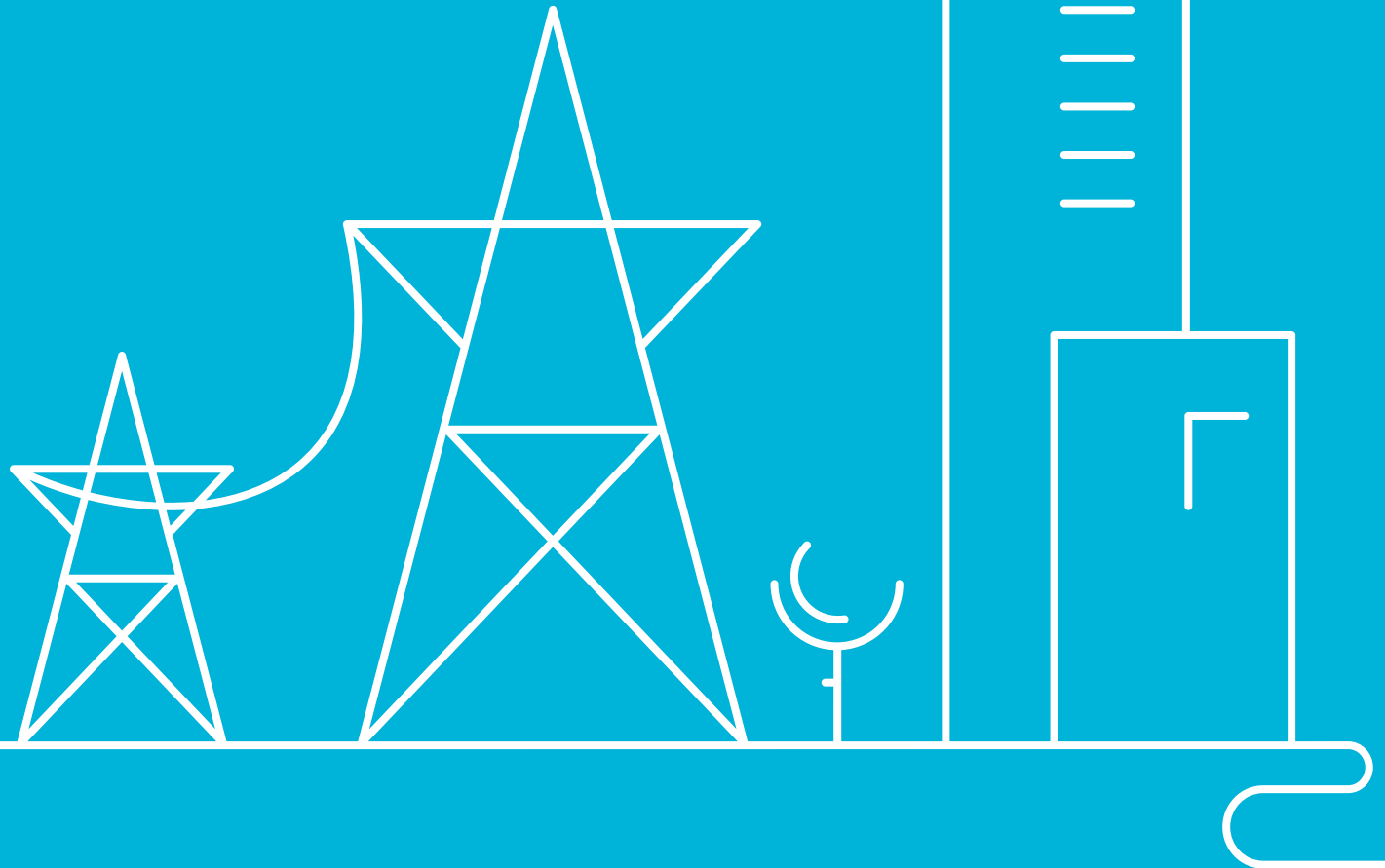
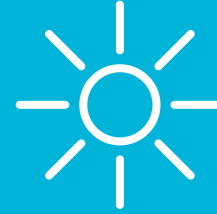
ANNEXES



