

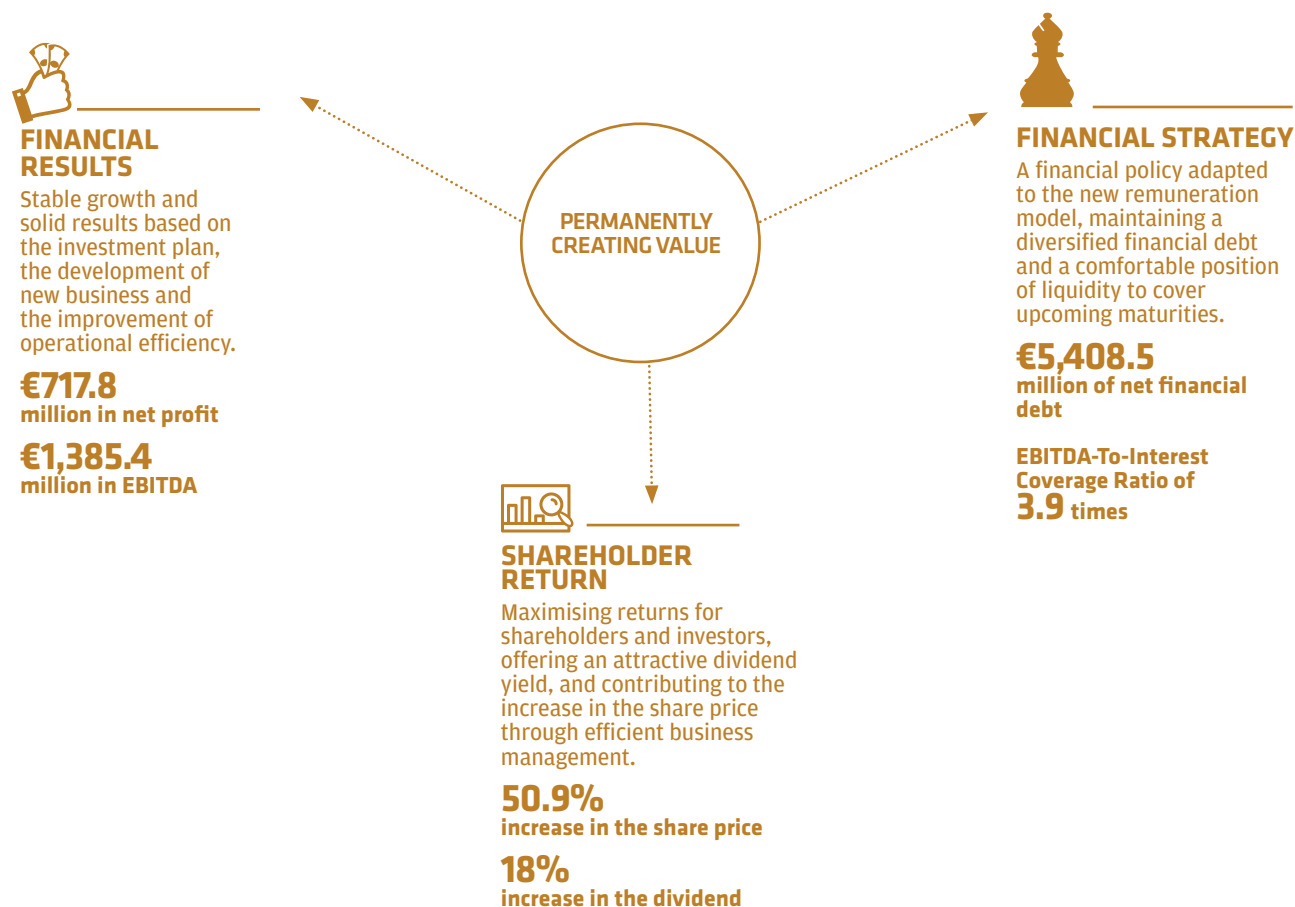
06

ECONOMIC
VALUE

CONNECTED
TO SOLID GROWTH
AND A CLEAR ORIENTATION
TOWARDS OPERATIONAL
**EFFICIENCY AND FINANCIAL
SOUNDNESS**



CORNERSTONES FOR THE CREATION OF ECONOMIC VALUE



EVOLUTION OF RESULTS [G4-9]

DURING 2014, Red Eléctrica managed to show stable growth. The Company achieved solid results and a significant strengthening of its core solvency ratios whilst maintaining a clear focus on operational efficiency and the permanent creation of value. The results for the year have been positively impacted by several one-off events such as the agreement with the State of Bolivia on compensation for TDE, the acquisition of the rights to use and operate ADIF's dark fibre optic network and the impact of tax reform (Law 27/2014).

