

RED
ELÉCTRICA
CORPORACIÓN

**ORDINARY GENERAL
SHAREHOLDERS' MEETING**

2015

15 April

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José Folgado Blanco

CHAIRMAN AND CEO



RED
ELÉCTRICA
CORPORACIÓN

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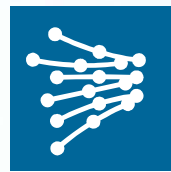
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Rafael García de Diego Barber

SECRETARY OF THE BOARD OF DIRECTORS



RED
ELÉCTRICA
DE ESPAÑA

SOUND FINANCIAL RESULTS

Profits, without the impact of one-off events, grew by 5.4 % in 2014.

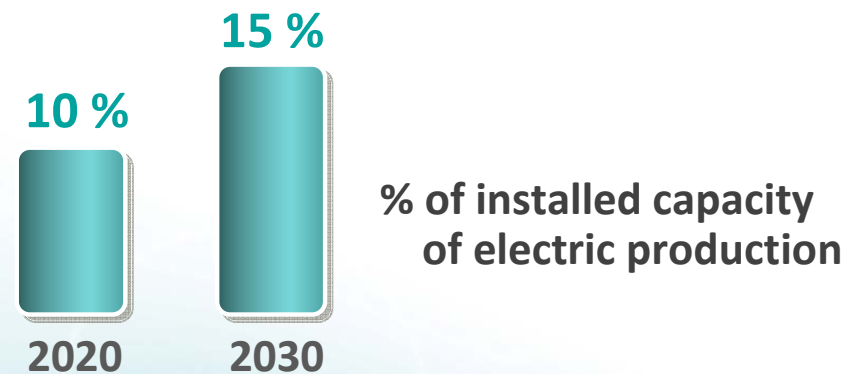
One-off events during the year

- **Agreement for the compensation of TDE.**
- **Acquisition of the ADIF fibre optic network.**
- **New corporate income tax law.**

European energy policy

New objectives regarding energy and climate change for 2030

- 40 % reduction in CO₂ emissions compared to 1990.
- 27 % share of renewable energy in end-use consumption.
- 27 % improvement in energy efficiency.
- Level of electrical interconnection between member countries:



European energy policy

Publication of the "Energy Union Package": strategy based on five dimensions

- 1. Reduce the dependence on imported energy.**
- 2. Obtain an integrated European Energy market.**
- 3. Promote energy efficiency to moderate demand.**
- 4. Minimise the economy's dependence on coal.**
- 5. Increase research, innovation and competitiveness.**



**The development of interconnections is key to achieving
the European energy objectives**

European energy policy

Specific strategy to guarantee the domestic electricity market

- Reach a 10 % interconnection capacity in 2020 for all member states.
- Madrid Summit on interconnections between Spain, France and Portugal.

Agreements reached

- Achieve an interconnection capacity of 8,000 MW between Spain and France via new projects:
 - ∣ Underwater interconnection via the Bay of Biscay.
 - ∣ Two new interconnection projects via Navarre or the Basque Country and Aragon.

Macroeconomic backdrop

Change of direction of the Spanish economy towards the recovery

- Annual growth of GDP: 1.4 % in 2014.
- Creation of net employment for the first time since 2007.

Main factors in the economic reactivation

- Recovery of internal demand.
- Drop in oil prices.
- Progressive devaluation of the euro.
- Improvement in efficiency and competitiveness of production processes.
- Structural reforms implemented by the Government.



Growth in economic activity of around 2.5 % forecast for 2015

Electricity reform

2014: first year of application of the new regulatory framework to guarantee the economic sustainability of the electricity system

Results

- Minimal imbalance between regulated income and costs in 2014 much less than the tariff deficit of € 3,000 M of previous years.

Regulatory developments still pending

- New remuneration model for the transport activity
 - Estimated average annual income growth of 3 % for the period 2015-2019.

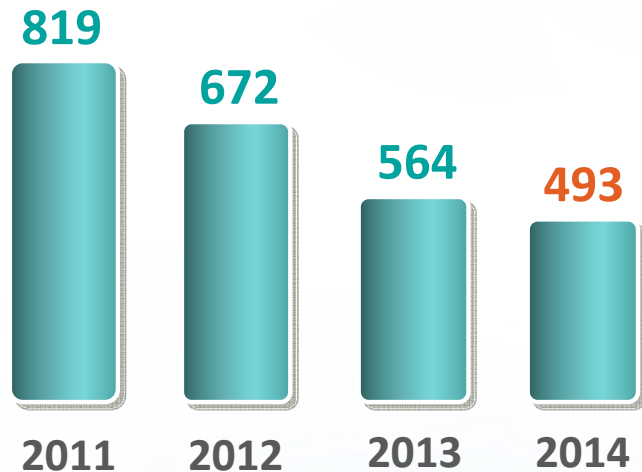
Approval of Order IET/728/2014

- Transfer of the Chira-Soria hydroelectric pumping station project on Gran Canaria to Red Eléctrica as system operator.