THE COMPANY

01

Connected to a secure and sustainable energy future





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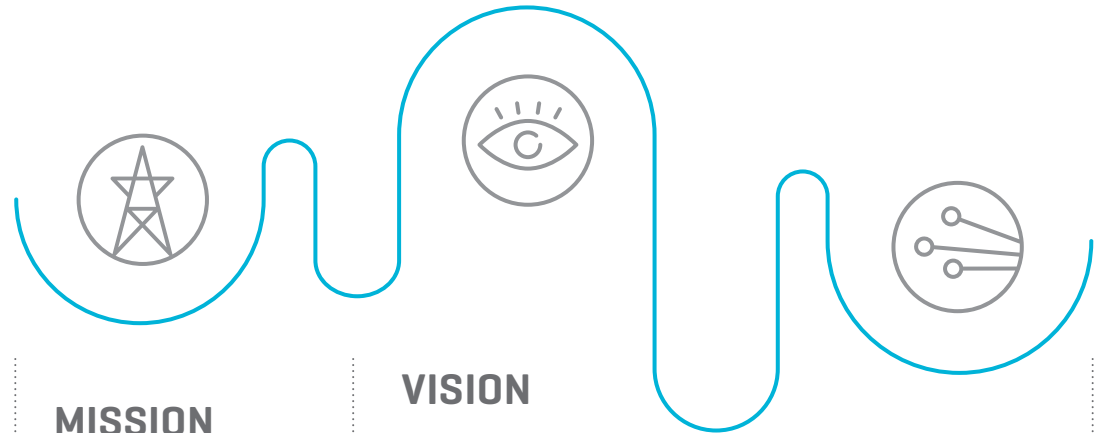
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Red Eléctrica, a TSO of international reference.

Red Eléctrica is the sole transmission agent and operator (TSO) of the Spanish electricity system. The Company carries out this responsibility with transparency, neutrality, independence and economic efficiency, with the aim of providing the highest quality electricity service for society as a whole.



A complete picture of the Company in the 'About us' section of the corporate website.



MISSION

Red Eléctrica has the mission of ensuring the continuity and security of the electricity supply and the effective coordination of the electricity generation and transmission system. Additionally, it is responsible for the transmission of high voltage electricity and it builds, maintains and operates the facilities of the transmission grid.

VISION

The goal is to be one of the leading companies in the management of electricity systems, recognised for offering a quality service of the highest standards, implementing ethical management, maintaining a firm commitment towards sustainable development and generating value for all our stakeholders.

VALUES

- Responsibility
- Respect
- Reliability
- Environmental awareness
- Leadership and creativity



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Structure of the Red Eléctrica Group

A GROUP WITH A 'HOLDING' STRUCTURE [G4-3, G4-7, G4-17]

With the objective of reinforcing the separation and transparency of the regulated activities in Spain from the rest of the activities, the organisational structure of the Company was transformed into a holding structure in 2008.