Revenues in 2014, in like-for-like terms, amounted to 1,846.7 million euros and this equated to a growth rate of 5.0%. This increase is due to revenue associated with the commissioning of new transmission facilities during 2013, and the increase in income from the provision of system operation services set out in the 2014 Tariff Order. It is important to note that as of 20 November 2014, for the first time revenue associated with the rights to use and manage ADIF's dark fibre optic network was included.

Gross operating profit (EBITDA) reached 1,385.4 million euros, 6.4% more than in the previous year. The EBITDA performance has also been marked by the favourable evolution of operating costs.

For its part, profit for the year amounted to 717.8 million euros, 35.7% higher than that recorded the previous year as it contemplates a lower tax payment of 106.5 million euros in application of the new Law 27/2014 on Corporate Income Tax. This amount is due to the reduction in deferred tax liabilities as a result of lowering the tax rate from 30% to 28% in 2015 and

25% from 2016, and has no effect on the amounts paid by the Company throughout 2014 as a tax on earnings.

Exclusion of the impact on results of compensation for TDE, Law 27/2014 on Corporate Income Tax, and the agreement signed with ADIF at the end of the year, would have increased the profit for the year by 5.4%, exceeding the target set for 2014.

Investment in 2014 totalled 957.6 million euros and included 492.6 million euros for transmission grid development in Spain and 433.7 million euros for the acquisition of the rights to use and operate ADIF's dark fibre optic network.

IN 2014, RED ELÉCTRICA HAS OBTAINED solid results whilst maintaining a clear focus on operational efficiency and the permanent creation of value.

MAIN FINANCIAL INDICATORS

Million euros

| | 2013 | 2014 | △% |
|--------------------------------------|---------|----------|--------|
| Net Revenue | 1,758.3 | 1,846.7 | 5.0% |
| Gross operating result (EBITDA) | 1,301.9 | 1,385.4 | 6.4% |
| Net operating result (EBIT) | 898.7 | 949.2 | 5.6% |
| Net profit | 529.1 | 717.8 | 35.7% |
| ROE (PAT/Equity) | 23.8% | 28.1% | 18.2% |
| Cash flows from operating activities | 1,191.9 | 512.0 | -57.0% |
| Net financial debt | 4,541.2 | 5,408.5 | 19.1% |
| Net Equity | 2,224.6 | 2,552.5 | 14.7% |
| Gearing | 67.1% | 67.9% | 1.2% |
| Investments | 596.0 | 957.6 | 60.7% |
| Total assets | 9,419.9 | 10,558.0 | 12.1% |
| EBITDA-To-Interest Coverage Ratio | 3.49 | 3.90 | 12.0% |

ECONOMIC VALUE GENERATED AND DISTRIBUTED (REE Group) [G4-EC1]

Millions of euros

| | 2012 | 2013 | 2014 |
|---|-----------|-----------|-----------|
| Economic value generated | 1,802.0 | 1,805.8 | 1,884.1 |
| Net revenue | 1,755.3 | 1,758.3 | 1,846.7 |
| Other net incomes and losses ⁽¹⁾ | 46.7 | 47.5 | 37.4 |
| Economic value distributed to stakeholders | (1,177.6) | (1,208.0) | (1,122.3) |
| Employees: Personnel costs | (129.1) | (127.3) | (133.0) |
| Company: Tax on earnings ⁽²⁾ | (188.4) | (203.2) | (134.4) |
| Investment in the community | (4.1) | (4.0) | (5.7) |
| Suppliers: Other operating expenses ⁽³⁾ | (355.4) | (363.4) | (347.7) |
| Shareholders: Dividends ⁽⁴⁾ | (319.9) | (343.9) | (405.8) |
| Other capital providers: Net financial costs | (180.7) | (166.1) | (95.7) |
| Economic value retained | 624.4 | 597.8 | 761.9 |
| Reserves | 172.4 | 181.2 | 312.0 |
| Amortisation and depreciation ⁽⁵⁾ | 452.0 | 416.6 | 449.8 |

Note: Data obtained from Consolidated Annual Accounts.

