Red Eléctrica Corporación, S.A.

Annual Accounts
31 December 2013

Directors' Report
2013

(With Auditors' Report Thereon)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

KPMG Auditores S.L.
Edificio Torre Europa
Paseo de la Castellana, 95
28046 Madrid

Independent Auditors' Report on the Annual Accounts

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

To the Shareholders of
Red Eléctrica Corporación, S.A.

We have audited the annual accounts of Red Eléctrica Corporación, S.A. ("the Company"), which comprise the balance sheet at 31 December 2013, the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes. The Directors are responsible for the preparation of these annual accounts in accordance with the financial reporting framework applicable to the entity (specified in note 2 to the accompanying annual accounts) and, in particular, with the accounting principles and criteria set forth therein. Our responsibility is to express an opinion on these annual accounts taken as a whole, based on our audit. We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain, which requires examining, on a test basis, evidence supporting the amounts and disclosures in the annual accounts and evaluating whether their overall presentation, the accounting principles and criteria used and the accounting estimates made comply with the applicable financial reporting framework.

In our opinion, the accompanying annual accounts for 2013 present fairly, in all material respects, the equity and financial position of Red Eléctrica Corporación, S.A. at 31 December 2013, its financial performance and its cash flows for the year then ended in accordance with the applicable financial reporting framework and, in particular, with the accounting principles and criteria set forth therein.

The accompanying directors' report for 2013 contains such explanations as the Directors consider relevant to the situation of Red Eléctrica Corporación, S.A., its business performance and other matters, and is not an integral part of the annual accounts. We have verified that the accounting information contained therein is consistent with that disclosed in the annual accounts for 2013. Our work as auditors is limited to the verification of the directors' report within the scope described in this paragraph and does not include a review of information other than that obtained from the accounting records of the Company.

KPMG Auditores, S.L.

(Signed on the original in Spanish)

Ana Fernández Poderós

26 February 2014

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N.I.F. B-78510153

RED ELÉCTRICA
CORPORACIÓN

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Annual Accounts
2013

RED ELÉCTRICA CORPORACIÓN, S.A.
BALANCE SHEETS
AT 31 DECEMBER 2013 AND 2012
IN THOUSANDS OF EUROS

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	31 DECEMBER 2013	31 DECEMBER 2012
NON-CURRENT ASSETS	**1.623.623**	**1.613.527**
Property, plant and equipment (note 5)	**55.483**	**50.428**
Land and buildings	53.091	47.973
Other installations, machinery, equipment, furniture and other items	606	713
Under construction and advances	1.786	1.742
Investment property (note 6)	**2.561**	**2.604**
Land	629	629
Buildings	1.932	1.975
Non-current investments in Group companies and associates	**1.504.596**	**1.504.596**
Equity instruments (note 8)	1.079.596	1.079.596
Loans to companies	425.000	425.000
Non-current investments (note 11)	**59.755**	**54.869**
Equity instruments	59.755	54.869
Deferred tax assets (note 16)	**1.228**	**1.030**
CURRENT ASSETS	**535.558**	**386.077**
Trade and other receivables (note 12)	**283**	**1.138**
Other receivables	283	1.008
Personnel	-	2
Public entities, other	-	128
Current investments in Group companies and associates (note 22)	**535.204**	**384.906**
Loans to companies	535.204	384.906
Prepayments for current assets	**40**	**18**
Cash and cash equivalents	**31**	**15**
Cash	31	15
TOTAL ASSETS	**2.159.181**	**1.999.604**
EQUITY (note 13)	**2.030.113**	**1.839.647**
Capital and reserves	**2.025.465**	**1.838.419**
Capital	270.540	270.540
Reserves	1.367.317	1.222.284
(Own shares)	(1.707)	(14.698)
Profit for the year	487.182	451.509
(Interim dividend)	(97.867)	(91.216)
Valuation adjustments	**4.648**	**1.228**
NON-CURRENT LIABILITIES	**9.413**	**7.741**
Non-current provisions (note 14)	**3.356**	**3.168**
Non-current payables (note 15)	**2**	**2**
Other liabilities	2	2
Group companies and associates, non-current (note 22)	**1.546**	**1.546**
Deferred tax liabilities (note 16)	**4.395**	**2.907**
Non-current accruals (note 17)	**114**	**118**
CURRENT LIABILITIES	**119.655**	**152.216**
Current payables (note 18)	**97.904**	**91.271**
Loans and borrowings	13	18
Other current payables	97.891	91.253
Group companies and associates, current (note 22)	**-**	**52.282**
Trade and other payables (note 19)	**21.751**	**8.663**
Other payables	139	207
Personnel	773	1.088
Current tax liabilities	20.643	7.234
Public entities, other	196	134
TOTAL EQUITY AND LIABILITIES	**2.159.181**	**1.999.604**

Notes 1 to 30 form an integral part of these annual accounts.

RED ELÉCTRICA CORPORACIÓN, S.A.
INCOME STATEMENTS
2013 AND 2012
IN THOUSANDS OF EUROS

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	2013	2012
Revenue (note 21-a)	**494.186**	**461.474**
Finance income on investments in equity instruments	469.585	439.871
Group companies and associates	465.046	435.359
Third parties	4.539	4.512
Finance income on securities and other financial instruments of Group companies and associates	24.601	21.603
Supplies	**-**	**(4)**
Raw materials and consumables used	-	(4)
Other operating income	**10.343**	**10.046**
Non-trading and other operating income	10.343	10.046
Personnel expenses (note 21-b)	**(2.703)**	**(4.599)**
Salaries, wages and similar	(2.493)	(4.361)
Employee benefits expense	(50)	(49)
Provisions	(160)	(189)
Other operating expenses	**(3.264)**	**(3.365)**
External services	(2.838)	(2.960)
Taxes	(426)	(405)
Amortisation and depreciation (notes 5 and 6)	**(1.392)**	**(1.343)**
Impairment and gains/(losses) on disposal of fixed assets (note 11)	**-**	**(2.697)**
Impairment and losses	-	(2.697)
RESULTS FROM OPERATING ACTIVITIES	**497.170**	**459.512**
Finance income	**73**	**27**
Marketable securities and other financial instruments	73	27
Third parties	73	27
Finance costs	**(594)**	**(827)**
Group companies and associates	(349)	(508)
Other	(238)	(314)
Provision adjustments	(7)	(5)
NET FINANCE COSTS	**(521)**	**(800)**
PROFIT BEFORE TAX	**496.649**	**458.712**
Income tax (note 16)	**(9.467)**	**(7.203)**
PROFIT FROM CONTINUING OPERATIONS	**487.182**	**451.509**
PROFIT FOR THE YEAR	**487.182**	**451.509**

Notes 1 to 30 form an integral part of these annual accounts.