Investment in the transmission grid

Annual investment (in line with economic backdrop)

€ Mn



More grid in service

- 600 km of new circuits.
- 95 new positions.
- 3,250 MVA more of transformer capacity.

Priority projects

- Interconnection with France: Santa Llogaia-Baixas line.
- Interconnection with Portugal: Puebla de Guzmán-Tavira line.

We manage a transmission grid with 42,600 km of line and 5,300 substation positions

Strengthening international interconnections

New interconnection with France:

A technological challenge on a global scale

- Doubles current interconnection capacity to 2,800 MW.
- Reinforces the safety of the system in Spain and Portugal.
- Greater support to integrate renewable energies.

Spain-France Interconnection

- New phase-shifting transformer planned for the Arkale-Argia 220 kV line to balance the commercial interchange capacities.

New interconnection with Portugal via Andalusia

- Increases inter capacity by 400 MW to 2,700 MW.
- Improves the safety of the supply in the area.
- Provides greater operational reliability to the system in Spain and Portugal.

Improvement to non-mainland electricity systems

Commencement of Majorca-Ibiza link:

€ 215 M

- Strengthens the electrical integration of the Balearic Islands with the peninsular system.
- Guarantees the reliability of the supply across the archipelago.
- Cuts system costs and fosters competition.

Investment in the Canary Islands transmission grid:

€ 800 M

- Encouraging the progressive change in the energy model on the islands to one that is more sustainable and efficient.
- Progress towards safer and more robust electric systems.
- Development of interconnections between islands.

Chira-Soria pumping station:

€ 300 M

- System operator tool for the stability and safety of the electric supply.

Integrating renewables

Demand met
with renewables
(%)



CECRE

Renewable energy
control centre
which contributes to:

- Encouraging the use of indigenous energy.
- Reducing CO₂ emissions.
- Reducing the dependence on imported energy.

International investment

Investments in transmission infrastructures in Peru

2014

- **Commercial start-up of the Tintaya-Socabaya 220 kV line.**
 - Concession awarded for a period of 30 years.

2015

- **Award of the Azángaro-Juliaca-Puno 220 kV line.**
 - Construction of 115 km of line and associated substations.
 - Construction period of 33 months.
 - Forecast investment of 61 million euros.
 - Operation and maintenance for 30 years.

Results 2014: main figures

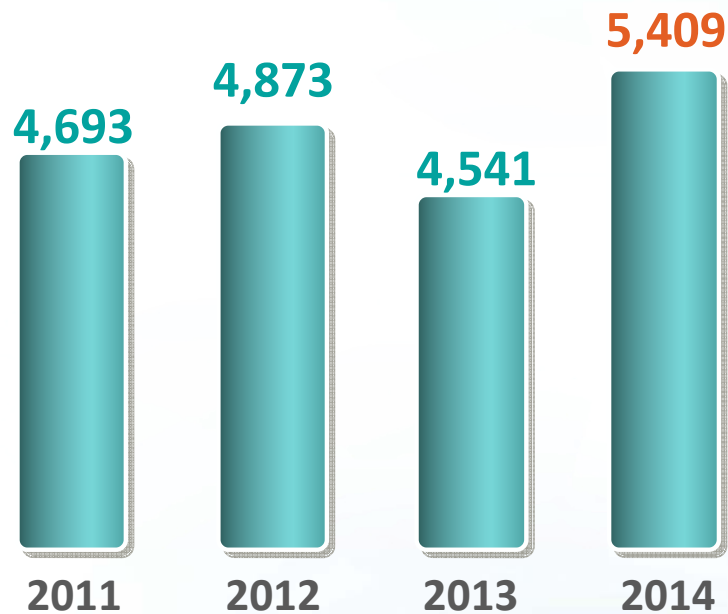
Millions of euros	2013	2014	Δ%
Revenue	1,758	1,847	5.0
Gross operating result (EBITDA)	1,302	1,385	6.4
Profit before tax	733	854	16.4
Profit for the period	529	718	35.7
Total investment	596	956*	60.4

* Includes purchase of fiber optic network ADIF € 434 M.