(1) Includes: other operating income/net results obtained via equity method/results from divestment of non-current assets (divestitures)/ capital subsidies/other deferred incomes transferred to the fiscal year's results/works performed by the Company on its assets.

In 2014, 9.7 million of euros for capital subsidies received by Red Eléctrica for the construction of electricity facilities from government agencies and deductions for investments have been transferred to the result. More information in note 12 of the Consolidated Annual Accounts 2014. [G4-EC4]

(2) Costs due to Corporate Income Tax.

(3) Procurements and other operating costs (excluding investments in the community).

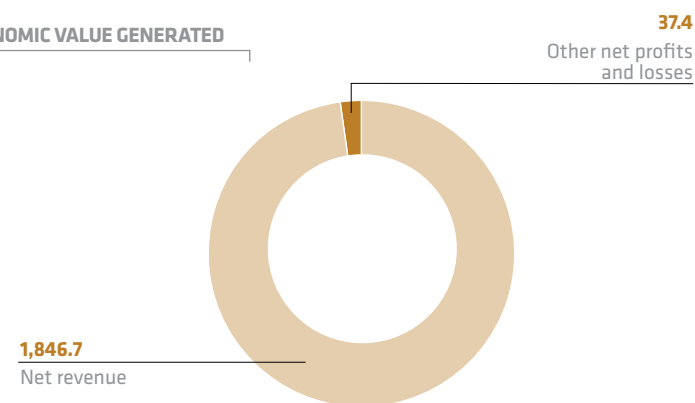
(4) Includes the interim dividend and complementary dividend.

(5) Includes: Amortisation / Depreciations (Includes mainly provisions for deterioration in asset value).

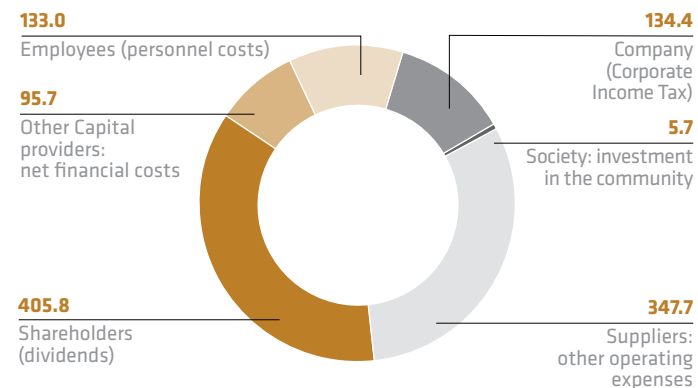
CREATING VALUE [G4-EC1]

Millions of euros

ECONOMIC VALUE GENERATED



ECONOMIC VALUE DISTRIBUTED

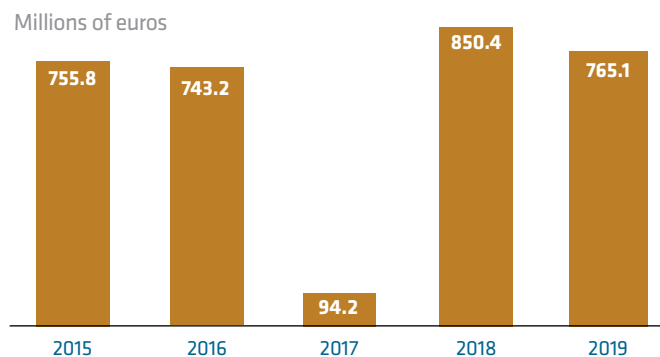


FINANCIAL STRATEGY

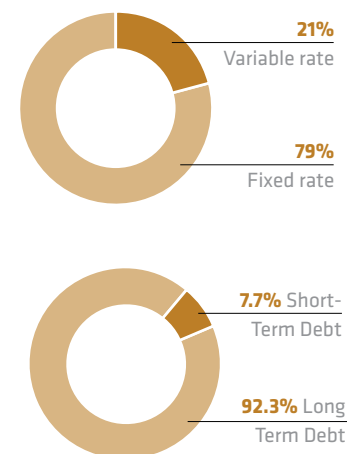
THE FINANCIAL STRATEGY traditionally followed by Red Eléctrica is geared towards reflecting the nature of its business, at all times adhering to legislation in force. In this regard, the Company maintains a liquidity policy that ensures compliance with payment commitments, diversifying the coverage of financing needs and debt maturities.