RED ELÉCTRICA CORPORACIÓN, S.A.
STATEMENTS OF TOTAL CHANGES IN EQUITY
AT 31 DECEMBER 2013 AND 2012
IN THOUSANDS OF EUROS
(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Subscribed capital	Reserves	(Own shares)	Prior years' profit and loss	Profit for the year	(Interim dividend)	**Subtotal capital and reserves**	Valuation adjustments	**Total equity**
Balances at 31 December 2011	270.540	1.075.922	(28.684)	-	440.684	(90.932)	**1.667.530**	-	**1.667.530**
Total recognised income and expense	-	(6)	-	-	451.509	-	**451.503**	1.228	**452.731**
Transactions with shareholders or owners									
(-) Distribution of dividends	-	-	-	(298.707)	-	(284)	**(298.991)**	-	**(298.991)**
Transactions with own shares (net)	-	3.361	13.986	-	-	-	**17.347**	-	**17.347**
Other changes in equity									
Transfer of profit from prior year	-	-	-	440.684	(440.684)	-	**-**	-	**-**
2011 profit transferred to reserves	-	143.007	-	(141.977)	-	-	**1.030**	-	**1.030**
Balances at 31 December 2012	270.540	1.222.284	(14.698)	-	451.509	(91.216)	**1.838.419**	1.228	**1.839.647**
Total recognised income and expense	-	(15)	-	-	487.182	-	**487.167**	3.420	**490.587**
Transactions with shareholders or owners									
(-) Distribution of dividends	-	-	-	(319.646)	-	(6.651)	**(326.297)**	-	**(326.297)**
Transactions with own shares (net)	-	6.528	12.991	-	-	-	**19.519**	-	**19.519**
Other changes in equity									
Transfer of profit from prior year	-	-	-	451.509	(451.509)	-	**-**	-	**-**
2012 profit transferred to reserves	-	132.478	-	(131.863)	-	-	**615**	-	**615**
Balance sheet revaluation - Law 16/2012	-	6.042	-	-	-	-	**6.042**	-	**6.042**
Balances at 31 December 2013	270.540	1.367.317	(1.707)	-	487.182	(97.867)	**2.025.465**	4.648	**2.030.113**

RED ELÉCTRICA CORPORACIÓN, S.A.
STATEMENTS OF RECOGNISED INCOME AND EXPENSE
AT 31 DECEMBER 2013 AND 2012
IN THOUSANDS OF EUROS

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	2013	2012
Profit for the year	**487.182**	**451.509**
Measurement of financial instruments	4.886	(1.469)
Actuarial gains and losses and other adjustments	(21)	(9)
Tax effect	(699)	1.356
Income and expense recognised directly in equity	**4.166**	**(122)**
Measurement of financial instruments	-	2.697
Tax effect	(761)	(1.353)
Amounts transferred to the income statement	**(761)**	**1.344**
Total recognised income and expense	**490.587**	**452.731**

RED ELÉCTRICA CORPORACIÓN, S.A.
STATEMENTS OF CASH FLOWS
AT 31 DECEMBER 2013 AND 2012
IN THOUSANDS OF EUROS

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

STATEMENTS OF CASH FLOWS	**2013**	**2012**
CASH FLOWS FROM OPERATING ACTIVITIES	**346.256**	**270.562**
Profit before tax	**496.649**	**458.712**
Adjustments for:	**(492.117)**	**(456.449)**
Amortisation and depreciation	1.392	1.343
Impairment	-	2.697
Change in provisions	160	189
Finance income	(494.259)	(461.501)
Finance costs	594	827
Other income and expense	(4)	(4)
Changes in operating assets and liabilities	**(118.275)**	**(163.055)**
Trade and other receivables	853	(940)
Other current assets	(22)	397
Other current assets, Group companies and associates	(118.774)	(161.837)
Trade and other payables	(332)	(675)
Other cash flows from operating activities:	**459.999**	**431.354**
Interest paid	(238)	(330)
Dividends received	469.585	439.871
Interest received	73	28
Income tax paid/(received)	(9.103)	(7.710)
Other amounts paid	(318)	(505)
CASH FLOWS USED IN INVESTING ACTIVITIES	**(44)**	**(50)**
Payments for investments	**(44)**	**(50)**
Property, plant and equipment, intangible assets and investment property	(44)	(50)
CASH FLOWS USED IN FINANCING ACTIVITIES	**(346.196)**	**(270.527)**
Proceeds from and payments for equity instruments	**19.519**	**17.348**
Acquisition and sale of own equity instruments	19.519	17.348
Proceeds from and payments for financial liability instruments	**(46.684)**	**9.802**
Bonds and other marketable securities	-	(4.758)
Loans and borrowings	(6)	(14.893)
Group companies and associates	(46.678)	29.453
Dividends and interest on other equity instruments paid	**(319.031)**	**(297.677)**
Dividends	(319.031)	(297.677)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**16**	**(15)**
Cash and cash equivalents at the beginning of the period	**15**	**30**
Cash and cash equivalents at the end of the period	**31**	**15**

CONTENTS

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1. ACTIVITIES OF THE COMPANY

Red Eléctrica Corporación, S.A. (hereinafter the Company) was incorporated in 1985 and its registered offices are located in Alcobendas (Madrid). The Company's principal activities are as follows:

- Managing the corporate Group, which comprises investments in the share capital of its Group companies and investees.
- Rendering assistance and support services to its investees.
- Operating the buildings owned by the Company.

2. BASIS OF PRESENTATION OF THE ANNUAL ACCOUNTS

a) Fair presentation

The accompanying annual accounts were authorised for issue by the Company's directors at their board meeting held on 25 February 2014 and have been prepared to present fairly the Company's equity and financial position at 31 December 2013 and 2012, as well as the results of its operations and changes in equity and cash flows for the years then ended.

The figures disclosed in the annual accounts are expressed in thousands of Euros. The annual accounts have been prepared on the basis of the accounting records of the Company in accordance with prevailing legislation and the Spanish General Chart of Accounts approved by Royal Decree 1514/2007 and the amendments thereto contained in Royal Decree-Law 1159/2010.

The Company holds investments in subsidiaries. Consequently, in accordance with prevailing legislation, the Company is the parent of a group of companies. Pursuant to generally accepted accounting principles in Spain, annual accounts must be prepared to present fairly the financial position of the Company, the results of operations and changes in its equity and cash flows. Details of investments in Group companies are provided in note 8.

The Company files separate consolidated annual accounts in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) through Regulation (EC) No 1606/2002/EC of the European Parliament and of the Council, and the related interpretations (IFRIC) adopted by the European Union.