The profit for ordinary activities, without one-off events, shows an increase of 5.4 %, exceeding the objective for 2014

Financial strength

Net financial debt (€mn)



	2013	2014
Average cost	3.84 %	3.49 %
Net debt/EBITDA	3.8 x	3.9 x

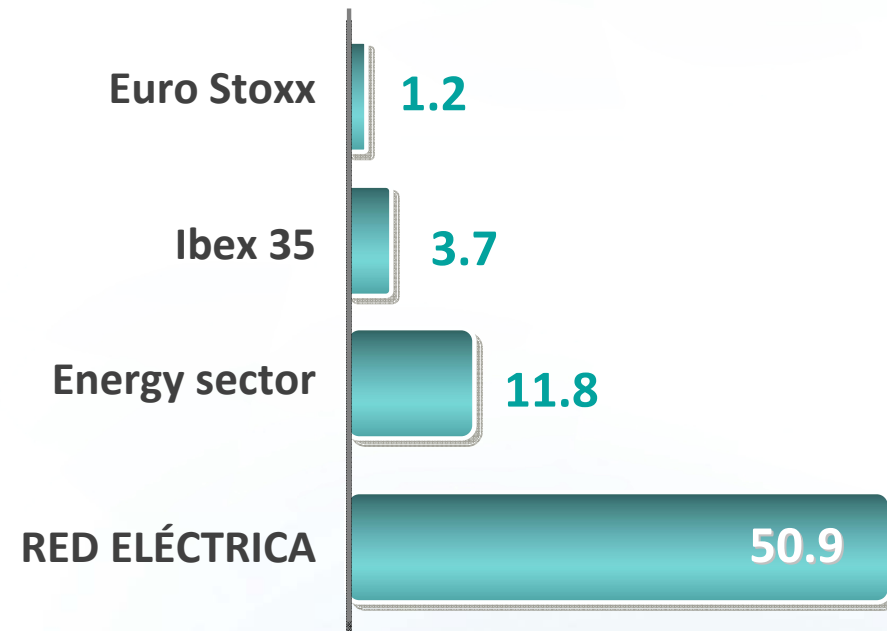
- 79 % of the debt at fixed rate.
- Average life 4.9 years.

Diversified debt structure and strong liquidity position

Shareholder returns

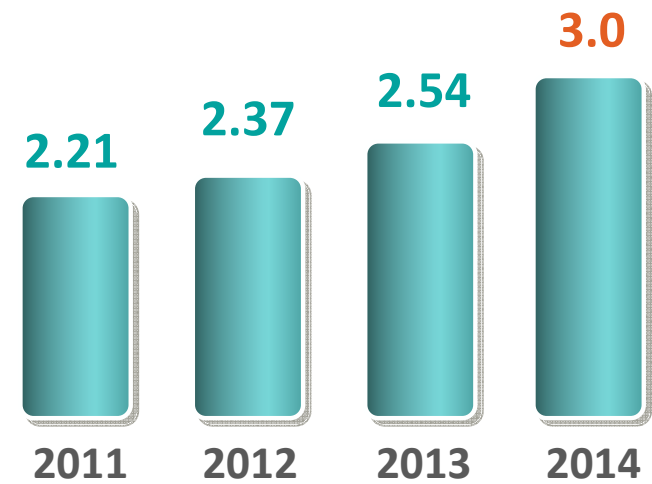
Stock market performance 2014

(%)



Dividend per share

(€)



The dividend per share grew 18 % in 2014

CSR and corporate governance

Management of ethics

- Code of ethics and code of conduct for suppliers.
- Compliance programme.
- Guidelines to strengthen transparency.

Environmental responsibility

- Strategy for preserving biodiversity.
 - 2014 European Award for the Environment.
 - “Red Eléctrica Forest” project.
- Strategy to combat climate change.

Committed to our workforce

- Creating stable, high-quality employment.
- Promoting equality:
 - continued increase in the number of female employees on workforce and in management positions.
- Implementation of the healthy company model:
 - Committed to health, safety and reconciliation.

CSR and corporate governance

Corporate Governance Best Practices

- Approval of a Corporate Governance Policy.
- Increase of independent directors on Board committees: 75 % independent.
- Gender diversity on the Board: 45 % of female directors and 50 % of external female directors (leader among IBEX35 companies).
- Approval of the remuneration policy for board members for a period of 3 years.

Excellence and sustainability

- Maximum score among Spanish companies in the European Seal of Excellence +500 and inclusion in the MSCI indexes and the Euronext Vigeo indexes.

