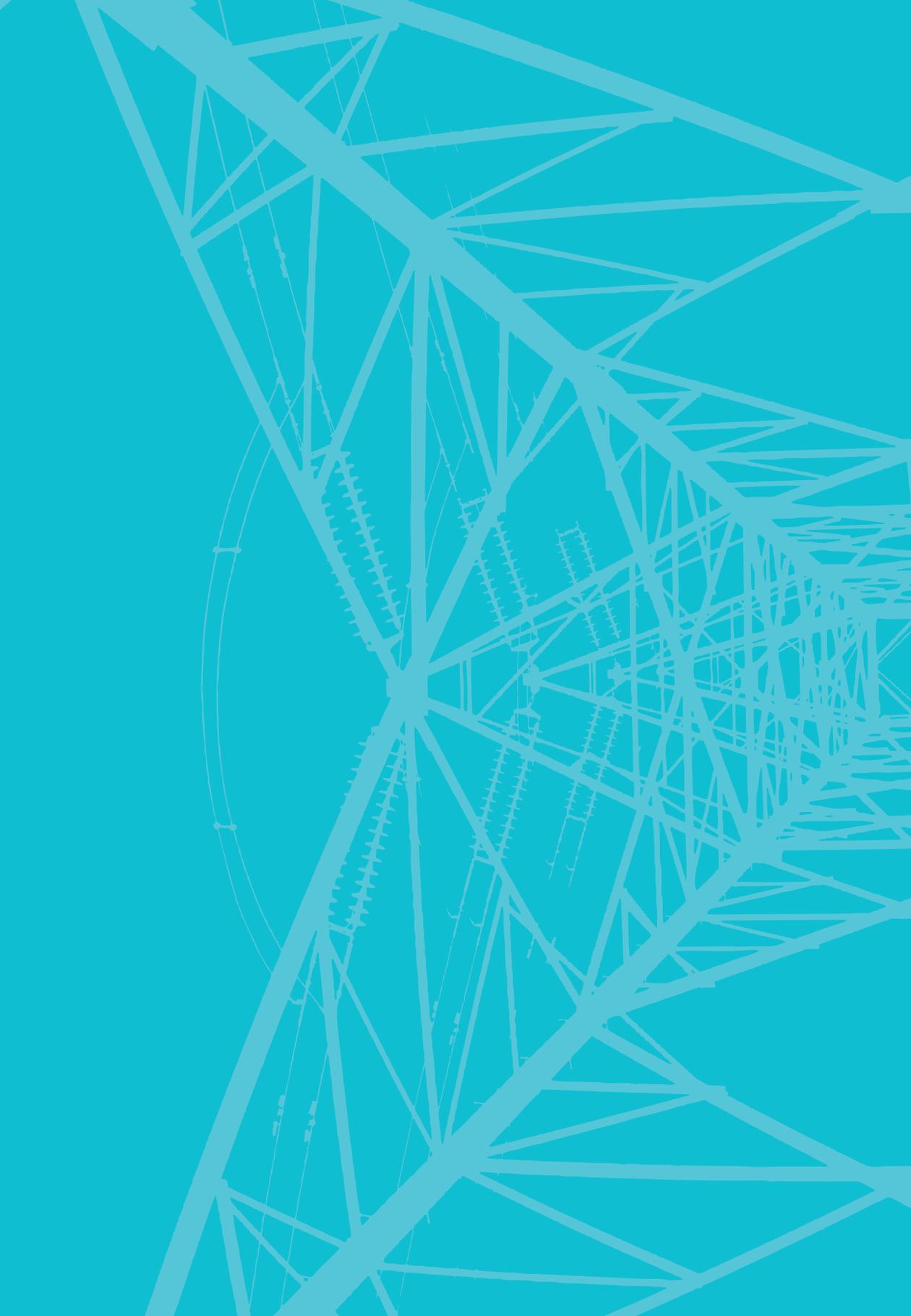


ANNUAL REPORT 2012 Summary

Towards a sustainable energy future



RED ELÉCTRICA CORPORACIÓN



**ANNUAL
REPORT**
2012
Summary



RED ELÉCTRICA CORPORACIÓN



MORE INFO

Scan the QR code below with a smartphone or tablet, or click on it with a mouse, to access further information about Red Eléctrica.



Website

All Red Eléctrica info can be found at: www.ree.es

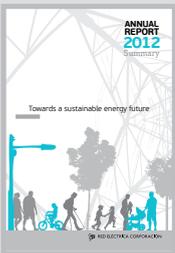
THIS REPORT IS A SUMMARISED VERSION OF THE ACTIVITIES

we performed in the 2012 fiscal year. The complete version of the Corporate Responsibility Report, as well as the legally required information (the Consolidated Annual Accounts and Corporate Governance Report), are published solely in electronic PDF format and are available on the corporate website: www.ree.es

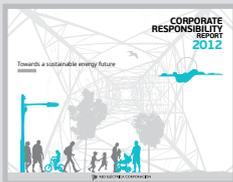
This is the fifth consecutive year that Red Eléctrica has published in this format - for two reasons. First, to improve communications with our stakeholders by displaying, in a simple summary, the key commitments and results of Red Eléctrica's corporate responsibility policy at the economic, social and environmental levels; and, secondly, to apply our policy of reducing the impact on the environment by printing fewer reports on paper.

This English version is a translation of the original and authentic Spanish text found in the "INFORME ANUAL - INFORME RESUMEN 2012" originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

Annual Report 2012 (Summary)



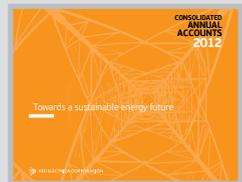
Corporate Responsibility Report 2012



Corporate Governance Report 2012



Consolidated Annual Accounts 2012



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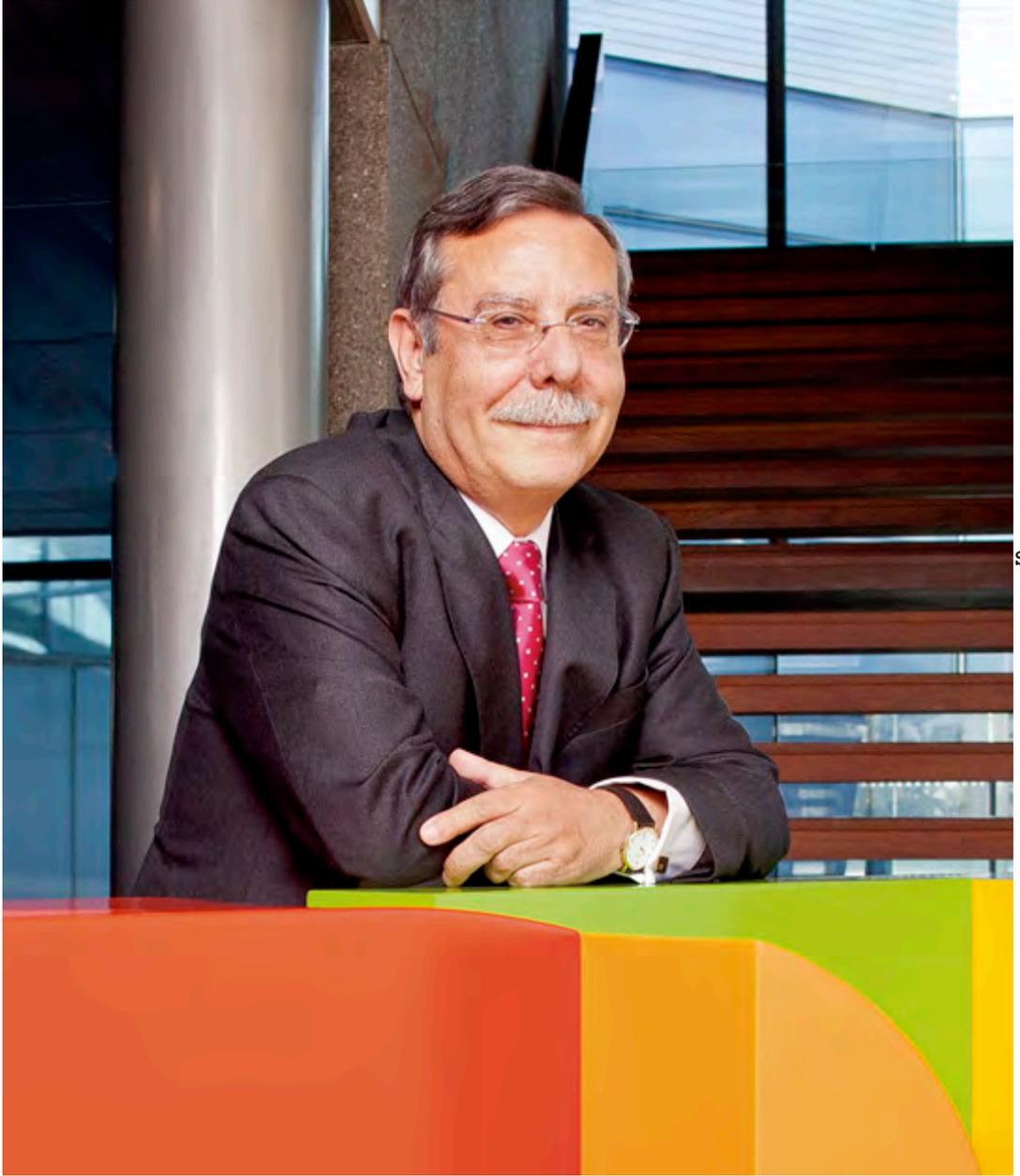


RED
ELÉCTRICA
CORPORACIÓN



Should you not be able to access the electronic version for any reason, request a printed copy be sent to you via the Dígame information service:

**Stakeholder
Attention Centre** | www.ree.es
digame@ree.es
tel.91 728 62 15
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José Folgado
Chairman of Red Eléctrica Corporación

“Red Eléctrica has demonstrated its strength by growing 6.9% in 2012”

What is your opinion on the current situation of the electricity sector in Spain?

In my opinion, we face two problems that weaken it: first, the huge tariff deficit accumulated over the years, that the government is trying to reduce through a series of regulatory measures and, secondly, the external dependence of our country regarding energy, close to 80% and well above that of other EU countries. Although the increasing integration of both renewable and nationally produced energy with own resources has enabled this to be reduced, this dependence is primarily responsible for the external imbalance of the Spanish economy, which has become, in recent years, one of the highest in the world in relative terms and is undoubtedly the main factor limiting progress.

How have these regulatory measures affected Red Eléctrica?

Clearly Red Eléctrica has not been immune to the austerity measures being undertaken in the electricity sector to address the inefficiencies created years ago. The payment of remuneration derived from the commissioning of facilities has been postponed one year; 2012 revenues were reduced by 45 million euros, as a result of linking remuneration to the net value of non-amortised assets, and the CPI is substituted for core inflation at constant tax rates as the new index for updating of our revenues. The effects of these measures require us to go even further down the path of operational efficiency, which is one of the permanent objectives of our Company. >>



» Do you think the pace of investment will continue in the years to come if the decline in electricity demand continues?

The fact that, nowadays, we have a surplus of installed capacity is not an obstacle to continue advancing with grid planning in the medium and long term. We must be aware that economic recovery would very quickly consume surpluses and that infrastructure development processes involve a long maturation period, between 8 and 10 years from the planning phase to the commissioning phase. I am convinced that the new 2014-2020 planning, which is in the drafting process, will take into account the new scenarios that arise, and will facilitate the transformation of the Spanish energy system so as to enable us to reduce dependence on foreign energy and meet the 2020 targets set by the European Union.

After having spoken about planning, let's take a look back and analyse the 2012 results. Which milestones particularly stand out from the point of view of business management?

To set the stage, it is important to highlight that the financial results for the year have been marked by the previously discussed

regulatory changes, meaning that the results were lower than initially forecasted. Even so, Red Eléctrica has been able to show steady growth throughout 2012, with a 6.9% increase in the financial results for the year compared to the previous year.

I would also like to highlight that our investment effort has continued to focus on the development and structural strengthening of the transmission grid. A total of 672 million euros has been invested to improve security of supply, help integrate renewable energy and provide an efficient and competitive electricity market.

Another milestone that I think is important to highlight is that in December the



“The investment plan for the period 2013-2017 is consistent with the current economic environment and foresees investments of around 550-600 million euros a year”

electricity interconnection between the Spanish peninsula and the Balearic Islands, fully operational since the middle of the year, covered a constant 25% of the energy consumed in the connected Islands, easily surpassing the original objectives regarding the quality, security of supply and cost savings for the system.

As an energy company, what would you highlight regarding the Company’s performance in the field of sustainability?

I think we are making a significant effort to integrate renewable energies, which are undoubtedly essential to reduce Spain’s energy dependence and reduce the emission of pollutant gases or, in other words, to

contribute to the European Union 2020 targets. Sustainability, nevertheless, is not limited solely to the field of economics or the environment; we can also speak of corporate governance and social sustainability. Red Eléctrica is moving forward in all these aspects.

Which specific measures are these advancements based on?

I am particularly proud of the progress we have made regarding equality. The Company has experienced a steady growth in the number of women, not only on the Board and in management positions but also in the team of professionals who make this Company what it is today. Regarding corporate governance, this year we have fulfilled all the recommendations of the





» Unified Code of Good Governance that apply to us. To this, we add the numerous measures we carry out regarding the conservation of biodiversity. I am not speaking of a personal perception, but of something that is recognised by leading sustainability indexes. We have been present in the Dow Jones Sustainability Indexes since 2005 and in October our Company was ranked as the best company in the utilities sector by the FTSE4Good index.

Looking to the future, what will be the high priority grid developments in the coming years?

The investment plan for the period 2013-2017 is consistent with the current economic environment and includes investments of between 550 and 600 million euros a year. Investment in the Spanish peninsula will amount to between 425 and 450 million euros per year; this figure includes international interconnections. Additionally, an estimated investment of 125-150 million euros a year will

be earmarked for the interconnections in the Islands, which will improve security of supply and reduce costs in the system as a whole.

What are the energy challenges facing us?

We must strive for greater electrification of the country, ensure security of supply, which demands further development of grid meshing, both on the Spanish peninsula and in the Islands, and reach a level of interconnection with the rest of Europe of at least 10% of installed capacity.



More Info
Video of the interview
with José Folgado.



“We will maintain a dividend growth in line with profit, with a payout of 65%. We will continue to focus our efforts on creating shareholder value”

But we must also back energy storage, and drive technologically innovative projects to address the major challenges, such as smart grids and supergrids, without forgetting the need to foster energy efficiency measures aimed at a more rational use of electricity.

But undoubtedly, the most important challenge is to ensure that energy becomes the driver for technological development, increased economic activity and job creation and is no longer a limiting factor for growth.

To conclude, let’s return to economic matters. What is Red Eléctrica’s dividend policy in the context of the crisis?