WORKFORCE OF THE GROUP

Nº

AS AT 31.12.15

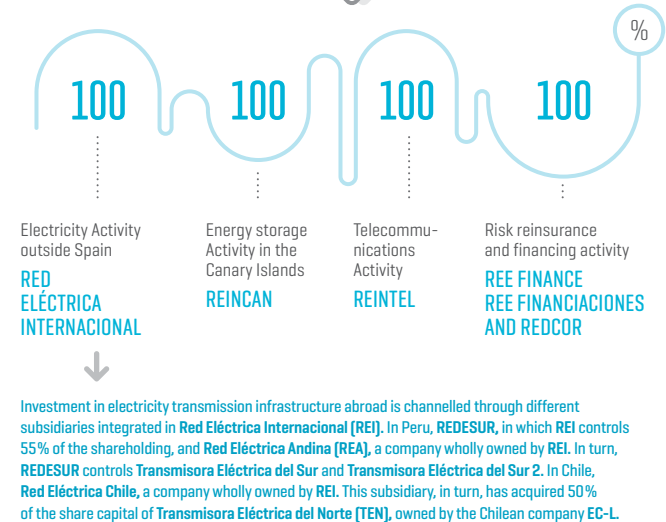
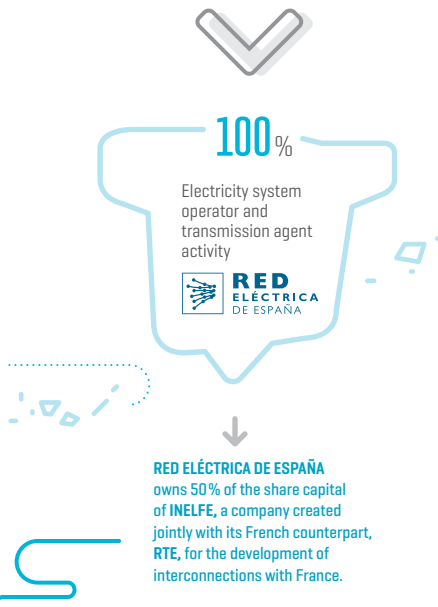
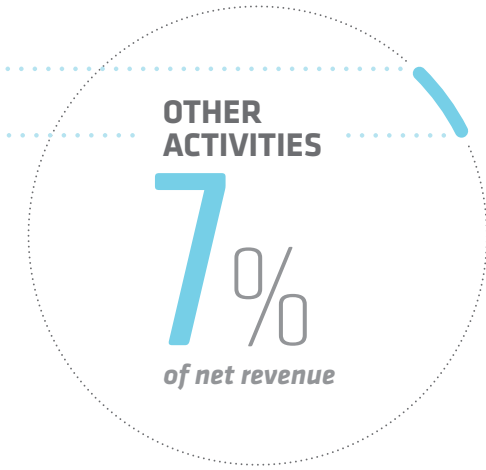
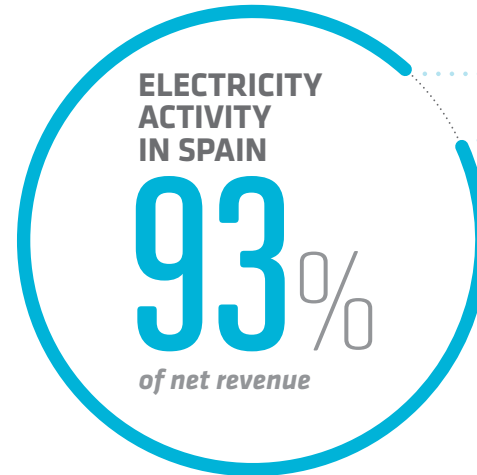
Red Eléctrica Corporación	7
Red Eléctrica de España	1,690
Red Eléctrica Internacional	3
REINTEL	9
REINCAN	4
REDESUR	17
TESUR	2
TESUR2	4
REA	29
REDCOR	1
Total	1,763

Note: The data regarding total workforce does not coincide with the sum of all the companies of the Group due to the fact that two employees belong simultaneously to the staff of more than one company.



In the Consolidated Annual Accounts Report.

RED ELÉCTRICA CORPORACIÓN





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Electricity activity in Spain [G4-4, G4-6, G4-8]

Red Eléctrica de España carries out the Group's core business as transmission agent and system operator in Spanish territory. In the performance of this activity it undertakes the responsibility to:

- Develop, expand and maintain the transmission grid under uniform and efficient criteria.

- Manage the necessary and constant balance between electricity generation and demand, guaranteeing the continuity and security of supply at all times.

Red Eléctrica owns the entire Spanish high-voltage electricity transmission grid and, through its electricity control centres, it operates both the peninsular

and non-peninsular electricity systems, 24 hours a day, 365 days a year. Furthermore, it is a world reference in the safe integration of renewable energy into the electricity system.

Red Eléctrica **is the owner of the entire Spanish** high-voltage transmission grid and is a world reference in the integration of renewable energies.