The annual accounts for 2012 were approved by the shareholders at their general meeting held on 18 April 2013. The annual accounts for 2013 are currently pending approval by the shareholders. However, the board of directors of the Company consider that these annual accounts will be approved with no changes.

b) Obligatory accounting principles

The Company has not omitted any mandatory accounting principle with a material effect on the annual accounts.

c) Estimates and assumptions

The preparation of the annual accounts requires Company management to make judgements, estimates and assumptions that affect the application of accounting standards and the amounts of assets, liabilities, income and expenses. Estimates and assumptions are based on past experience and other factors that are considered reasonable given the circumstances. Actual results could differ from these estimates.

Although estimates are based on the best information available at 31 December 2013, future events may require increases or decreases in these estimates in subsequent years, which would be accounted for prospectively in the corresponding income statement as a change in accounting estimates, as required by the Spanish General Chart of Accounts.

d) Comparative information

The balance sheet, income statement, statement of changes in equity, statement of cash flows and the notes thereto for 2013 include comparative figures for the prior year, which formed part of the annual accounts for 2012.

In 2013 the Company availed of the balance sheet revaluation permitted by Law 16/2012 of 27 December 2012, which introduced several fiscal measures to consolidate public finances and boost economic activity. These annual accounts reflect this revaluation, effective from 1 January 2013, for an amount of Euros 6,042 thousand net of tax, as follows:

	Thousands of Euros
Property, plant and equipment	6.360
Tax	(318)
	========
Revaluation reserve, Law 16/2012 of 27 December 2012	6.042

Consequently, the annual accounts for 2013 are not necessarily comparable to those of 2012.

3. PROPOSED DISTRIBUTION OF PROFITS

The proposed distribution of profit for the year ended 31 December 2013, prepared by the directors and pending approval by the shareholders at the general meeting, is as follows (in thousands of Euros):

Profit for the year	487.182

Total	487.182
	======
DISTRIBUTION	
Voluntary reserves	143.326
Dividends:	
Interim dividend	97.867
Complementary dividend	245.989

Total	487.182
	======

This proposed distribution entails a complementary dividend of Euros 1,8185 per share, which would result in a total dividend for the year of Euros 2,5422 per share, calculated on the basis of total shares.

The interim dividend for the year is explained in note 13.

4. SIGNIFICANT ACCOUNTING PRINCIPLES

The accounting principles used in preparing the accompanying annual accounts are as follows:

a) Property, plant and equipment

Property, plant and equipment mainly comprise land and buildings and are measured at cost of construction or acquisition, as applicable. Cost of construction includes the following items, where applicable:

- Borrowing costs accrued on external financing during the construction period.
- Operating costs directly related with property, plant and equipment constructed for projects executed under the supervision and management of the Company.

The Company transfers work in progress to operating property, plant and equipment provided that the assets are in working condition.

Costs incurred to enlarge or improve items of property, plant and equipment which increase capacity or productivity or extend the useful life of the asset are capitalised as an increase in the cost of the related asset.

Repair and maintenance costs on property, plant and equipment that do not increase productivity or capacity and which do not lengthen the useful life of the assets are charged as expenses when incurred.

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful life of the assets, which is the period during which the Company expects to use the assets, applying the following rates:

	Annual depreciation rate
Buildings	2%-10%
Other installations	4%-25%

b) Investment property

The Company measures its investment property at cost of acquisition. The market value of the Company's investment property is disclosed in note 6.

Buildings are depreciated on a straight-line basis over the estimated useful life, which is the period during which the Company expects to use the assets (annual depreciation rate of 2%).

c) Financial assets

The Company classifies its financial assets into the following categories:

- Loans and receivables: non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not intended for trading in the near term. These assets are classified as current, except those maturing in over 12 months after the reporting date, which are classified as non-current.

  Loans are initially recognised at fair value, including transaction costs incurred in arranging the loan, and are subsequently measured at amortised cost, which is basically the amount granted, less repayments of the principal, plus accrued interest receivable.

  Receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

- Available-for-sale financial assets: investments that the Company intends to hold for an unspecified period of time which are likely to be disposed of to meet one-off liquidity needs or in response to interest rate fluctuations. They are classified as non-current, unless they are expected to be disposed of in less than one year and such disposal is feasible. These financial assets are measured at fair value, which is the quoted price at the reporting date in the case of securities quoted in an active market. Any gains or losses arising from changes in the fair value of these assets at the reporting date are recognised directly in equity until the assets are disposed of or impaired, whereupon the accumulated gains and losses are recognised in profit or loss. Impairment, where applicable, is calculated on the basis of discounted expected future cash flows. A significant or prolonged decline in the fair value of the asset below its cost is also objective evidence of impairment. Dividends from equity investments classified as available-for-sale are recognised in the income statement when the Company's right to receive payment is established.

- Equity investments in Group companies and associates: these investments are measured at cost less any accumulated impairment. If there is objective evidence that the carrying amount is not recoverable, the amount of the impairment loss is measured as the difference between the carrying amount and the recoverable amount, the latter of which is understood as the higher of the fair value less costs to sell and the present value of estimated future cash flows from the investment. Unless better evidence of the recoverable amount is available, when estimating impairment of such investments, the investee's equity is taken into consideration, corrected for any net unrealised gains existing at the measurement date. Impairment losses are recognised and reversed in the corresponding income statement.

d) Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits in financial institutions and other short-term, highly liquid investments.

e) Impairment

The Company analyses the recoverability of its assets at each reporting date and whenever events or changes in circumstances indicate that the carrying amount might not be recoverable. Impairment is deemed to exist when the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised immediately in the consolidated income statement. An impairment loss is the difference between the carrying amount of an asset and its recoverable amount.

Recoverable amount is the higher of:

- Fair value less costs to sell

- Value in use

Recoverable amount is calculated on the basis of expected cash flows. Impairment is calculated for individual assets. Where the recoverable amount of an individual asset cannot be determined, the recoverable amount of the cash-generating unit (CGU) to which that asset belongs is calculated. Any reversals are recognised in the income statement.

f) Capital and reserves

The share capital of the Company is represented by ordinary shares.
Interim dividends are recognised as a reduction in equity for the year in which the dividend is declared, based on the consensus of the board of directors. Complementary dividends are not deducted from equity until approved by the pertinent board of directors.

The consideration paid by the Company in the acquisition of own shares, including any directly attributable incremental costs, is deducted from equity until the shares are cancelled, reissued or disposed of. If these shares are subsequently sold, any amount received, net of any incremental costs directly attributable to the transaction, is recognised in equity.

g) Employee benefits

- Pension obligations

  The Company has defined contribution plans, whereby the benefit receivable by an employee upon retirement – based on their remuneration – is determined by the contributions made. For these pension plans, the Company pays fixed contributions into a separate entity, and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Contributions to these plans are recognised under personnel expenses in the income statement.