We will maintain a dividend growth in line with profit, with a payout of 65%. As it could not be any other way, we will continue to focus our efforts on creating shareholder value while maintaining a solid capital structure, improving our financial soundness and working on guaranteeing security of supply with quality and efficiency. ♦

Key figures for the 2012 fiscal year

KEY INDICATORS

Financial data (Group data in million euro) 	2010	2011	2012
Consolidated net revenue	1,397.3	1,637.3	1,755.3
Gross operating result (EBITDA)	1,001.9	1,215.2	1,299.1
Net operating result (EBIT)	688.5	843.8	859.9
After-tax profit	390.2	460.3	492.3
Operating cashflow after taxes	872.0	1,052.6	1,022.3
Net financial debt	4,756.6	4,692.9	4,872.5
Net equity	1,624.6	1,813.5	1,991.5
Total assets	8,283.9	8,765.5	9,215.2
Total investments	2,308.8	844.3	705.8
Dividend per share	1.8751	2.2124	2.3651

Social 	2010	2011	2012
Red Eléctrica de España workforce	1,618	1,633	1,646
Women (%)	22.5	22.7	22.7
Women in management positions (%)	16.2	17.6	19.4
Women on the Board (%)	27.3	27.3	36.4
Training per employee (hours)	99	96	71
Investment in training/personnel costs (%)	7.1	7.0	5.2
Accident frequency rate	7.09	3.96	5.34
Serious accident rate	2.34	2.21	0.27
Absenteeism rate	2.27	2.30	2.17
Contribution to the community (€ million)	7.5	8.4	4.1

CREDIT RATING (31.12.12)



Baa2

BBB

MOODY'S STANDARD & POOR'S

Both agencies value the strong strategic position of Red Eléctrica, its solid financial profile and adequate liquidity.

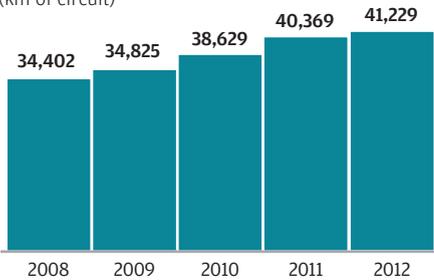
Environmental indicators

	2010	2011	2012
Environmental investment (€ million)	6.3	7.0	5.1
Environmental expenditure (€ million)	18.9	20.4	16.4
km of line in Red Natura/total km of line (%)	16.0	15.4	15.0
km of line in SPAs /total km of line (%)	11.4	11.2	10.9
km of line marked with bird-flight diverters	1,403	1,931	2,330
Average SF ₆ emission rate	1.26	1.16	0.99
Direct emissions (t of CO ₂ equivalent)	63,190	68,304	77,355
Indirect emissions (t of CO ₂ equivalent)	727,194	804,814	880,011
Non-hazardous waste (t)	556.7	782.8	1,531.0
Hazardous waste (t)	2,744.8	2,016.7	2,046.5

Business indicators

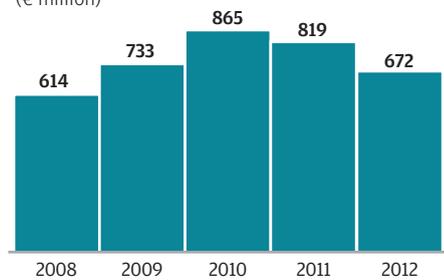
Transmission grid

(km of circuit)



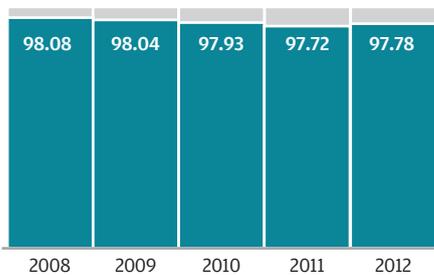
Investment in the grid

(€ million)



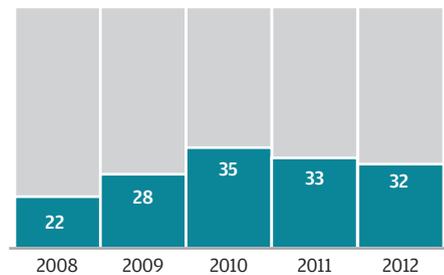
Quality of service

(% grid availability)



Integration of renewables

(% of demand)



INTERNATIONAL SUSTAINABILITY INDEXES



	2011	2012	Sector average 2012	Sector best 2012
Global rating	76	79	61	87
Economic dimension	80	79	65	92
Environmental dimension	69	77	54	89
Social dimension	80	81	63	93

Challenges

RED ELÉCTRICA IS CONTRIBUTING TO MAKING THE OBJECTIVES OF THE ENERGY POLICY AT THE EUROPEAN LEVEL A REALITY AND THESE OBJECTIVES ARE BASED ON COMPETITION, THROUGH THE DEVELOPMENT OF A SINGLE ENERGY MARKET, AND ON SUSTAINABILITY, THROUGH ENERGY EFFICIENCY, INNOVATION AND THE USE OF RENEWABLE ENERGY, RESULTING IN WHAT IS KNOWN AS THE 20/20/20 COMMITMENT. THESE ENERGY OBJECTIVES REFLECT THE NEED TO REDUCE DEPENDENCE ON FOREIGN ENERGY AND TO MEET THE CHALLENGE OF FIGHTING CLIMATE CHANGE.

1

Guarantee and security of the electricity supply



Investment on the Spanish peninsula in the period 2013-2017 will be around 425-450 million euros per year, this figure includes international interconnections. Additionally, an estimated investment of 125-150 million per year will be earmarked for interconnections in the Islands. One of the most important investments of this programme, from the point of view of security of supply and the structuring of the territory, is the Majorca-Ibiza submarine interconnection that will link the two electricity subsystems currently in the Balearic Islands (Majorca-Menorca and Ibiza-Formentera).

2

Strengthening interconnections with Europe

The Spanish electricity system does not reach the minimum level of interconnection, recommended by the European Union, which is 10% of the installed capacity. The first step to achieve this is already underway: the new interconnection through the Eastern Pyrenees, foreseen for 2014, will double the existing interconnection level from 1,400 to 2,800 megawatts. But this still leaves a shortfall. Therefore, a new interconnection is being considered for the 2020 horizon, from the Basque country, that would be submarine link through the Bay of Biscay.



“The consolidation of the electricity highway model at a European level will imply the transformation of the Spanish electricity system”

“Electricity highways make it possible to transport energy obtained from renewable sources over long distances, for example, solar power from North Africa, or wind power from the northwest of Norway or Scotland to Central Europe, and even may allow variations in renewable generation to be regulated also over a long distance, for example, Norwegian hydroelectric power could help to regulate variations in renewable generation in Germany or Spain.

In this context, I consider it important to highlight that the consolidation of the electricity highway model at a European level will imply the transformation of the Spanish electricity system into a ‘transit system to the North’, which would increase the specific weight of Spain in the European energy sector”

JOSÉ FOLGADO

Chairman of Red Eléctrica Corporación.



3

Development of electricity supergrids



The ambitious targets for 2020, and the European Union's 2050 roadmap, require the progressive development of electrification and supergrids, understood as supranational grids of high transmission capacity over long distances. This progressive development can help to balance the fluctuations inherent to renewable energies. Red Eléctrica will play an important role in shaping these electricity highways which will allow the optimum utilisation of renewable marine and terrestrial resources, and will provide support between electricity systems depending on the situation of the generation, the transmission grid and the demand existing in each one of them.

4

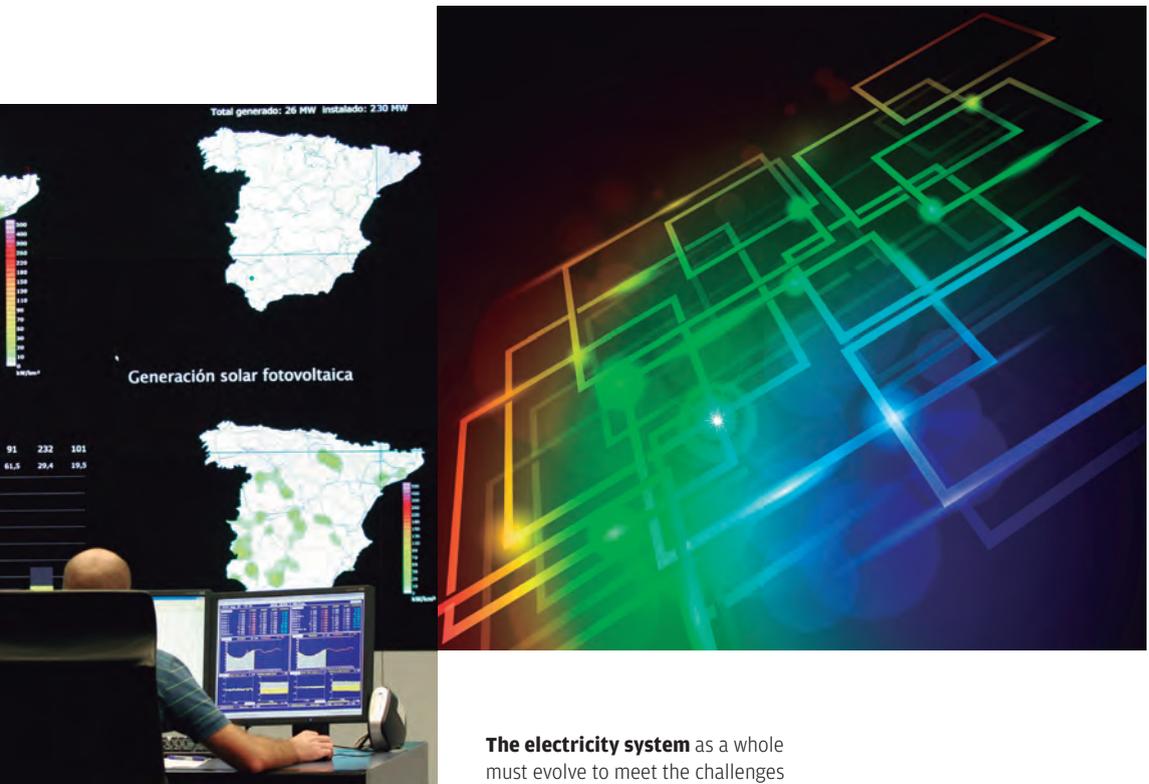
Reduction of energy dependence



Red Eléctrica continues to enhance the functionalities of its Renewable Energies Control Centre and provides new solutions for system operation aimed at integrating these energies, which are difficult to manage under secure conditions. This is making it possible for local energy sources to have an ever increasing role in the coverage of demand, thereby reducing our dependence on foreign energy.

5

Energy efficiency and smart grids



The electricity system as a whole must evolve to meet the challenges of achieving greater flexibility in the supply of electricity and the increase in energy efficiency. Red Eléctrica is driving various demand side management strategies aimed at addressing these challenges. In addition, we are laying the foundations of what these strategies could do, for the electricity system as a whole, upon implementation of the so-called smart grids which will play a major role over the coming years.



More info

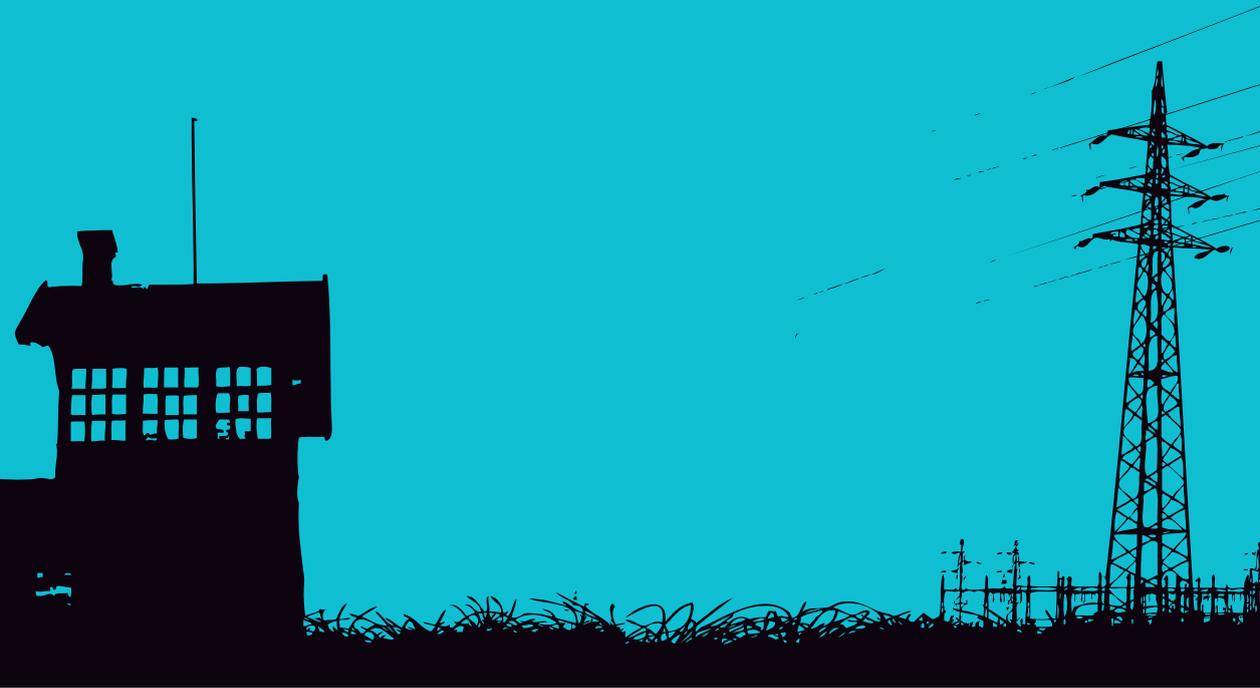
Video of the Control Centre of Renewable Energies (CECRE).



1

WE ARE ESSENTIAL TO A SUSTAINABLE ENERGY FUTURE

We act with transparency
and independence





Red Eléctrica is the sole transmission agent and operator (TSO) of the Spanish electricity system.

The Company carries out its mission with transparency and independence, with the aim of providing a secure, efficient electricity service of maximum quality for society as a whole.

RED ELÉCTRICA operates the Spanish electricity system, ensuring at all times the continuity and security of the electricity supply. It is also responsible for managing Spain's constant balance between electricity consumption and generation.

The functions of both transmission agent of high voltage electricity, and electricity system operator, make Red Eléctrica the key player regarding the functioning of the Spanish electricity system. Law 17/2007 confirmed these roles and granted it the function of sole transmission agent, converting it into the TSO (Transmission System Operator) of the Spanish electricity system.

Red Eléctrica is the owner of the entire Spanish high voltage electricity grid: an extensive meshed grid with more than 40,000 km of lines.