CIRCUIT OF LINE



42,986
km
IN SERVICE
In 2015

INTEGRATION OF RENEWABLES IN 2015



92.9
TWh
37% of demand



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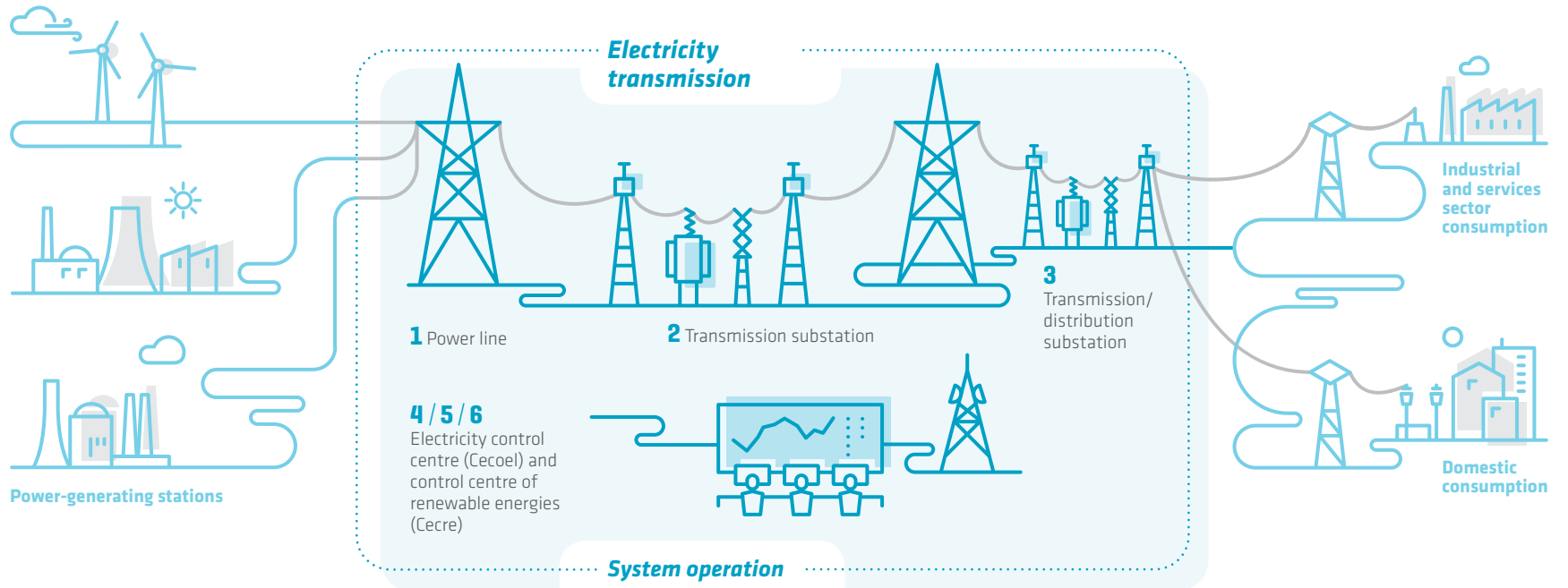
What we do

Electricity transmission activity

- 1** Red Eléctrica, through its transmission grid, evacuate the electricity generated by the power-generating stations.
- 2** Next, it transports the electricity, transformed into high-voltage, from the power-generating stations to the distribution networks.
- 3** Subsequently, it delivers the electricity, transformed into lower voltage levels, to the distribution companies who then deliver it to the final consumer.

System operation activity

- 4** For this process to work, Red Eléctrica has to operate the system maintaining the constant balance between generation and consumption, due to the fact that electrical energy cannot be stored in large quantities.
- 5** To do this, Red Eléctrica forecasts the electricity consumption that is going to be demanded nationwide throughout the day. Power stations use this forecast to schedule their production.
- 6** Red Eléctrica, through its Electricity Control Centre (CECOEL), is responsible for maintaining the balance between the scheduled production and the energy demanded at each moment. And, as demand varies, it sends the appropriate orders to the power stations to adjust their production.



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Other activities [G4-13]

INTERNATIONAL ACTIVITY

For the Company, the development of International business is a natural growth path which is centred mainly on the construction and operation of transmission grids outside Spain. To boost this business, Red Eléctrica analyses corporate acquisitions and frequently participates in concession tenders. The objective is to invest in low-risk countries with stable regulatory environments, ensuring noteworthy participation in the shareholding structure and an involvement in the management process.