- Other long-term employee benefits

  Other long-term employee benefits include defined benefit plans for benefits other than pensions (such as medical insurance) for the Company's serving personnel. The expected costs of these benefits are recognised over the working life of the employees. These obligations are measured each year by independent qualified actuaries. Changes in actuarial assumptions are recognised, net of taxes, in reserves under equity in the year in which they arise, while the past service cost is recorded in the income statement.

  This item also includes deferred remuneration schemes, which are measured each year.

h) Provisions

The Company makes provision for present obligations (legal or constructive) arising as a result of a past event whenever it is probable that an outflow of resources will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. Provision is made when the liability or obligation is recognised.

Provisions are measured at the present value of the estimated expenditure required to settle the obligation using a pre-tax rate that reflects the current market assessment of the time value of money and the specific risks of the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

i) Financial debt

Loans, payment obligations and similar commitments are initially recognised at the cash amount received, less transaction costs. Such debt is subsequently measured at amortised cost, using the effective interest method.

Financial debt is classified under current liabilities unless the debt falls due more than 12 months after the reporting date, in which case it is classified under non-current liabilities.

j) Trade payables

Trade payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. However, trade payables falling due in less than one year that have no contractual interest rate and are expected to be settled in the short term are measured at their nominal amount.

k) Income and expenses

Income and expenses are recognised on an accruals basis, irrespective of payments and receipts.

Interest income is recognised using the effective interest method.

Dividends are recognised when the right to receive payment is established.

l) Taxation

The income tax expense or tax income for the year comprises current tax and deferred tax. Current and deferred tax are recognised as income or an expense and included in profit or loss for the year, except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different year, directly in equity, or from a business combination.

Current tax is the estimated tax payable for the year using the enacted tax rates applicable to the current year and to any adjustment to tax payable in respect of previous years.

Tax credits and deductions arising from economic events occurring in the year are deducted from the income tax expense, unless there are doubts as to whether they can be realised.

Deferred taxes and the income tax expense are calculated and recognised using the liability method, based on temporary differences arising between the balances recognised in the financial information and those used for tax purposes. This method entails calculating deferred tax assets and liabilities on the basis of the differences between the carrying amount of the assets and liabilities and their tax base, applying the tax rates that are objectively expected to apply to the years when the assets are realised and the liabilities settled.

Deferred tax assets are recognised provided that it is probable that sufficient taxable profits will be available against which the deductible temporary differences can be utilised.

As the Parent of the Group, the Company records the total consolidated income tax payable (recoverable) with a debit (credit) to receivables from (payables to) Group companies and associates.

m) Insurance

The Company has taken out various insurance policies to cover the risks to which it is exposed through its activities. These risks mainly comprise damage that could be caused to its facilities and possible claims that might be lodged by third parties as a result of the Company's activities. Insurance premium expenses are recognised in the income statement on an accruals basis. Payouts from insurance companies in respect of claims are recognised in the income statement applying the matching of income and expenses principle.

n) Share-based payment

The Company has implemented share purchase schemes whereby employees can opt to receive part of their annual remuneration in the form of shares in the Company. This remuneration is measured based on the closing quotation of these Company shares at the delivery date. The costs incurred on such schemes are recognised under personnel expenses in the income statement. All shares delivered as payment are taken from the own shares held the Company.

o) Transactions between Group companies

Transactions between Group companies are recognised at the fair value of the consideration given or received. The difference between this value and the amount agreed is recognised in line with the underlying economic substance of the transaction.

5. PROPERTY, PLANT AND EQUIPMENT

Movement in property, plant and equipment and details of accumulated depreciation and impairment during 2013 and 2012, in thousands of Euros, are as follows:

	31 December 2011	Additions	Disposals	Transfers	31 December 2012	Revaluation	Balance sheet revaluation per Law 16/2012 of 27 December 2012	Additions	Disposals	Transfers	31 December 2013
Cost											
Land and buildings	60.476	-	-	-	60.476	6.304	66.780	-	-	-	66.780
Other installations, machinery, equipment furniture and other items	14.018	-	-	-	14.018	56	14.074	-	-	-	14.074
Under construction and advances	1.692	50	-	-	1.742	-	1.742	44	-	-	1.786
Total cost	76.186	50	-	-	76.236	6.360	82.596	44	-	-	82.640
Accumulated depreciation											
Buildings	(11.479)	(1.024)	-	-	(12.503)	-	(12.503)	(1.186)	-	-	(13.689)
Other installations, machinery, equipment furniture and other items	(13.077)	(228)	-	-	(13.305)	-	(13.305)	(163)	-	-	(13.468)
Total accumulated depreciation	(24.556)	(1.252)	-	-	(25.808)	-	(25.808)	(1.349)	-	-	(27.157)
Impairment	-	-	-	-	-	-	-	-	-	-	-
Carrying amount	51.630	(1.202)	-	-	50.428	6.360	56.788	(1.305)	-	-	55.483

Additions to property, plant and equipment under construction and advances in 2013 and 2012 reflect expenses incurred on a project carried out in the Balearic Islands.

At 1 January 2013 items of property, plant and equipment were revalued in accordance with Law 16/2012 of 27 December 2012, which adopted tax measures aimed at consolidating public finances and boosting economic activity. The associated effect is disclosed in the section on Revaluation.

The Company did not capitalise any amounts under property, plant and equipment in 2013 and 2012.

At 31 December 2013 the Company has fully depreciated property, plant and equipment with a cost of Euros 13,501 thousand (Euros 13,009 thousand in 2012), Euros 864 thousand of which are buildings (Euros 632 thousand in 2012).

6. INVESTMENT PROPERTY

Movement in investment property in 2013 and 2012, in thousands of Euros, is as follows:

	31 December 2011	Additions	Transfers	31 December 2012	Additions	Transfers	31 December 2013
Investment property	2.910	-	-	2.910	-	-	2.910
Total cost	2.910	-	-	2.910	-	-	2.910
Accumulated depreciation	(215)	(91)	-	(306)	(43)	-	(349)
Total accumulated depreciation	(215)	(91)	-	(306)	(43)	-	(349)
Carrying amount	2.695	(91)	-	2.604	(43)	-	2.561

The Company estimates the market value of its investment property at approximately Euros 3 million. These assets do not generate or incur significant operating income or expenses.