The holding company of the Group is Red Eléctrica Corporación, which has two dependent subsidiaries: Red Eléctrica de España, responsible for the electricity activities in Spain, and Red Eléctrica Internacional, responsible for the Group's activities abroad.

The 10 principles of our business management model

- » Maintain independence from the remaining electricity system agents.
- » Demonstrate neutrality and transparency.
- » Adopt best practices in good corporate governance.
- » Seek business excellence.
- » Minimise the impact of our activity on the environment, maintaining a firm commitment towards sustainable development.
- » Protect and preserve the natural environment.
- » Offer society a secure, efficient and quality service.
- » Create value for all stakeholders.
- » Promote dialogue, integration and social development.
- » Build an organisation based on people.

ELECTRICITY ACTIVITY IN SPAIN

Spanish electricity system operator

Red Eléctrica establishes the forecasts of electricity demand and manages the generation and transmission facilities in real time, constantly ensuring that scheduled generation in power stations matches the demand of consumers.

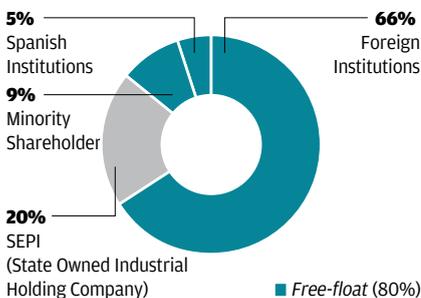
Manager of the grid and sole transmission agent

Red Eléctrica, in its role as manager of the high voltage grid, acts as the sole transmission agent and is responsible for the transmission of electricity from the generating power stations to the centres for distribution to consumers, carrying out this function under a regime of exclusivity.

In addition, it has the responsibility for developing, extending and maintaining the transmission grid under homogenous and coherent criteria. It is also responsible for managing the flow of energy between external systems and to ensure third party access to the grid under equal conditions.

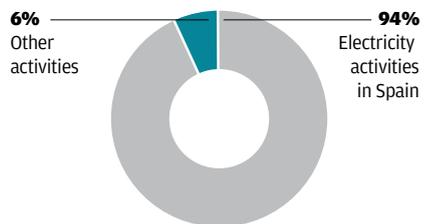
Shareholder structure

31.12.2012



Distribution of the net consolidated revenue

31.12.2012





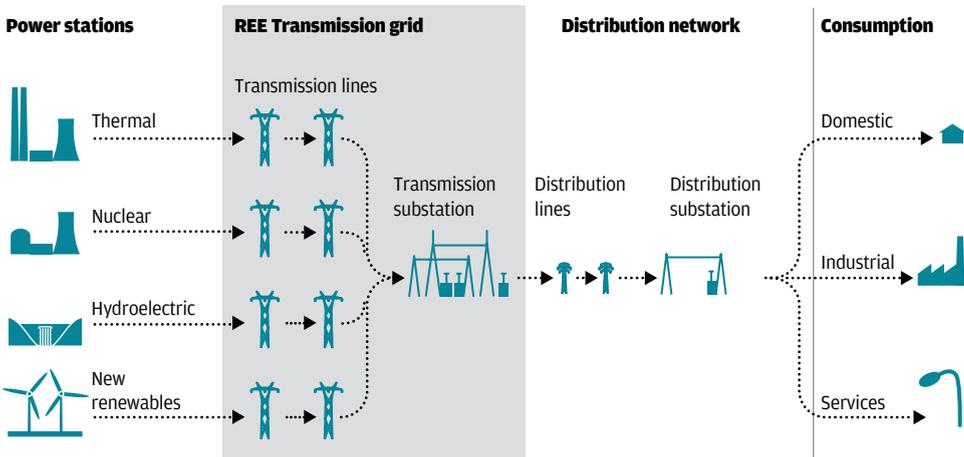
INTERNATIONAL ACTIVITY

Investment in transmission infrastructures in other countries is channelled through the Peruvian subsidiaries integrated into Red Eléctrica Internacional: REDESUR, in which it holds a 33.75% stake, Transmisora Eléctrica del Sur (TESUR), in which it holds a 55% stake and Red Eléctrica Andina (REA) which is wholly owned.

On 1 May 2012, the Bolivian government nationalised the company Transportadora de Electricidad (TDE), a subsidiary of Red Eléctrica. The adequate indemnification is yet to be determined. The stake it had in this company was of 99.4%.

How the electricity system works 31.12.2012

Red Eléctrica operates the Spanish electricity system in real time and is responsible for the high-voltage transmission of electricity



Red Eléctrica's Electricity Control Centre



Controls the power generation and transmission processes

More info

Video: 'The electricity tug-of-war!'



2

WE ADOPT BEST PRACTICES REGARDING GOOD CORPORATE GOVERNANCE MATTERS

Transparency is a strategic
objective of our business
management model





Transparency and good governance are an inherent part of the Company's vision, its corporate culture and its business management when dealing with the markets and stakeholders.

RULES OF GOVERNANCE APPLIED BY THE COMPANY

The corporate governance rules are an object of continuous modification to improve the Company's good governance practices and to achieve greater information transparency, with the aim of strengthening commitments and aligning interests between the Company and its shareholders.



**IN 2012
FULL COMPLIANCE
was achieved regarding
the applicable
corporate governance
recommendations contained
in the Unified Code of Good
Governance.**



1



2



3



4



5



6

THE COMPANY'S CORPORATE GOVERNANCE STRUCTURE

Advancing in the adoption and implementation of the best international recommendations on good corporate governance matters is a strategic objective in the business management of the Company. To this end, Red Eléctrica has a reduced, diverse, active and efficient Board, composed of 11 members, all of recognised professional distinction and with extensive experience.

CHAIRMAN AND CEO

1. José Folgado Blanco

EXTERNAL NOMINEE DIRECTORS PROPOSED BY SEPI

2. Alfredo Parra García-Moliner

Member of the Corporate Governance and Responsibility Committee.

3. Francisco Ruiz Jiménez

4. Fernando Fernández Méndez de Andés

Member of the Audit Committee.



More info

The Code of Ethics has a management system for handling consultations and reporting incidents. See the corporate website: www.ree.es





7

8

9

10

11

EXTERNAL INDEPENDENT DIRECTORS

5. María de los Ángeles Amador Millán

Member of the Audit Committee.

6. Miguel Boyer Salvador

7. Rui Manuel Janes Cartaxo

8. Paloma Sendín de Cáceres

Chairwoman of the Audit Committee.

9. Carmen Gómez de Barreda Tous de Monsalve

Member of the Corporate Governance and Responsibility Committee.

10. Juan E. Iranzo Martín

Chairman of the Corporate Governance and Responsibility Committee.

11. María José García Beato

SECRETARY OF THE BOARD

Rafael García de Diego Barber

Non-Director.

The Company's rules of governance

(as at 31 December 2012)

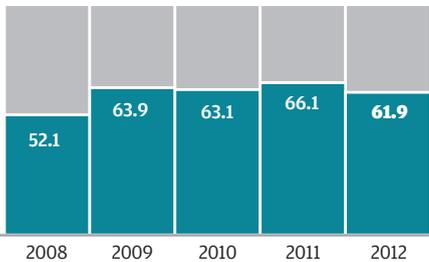
- » Articles of Association.
- » Regulations governing the Annual General Meeting.
- » Regulations governing the Board of Directors.
- » Succession Plan for the Chairman of the Company.
- » Internal Code of Conduct on the Securities Market.
- » Procedure for proxies, voting and information by remote means at the Annual General Meeting held in 2012.
- » Shareholders' Electronic Forum Operating Regulations (referring to the Annual General Meeting held in 2012).
- » Code of Ethics.



Annual General Meeting held in Madrid on 19 April 2012.

Percentage of attendees at the Annual General Meeting

(Percentage over share capital)



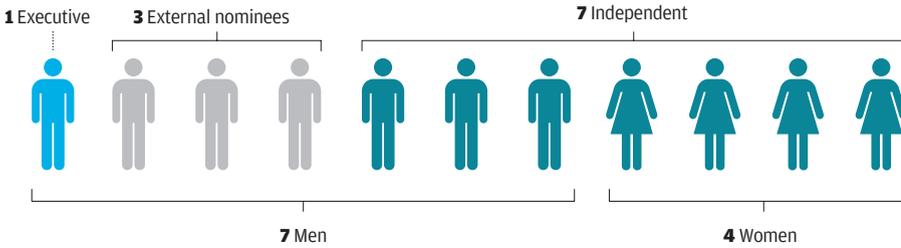
ANNUAL GENERAL MEETING

As part of our commitment to transparency and good corporate practices in the relationship and communication with shareholders, in 2012 we continued to improve the communication and information systems via electronic means, promoting our presence in social networks and by broadcasting the Meeting in audiovisual format via Internet with simultaneous translation in English.

CORPORATE GOVERNANCE PRACTICES APPLIED REGARDING THE ANNUAL GENERAL MEETING

- No minimum number of shares required to be able to attend the Meeting.
- Representation on the Board by any person, without the need to be a shareholder.
- Separate voting on each one of the matters submitted for approval at the Meeting.
- Board of Directors remuneration submitted for approval at the Meeting.
- Promoting the participation of shareholders in the Meeting via the implementation, since 2005, of the electronic voting system.
- Creation of a specific section on the corporate website with all the relative information regarding the Meeting.
- Live broadcast of the Meeting via Internet, with simultaneous translation in English.
- Shareholders' Electronic Forum.
- Dissemination via social networks.

Composition of the Board by position and gender



REDUCED BOARD OF DIRECTORS (11 members)

Majority (64%) independent Board members, 36% female members

COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors is composed of eleven members, with a majority (64%) of independent Board members.

The Board has two Committees: both presided over by independent Board members:

Audit Committee, composed of two independent male board members and one external male nominee. The committee is chaired by an independent female Board member.

Corporate Governance and Responsibility Committee, composed of two independent male Board members, and one external male nominee. The committee is chaired by an independent male Board member.

KEY CORPORATE GOVERNANCE PRACTICES APPLIED BY RED ELÉCTRICA IN RELATION TO THE BOARD

- Reduced Board of Directors composed of eleven members, as at 31 December 2012.
- Majority of independent board members, 64%.
- Gender diversity, 36% women on the Board. 40% of the external board members are women.
- Both committees are composed of a majority of independent members and all its members are external.
- Both committees are chaired by independent Board members.
- Annual evaluation of the Board, its committees and the Chairman of the Board by an independent external advisor.

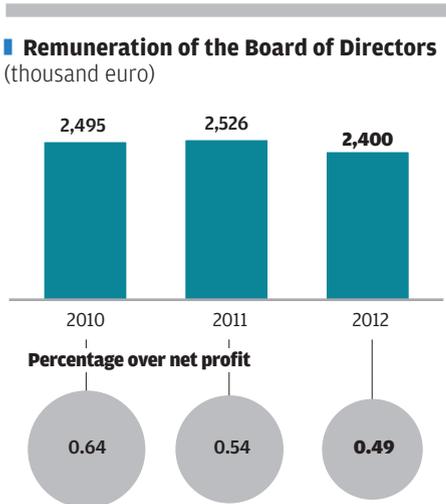


BOARD REMUNERATION POLICY

The main elements and aspects of the remuneration policy of the Board and the Senior Management are described in the Annual Report regarding the Remuneration of Board members and in the Annual Corporate Governance Report, published on the corporate website www.ree.es.

MAIN CHARACTERISTICS OF THE BOARD REMUNERATION POLICY

- Complete transparency and publication regarding the breakdown of the individual remuneration received by each Board member.
- A maximum statutory limit exists for the remuneration of the Board members.
- The remuneration of the Board of Directors and the Annual Report regarding the Remuneration of Board members are submitted for approval by the Annual General Meeting as two separate and independent topics on the agenda.
- The overall amount of the remuneration of the Board of Directors has remained unchanged from 2007 to 2011. The total remuneration of the Board, for all concepts, was reduced by about 5% in 2012 with respect to 2011.
- Linked to the performance of the Company and with the continuous reduction of its weighting in relation to the results of the Company.
- Remuneration aligned with the long term interests of the Company and the shareholders.



RISK MANAGEMENT

The Red Eléctrica Group has a risk policy that sets out the directives for ensuring that material risks, which could affect the objectives and activities of the Group, are systematically identified, assessed and controlled with uniform criteria and within the established risk limits.

The risk management system covers not only the risks associated to internal processes, but also those of the environment in which the Company carries out its activities. The system complies with the criteria set out in the ISO 31000 standard regarding risk management principles and directives.

Material risks are considered those related to:

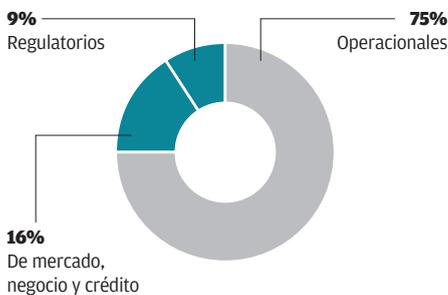
- » The sustained creation of value over time.
- » The continuity and quality of the energy supply in the electricity systems.
- » The construction of the electricity transmission grid infrastructures necessary to deal with future needs.
- » The compatibility of the aforementioned objectives within the social and environmental fabric.



More info
More information in the Annual Corporate Governance Report.



Risk structure



Climate risk management in electricity transmission infrastructures

During 2012, the first “Red Eléctrica’s Adaptation to Climate Change” report was drafted, in which the long-term implications of climate risks to the electricity transmission infrastructures were evaluated. In this sense, we have conducted an exhaustive analysis of climate projections and of the regulation on electricity transmission lines; and a Europe-wide benchmarking of projects and initiatives related to climate change adaptation in the field of energy.

3

WE WORK WITH A DETERMINED FOCUS ON CORPORATE RESPONSIBILITY AND EXCELLENCE

*Leader of utilities sector,
according to FTSE4Good index*





Red Eléctrica's objective is to consolidate itself as a sustainable, ethical and responsible Company, integrated into society, attentive to all its stakeholders.

TO BE A REFERENCE in the markets in which it operates is an essential objective for Red Eléctrica. The Company began along the path to excellence in 1999 adopting the EFQM management model (European Foundation for Quality Management), a standard for the quest for leadership, innovation and business competitiveness, both nationally and internationally.

In 2003, Red Eléctrica became the first Spanish electricity company to obtain the European Seal of Excellence +500 and in 2005 received the Príncipe Felipe award for Business Excellence.

In 2011, it received the European EFQM award for Business Excellence in the category 'Taking responsibility for a sustainable future'. In addition, Red Eléctrica was recognised for best practice in another two categories: "Achieving balanced results" and "Adding value for customers".

The long road towards business excellence

- » **1999:** we adopted the EFQM management model of excellence.
- » **2003:** European Seal of Excellence +500.
- » **2005:** Príncipe Felipe award for Business Excellence.
- » **2005:** listed in the Dow Jones Sustainability Indexes.
- » **2008:** listed in the FTSE4Good index.
- » **2011:** EFQM European award for Business Excellence.