Red Eléctrica Internacional has been present in South America for more than 15 years, where it manages transmission grids while maintaining

excellent rates of availability of the facilities and a seamless collaboration with all stakeholders.

During 2015, the Company consolidated its presence in Peru and has entered the transmission business in Chile, increasing its positioning in the two neighbouring geographical areas of northern Chile and southern Peru.

New concession contracts in Peru

- In February 2015, Red Eléctrica Internacional and the Peruvian investment fund manager AC Captales, were awarded the concession contract for the 220 kV Azángaro-Juliaca-Puno line in southern Peru. The project, with a forecasted investment of 70 million dollars, includes the design, financing, construction, operation and maintenance of the line for 30 years.

- In December 2015, Red Eléctrica Internacional was also awarded the concession contract for the

220 kV Montalvo-Los Héroes line for a period of 30 years, representing an investment of 40 million dollars.

Acquisition in Chile

- In December 2015, Red Eléctrica Chile, a subsidiary of Red Eléctrica Internacional, and the Chilean Company E-CL, reached an agreement for the acquisition by Red Eléctrica of 50% of the share capital of Transmisora Eléctrica del Norte [TEN], owned by E-CL. With this acquisition both companies are jointly involved in the construction and commercial operation of the Mejillones-Cardones transmission line, which TEN is constructing. With an investment of over 780 million dollars, this line will be the first interconnection between the central and northern electricity subsystems of the country.

PRESENCE IN SOUTH AMERICA



IN 2015
**THREE
NEW
PROJECTS**

*Two in Peru
and one in Chile*



In the 'About us' section
of the corporate website.



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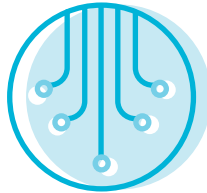
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TELECOMMUNICATIONS ACTIVITY

The telecommunications activity is based on the commercial operation and management of the surplus capacity of fibre optic networks and associated dark fibre infrastructure of the electricity transmission grid. Additionally, as of November 2014, it also includes the national rail network as a result of the acquisition of the transfer of the rights to operate and manage ADIF's-High Speed rail dark fibre optic network for the next 20 years.

This new dimension of the telecommunications business has required the creation in 2015 of a new subsidiary, Red Eléctrica Infraestructuras de Telecomunicación (REINTEL) and that is wholly owned by Red Eléctrica Corporación. Its main activity is the leasing of dark fibre and technical spaces in electricity substations and railway stations for operators to host their equipment for the provision of telecommunications services to customers.

REINTEL INFRASTRUCTURE



33,000
km
DARK OPTICAL FIBRE

And 800 points of presence and technical spaces



REINTEL
Manages a backbone network based on two basic infrastructures: the electricity grid and the railway network.

REINTEL, created in 2015, has become the first neutral provider of telecommunications infrastructure in Spain.

In this way, REINTEL positions itself as the first neutral provider of telecommunications infrastructure in Spain, through the use and management of a fibre optic network with national coverage, with access to rural and urban areas, and with both international connections and connections to the islands.

ENERGY STORAGE ACTIVITY IN THE CANARY ISLANDS

In September 2015, Red Eléctrica Infraestructuras en Canarias (REINCAN) was created; a company wholly owned by Red Eléctrica Corporación. The creation of this

subsidiary responds to the need to promote energy storage projects on the Canary Islands. Said projects will act as tools for the system operator in order to guarantee the electricity supply on the islands at all times, as well as to improve system security and optimise the integration of renewable energy. The project, with a budget of 320 million euros, for the construction of the Chira-Soria pumped-storage hydro power station, on the island of Gran Canaria, meets these objectives.



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Management structure [G4-34]

In order to respond to international best practices in corporate governance and to the commitment acquired with shareholders geared towards taking steps for

the separation of the positions of Chairman of the Board and CEO of the Company, the Board of Directors appointed Juan Lasala as CEO of the Red Eléctrica Group.

This new management structure not only contributes to maintaining the proper balance of powers on the Board of Directors, and improves the corporate governance structure of the Company, but also facilitates

the fulfilment of the new challenges and objectives set out in the Strategic Plan of the Red Eléctrica Group.

