

01

THE COMPANY

CONNECTED TO
A SECURE AND
**SUSTAINABLE ENERGY
FUTURE**



WHO WE ARE

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 an electricity service of the highest quality for society as a whole.

RED ELÉCTRICA'S MISSION is to ensure the proper functioning of the Spanish electricity system and guarantee the continuity and security of the electricity supply at all times

MISSION AND VISION

RED ELÉCTRICA, as TSO of the Spanish electricity system, 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.

Our vision is to be one of the leading companies in the transmission of electricity and the operation of high voltage electricity grids, recognised worldwide for offering a service of the highest quality, carrying out ethical and responsible management, maintaining a firm commitment to sustainable development and generating value for all our stakeholders.



More information and a complete overview of the Company in the 'About Us' section of the corporate website.

OUR VALUES



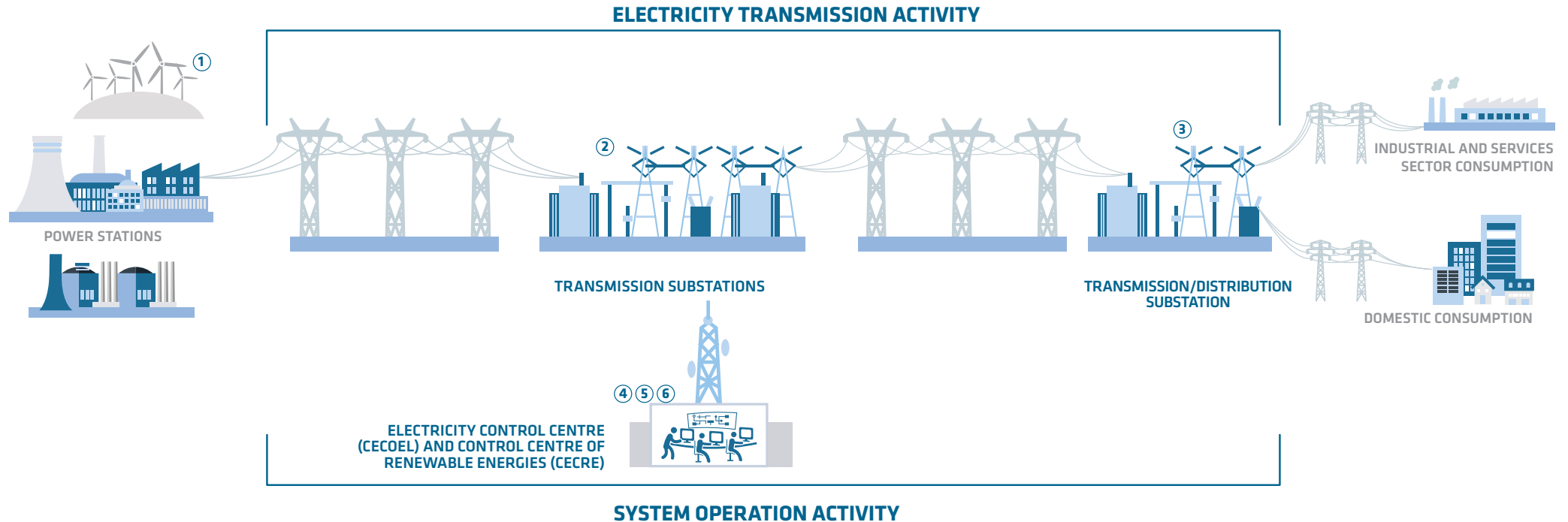
WHAT WE DO

ELECTRICITY TRANSMISSION ACTIVITY

1. The electricity supply process begins in the power stations, where electricity is generated.
2. Next, Red Eléctrica, through its high voltage transmission grid, is responsible for the transmission of electricity from the power stations to the distribution centres.
3. And from there, it is the distribution companies that finally distribute electricity to consumers.

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 electricity cannot be stored in large quantities.
5. Therefore, Red Eléctrica forecasts the national electricity consumption that is going to be demanded throughout the day.
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.



ELECTRICITY ACTIVITY IN SPAIN

[G4-4, G4-6, G4-8]

As the operator of the electricity system, Red Eléctrica is responsible for maintaining the constant balance that is necessary between electricity generation and demand, and for ensuring at all times the continuity and security of supply. Through its control centres, it operates both the peninsular electricity system and the non-peninsular systems.

As the transmission agent and manager of the grid, Red Eléctrica is responsible for the transmission of electricity from the power generation stations to the centres for distribution to consumers. In addition, the Company has the responsibility for developing, expanding and maintaining the transmission grid under homogeneous and efficient criteria. Red Eléctrica is the owner of the entire Spanish high voltage electricity transmission grid.

In 2008, INELFE was founded in order to construct the electricity interconnection with France. INELFE is a mixed capital corporation jointly owned in equal shares (50% by REE and 50% by RTE).