CORPORATE RESPONSIBILITY MANAGEMENT

The corporate responsibility strategy of Red Eléctrica is defined by taking as a reference both the Company's strategic plan and the key actions that enable it. The corporate responsibility policy, as well as its management system, is established based on this strategy.

The corporate responsibility policy contains the principles governing the activities of the Company and the commitments it assumes and that guarantee a sustainable, ethical and responsible business management.

The management system consists of a set of structural elements of monitoring, evaluation and dissemination that ensure

an adequate management of the significant economic, social and environmental impacts of the Company's activities on its stakeholders. The most important elements of the corporate responsibility management system are:

- » A Corporate Governance and Responsibility Committee on the Board.
- » An organisational structure responsible for the coordination and monitoring of activities in this scope.
- » A stakeholder management system, aimed at generating shared value and improving mutual trust.
- » An evaluation system of the commitments undertaken.

In 2012 the first integrated audit of all certified corporate management systems was performed

QUALITY

ISO 9001

ENVIRONMENTAL

ISO 14001

EMAS

**OCCUPATIONAL
HEALTH AND SAFETY**

OHSAS 18001

**CORPORATE
RESPONSIBILITY**

SA 8000

EFR 1000

IQNet SR10

Global Compact Advanced Level OBTAINED

COMMITMENT TO EXTERNAL INITIATIVES

The commitment of the Red Eléctrica Group to sustainable development has led it to adopt and undertake the main international agreements in the field of corporate responsibility. Amongst them, noteworthy is the commitment to the Ten Principles of the UN Global Compact.

Key milestones of 2012

- » Execution of 56 corporate responsibility projects (with a degree of compliance of 82%).
- » Improvement in the ethical management system.
- » Advancements made in translating corporate responsibility criteria to the supply chain.
- » Inclusion of corporate responsibility in the integrated auditing of management systems.
- » The Stakeholder Attention Centre (Dígame), considered best practice by the EFQM in 2012.
- » Permanence in the main sustainability indexes.

Presence in the main sustainability indexes

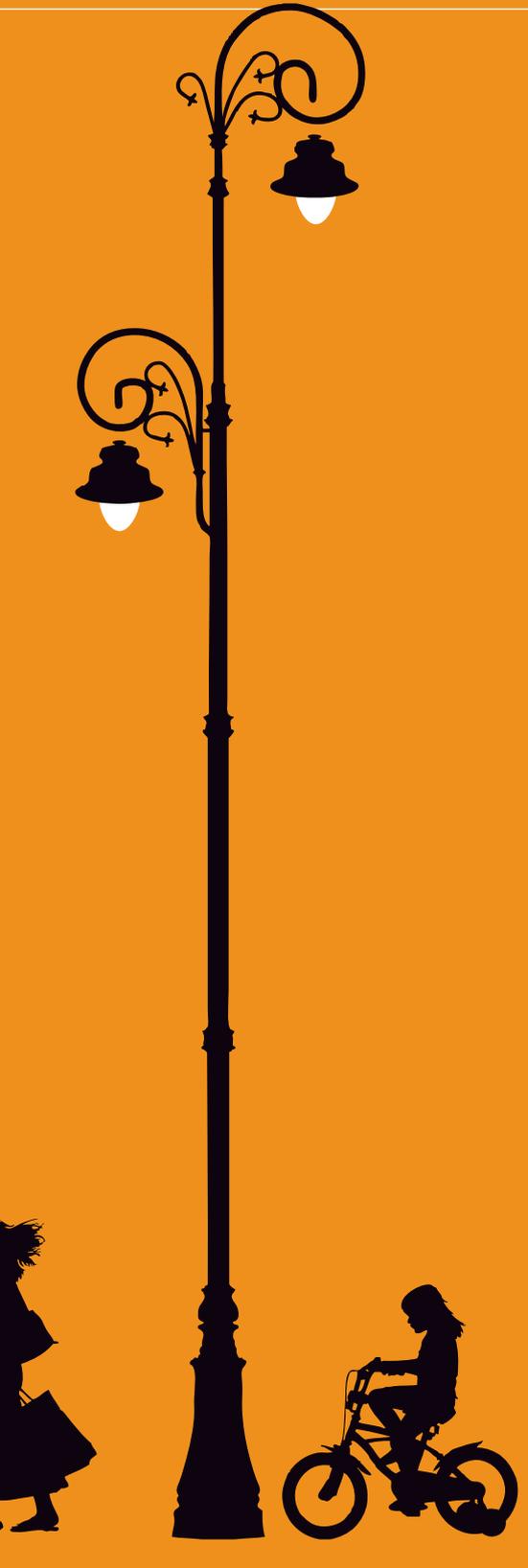


4

QUALITY, MANAGEMENT AND SUSTAINABLE DEVELOPMENT

We work towards making the
challenge of a sustainable energy
model a reality





The responsibility of Red Eléctrica is to provide a quality service to society through the efficient management of the operation of the electricity system and the sustainable development of the transmission grid.

THE PILLARS OF THE ENERGY POLICY in the European scope are based on competition, sustainability and energy efficiency, resulting in the commitment known as 20/20/20. These energy objectives respond to the need for reducing dependence on foreign energy and meeting the challenge of fighting climate change.

Red Eléctrica is successfully contributing to the realisation of this challenge. Thus, during 2012, the Company continued to invest in the development of electricity infrastructures, improving the meshing of grid nodes, creating new energy transmission axes and implementing new technical operating solutions that allow a greater advantage of renewable energies. All this, always oriented to security of supply, increased competition in the electricity market and the sustainability of the energy model.

Global challenges

- » Quality and security of supply.
- » Reduction in external energy dependence.
- » Energy saving and efficiency.
- » Promoting renewable energies.
- » Development of the internal energy market.
- » Development of interconnections.
- » Reduction of emissions.

Our response to these challenges

- » Development of a transmission grid which is both meshed and robust.
- » Strengthening of international interconnections.
- » Technical solutions for system operation for the safe integration of renewable energies.
- » Fostering demand-side management measures.
- » Smart grids and solutions for electric vehicles.
- » Participation in important projects regarding supranational supergrids.
- » Technological innovation.



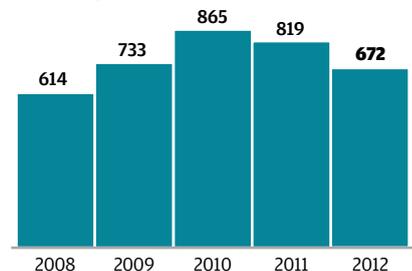
Electricity Control Centre (CECOEL)
Red Eléctrica de España.

QUALITY AND SECURITY OF THE ELECTRICITY SUPPLY

Red Eléctrica, as transmission agent and system operator, is responsible for ensuring the continuity and security of the electricity supply and to provide a quality, efficient and sustainable service.

Therefore, the Company is working on developing a transmission grid that is ever more meshed, robust and better connected with our neighbouring countries, so that it can provide greater transmission capacity and the highest level of quality of service to all consumers.

Investment in the transmission grid (million euro)





TRANSMISSION GRID DEVELOPMENT

In 2012, the investment efforts of Red Eléctrica continued to focus on the development and structural strengthening of the transmission grid. This grid strengthening, in addition to improving security of supply, is also helping to integrate renewable energies and to provide an efficient functioning of the system and competition within the electricity market.

In this fiscal year, 860 kilometres of new lines and 188 new substation bays came into service. Additionally, transformer capacity increased by 4,830 MVA.

MORE TRANSMISSION
grid in service 860 km
of new line in 2012

The main actions are geared towards:

- » Improving transmission grid meshing.
- » Facilitating the evacuation of the new installed generation.
- » Facilitating the powering of the new lines for the high speed train.
- » Supporting the distribution networks.

INTERNATIONAL INTERCONNECTIONS

For an efficient operation of the Spanish electricity system, it is essential to strengthen international interconnections and to have a greater electricity exchange capacity with our neighbouring countries so as to provide greater security of supply and a better use of renewable energy.

In the case of Spain, the need for investment in the strengthening of the interconnections is very important, as we have a very limited

level of interconnection with Europe. In this regard, strengthening interconnections and, in particular, the new interconnection line with France is the top priority in the development of the transmission grid.

More info

Video: 'New electricity line between Spain and France. A key infrastructure and a technological challenge'.



Peninsular and extra-peninsular transmission grids

	2008	2009	2010	2011	2012
km of 400 kV circuit	17,727	18,019	18,792	19,671	20,104
km of 220 kV circuit	16,600	16,732	17,565	18,412	18,836
km of 150-132-110 kV circuit	75	75	280	295	295
km of <110 kV circuit			1,991	1,991	1,994
Total km of circuit	34,402	34,825	38,629	40,369	41,229
Substation bays (400 kV)	1,057	1,118	1,189	1,253	1,319
Substation bays (220 kV)	2,113	2,280	2,662	2,819	2,941
Substation bays (150-132-110 kV)	4	4	47	52	52
Substation bays (<110 kV)			723	741	741
Total substation bays			4,621	4,865	5,053
Transformer capacity (MVA)	62,772	65,547	71,170	73,220	78,050

Service quality indicators

	2008	2009	2010	2011	2012
Grid availability (%)				97.72	97.78
Energy not supplied (ENS) (MWh)	574	437	1,552	259	113
Average interruption time (AIT) (minutes)	1.147	0.914	3.135	0.535	0.238

New interconnection with France

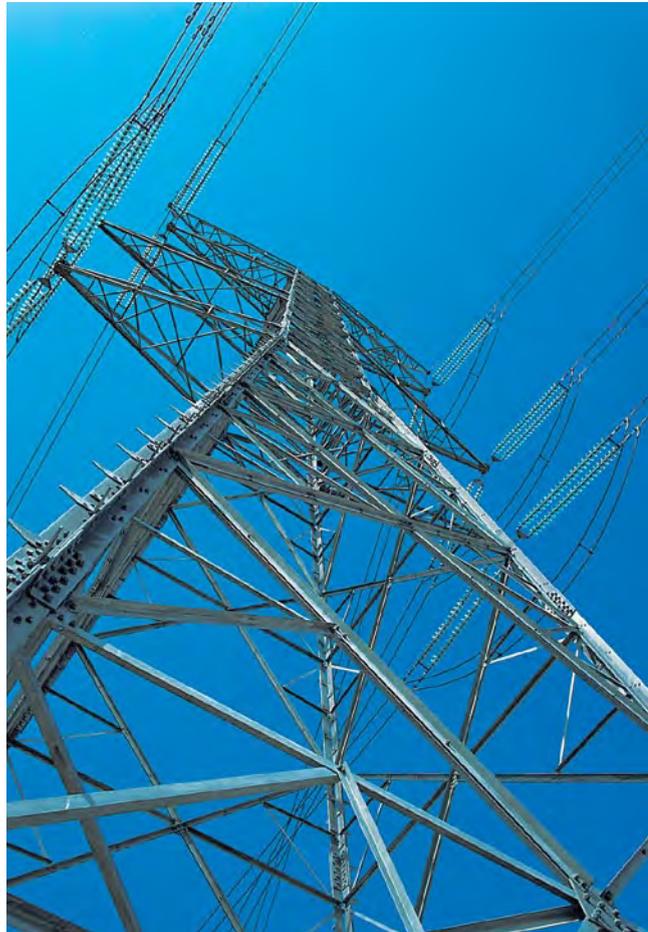
This new interconnection axis will double the existing capacity of electricity exchange between Spain and France, which will result in greater security and stability of the two electricity systems.

During 2012, all the necessary permits and administrative proceedings that are required for the project were completed, and work has continued to advance on the construction of the line.

Characteristics of the project

- » This is a 400 kV direct current connection which will increase the exchange capacity from 1,400 to 2,800 megawatts.
- » With a length of 65 kilometres, it will be entirely underground thanks to a trench system and its chosen route will make use of existing infrastructure wherever possible.
- » Two converter substations are to be constructed - one at each end of the connection - at Santa Llogaia (Spain) and Baixas (France), through which the transformation from direct to continuous current will be carried out, and vice versa. Construction work on these substations is underway and the civil works have been completed.
- » A tunnel (8.5 km long and 3.5 metres in diameter) will house the cables in the stretch that crosses the Pyrenees. To date, 47% of the route has been completed.

**THE NEW
INTERCONNECTION
with France will
double the exchange
capacity, from 1,400
to 2,800 megawatts**



Interconnection with Portugal

During 2012, work progressed on the southern axis (Andalusia-Algarve), which is scheduled for commissioning in 2013. At the same time, the administrative proceedings continued for the new northern interconnection (Galicia-Oporto). With these interconnections the objective of reaching a commercial exchange capacity with the neighbouring country of 3,000 MW will be achieved.



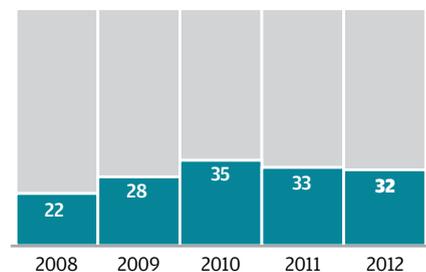
INTEGRATION OF RENEWABLE ENERGIES

In 2012, the CECRE (Renewable Energies Control Centre) has continued to be a pioneer and world reference in the monitoring and control of renewable energy, which has allowed demand coverage to be met using intermittent energies without the security and quality of supply being affected.

Its functioning has made it possible for renewable energies in 2012 to have represented 32% of the overall energy production in the peninsular system. For yet another year, noteworthy was the important role of wind power generation, whose contribution surpassed some of the all-time records: 64% of the demand coverage on 24 September; and 16,636 MW of instantaneous wind power reached on 18 April. The annual production of wind power represented almost 18%, which puts this technology in third place in terms of participation of the different types of energy in demand coverage.

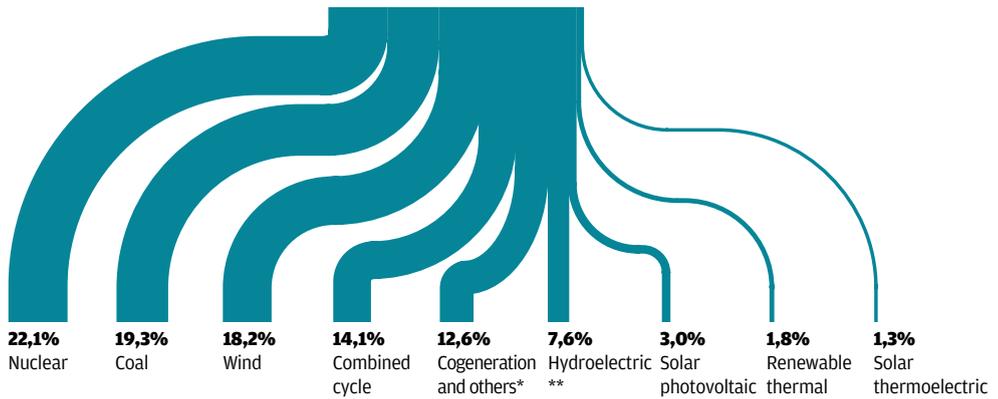
Spain is a world leader in the integration of renewable energy.