7. OPERATING LEASES

The Company has leased certain assets to Group companies. The types of assets leased under operating leases, in thousands of Euros, are as follows:

	31 December 2013
Cost	
Land and buildings	66,780
Other installations, machinery, equipment, furniture and other items	14,074
Total cost	80,854
Accumulated depreciation	
Buildings	(13,689)
Other installations, machinery, equipment, furniture and other items	(13,468)
Total accumulated depreciation	(27,157)
Carrying amount	53,697

The Company has entered into agreements with Red Eléctrica de España, S.A.U. (REE), whereby it leases to the latter certain areas inside the buildings it owns. These agreements are renewed on an annual basis and the future minimum lease payments receivable for 2014 amount to Euros 10,072 thousand.

The Company has also entered into agreements with Red Eléctrica Internacional, S.A.U. (REI), whereby it leases to the latter certain areas inside the buildings it owns. These agreements are renewed on an annual basis and the future minimum lease payments receivable for 2014 amount to Euros 215 thousand.

8. INVESTMENTS IN GROUP COMPANIES AND ASSOCIATES

At 31 December 2013 and 2012, none of the Group companies in which the Company holds a direct or indirect interest is listed on the stock exchange.

Details of investments in Group companies and associates at 31 December 2013, in thousands of Euros, are as follows:

Company - Registered offices - Principal activity	Percentage ownership (1) Direct	Indirect	Carrying amount	Equity of investees (2) Share capital	Share premium	Reserves	Other items	Profit/(loss) for the year (3)	Operating profit/(loss)	Dividends received
A) Fully consolidated companies										
Red Eléctrica de España, S.A.U. (REE) - Paseo Conde de los Gaitanes, 177. Alcobendas. Madrid. (Spain). - Transmission and operation of the Spanish electricity system and management of the transmission grid.	100%	-	1.014.326	800.006	54.319	258.178	(87.596)	463.260	862.978	464.190
Red Eléctrica Internacional, S.A.U. (REI) - Paseo Conde de los Gaitanes, 177. Alcobendas. Madrid. (Spain). - International investments. Rendering of advisory, engineering, construction and telecommunications services. - Performance of electricity activities outside the Spanish electricity system.	100%	-	60.010	60.010	-	39.802	-	(2.190)	14.233	-
Red Eléctrica de España Finance, B.V. (RBV) - Claude Debussylaan, 24. Amsterdam (Netherlands). - Financing activities. - Incorporated in 2003 in the Netherlands to issue debt on behalf of the Red Eléctrica Group.	100%	-	2.000	18	1.982	-	-	631	(111)	855
Red Eléctrica Financiaciones, S.A.U. (REF) - Paseo Conde de los Gaitanes, 177. Alcobendas. Madrid. (Spain). - Financing activities.	100%	-	60	60	-	2.093	-	1.576	(195)	-
Redcor Reaseguros, S.A. (REDCOR) - 26, Rue Louvigny. (Luxembourg). - Reinsurance activities. - Incorporated in 2010 in Luxembourg in order to reinsure the risks of the Group companies, thereby guaranteeing better access to international markets.	100%	-	3.200	3.200	-	-	13.990	5.871	7.287	-
Red Eléctrica Andina, S.A. (REA) - Av. Alfonso Ugarte Nº 536 Cercado. Arequipa (Peru). - Rendering of line and substation maintenance services.	-	100%(a)	31	33	-	503	-	64	139	-
Transmisora Eléctrica del Sur , S.A. (TESUR) - Juan de la Fuente, 453. Lima (Peru). - Electricity transmission and operation and maintenance of electricity transmission grids.	-	55%(a)	9.346	15.736	-	(20)	(524)	(438)	(341)	-
Red Eléctrica del Sur, S.A. (REDESUR)(4) - Juan de la Fuente, 453. Lima (Peru). - Electricity transmission and operation and maintenance of electricity transmission grids.	-	55%(a)	8.930	9.423	3	1.885	-	3.543	5.891	-
B) Proportionately consolidated companies										
Interconexión Eléctrica Francia-España, S.A.S. (INELFE) Cedex. Paris (France). - Study and execution of the project to increase the Spain - France interconnection capacity.	-	50%(b)	1.000	2.000	-	2.445	3.623	3.624	5.106	-

(1) Equivalent to voting rights.
(2) As per the audited financial statements harmonised with the Company's accounting criteria and translated to Euros at the closing exchange rate.
(3) As per the audited financial statements harmonised with the Company's accounting criteria and translated to Euros at the average exchange rate.
(4) The Group has held a 55% interest since 9 May 2013. Until then the Group held a 33.75% interest, and as such this company was accounted for using the equity method.

(a) Investment through Red Eléctrica Internacional
(b) Investment through Red Eléctrica de España

On 1 May 2012 the Bolivian government nationalised Transportadora de Electricidad S.A. (hereinafter TDE) through Supreme Decree 1214, and this company therefore left the consolidated group on that date. The transaction value has yet to be determined. Red Eléctrica Internacional's investment in TDE was 99.94%.

The Company holds all of the share capital of REE, the company that performs the functions of transmission agent, system operator and transmission grid manager of the Spanish electricity system subject to the provisions of Electricity Industry Law 24/2013 and related provisions formerly applicable to Red Eléctrica de España, S.A. as system operator and transmission grid manager. The Company may not transfer the shares of this subsidiary, which conducts regulated activities in Spain, to third parties.

9. FINANCIAL RISK MANAGEMENT POLICY

The Company's financial risk management policy establishes principles and guidelines to ensure that any significant risks that could affect the objectives and activities of the Group are identified, analysed, assessed, managed and controlled, and that these processes are carried out systematically and adhering to uniform criteria.

A summary of the main guidelines that comprise this policy is as follows:

- Risk management should be fundamentally proactive and directed towards the medium and long term, taking into account possible scenarios in an increasingly global environment.
- Risk should generally be managed in accordance with consistent criteria, distinguishing between the importance of the risk (probability/impact) and the investment and resources required to reduce it.
- Financial risk management should be focused on avoiding undesirable variations in the Company's core value, rather than generating extraordinary profits.

The Company's finance management is responsible for managing financial risk, ensuring consistency with the strategy and coordinating the risk management process, by identifying the main financial risks and defining the initiatives to be taken, based on different financial scenarios.

The methodology for identifying, measuring, monitoring and controlling risk, as well as the management indicators and measurement and control tools specific to each risk, are documented in the financial risk manual.

The main risk to which the Company is exposed is credit risk, as debt transactions are carried out through the other Group companies, which assume the market and liquidity risks. Credit risk is managed through policies that contain certain requirements regarding counterparty credit quality, and further guarantees are stipulated where required. At 31 December 2013 the Company does not consider there to be any risk as regards the recoverability of receivables.

The Company is exposed to price risk relating to capital investments classified as available-for-sale in the balance sheet. Investments available for sale on quoted markets basically comprise the 5% interest held by the Company in REN.