Basic strategic lines

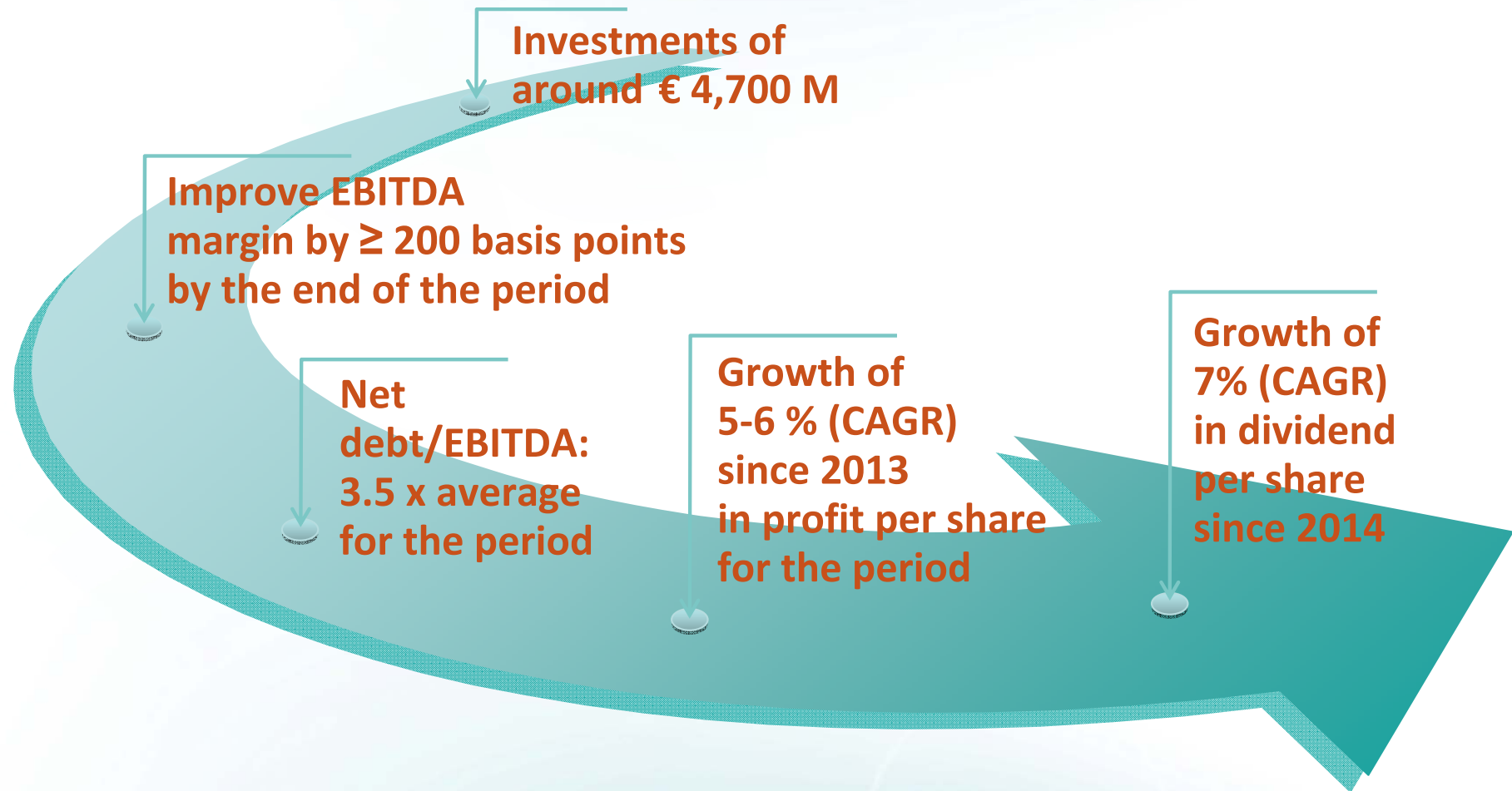
Growth in a low-risk environment

- **Solid growth in consolidated activities.**
 - Investment in transmission grid: € 3,100 M.
 - Investment in system operation projects: € 100 M.
 - Investment in dark fibre optic network: € 475 M.
- **Additional growth in new activities: € 1,000 M.**
 - Investment in storage on islands.
 - International investment.



Development of a management model focused on innovation, efficiency and corporate responsibility.

Financial targets 2014-2019

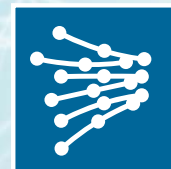


Main challenges moving forward

- Integration of energy networks.
- Greater cooperation between electric systems.
- Storage of electricity.
- Progressive electrification of the country.
- Consolidation of an internal European energy market.



Our challenge is the construction of a flexible, safe and increasingly better interconnected transmission grid whilst at the same time undertaking the efficient and sustainable management of the electricity system



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Quorum

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Carmen Gómez de Barreda

**CHAIRWOMAN OF CORPORATE RESPONSIBILITY
AND GOVERNANCE COMMITTEE**

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Paloma Sendín de Cáceres

CHAIRWOMAN OF AUDIT COMMITTEE