Renewable energies in demand coverage (Percentage)



Electricity demand coverage

2012



*Includes fuel, gas and non-renewable thermal

** Includes both the production from ordinary and special regime. Does not include pumped-storage generation.

RENEWABLE ENERGIES
32 % of total energy production in the peninsular system

ENERGY EFFICIENCY AND DEMAND-SIDE MANAGEMENT

In Red Eléctrica, we continue actively working on the development and dissemination of demand-side management measures aimed at making viable the energy efficiency targets set within the EU energy strategy for 2020.

In this regard, the demand-side management initiatives are aimed at encouraging demand for a more efficient and sustainable energy. Amongst these, noteworthy are those designed to achieve a more balanced consumption profile, in order to flatten the demand curve throughout the different times of day.

Smart grids

The entire electricity system must evolve to meet the challenges of achieving greater electricity supply flexibility and the paradigm shift in which electricity is not just a product that is consumed, but that those involved with the system are able to associate this product to the services demanded by end users. In this context, the move towards a smart grid is a key element to meet these challenges.



The electric vehicle will represent a great opportunity to improve the efficiency of the electricity system.

During 2012, Red Eléctrica participated in several working groups and initiatives carried out at both national and European level, putting forward its vision as the system operator. Moreover, in this area of development towards smart grids, Red Eléctrica continues the task of research and development of new models and technologies that enable the rapid incorporation of demand-side management measures in the electricity sector.

This year, especially noteworthy is the AGREGA project (aggregator of recharging in light industry) and the PRICE project, which aims to demonstrate the smart grid in ‘Henares corridor’ (an area near Madrid).

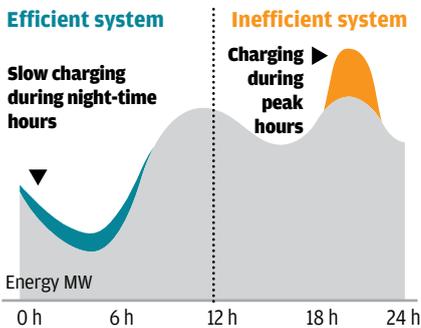
Electric vehicles

The introduction of electric vehicles will represent a substantial change in the patterns of mobility of our society. Moreover, it can become an ally to operate the system more efficiently, facilitating the integration of renewable energies, if and when the charging takes place in off-peak hours.

To improve the efficiency of the electricity system, it is very important that the electricity demand shifts to the off-peak hours, when the slow charging during night-time hours of electric cars can play a key role in the flattening of the demand curve.

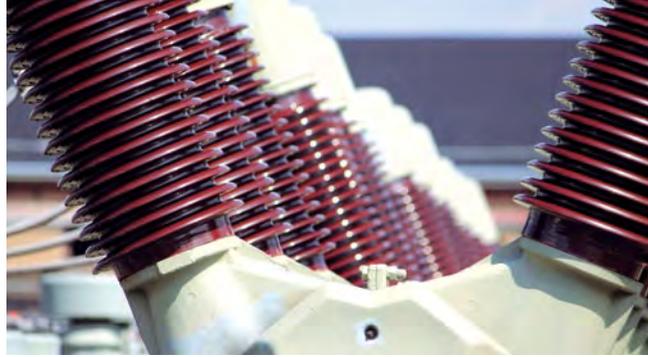
During 2012, Red Eléctrica participated in several projects related to the introduction of electric vehicles, such as the DOMOCELL project and the CENIT VERDE project. It also takes an active role in various working groups and dissemination initiatives in order to prepare the system operation for the introduction of this new type of demand.

Diagram of the charging system for the electric vehicle

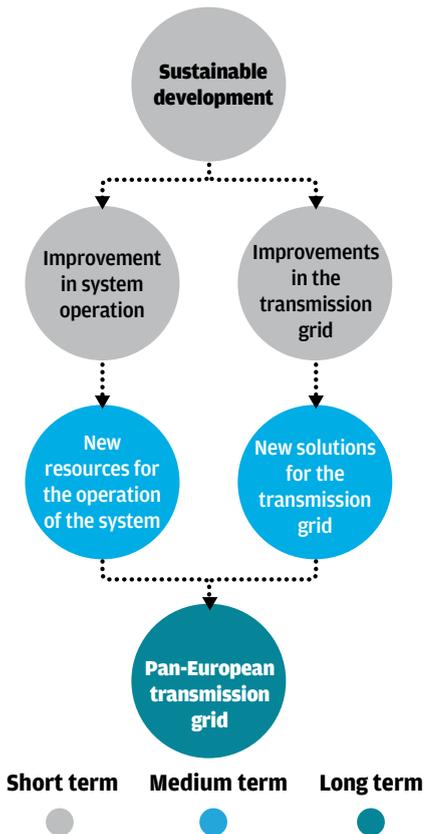


INNOVATION AND TECHNOLOGICAL DEVELOPMENT

In 2012, the implementation of the Innovation and Technological Development Plan, the main objective of which is to establish the operating framework for Red Eléctrica's 2012-2016 technology strategy. The key activities in which this plan is divided for the next few years are as follows:

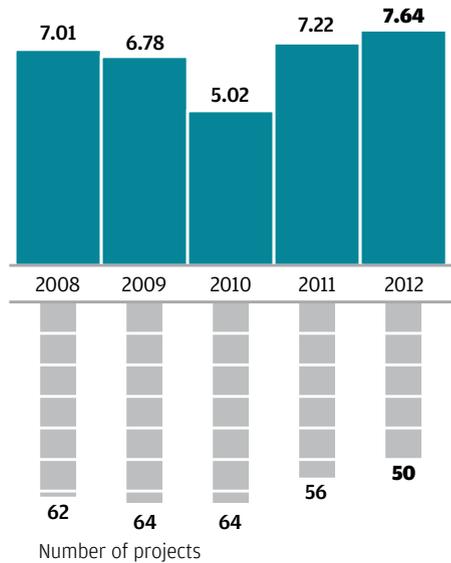


Key activities, 2012-2016



R&D+I expenditure

(million euro)



Regarding the dedication of resources, during 2012 a total of 168 technicians (of these, 26 are women, or 15.5%) collaborated on R&D+I projects, 10.2% of the Red Eléctrica workforce, with a commitment of 38,121 hours of work.

The background is a solid red color. On the left side, there are black silhouettes of a traffic light pole with two traffic lights, one at the top and one lower down. There are also silhouettes of tree branches extending from the left edge. In the center-right, there is a large white number '5'.

5

**OUR BUSINESS
MANAGEMENT IS
PERMANENTLY
ORIENTED
TOWARDS
CREATING VALUE**

We maintain a stable growth based on investment and improved efficiency



During 2012, Red Eléctrica obtained not only sound economic results but also a significant improvement in its capital ratios and strengthening of its financial soundness.

CONSOLIDATED NET REVENUE for the year reached 1.7553 billion euros, an increase of 7.2% on the same period the previous year.

The **gross operating result (EBITDA)** amounted to 1.2992 billion euros, representing an increase of 6.9% compared to 2011.

After-tax profit amounted to 492.3 million euros, representing an increase of 6.9% above that obtained in 2011.

On the other hand, the Red Eléctrica **share price** at year-end recorded a gain of 12.8%, in line with the average appreciation of the European markets, except for the Ibex 35, which suffered a fall of 4.7%.

■ Economic value generated and distributed (Group)*

(million euro)

	2010	2011	2012
Economic value generated	1,441.9	1,677.6	1,802.0
Consolidated net revenue	1,397.3	1,637.3	1,755.3
Other net incomes and losses	44.6	40.3	46.7
Economic value distributed to stakeholders	(981.6)	(1,133.9)	(1,177.6)
Employees:			
Personnel costs	(112.7)	(128.8)	(129.1)
Company:			
Tax on earnings	(170.3)	(223.4)	(188.4)
Investment in the community	(7.5)	(8.4)	(4.1)
Suppliers:			
Other operating expenses	(308.4)	(312.9)	(355.4)
Shareholders:			
Dividends	(253.6)	(299.3)	(319.9)
Other capital providers:			
Net financial results	(129.1)	(161.1)	(180.7)
Economic value retained	460.3	543.7	624.4
Reserves	136.6	161.0	172.4
Amortisation and depreciation	323.7	382.7	452.0

*Calculated using GRI methodology (Global Reporting Initiative).

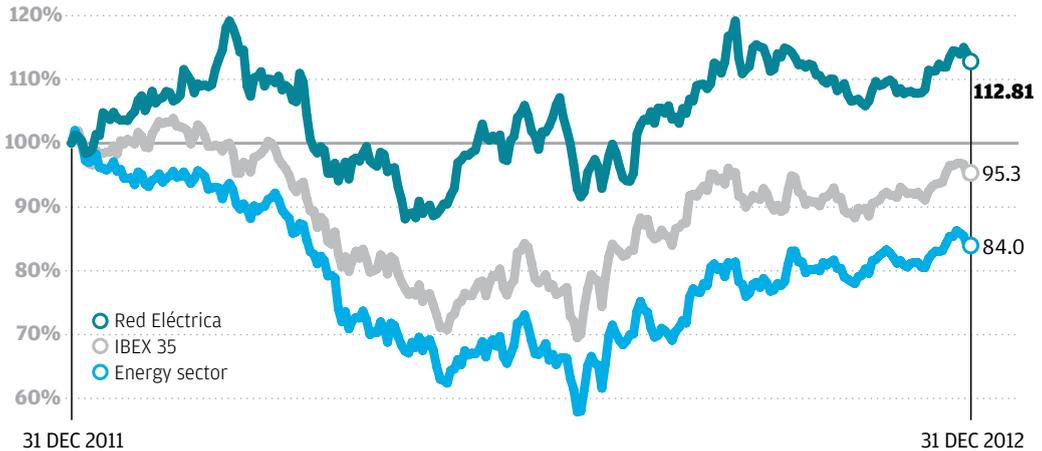
**DIVIDEND
DISTRIBUTION**
2.3651 euros per share,
with a payout of 65 %

STOCK MARKET PERFORMANCE

In 2012, the Spanish economy suffered intensely from the sovereign debt crisis, and as a result, the Ibex 35 racked up a loss of over 25% in early summer. Subsequently, the decisive action of the European Central Bank and economic progress in the European Union allowed for a recovery and it ended the year down 4.7%.

The behaviour of the value of Red Eléctrica has differed substantially from that of the Ibex 35. At year-end, it recorded a gain of 12.8%, largely in line with the average increase in value of European markets. The defensive nature of our share has allowed it to enjoy the preference of investors in 2012.

Comparison Red Eléctrica—Ibex 35—Energy sector



Objectives 2013-2017

- >> **Profits:** 6-8% growth in average cumulative rate over the period.
- >> **Dividend:** dividend growth in line with profits (payout of 65%).
- >> **Investment:** 550-600 million euros a year.

SHAREHOLDER REMUNERATION

Red Eléctrica maintains its commitment to maximising value for its shareholders, offering, on one hand, an attractive dividend yield and on the other, contributing to the revaluation of the share through the efficient management of its business. In the 2012 fiscal year, the direct remuneration of the shareholder in the form of dividends grew by 6.9% over the previous year.

STRATEGIC PLAN 2013-2017

Main strategic lines

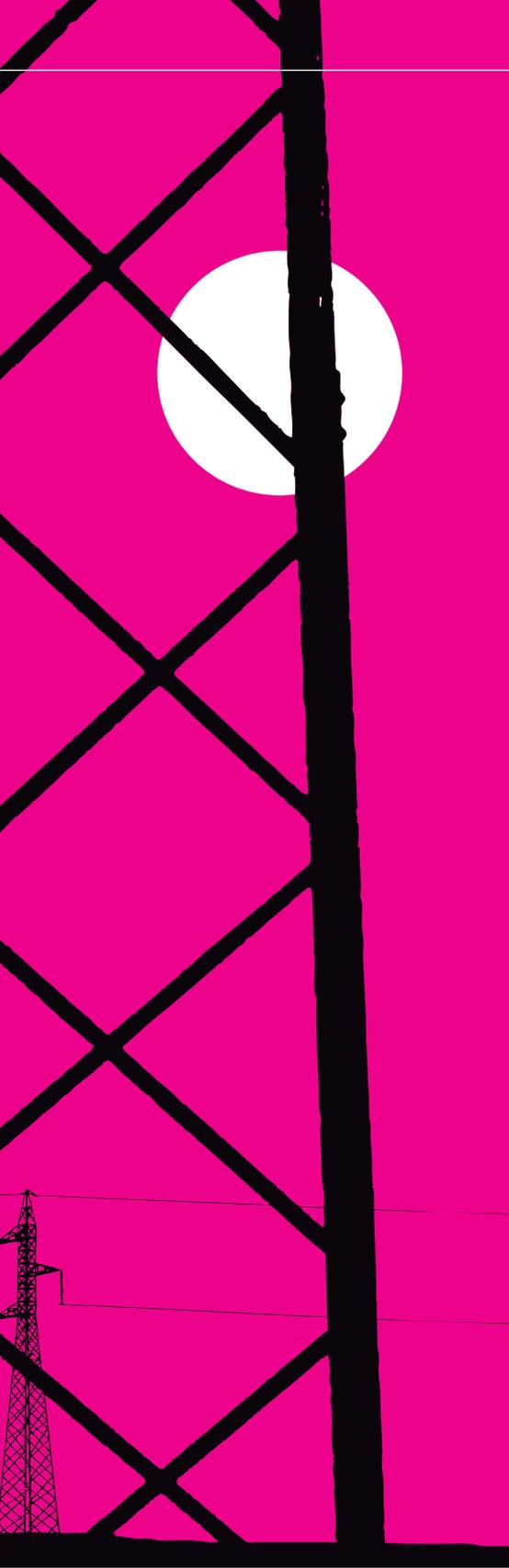
- Operational excellence**
 - A TSO of international reference
 - Progress in improving the grid acquired in 2010 (Islands).
 - Continuous improvement in operational efficiency.
- Market integration and sustainability**
 - Optimal level of electrification.
 - Development of international interconnections.
 - High level of investment in the Islands.
 - Adjustment to the investment plan on the Spanish peninsula.
- Financial soundness**
 - Prudent and efficient financing policies.
 - Anticipation in covering financial needs.
 - Improving solvency ratios.

6

A QUALIFIED, MOTIVATED, COMMITTED AND INNOVATIVE TEAM

We foster talent, equality,
security, and stable and
quality employment





Being able to count upon a workforce that is highly qualified, motivated, committed and innovative is essential to the excellent performance of the responsibilities that Red Eléctrica has assigned to it and to meet the major energy challenges of the coming years.