At 31 December 2013 had the listed price of the REN shares been 10% higher, equity would have increased by approximately Euros 4 million (Euros 4 million in 2012). Had the listed price been 10% lower, equity would have been approximately Euros 4 million lower (Euros 4 million in 2012).

10. ANALYSIS OF FINANCIAL INSTRUMENTS

a) Analysis by category

At 31 December 2013 and 2012 the carrying amounts of each category of financial instruments, except investments in Group companies, are as follows (in thousands of Euros):

- Financial assets

	Financial instruments by category 31/12/2013		
	Available-for-sale financial assets	Loans and receivables	Total
Loans to Group companies and associates	-	425.000	425.000
Equity instruments	59.755	-	59.755
	------------	------------	------------
Non-current	59.755	425.000	484.755
	=======	=======	=======
Investments in Group companies and associates	-	535.204	535.204
Trade and other receivables	-	283	283
	------------	------------	------------
Current	-	535.487	535.487
	=======	=======	=======
Total	59.755	960.487	1.020.242
	=======	=======	=======

Financial instruments by category 31/12/2012	Available-for-sale financial assets	Loans and receivables	Total
Loans to Group companies and associates	-	425.000	425.000
Equity instruments	54.869	-	54.869
	------------	------------	------------
Non-current	54.869	425.000	479.869
	=======	=======	=======
Investments in Group companies and associates	-	384.906	384.906
Trade and other receivables	-	1.138	1.138
	------------	------------	------------
Current	-	386.044	386.044
	=======	=======	=======
Total	54.869	811.044	865.913
	=======	=======	=======

- Financial liabilities

	Financial instruments by category 31/12/2013
	Debts and payables
Payables to Group companies and associates	1.546
Other financial liabilities	2

Non-current	1.548
	=======
Loans and borrowings	13
Payables to Group companies and associates	-
Current payables	97.891
Trade and other payables	21.751

Current	119.655
	=======
Total	121.203
	=======

	Financial instruments by category 31/12/2012
	Debts and payables
Payables to Group companies and associates	1.546
Other financial liabilities	2

Non-current	1.548
	=======
Loans and borrowings	18
Payables to Group companies and associates	52.282
Current payables	91.253
Trade and other payables	8.663

Current	152.216
	=======
Total	153.764
	=======

b) Analysis by maturity

- Financial assets

	Maturity of financial assets		
	2014	Subsequent years	Total
Available-for-sale financial assets	-	59.755	59.755
Loans to Group companies and associates	535.204	425.000	960.204
Trade and other receivables	283	-	283
	------------	------------	------------
	535.487	484.755	1.020.242
	=======	=======	=======

- Financial liabilities

	Maturity of financial liabilities		
	2014	Subsequent years	Total
Loans and borrowings	13	-	13
Payables to Group companies and associates	-	1.546	1.546
Trade and other payables	119.642	-	119.642
Other financial liabilities	-	2	2
	------------	------------	------------
	119.655	1.548	121.203
	=======	=======	=======

11. NON-CURRENT INVESTMENTS

Non-current investments are equity instruments classified as available-for-sale, and comprise the 5% interest held by the Company in Redes Energéticas Nacionais, SGPS, S.A. (hereinafter REN), a holding company that encompasses the operation and use of electricity transmission assets and gas infrastructure in Portugal.

The value of this investment is subject to the listed share price. At 31 December 2013 the fair value of this equity instrument was increased and the corresponding valuation adjustment was recognised directly under equity.

At 31 December 2013 the Company has calculated the increase resulting from the valuation adjustment recognised under equity at Euros 4,886 thousand (Euros 1,228 thousand in 2012).

During 2013 there was no objective evidence of impairment on the investment in REN. At 31 December 2012 impairment was recorded for an amount of Euros 2,697 thousand in the income statement.

12. TRADE AND OTHER RECEIVABLES

Details at 31 December 2013 and 2012, in thousands of Euros, are as follows:

	31 December 2013	31 December 2012
Other receivables	283	1.008
Personnel	-	2
Public entities, other	-	128
	---------	---------
	283	1.138
	======	======

13. EQUITY

a) Capital risk management

The Group’s aim when managing the capital of its subsidiaries and investees is to safeguard their capacity to continue operating as a going concern, so as to provide shareholder remuneration, while maintaining an optimum capital structure to reduce the cost of capital.

To maintain and adjust the capital structure, the Company can adjust the amount of dividends payable to shareholders, reimburse capital or issue shares.

Given the Company's activity and its investees' capacity to generate funds, the Company is not significantly exposed to capital risk.

b) Capital and reserves

- **Capital**

  At 31 December 2013 the Company's share capital is represented by 135,270,000 bearer shares with a par value of Euros 2 each, subscribed and fully paid, and carrying the same voting and profit-sharing rights. The Company’s shares are quoted on the four Spanish stock exchanges.

As the Parent of the Red Eléctrica Group, the Company is subject to the shareholder limitations stipulated in Law 17/2007 and Royal Decree-Law 13/2012 of 30 March 2012.

Pursuant to this legislation, any individual or entity may hold investments in the Company, provided that the sum of their direct or indirect interests in its share capital does not exceed 5% and their voting rights do not surpass 3%. These shares may not be syndicated for any purpose. Voting rights at the Parent are limited to 1% in the case of entities that carry out activities in the electricity sector, and individuals and entities that hold direct or indirect interests exceeding 5% of the share capital of such companies. The shareholder limitations with regard to the Parent's share capital are not applicable to Sociedad Estatal de Participaciones Industriales (SEPI), which in any event will continue to hold an interest of no less than 10%. At 31 December 2013 and 2012 SEPI holds a 20% interest in the Company's share capital.

- **Reserves**

  This item includes:

  - Legal reserve

    Spanish companies are obliged to transfer 10% of the profits for the year to a legal reserve until such reserve reaches an amount equal to 20% of the share capital. This reserve is not distributable to shareholders and may only be used to offset losses if no other reserves are available. Under certain circumstances, it may also be used to increase share capital. At 31 December 2013 and 2012 the legal reserve amounts to 20% of share capital (Euros 54,199 thousand).

  - Revaluation reserve, Law 16/2012 of 27 December 2012

    In accordance with Law 16/2012 of 27 December 2012, which introduced several tax measures to consolidate public finances and boost economic activity, the Company has revalued its property, plant and equipment. The associated revaluation reserve amounts to Euros 6,042 thousand, net of the 5% capital gains tax.

    The revaluation is open to inspection by the Spanish taxation authorities for a three-year period from the date of filing of the 2012 income tax return. Once the balance has been inspected and agreed, or the three-year period has elapsed, it may be used to offset losses or increase the Company's capital. Once a period of ten years has elapsed this balance may be released to freely distributable reserves.