Transmission and operation of the electricity system are very capital-intensive activities, wherein investments mature over long periods. In addition, the remuneration of these assets is for periods of 40 years at rates linked to Spanish long-term government debt. Therefore, our financial debt is primarily long-term and referenced mainly at fixed rate. The weighted average term of maturity of debt drawn at the end of the year is 5 years.

FINANCIAL DEBT MATURITY 2015-2019



STRUCTURE OF FINANCIAL DEBT



Credit rating

RED ELÉCTRICA has been awarded long-term credit ratings of 'BBB' with a positive outlook and short-term 'A- 2' by Standard & Poor's. Meanwhile, Fitch awarded Red Eléctrica long-term rating of 'A-', also with a

positive outlook, and 'F2' in the short term. Both rating agencies indicated the predictability and recurrent earnings and strong balance sheet as strengths of the Company.



More information regarding the financial strategy in the 'Shareholders and Investors' section of the corporate website.

SHAREHOLDER RETURN

Stock market performance

STOCK MARKETS, for yet another year, mirrored the economic situation. Doubts about the strength of economic growth were becoming more apparent as the year progressed, the exception was the USA, and the stock markets reflected this situation.

The persistence of imbalances in major European economies and the delay of the ECB to bring in more aggressive monetary policies have cooled expectations that had been aroused for Europe. The situation has not

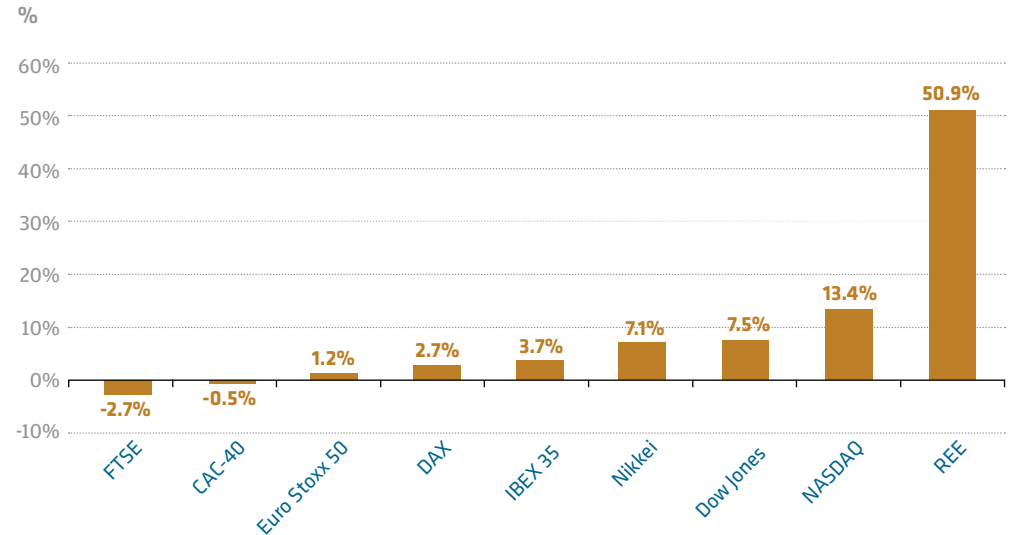
been more promising in developing countries that have suffered from the stagnation of exports and the fall in prices of raw materials: at this point it is worth highlighting in particular the fall in oil prices experienced in the second half of the year.

In this context noteworthy are the gains made by the US stock markets and which reflect the good time the USA is currently living, indexes such as the Standard & Poor's 500 or the Dow Jones have once again exceeded the record highs set in the previous year and have recorded gains of around 10%. The