THE PROFESSIONALS OF RED ELÉCTRICA

are one of the Company's strategic assets. According to the values of the Company, the management of employees is addressed in a socially responsible manner, implementing management policies that guarantee fair and equitable treatment and promote both professional development and integration into the Company.

Red Eléctrica is committed to attracting and retaining talent; hence it identifies, selects and integrates the most suitable people in a transparent and objective process based on the following criteria: compliance with employment legislation, equality and non-discrimination, transparency, confidentiality, the promotion of internal rotation and stability in recruitment.

Global challenges

- » Creation of stable and quality employment.
- » Organisational efficiency.
- » Attracting and retaining talent.
- » Training and development.
- » Workers’ rights.
- » Health and safety.
- » Non-discrimination.
- » Promoting the work-life balance.

Our response to these challenges

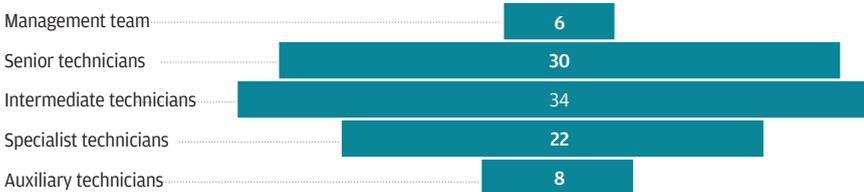
- » Development of a comprehensive people management model
- » Sustained path of employment growth (more than 300 new incorporations in the past five years).
- » Fluid dialogue with social, collective bargaining representatives and committees.
- » Continuous training programme and corporate school.
- » Risk prevention policy and certified management system OHSAS 18001.
- » Equality policy and plan.
- » Red Concilia Project.



The Red Eléctrica workforce in Spain grew 0.8% in 2012, totalling 1,646 employees.

Workforce structure by professional group

(Percentage over total)





WORKFORCE FIGURES

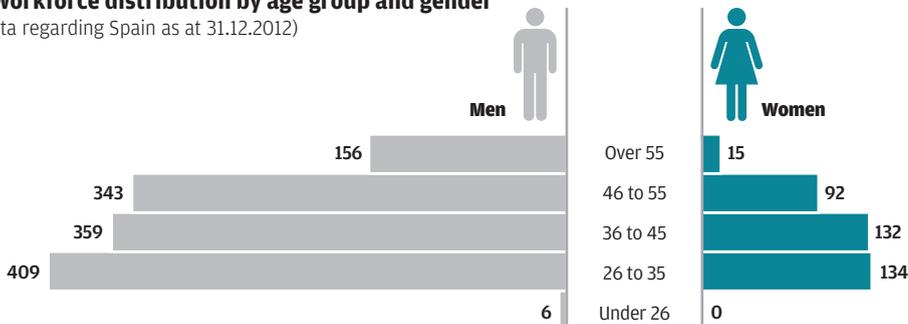
1,646 people at year-end 2012
(1,701 people throughout the Group)

SUSTAINED GROWTH OF QUALITY EMPLOYMENT

At year-end 2012, Red Eléctrica de España had a workforce of 1,646 highly skilled people, with an average length of service of 13 years and an average age of 42. The trend of sustained growth of the workforce in recent years has slowed in 2012 with only a slight increase of 0.8% over the previous year. In the Group as a whole, the workforce decreased by 5.5% compared to 2011 as a result of the expropriation of the subsidiary TDE in Bolivia, closing the year with 1,701 employees.

Workforce distribution by age group and gender

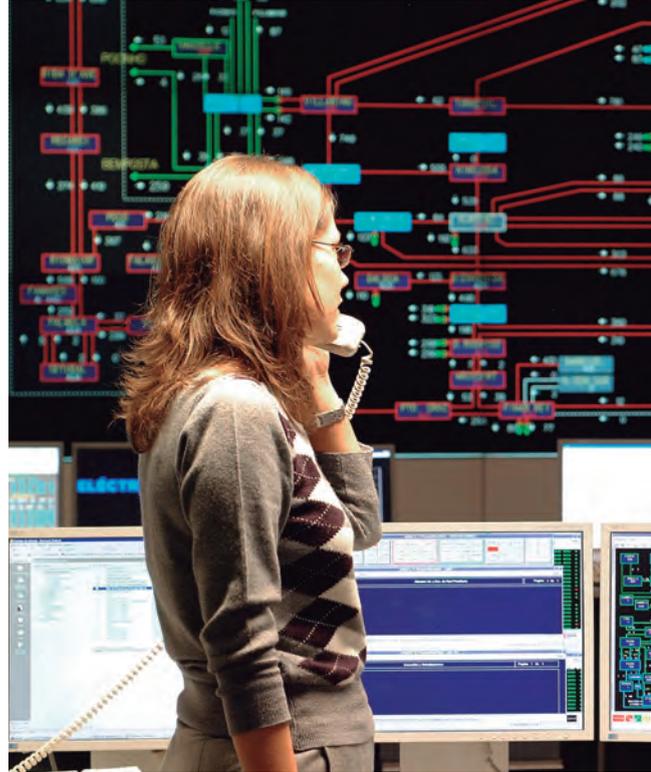
(Data regarding Spain as at 31.12.2012)



**THE NUMBER OF
WOMEN IN THE
COMPANY HAS GROWN
+28% in the workforce
+50% as managers
(in the last five years)**

JOB SECURITY STRENGTHENS COMMITMENT TO THE BUSINESS PROJECT

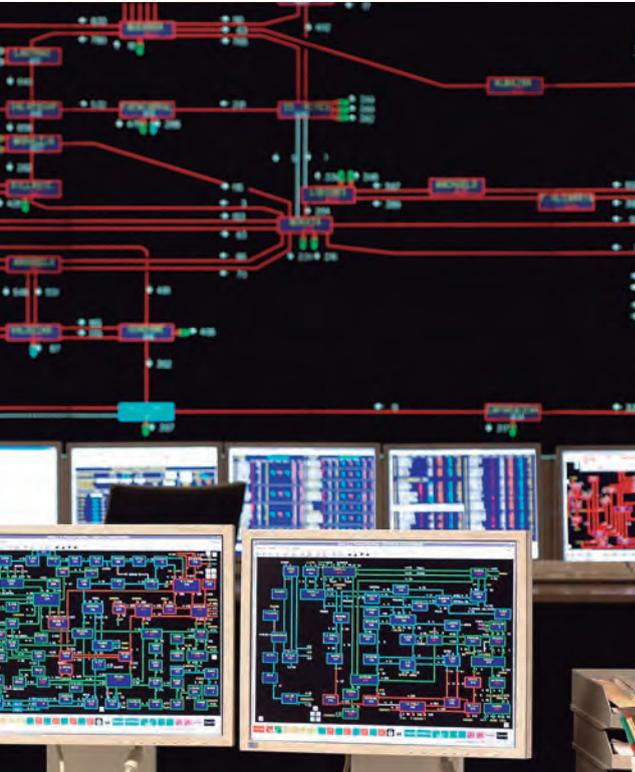
Job security has a positive effect on the professionals of Red Eléctrica and manifests itself as a marked pride of belonging to the Company and reinforces their commitment to the business project. As a result of this high level of commitment, the rate of undesired external turnover is at very low levels, registering just 0.8% in 2012.



■ Key employment indicators

(Data regarding Spain)

	2010	2011	2012
Total workforce	1,618	1,633	1,646
Women (%)	22.5	22.7	22.7
Men (%)	77.5	77.3	77.3
Women in management positions (%)	16.2	17.6	19.4
Creation of net employment (number of positions)	95	15	13
Average age	40	41	42
Average length of service (years)	11	12	13
Undesired external turnover (%)	1	0.9	0.8
Total turnover (%)	1.7	2.5	1.5
Permanent contracts (%)	99,5	99,7	100



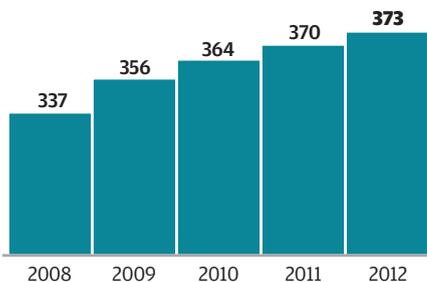
Electricity Control Centre operator (Cecoel).

WE FOSTER EQUAL OPPORTUNITY

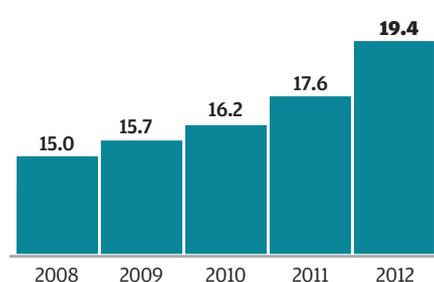
Red Eléctrica demonstrates and expresses its commitment to the principles of equality and non-discrimination in its Code of Ethics, in its internal policies and in the various collective agreements that have regulated labour relations. This will and commitment is also reflected in the Equality Plan, approved by the Company and social representation in 2009. This plan is renewable annually and is subject to monitoring by both the Company's management and the social representation through the Parity Committee on Equality.

The sustained growth of incorporation of women in both the workforce and in management positions is evidence of the commitment of Red Eléctrica towards equal employment opportunity. In the last five years, the number of women in the workforce grew by 28% (291 in 2007 compared to 373 in 2012) and by 50% regarding women in management positions (14 in 2007 compared to 21 in 2012).

■ Evolution of women in the workforce
(Number of employees)



■ Evolution of women in management positions
(Percentage)



INTEGRATION OF PEOPLE WITH DIFFERENT CAPABILITIES

During 2012, two new people with different capabilities were incorporated into Red Eléctrica's workforce. The Company continues to implement alternative exceptional measures regarding the purchase of goods and services from special employment centres.

These measures are complemented by other actions, such as participating in specialised job fairs regarding such services and the collaboration with organisations working in the field of integration.



RED CONCILIA PROJECT

Since the Red Concilia Project was launched in 2008, Red Eléctrica continues to work in the field of the work-life balance in a structured way that seeks harmonisation and which is based on a management model for continuous improvement.

The effort we make, over 40 different measures currently implemented, has received noteworthy recognition. Internally, the employees' overall assessment, carried out through a specific survey conducted in 2012, obtained a global score of over six points. Externally, we have renewed the EFR certificate in 2012 after undergoing the first audit, and whose result has allowed us to position ourselves as a Proactive company. In addition, we have also received other awards such as the first prize in the Alares National Award for the Work-Life Balance, the second prize in the Randstad Awards for Work-Life Balance and the "Federación de Mujeres Progresistas" Award.



■ Key training indicators

	2010	2011	2012
Training hours	162,290	154,715	115,969
Hours per employee	99	96	71
Investment per employee (euros)	4,760	4,192	3,503
Investment in training/personnel costs (%)	7.1	7.0	5.2

EDUCATIONAL COOPERATION PROGRAMMES

Amongst the actions carried out by Red Eléctrica to promote cooperation between the education and business sectors, noteworthy is PRACTICA a scholarship programme which offers internships in the

Company to students or recent graduates with the aim of facilitating their entry into business. In 2012, an extension of this programme called PRACTICA+ offering 40 scholarships has been launched..

PRACTICA+

Is a programme that has granted 40 scholarships to promote the training and employment of young graduates who have been integrated into projects linked to the different business areas of the Company. The conditions and requirements of the announcement have been published by the Foundation SEPI, which has also taken part as a juror in the selection of the successful candidates. The financial value earmarked for these scholarships comes from the budget allocation corresponding to corporate Christmas gifts and events, which demonstrates the Company's commitment, as a responsible company, to carrying out actions that add value to society.



WE PROMOTE PROFESSIONAL DEVELOPMENT AS A STRATEGY FOR GROWTH AND DIFFERENTIATION

Within a framework of business challenges that are becoming ever-more complex, the training and development plan of the Company aims to both meet the needs of the organisation and the expectations of promotion and development of our professionals.

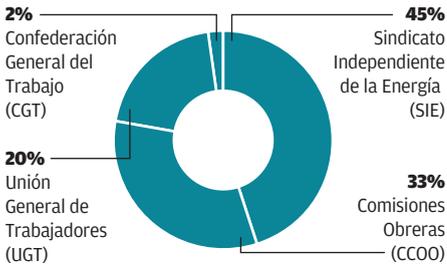
Red Eléctrica Corporate School

This is the centre specifically designed to meet the training needs of the Company as operator and transmission agent of the electricity system. Its basic objectives are to:

- » Train new employees to perform electricity system operation and transmission functions.
- » Offer a knowledge-update programme for technicians regarding the different functions of the Company.
- » Collaborate with other companies in the electricity sector facilitating specific training services, in the areas of competency of Red Eléctrica, both at a national and international level.
- » Provide training to technicians from other countries.

■ Union representation

31.12.2012



WORKING RELATIONS BASED ON DIALOGUE AND TRANSPARENCY

Working relations between Red Eléctrica de España and its employees are regulated using the labour regulations currently in force, the IX Collective Bargaining Agreement (in force until 31 December 2012) and other agreements between the social and corporate representation.

The ongoing dialogue between Company and social representation is carried out through the various committees and other mechanisms for dialogue, such as:

- » Geographic Mobility Committee.
- » Training Committee.
- » Occupational Health and Safety Committee.
- » Social Affairs Committee.
- » Parity Committee for Vigilance and Interpretation.
- » Parity Committee on Equality.
- » Parity Committee on Professional Classification.
- » Committee for the monitoring of the Flexible Working Schedule System.
- » Working Group regarding the work-life balance.
- » Psychosocial Risk Observatory.

Red Eléctrica has social representation in the majority of the work centres and an Inter-Centre Committee consisting of eleven members.



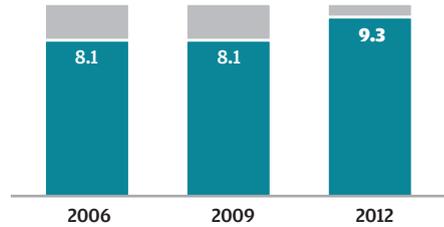
WE OPEN COMMUNICATION CHANNELS TO IMPROVE THE WORKING CLIMATE

Promoting dissemination and open listening channels is the starting point for implementing the plans and actions of internal communication by means of which Red Eléctrica aims to improve the working climate, promote the integration of people, increase their pride in belonging to the Company and contribute to the success of the business objectives.

Amongst the various communication activities we developed in 2012, noteworthy is the survey regarding commitment and the working climate that Red Eléctrica carried out to assess employee satisfaction and establish improvement actions. The participation in this year's survey rose to 73% of the workforce, which is 13% higher than in 2009. The results show a favourable evolution of all ratios with respect to the previous survey; of note are the improved satisfaction of working in Red Eléctrica, the rational and emotional commitment of the teams with their respective leaders, the respect for the work and processes established, and the knowledge of the roles and responsibilities of each position. The overall satisfaction was 9.3 out of 10.