OTHER ACTIVITIES

Activities outside Spain

Electricity activity outside Spain is channelled through Red Eléctrica Internacional (REI) with investments in Peru (REDESUR, REA, and TESUR). These subsidiaries are responsible for the following: REDESUR, design, construction and operation of electricity transmission systems located in the south of Peru; TESUR, construction and operation, as per a 30 year concession contract, of the Tintaya-Socabaya line and associated substations; REA, provision of high

voltage electrical maintenance services. In 2014 The TESUR commissioned the aforementioned line.

Additionally, activities regarding risk reinsurance and financing of the Group are carried out through its subsidiaries REDCOR (Luxembourg), Red Eléctrica Finance (Netherlands) and Red Eléctrica Financiaciones (Spain).

THE TELECOMMUNICATIONS ACTIVITY is oriented to the commercial operation and management of the dark fibre optic network and associated infrastructure that is not engaged in the operation of the electricity system

Telecommunications activity [G4-13]

The telecommunications business being carried out by the Company is oriented towards the commercial use and management of the dark fibre optic network and associated infrastructure that is not engaged in the operation of the electricity system. Moreover, on 20 November 2014, the Company, through its subsidiary Red Eléctrica Internacional, formalised the transfer of the rights to use and manage ADIF's dark fibre optic network (not dedicated to the rail service), as well as as other associated elements, for a period of 20 years and for a total consideration of 433.7 million euros.

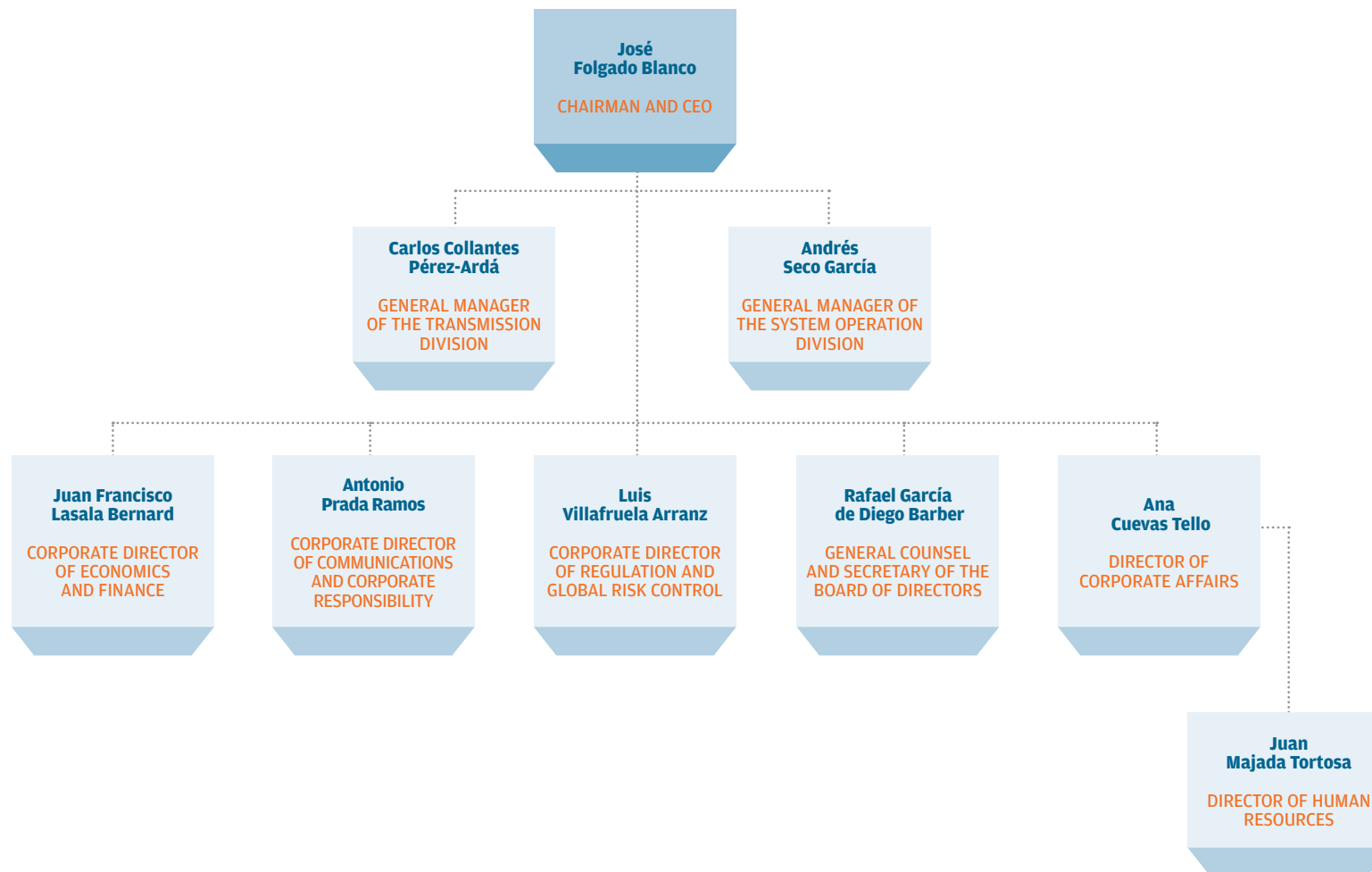
This transaction represents a significant operation for the expansion of the Company's business base. Through this transaction, Red Eléctrica Internacional doubles its current fibre optic network in commercial operation and now has a network of over 32,000 km deployed nationwide via the high voltage electricity transmission grid and the rail network. At present, the Company positions itself as a neutral provider of telecommunications infrastructure; its main customers being telecom operators and other private companies.