The balance of this account will only be distributable, either directly or indirectly, to the extent that gains have been realised.

- Other reserves

Other reserves primarily include voluntary reserves of the Company and first-time application reserves, amounting to Euros 1,022,635 thousand and Euros 19,895 thousand, respectively, at 31 December 2013 (Euros 883,644 thousand and Euros 19,895 thousand, respectively, in 2012). Both of these reserves are freely distributable.

At 31 December 2013 and 2012 this item also comprises statutory reserves totalling Euros 264,546 thousand, notably including the property, plant and equipment revaluation reserve amounting to Euros 247,022 thousand created by the Parent in 1996. This reserve may be used, free of taxation, to offset accounting losses and increase share capital or, ten years after its creation, be transferred to freely distributable reserves, in accordance with Royal Decree-Law 2607/1996.

- **Own shares**

At 31 December 2013 the Company held 38,376 own shares representing 0.03% of its share capital, with a total par value of Euros 77 thousand and an average acquisition price of Euros 44.51 per share (in 2012, 414,857 shares representing 0.31% of capital, with a total par value of Euros 829 thousand and an average acquisition price of Euros 35.43 per share).

The Company has complied with the requirements of article 509 of the Spanish Companies Act, which provides that the par value of acquired shares listed on official secondary markets, together with those already held by the Parent and its subsidiaries, must not exceed 10% of the share capital. The Group subsidiaries do not hold own shares or shares in the Company.

These shares have been recognised as a reduction in equity for an amount of Euros 1,707 thousand at 31 December 2013 (Euros 14,698 thousand in 2012).

- **Profit for the year**

Profit for the year totals Euros 487,182 thousand (Euros 451,509 thousand in 2012).

- **Interim dividends and proposed distribution of dividends by the Company**

The interim dividend authorised by the board of directors in 2013 has been recognised as a Euros 97,867 thousand reduction in equity at 31 December 2013 (Euros 91,216 thousand at 31 December 2012).

On 17 December 2013 the Company's board of directors agreed to pay an interim dividend of Euros 0.7237 (gross) per share with a charge to 2012 profit, which was paid on 2 January 2014.

The cash flow forecast for the period from 30 November 2013 to 2 January 2014 indicated sufficient liquidity to allow the distribution of this dividend. As such, the following provisional liquidity statement was drawn up pursuant to article 277 section a) of the Spanish Companies Act:

Liquidity statement	Thousands of Euros
Funds available at 30-11-13:	
Non-current loans available	-
Current loans available	25.601
Current investments and cash	22
Forecast receipts:	
Current transactions	756
Financial transactions	115.642
Forecast payments:	
Current transactions	(32.682)
Financial transactions	-
Forecast funds available at 02-01-14	**109.339**

Based on the cash flow forecast at the approval date, no limitation on the availability of funds was or is expected to arise. Furthermore, as reflected in the accompanying annual accounts, and as foreseen at the distribution date, profit for 2013 allows for the distribution of this interim dividend.

c) Valuation adjustments

At 31 December 2013 and 2012 this item reflects valuation adjustments to available-for-sale financial assets due to fluctuations in the listed share price of the 5% investment held by the Company in REN.

14. PROVISIONS

Movement in 2013 and 2012, in thousands of Euros, is as follows:

	31 December 2011	Additions	Applications	Reversals	31 December 2012	Additions	Applications	Actuarial gains and losses	Reversals	31 December 2013
Long-term employee benefits	469	204	(505)	-	168	167	-	21	-	356
Other provisions	3.000	-	-	-	3.000	-	-	-	-	3.000
	3.469	204	(505)	-	3.168	167	-	21	-	3.356

Long-term employee benefits include future commitments (medical insurance) undertaken by the Company on behalf of its employees for their retirement, calculated based on actuarial studies. The following assumptions were used for 2013 and 2012:

	Actuarial assumptions	
	2013	2012
Discount rate	3,40%	3,50%
Cost increase	4,00%	4,00%
Mortality table	PERM/F 2000 New Production	PERM/F 2000 New Production

The effect of a percentage increase or decrease in the assumed medical insurance cost trend rates, in thousands of Euros, is as follows:

	+1%	-1%
Current service cost	1	(1)
Net interest expense for post-employment medical insurance cost	1	-
Accumulated post-employment benefit obligation for medical insurance	21	(16)

Conversely, the effect of a decrease of half a percentage point in the discount rate used for medical insurance costs from 3.4% to 2.9%, in thousands of Euros, is as follows:

	Discount rate		
	3.4%	2.9%	sensitivity
Current service cost	2,3	1,0	2,7
Net interest expense for post-employment medical insurance cost	1,2	1,1	(0,1)
Accumulated post-employment benefit obligation for medical insurance	60	69	9

The accrued amounts are recognised as personnel expenses or finance costs, depending on their nature. Personnel expenses and finance costs recognised in the income statement for 2013 amount to Euros 2.3 thousand and Euros 1.2 thousand, respectively (Euros 1.5 thousand and Euros 1 thousand, respectively, in 2012). Any variations in the calculation of the present value of these obligations due to actuarial gains and losses are recognised in equity as reserves. In 2013 reserves of Euros 21 thousand were recognised in equity in this respect (Euros 10 thousand in 2012).

Other provisions reflect the amounts recorded by the Company every year to cover potential unfavourable rulings handed down in relation to third-party claims.

15. NON-CURRENT PAYABLES

At 31 December 2013 and 2012 non-current payables comprise non-current guarantees received amounting to Euros 2 thousand.

16. TAXATION

The Company has filed consolidated tax returns since 2002. The Company is the parent of tax group no. 57/02.

Due to the treatment permitted by fiscal legislation of certain transactions, accounting profit differs from taxable income. A reconciliation of accounting profit for 2013 and 2012 with the taxable income that the Company expects to declare after approval of the annual accounts is as follows (in thousands of Euros):

	2013	2012
Accounting profit for the year before tax	496.649	458.712
Permanent differences	(2.265)	(1.551)
	----------	----------
Taxable accounting income	494.384	457.161
Temporary differences:		
Originating in current year	284	(355)
Reversals during the year	283	(29)
	----------	----------
	567	(384)
	----------	----------
Taxable income	494.951	456.777
	======	======

The income tax expense for the year is calculated as follows (in thousands of Euros):

	2013	2012
Accounting profit for the year before tax	496.649	458.712
Permanent differences	(2.265)	(1.551)
	----------	----------
Taxable accounting income	494.384	457.161
Tax rate	30%	30%
Tax resulting from applicable tax rate	148.315	137.148
Deductions	(139.539)	(130.628)
	----------	----------
Expense for the year	8.776	6.520
Foreign income tax	691	683
	======	======
Income tax	9.467	7.203
	======	======
Effective tax rate	1,91%	1,57%
Current income tax	9.637	7.042
Deferred income tax	(170)	161
	======	======
Expense for the year	9.467	7.203
	======	======

In 2013 and 2012 permanent differences mainly arise on dividends of entities not resident in Spain.