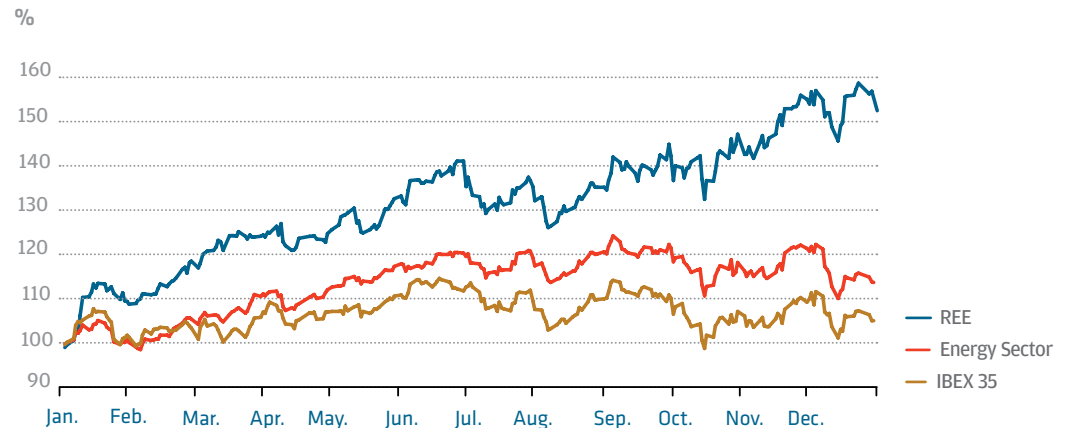
Nikkei gained 7% mainly due to new tax measures to boost the Japanese economy. In Europe, however, doubts about the recovery, have led to the most important European indexes having closed the year at levels very similar to those of last year.

The same could be said for the markets of developing countries, where the stagnation of exports and the fall in prices of raw materials have been felt in their stock markets.

COMPARISON OF RED ELÉCTRICA'S SHARE VALUE 2014



COMPARISON OF RED ELÉCTRICA'S SHARE VALUE 2014



More information regarding Red Electrica's shares in the 'Shareholders and Investors' section of the corporate website.

Red Eléctrica shares

THE STOCKMARKET performance of Red Eléctrica during 2014 can be described as extraordinary. The share price rose over 50% over the year in a business environment marked by the elimination of a great deal of the regulatory uncertainty associated with our core business, and also the improvement of the country's premium risk

which has led to investment in Spain as it is no longer considered high risk.

In 2014 as a whole, 241.5 million shares were traded, representing 1.79 times the capital of the Company. Purchases made in cash totalled 15,184 million euros, up on the previous year which totalled 13,171 million euros.

Distribution of dividends

RED ELÉCTRICA maintains its commitment to maximising the share value for its shareholder, offering on one hand, an attractive dividend yield and, on the other, contributing to the increase in the share price through the efficient management of its business. The direct shareholder return in the form of dividends increased by 18%

over the previous year. The gross dividend proposed at the General Shareholder's Meeting with a charge to 2014 profit, is 3 euros per share. On 2 January 2015, a gross interim dividend payout of 0.8323 euros gross per share was made, with 2.1677 euros per share pending distribution, as part of a gross complementary dividend.

MAIN STOCK MARKET INDICATORS

| | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---------------|---------------|---------------|---------------|---------------|
| Total number of shares | 135,270,000 | 135,270,000 | 135,270,000 | 135,270,000 | 135,270,000 |
| Number of shares in circulation (free float) | 108,216,000 | 108,216,000 | 108,216,000 | 108,216,000 | 108,216,000 |
| Face value of the share (euros) | 2 | 2 | 2 | 2 | 2 |
| Daily trading volume (shares) | | | | | |
| Maximum | 5,796,441 | 9,925,190 | 21,690,186 | 5,096,386 | 1,607,352 |
| Minimum | 186,526 | 288,027 | 81,925 | 69,150 | 85,033 |
| Share price (euros) | | | | | |
| Maximum | 40.755 | 43.89 | 39.75 | 48.50 | 74.95 |
| Minimum | 27.930 | 30.24 | 29.00 | 36.99 | 47.40 |
| Year end | 35.200 | 33.06 | 37.30 | 48.50 | 73.21 |
| Market capitalisation at close of fiscal year (euros) | 4,761,504,000 | 4,472,026,200 | 5,045,571,000 | 6,560,595,000 | 9,903,116,700 |
| Earnings per share (EPS) (euros) | 2.90 | 3.42 | 3.66 | 3.92 | 5.31 |
| Share price/EPS (number of times) | 12.14 | 9.66 | 10.19 | 12.37 | 13.78 |
| Dividend per share (in euros) | 1.8751 | 2.2124 | 2.3651 | 2.5422 | 3.0 |