More information in the 'Activities' section of the corporate website.

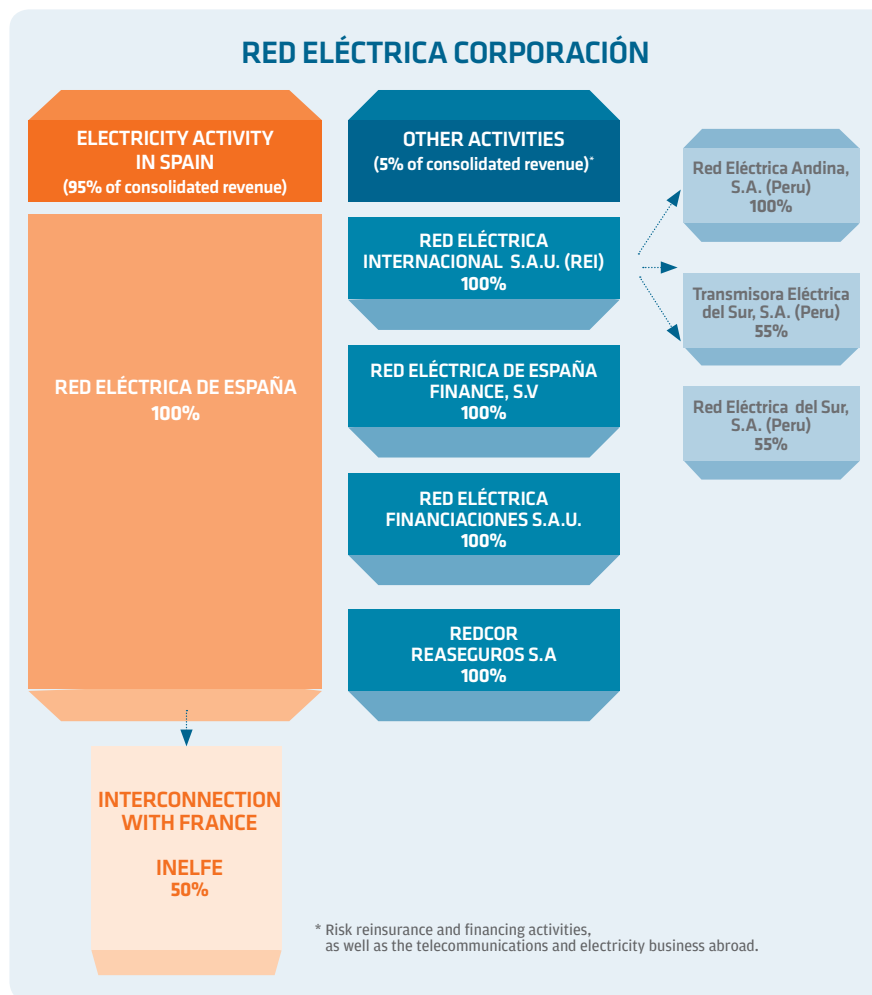
MANAGEMENT STRUCTURE. MANAGEMENT COMMITTEE

[G4-34]



RED ELÉCTRICA CORPORACIÓN, 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.



More information
in the *Consolidated
Annual
Accounts 2014.*

REGULATORY FRAMEWORK

THE BUSINESS ACTIVITIES

of Red Eléctrica are regulated by European and Spanish legislation. In the European sphere the following apply: Directive 2009/72/EC of the European Parliament and of the Council of 13 July 2009 and Regulation (EC) No 714/2009 of the European Parliament and of the Council of 13 July 2009.

In Spain, the electricity sector is regulated by Law 54/1997, of 27 November (Electricity Power Act), amended by Law 17/2007

of 4 July, that assigns Red Eléctrica the role of sole transmission agent. This Law was amended by the entry into force of Law 24/2013, of 26 December, on the Electricity Sector that establishes the rules that regulate the activities of Red Eléctrica.