WORKING CLIMATE SURVEY
Notable employee participation
and an increase of overall satisfaction

Working climate survey
 (Overall level of satisfaction 0-10)



STRONGLY COMMITTED TO OCCUPATIONAL HEALTH AND SAFETY

To improve continuously the levels of occupational health and safety, Red Eléctrica has a risk prevention strategy that is based on:

- » An occupational health and safety policy based on risk prevention, health monitoring and compliance of legal requirements.
- » The commitment of senior management and the involvement and participation of all relevant stakeholders.
- » A prevention service made up of qualified employees in the different prevention specialties regarding occupational health and safety.
- » An occupational health and safety committee composed of social representatives of all work centres.
- » A prevention system aimed at avoiding or reducing work-related health risks and that includes plans, programmes and tools adapted to all activities.
- » Development of plans and programmes for health promotion
- » Audit of the prevention system according to the requirements of OHSAS 18001:2007.

On this basis, Red Eléctrica has in place a strict prevention system that relies on the monitoring and control of different aspects related to occupational health and safety, the participation of all relevant stakeholders (employees, representatives, suppliers and contractors), the continued development of training programmes and the implementation of awareness campaigns.

In 2012, highly acceptable accident indicators were achieved. Regarding Red Eléctrica's personnel, the frequency rate was 5.34 and the severity index was 0.27. For personnel of supplier companies the frequency rate was 18.26 and the severity index was 0.64.

The 2012, the training program regarding occupational health and safety was attended by 706 participants with a total commitment of 6,509 hours, of which 30% was geared specifically towards matters regarding electrical risks. Furthermore, 13,375 health and safety inspections were carried out, more than double those of a similar nature carried out in 2011.

Regarding initiatives on prevention and promotion of health, in addition to the

■ Key occupational health and safety indicators

	2010	2011	2012
Accident frequency rate	7.09	3.96	5.34
Serious accident rate	2.34	2.21	0.27
Absenteeism rate	2.27	2.30	2.17
Medical check-ups	1,010	1,143	1,157



actions directly associated to health monitoring, we continued to strengthen various campaigns, such as the prevention of cancer, diabetes, monitoring of the psychosocial risk prevention plan and other awareness actions on healthy lifestyles.

ENREDANDO

WE SUPPORT AND PROMOTE CORPORATE VOLUNTEERING



Through the corporate volunteer group “EnRedando”, various solidarity, humanitarian and sustainable development projects are carried out and count on the participation of Company employees.

During 2012, we carried out and actively participated in 12 projects, five more than in 2011. Amongst the new projects that should be mentioned were the campaign to collect foodstuffs in the work centres (3,500 kilos was collected and later distributed) and the solidarity caps collection campaign (collection of plastic tops from bottles and containers), the funds from which are to be given to medical research and treatment.

Operator working on a facility. Below, volunteer team in the ‘Business Solidarity Day’ restoration of the Canencia ecological path (Madrid).

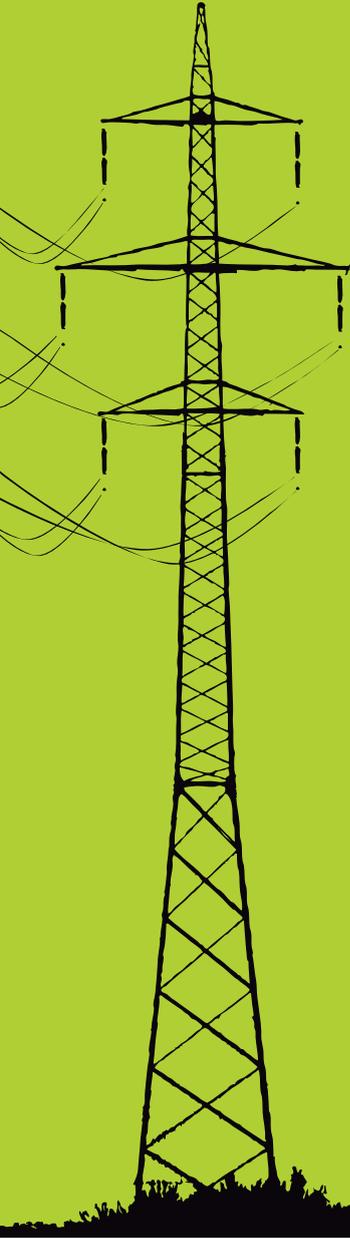
Additionally of note was our participation in the VI edition of the Business Solidarity Day (DSE - Día Solidario de las Empresas) and the Solidarity Race, whose purpose is the dissemination of the Millennium Development Goals.

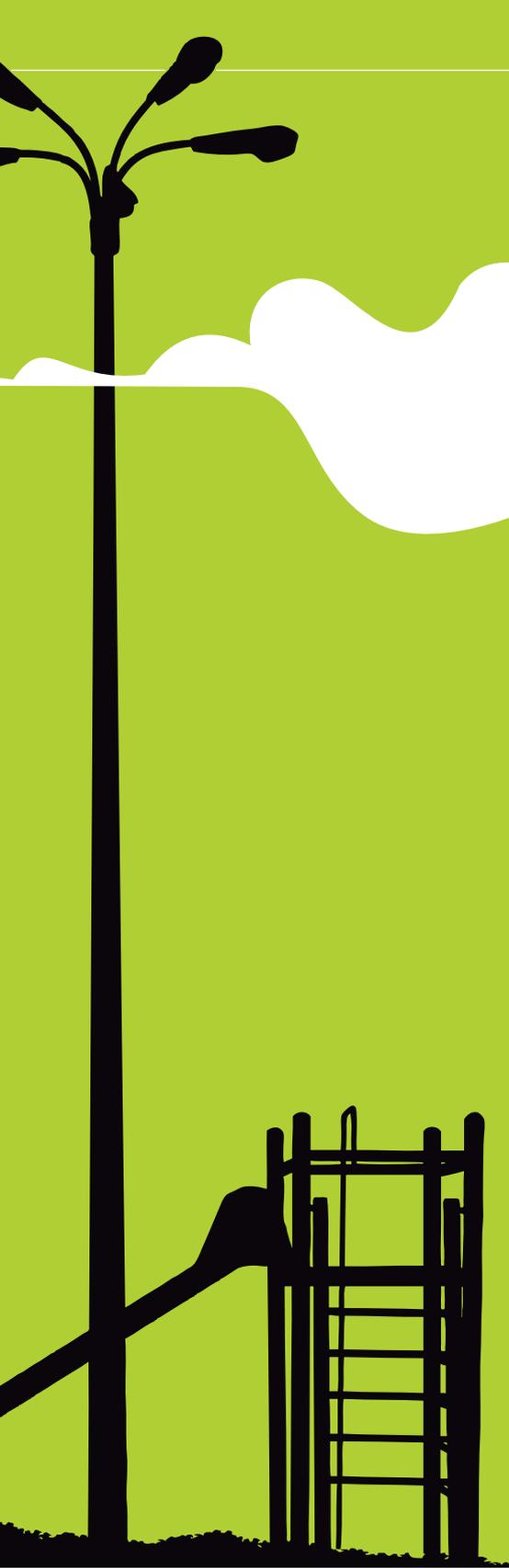
Amongst the consolidated projects, the following should be mentioned: Fair Trade Campaign (VII edition), the third charity auction to help children with disabilities from the Apsuria Foundation, and the blood donation campaigns in the work centres.

7

WE SEEK THE TRUST OF SHAREHOLDERS, INVESTORS, CLIENTS AND SUPPLIERS

The Company maintains a fluid, transparent, close-knit dialogue with all stakeholders





The basis of the trust that Red Eléctrica seeks in its relationship with shareholders, investors, clients, suppliers and society in general lies in the sustainable creation of value and the constant quest for a fluid, transparent, close-knit dialogue, beyond the mere fulfilment of legal obligations.

DIALOGUE WITH OUR SHAREHOLDERS AND INVESTORS

Red Eléctrica maintains an open, transparent and close-knit dialogue with its shareholders, investors and the financial community through the Stakeholder Attention Centre and the Investor Relations Department. Similarly, it sets aside a specific section on the Company website containing relevant information and which received 263,475 visits in 2012, 27% more than in the previous year.

Regarding the General Shareholders' Meeting, Red Eléctrica has continued to promote the

Global challenges

- » Dialogue with stakeholders.
- » Integration into the community.
- » Social commitment.

Our response to these challenges

- » Transparency and independence in all activities.
- » Permanent dialogue with stakeholders.
- » Collaboration agreements
- » Strengthening ties with local communities.
- » Social action plan.

Red Eléctrica promotes the participation of shareholders via electronic means.



participation of shareholders via electronic means with the live broadcast of the Meeting on the Internet (in Spanish and in English) and through mobile devices and through the electronic shareholder forum. Similarly, for the eighth consecutive year, the electronic voting system has been used, through which 440 shareholders voted in 2012.

On the other hand, numerous meetings and presentations have been held in major domestic, European, American and Australian financial forums (581 in 2012), and additionally a session was held with sustainability agencies oriented towards presenting them the strategic lines of the Company regarding corporate responsibility and its implementation within the different scopes of the Company.

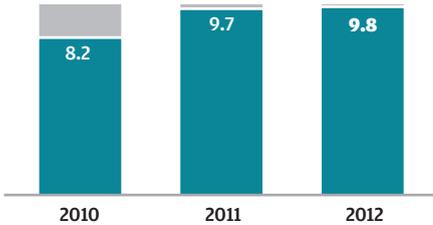


A centralised service to handle enquiries from external stakeholders. Since 2008, this service has worked in coordination with the rest of the specific channels already existing within the Company and is manned by people, from the Fundación Juan XXIII, with some form of disability.

In 2012, it was considered 'Best Practice' by the European Foundation for Quality Management (EFQM).

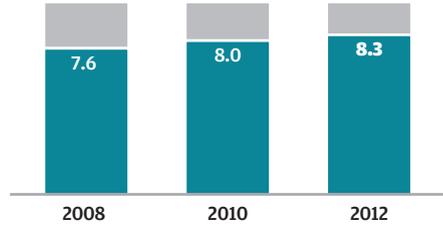
Overall satisfaction of minority shareholders

(Satisfaction level 0-10)



Overall satisfaction of clients

(Satisfaction level 0-10)



ELECTRONIC VOTING:
In 2012, this system was used by **440** shareholders

TRANSPARENCY WITH CLIENTS, BUSINESS AGENTS AND REGULATORS

To ensure transparency, objectivity and independence, and continuous improvement of the processes associated with their activities, as TSO, Red Eléctrica, as well as applying legal measures, has various dialogue channels and tools at its disposal:

- » Operation Code of Conduct, periodically submitted to auditing.
- » Internal control system of the operation activity under the standard SSAE-16 (reference standard generally chosen by the operators or managers of electricity systems).
- » Continuous improvement of the relationship channels with the electricity market subjects.
- » Participation in the implementation of the EU Regulation on Wholesale Energy Markets Integrity and Transparency (REMIT).
- » Participation in working groups such as the Incident Analysis Group (GRAI), which analyses the most relevant incidents, their causes and corrective measures.
- » Implementation of a new information platform in which Spanish, French, Portuguese and Moroccan electricity operators publish data regarding the electricity interconnections between these countries.
- » Biennial satisfaction surveys.

A STABLE AND TRUSTWORTHY RELATIONSHIP WITH OUR SUPPLIERS

The responsibility of Red Eléctrica towards its suppliers is based on the search for stable and trustworthy relationships that result in mutual benefit. Said relationships begin with a supplier selection process in which they are evaluated for critical supplies, as well as elements of a technical and economic nature, those related to aspects of quality, safety, environmental, legal and social responsibility to guarantee that Red Eléctrica's projects are carried out appropriately according to their principles regarding efficiency and sustainability.

Amongst the conditions demanded of its suppliers by the Company, noteworthy is the approval in 2012 of the Supplier Code of Conduct which sets out the principles to be followed in its relationship with Red Eléctrica, with its employees and with the environment.

In 2012, a volume of purchases of €670 million was reached, awarded to 1,300 suppliers, 97% of them with head offices in Spain.

THE MEDIA

In line with its policy of transparency, Red Eléctrica has strengthened its ties with the media, both in regard to the dissemination of its activity as well as in its response to the specific need for information identified for the media.

In this regard, in 2012, noteworthy was the development of a specific communication plan for the Spain-France electricity interconnection project, within which the organisation of visits by the media to project facilities was combined with the development of informative material. Similarly, the content of the Pressroom on the corporate website was both expanded and improved.

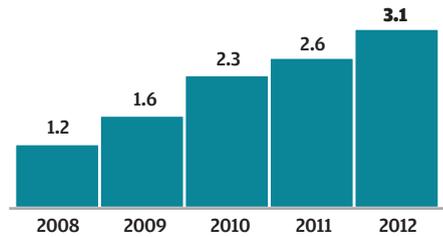
Urban street lighting in Bilbao



THE CORPORATE WEBSITE, A KEY TOOL FOR COMMUNICATION WITH SOCIETY

Red Eléctrica's corporate website maintains the vocation of disseminating information and reaching out to society as a whole regarding the essential aspects of how the Spanish electricity system operates, as well as all the reference information regarding the Company under the criteria of transparency and continuous improvement. In 2012, new contents have been added, noteworthy amongst them: the publication of the Red Eléctrica Index (advanced indicator of the electricity consumption of large power consumers), real-time demand curves of the Canary Islands' electricity system and a new section containing statistical series of the Spanish electricity system.

■ Annual evolution of the corporate website (million visits)



In 2012, the corporate website received 30% more visits than in the previous year.



MASTER'S COURSES:

921 students from **25** educational establishments visited control centres and transmission facilities

CONTRIBUTION TO THE COMMUNITY

The strategy of Red Eléctrica concerning its contribution to the community is based on the promotion of social and institutional relationships, seeking collaboration agreements, the dissemination of information regarding the operation of the electricity system and the participation in initiatives to promote sustainability and the rational use of energy.

Amongst the many institutional actions undertaken in 2012 were the agreements

The exhibition continues its tour in 2013, showing at the Casa de la Ciencia in Seville.