In 2014, further steps were taken to obtain certification for Red Eléctrica as transmission grid manager, as required by Directive 2009/72/EC, following the approval of Order IET/2209/2014 of 20 November 2014, which

authorises and appoints Red Eléctrica de España, S.A.U. as electricity transmission grid manager, under an ownership unbundling model. To complete the certification process, there only remains for this appointment to be published in the "Official Journal of the European Union", in accordance with article 31.1 of Law 24/2013 of 26 December 2013.

In addition, on 27 December 2013 Royal Decree 1047/2013 was approved by the Council of Ministers establishing a new model

for calculating the remuneration of the electricity transmission activity. This new remuneration framework, expected to come into force as of 2016 after the transitory remuneration model applied in 2013 and 2014 defined in Royal Decree-Law 9/2013, of 12 July, was extended into 2015. Said decree establishes urgent measures to ensure the financial stability of the electricity system, defines a clear, stable and transparent methodology; and

IN 2014, RED ELÉCTRICA DE ESPAÑA, S.A.U. was appointed as transmission grid manager pursuant to Directive 2009/72/EC

serves to reinforce and clarify the principles and criteria for determining the remuneration for regulated activities in line with comparable European companies.



More information in the 'Regulatory framework' subsection in the 'About us' section of the corporate website.

PARTICIPATION IN ORGANISATIONS AND ASSOCIATIONS [G4-16]

RED ELÉCTRICA is present in various domestic and international organisations and actively collaborates with their governing bodies, standardisation and study committees and working groups. The goal is to help in the drafting of proposals regarding sustainability, legislation, regulation, operational rules and criteria regarding the operation of grids and electricity systems, especially within the sphere of the European Union.

ENTSO-E (EUROPEAN NETWORK OF TRANSMISSION SYSTEM OPERATORS FOR ELECTRICITY)

In 2014, this organisation continued with the drafting of Network Codes, and to which a tenth code titled Network Code on Emergency and Restoration has been added. This code is classified within the scope of operation in three areas: markets, operation and connection to networks.

Another important milestone in the development of the Network Codes is the Capacity Allocation and Congestion Management code that has passed the final scrutiny stage by the European Parliament and the European Council. Similarly, the following have also represented significant advancements: the development of Regula-

tion 347/2013, on guidelines for trans-European energy infrastructure, and the Ten Year Network Development Plan 2014 (TYNDP 2014), as well as the progress made on the integration of markets aimed at establishing the Internal Energy Market. In this last aspect, noteworthy are the developments carried out for the implementation of the ENTSO-E Transparency Platform, the coupling of the day-ahead markets of NWE (North West Europe) and the synchronised operations with SWE (South West Europe), performed simultaneously.

MED-TSO (ASSOCIATION OF THE TSO OF THE MEDITERRANEAN BASIN)

This association of the TSOs of the Mediterranean basin (Med-TSO), of which Red Eléctrica is a founding partner, aims to coordinate

plans for development and operation of the electricity grids in the countries of the Mediterranean basin.

CIGRE (INTERNATIONAL COUNCIL ON LARGE ELECTRIC SYSTEMS)

Organisation which groups together electricity companies, manufacturers of capital equipment and goods, engineering companies and research centres

from around the world with the aim of exchanging technical knowledge. Red Eléctrica holds the position of President and Secretary of the Spanish Committee.

GO 15 (RELIABLE AND SUSTAINABLE POWER GRIDS)

An international initiative which groups together the world's 17 largest Power Grid Operators, representing together more than 70% of the world's electricity demand. 2014 marked the 10th anniversary of this as-

sociation and the activities of the same have been rearranged into four main areas: flexible network resources, reliability and security of supply network, financial sustainability of the network and network intelligence.

IESOE (ELECTRICITY INTERCONNECTION WITH SOUTH EAST EUROPE)

This organisation groups together RTE (France), REN (Portugal), ONE (Morocco) and Red Eléctrica (Spain). Its aim is to analyse the behaviour of the electricity interconnection grid of these countries and draw up initiatives to perfect its operation. Red Eléctrica holds the position of Secretary of

this organisation. In 2014 improvements were made to the IESOE Platform, a common website which provides detailed and elaborate information on cross-border interconnections of the TSO members, through the incorporation of an Arabic language version of the platform.

TSO-INTERNATIONAL COMPARISON

An international association of European, Asiatic, South African and American Electricity System Operators. Its mission is to exchange information on present and future system operation practices, with the aim of establishing comparisons and benchmarks.

EELI (EDISON ELECTRIC INSTITUTE)

Association of electric power companies from the USA and affiliated international companies. Red Eléctrica participates in financial conferences with analysts and investors in the sector.