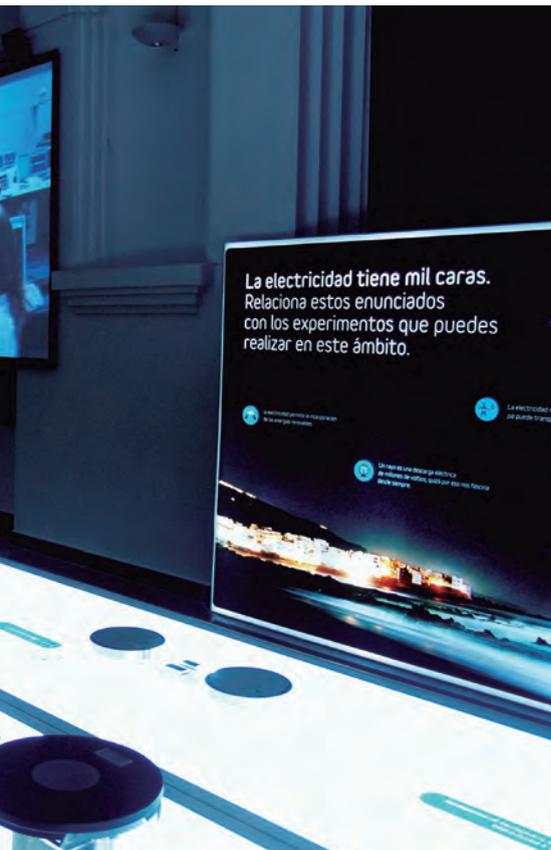


with administrations through which Red Eléctrica establishes its commitment to full collaboration with the local and regional entities with which it maintains a relationship due to its activity.

Similarly, also noteworthy was the presentation and dissemination of information regarding new facilities that strengthen the functioning of the electricity system, institutional visits to the electricity control centres and the organisation of training sessions regarding the security of facilities.

In the field of social action, most efforts have focused on the development of projects, sponsorships and collaborations with organisations working in the areas of education, sustainability and energy efficiency. Amongst the various activities carried out in 2012 were:

- » Agreements with universities for specialised training in the area of energy and the environment.
- » Training of 921 students on Master's courses from 25 colleges and universities by means of visits to the electricity control centres and transmission facilities.
- » The mobile exhibition 'A highway behind the wall socket' through which Red Eléctrica interactively shows the functioning of the electricity system operation and how to consume in an efficient and responsible way.



Data regarding the mobile exhibition 'A HIGHWAY BEHIND THE WALL SOCKET'

Period: June 2010-December 2012

- » Four locations: Science Museums of Granada, Logroño, Valladolid and Las Palmas de Gran Canaria.
- » Visits received: 215,000 people.

More information

Video of the exhibition: "A highway behind the wall socket".



8

WE PROTECT BIODIVERSITY AND THE NATURAL ENVIRONMENT, AND DEVELOP BEST ENVIRONMENTAL PRACTICES

Dialogue with interested parties is an essential pillar of our vision of sustainable business





In Red Eléctrica we protect both biodiversity and the environment

where our facilities are located, by backing best environmental practices.

EACH YEAR, RED ELÉCTRICA makes a significant effort to avoid or minimise those aspects arising from its activity that may cause any impact on the environment.

Within the framework of our environmental management system and annual environmental program, in Red Eléctrica we environmentally evaluate all our activities and define specific actions to preserve the environment in which they are carried out.

In order to minimise the possible effects arising from new installations, the Company carries out a process that includes both a territorial study and coordination with stakeholders to define and agree on the locations of substations and proposed routes for new lines, applying strict environmental criteria in all development phases of the transmission grid.



Global challenges

- » Make installations compatible with their surroundings.
- » Assure the protection and conservation of biodiversity.
- » Contribute in the fight against climate change.
- » Energy saving and efficiency.
- » Prevention of contamination.

Our response to these challenges

- » Selection of routes and locations for facilities that are of least impact. Dialogue with stakeholders and the establishment of preventive and corrective measures.
- » Development of a biodiversity strategy: protection of flora and fauna, fire prevention and conservation projects.
- » Definition of the Climate Change Strategy and the Action Plan for the Reduction of Emissions.
- » Establishment of efficiency measures for the reduction of basic consumptions.
- » Establishment of preventive measures against spillages of hazardous substances and the suitable management of waste.





WE APPLY STRICT ENVIRONMENTAL CRITERIA IN ALL DEVELOPMENT PHASES OF THE ELECTRICITY TRANSMISSION GRID

1

Infrastructure proposal

Environmental feasibility study of all projects before including them in the infrastructure proposal Red Eléctrica sends to the Ministry of Industry, Energy and Tourism.

2

Grid planning

Prepared by the Ministry of Industry, Energy and Tourism and subsequently presented to the stakeholders for review by means of the Strategic Environmental Assessment of Plans and Programs procedure, in which Red Eléctrica participates.

3

Project design

- » Dialogue with stakeholders prior to the project definition and during the environmental assessment process.
- » Environmental assessment of all projects; the competent environmental administrative body is informed and their approval is requested.
- » Definition of solutions of lesser environmental and social impact.
- » Definition of the preventive and corrective measures.

4

Construction of facilities

- » Monitoring of preventive and corrective measures, and defining new measures as required by the environmental monitoring programmes.
- » Monitoring of the contractor's compliance with environmental requirements.

5

Facilities maintenance

- » Environmental monitoring programmes in the early years of service and periodic reviews to verify the compliance with standards and identify improvement actions.
- » Application of environmental improvement actions

OVER 21 MILLION
euros of
environmental
expenditure in 2012
 (€5.1m investment
 and €16.4m costs)

Red Eléctrica workers
 installing bird-flight diverters



WE WORK ON THE PROTECTION AND CONSERVATION OF BIODIVERSITY

Red Eléctrica sets out its commitment to biodiversity in its environmental policy, in its biodiversity strategy and in the many actions that it carries out in this area, to which it dedicates considerable manpower and financial resources. In 2012, the set of aforementioned actions represented a cost that exceeded 11 million euros, and were allocated to the following areas of action:

- » Avoidance of those areas rich in biodiversity when deciding on the siting of new electricity transmission facilities. Red Eléctrica facilities occupy only 0.12% of the total area of Red Natura.
- » Protection of habitats and species when it is inevitable that installations cross protec-

ted areas or areas of interest. To this end, numerous measures are established to minimise the disturbance of the habitat of certain species of flora and fauna, and the possible effects on the vegetation associated with the opening up of safety corridors through which electricity lines pass.

- » Prevention of the collision risk of birdlife through the marking of the grounding cable of the electricity lines. Noteworthy in 2012 was the Bird-Flight Mapping project, which will more accurately identify areas of risk.
- » Fire prevention through the adequate definition of electricity line safety corridors, the application of more thorough and advanced techniques regarding maintenance, collaboration with local and



More info
Consult the biodiversity section of the corporate website



The figures for “Red Eléctrica Forest”
(2009-2012)



Trees and shrubs planted
203,520



Surface area recovered
410 ha



Emissions offset
60,677t of CO₂ eq.



Investment
€ 625,000

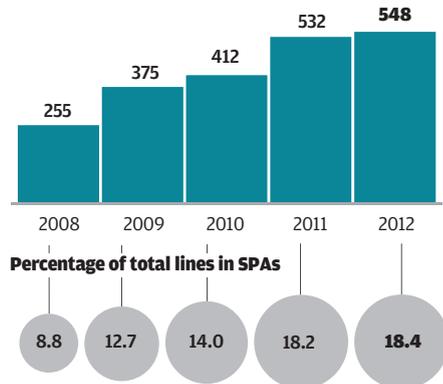


Impact on local employment
3,043 estimated working days.

regional administrations on development strategies and measures regarding the fight against forest fires, the development of research projects and training and awareness activities on this subject.

» Participation in projects of common interest with the various public administrations and prestigious organisations concerning environmental matters. In 2012, new collaboration agreements were signed with the autonomous communities. Amongst the 11 projects regarding biodiversity conservation currently underway, noteworthy is “Red Eléctrica Forest”, the census of the Houbara Bustard population in the Canary Islands, and the recovery plan for the Golden Eagle in Galicia.

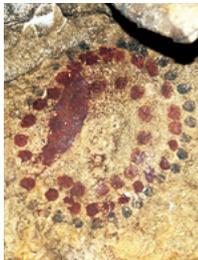
Marking of lines with bird-flight diverters in SPAs (km)





Simulation of landscape integration of a substation.

The Abrigo de Riquelme rock art painting in Jumilla (Murcia), project backed by Red Eléctrica



PROTECTION OF THE SOCIOECONOMIC ENVIRONMENT AND THE LANDSCAPE

Electricity is essential in economic activity and in the daily lives of the citizens, and at the same time it is an engine of economic growth and increased employment that is made possible through investments in infrastructure.

But along with these benefits, electricity transmission facilities have a visual impact that we try to reduce as much as possible by placing them far away from population centres and areas of high-value landscape, restoring the areas affected by the works and carrying out landscape integration projects in substations which are based on strategies of harmonisation, natural landscaping and camouflage. In 2012, seven designs for the integration of substation buildings were finalised.

Also, during the construction of the facilities, archaeological and paleontological supervision is carried out, for those projects where it is required, and the necessary preventive measures are implemented for the protection of cultural heritage. During 2012, archaeological supervision in the construction of ten lines and five substations was carried out, with the permanent presence of an archaeologist in 86% of the cases.

STAKEHOLDER RELATIONS

With the aim of guaranteeing best environmental management, we extend our environmental demands to those suppliers whose services may have potential impacts on the natural environment, and we carry out comprehensive monitoring to ensure these are met. Additionally, we establish an ongoing dialogue with the relevant authorities, local communities, specialised entities, research organisations and environmental groups to find the best measures that can guarantee respect for the natural environment

FIGHTING AGAINST CLIMATE CHANGE AND WORKING TOWARDS IMPROVING ENERGY EFFICIENCY

In 2011, Red Eléctrica formalised its commitment to the fight against climate change by adopting a specific strategy and an action plan in which the objectives and specific actions are set out and that are to be developed over the coming years.

The strategic lines of work are:

- » Integration of renewable energy into the operation of the system so as to be able to reduce our external energy dependence and to allow electricity to be generated without the emission of gases.
- » Energy efficiency through research projects aimed at providing more efficient electricity systems, as well as through measures to improve own consumption energy management. Noteworthy in 2012 were the construction of two new buildings with a B energy rating and the Energy Management System certification of the Head Office building in accordance with ISO 50001.
- » Control and reduction of emissions, mainly those of SF6 associated with substation equipment in which, in 2012, we achieved an emission rate of 0.99%

against a target of 1% set for 2015.

- » Offsetting emissions through “Red Eléctrica Forest”, a reforestation project which has offset more than 60,000 tonnes of CO₂ in its five years of operation.
- » Risk identification. A study to identify climatic parameters which may affect our electricity infrastructure, the risks arising from its potential variations, and the actions to address those risks.
- » Carbon footprint associated with the value chain. In 2012, we continued to work on the identification and collation of data from the various suppliers.



The Head Office building has received the ISO 50001 Energy Management System certificate



CONTROL OF ELECTRIC AND MAGNETIC FIELDS

The preventive measures applied in the design of facilities and installations allow the electric and magnetic field values to be below those recommended by the European Union. Nonetheless, we keep up-to-date with scientific advances and we develop research projects in this field.

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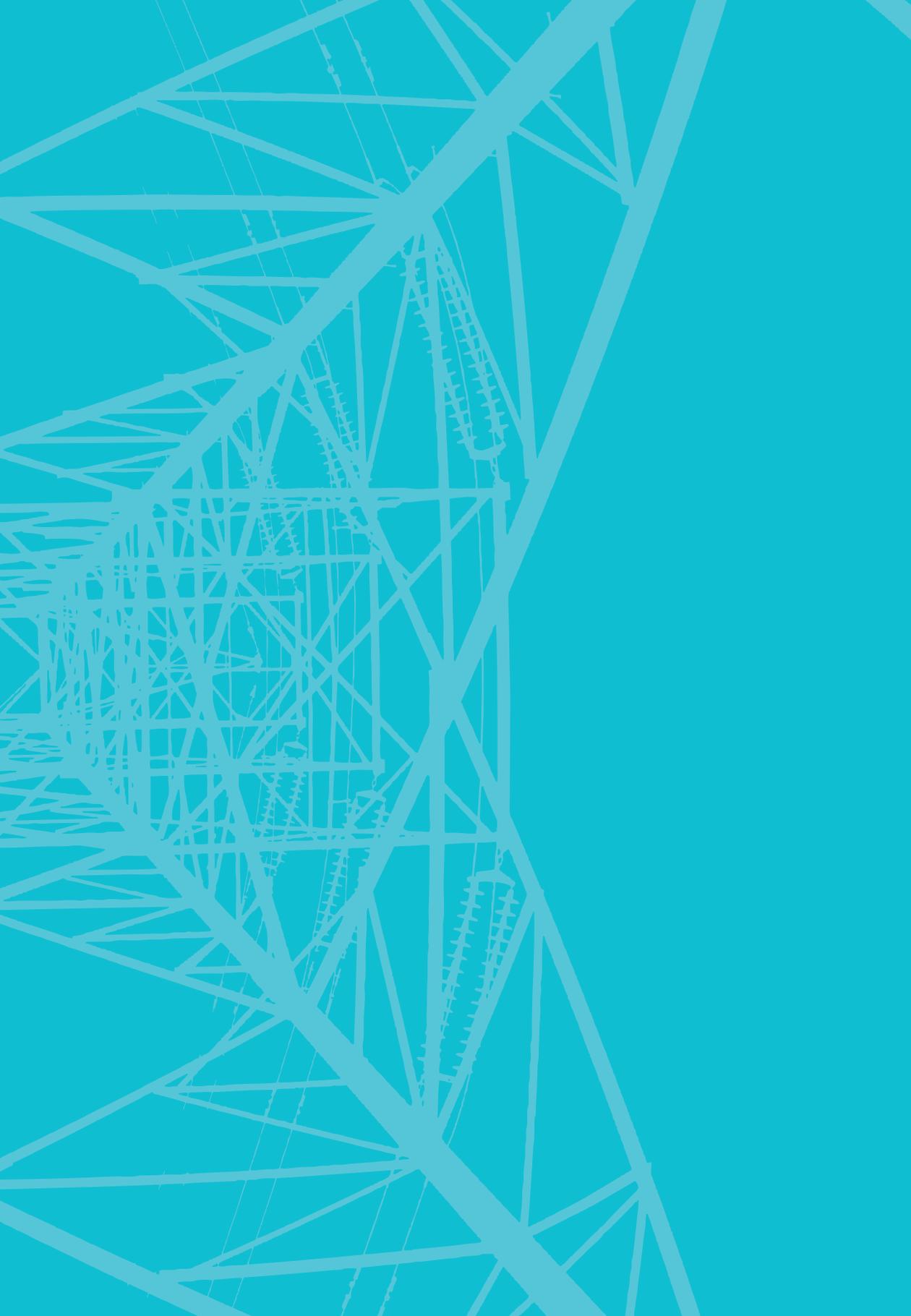
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Red Eléctrica works on selecting the most legible typographical fonts for their publications.

The typographical fonts Amplitude, PF BeauSans Pro, Apex and Berthold Akzidenz have been used for the texts and graphics in this report.





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