Deductions mainly comprise those for internal double taxation of dividends.

The revenue subject to the tax deduction provided for in article 42 of Royal Legislative Decree 4/2004, and the years in which the related reinvestments were made, are as follows:

Year deduction applied	Revenue subject to tax deduction (thousands of Euros)	Year reinvestment made
2008	29	2008

Temporary differences in the recognition of income and expenses for accounting and tax purposes at 31 December 2013 and 2012, and the corresponding accumulated tax effect (assets and liabilities), are as follows (in thousands of Euros):

	2013		2012	
	Income statement	Recognised income and expense	Income statement	Recognised income and expense
Deferred tax assets:				
Originating in prior years	1.027	3	1.058	1
Originating in current year	192	6	-	2
Reversal of prior years	-	-	(93)	-
	----------	----------	----------	----------
	192	6	(93)	2
Prior year adjustments	-	-	62	-
	----------	----------	----------	----------
	1.219	9	1.027	3
	======	======	======	======
Deferred tax liabilities:				
Originating in prior years	(2.907)	-	(2.777)	-
Originating in current year	(107)	(1.465)	(107)	-
Reversal of prior years	84	-	84	-
	----------	----------	----------	----------
	(23)	(1.465)	(23)	-
Prior year adjustments	-	-	(107)	-
	----------	----------	----------	----------
	(2.930)	(1.465)	(2.907)	-
	=======	=======	=======	=======

Deferred tax assets essentially derive from the limitation on the tax deductibility of depreciation and amortisation charges, the balance sheet revaluations corresponding to 2013, as permitted by Law 16/2012, and from provisions for liabilities.

Deferred tax liabilities essentially relate to the accelerated depreciation for tax purposes of certain fixed assets and the tax amortisation of goodwill arising on foreign investments.

The notes to the Company's annual accounts for 2006 contain disclosures on the merger by absorption carried out during that year, as required by article 93 of Royal Legislative Decree 4/2004. The notes to the 2008 annual accounts include disclosures on the contribution to Red Eléctrica de España, S.A.U. of the branch of activities encompassing the duties of the system operator, transmission grid manager and transmission agent of the Spanish electricity system.

At 31 December 2013, the taxation authorities are in the process of inspecting the main applicable taxes for 2008, 2009 and 2010. Taxes for years subsequent to 2010 are pending inspection.

Due to the treatment permitted by fiscal legislation of certain transactions, additional tax liabilities could arise as a result of ongoing and future inspections, which cannot be objectively quantified at present. Nevertheless, the Company's sole director does not expect that any additional liabilities that could arise in the event of inspection would significantly affect the Company’s future results.

17. NON-CURRENT ACCRUALS

Non-current accruals include amounts accrued for long-term leases of premises, totalling Euros 114 thousand at 31 December 2013 (Euros 118 thousand at 31 December 2012).

18. CURRENT PAYABLES

Details at 31 December 2013 and 2012 are as follows:

	31 December 2013	31 December 2012
Loans and borrowings	13	18
Other current payables	97.891	91.253
	------------	------------
	97.904	91.271
	======	======

Details of other current payables are as follows (in thousands of Euros):

	31 December 2013	31 December 2012
Dividends	97.867	91.216
Suppliers of fixed assets and other payables	24	37
	------------	------------
	97.891	91.253
	======	======

19. TRADE AND OTHER PAYABLES

Details at 31 December 2013 and 2012 are as follows:

	31 December 2013	31 December 2012
Other payables	139	207
Personnel	773	1.088
Public entities	20.839	7.368
	------------	------------
	21.751	8.663
	======	======

Public entities include Euros 20,643 thousand at 31 December 2013 (Euros 7,234 thousand in 2012), reflecting the income tax payable recognised by the Company, as parent of the tax group.

20. LATE PAYMENTS TO SUPPLIERS. “REPORTING REQUIREMENT”, THIRD ADDITIONAL PROVISION OF LAW 15/2010 OF 5 JULY 2010

Pursuant to Law 3/2004 of 29 December 2004 containing measures to combat late payments in commercial transactions, details of payments made and outstanding in 2013 and 2012 are as follows (in thousands of Euros):

	Payments made and outstanding at the reporting date			
	2013		2012	
	Amount	%	Amount	%
Within maximum legal period	4.752	100,00%	4.804	99,36%
Other	-	0,00%	31	0,64%
Total payments for the year	4.752	100%	4.835	100%
Weighted average late payment days	-	-	5	-
Late payments exceeding the maximum legal period at the reporting date	-	-	-	-

21. INCOME AND EXPENSES

a) Revenue

Details at 31 December 2013 and 2012 are as follows (in thousands of Euros):

	31 December 2013	31 December 2012
Finance income on investments in equity instruments of Group companies and associates	465.046	435.359
Finance income on investments in equity instruments of third parties	4.539	4.512
Finance income on securities and other financial instruments of Group companies and associates	24.601	21.603
	------------	------------
	494.186	461.474
	=======	=======

At 31 December 2013 and 2012 finance income on investments in equity instruments of Group companies and associates reflects the dividends received from REE and RBV.

At 31 December 2013 and 2012 finance income on investments in equity instruments of third parties reflects the dividends received from REN.

At 31 December 2013 and 2012 finance income on securities and other financial instruments of Group companies and associates comprises income from the credit facility arranged with REE. At 31 December 2013 and 2012 this item also includes the contract entered into with this company (see note 22).

b) Personnel expenses

In 2013 and 2012 this item comprises the following (in thousands of Euros):

	31 December 2013	31 December 2012
Salaries and wages	2.493	4.361
Social Security	48	45
Contributions to pension funds and similar obligations	2	3
Other items and employee benefits	-	1
Provisions	160	189
	------------	------------
	2.703	4.599
	=======	=======

Personnel expenses also include the remuneration of the board of directors, as well as the costs associated with the departure of the previous executive director in 2012 (see note 23).

Workforce

The average headcount of the Company in 2013 and 2012, distributed by professional category, is as follows:

	31 December 2013	31 December 2012
Executive chairman	1	1
Senior technicians	1	1
Technicians	-	-
Specialist and administrative staff	2	2
	4	4

This distribution of the Company's employees at 31 December 2013 and 2012, by gender and category, is as follows:

	2013			2012		
	Male	Female	Total	Male	Female	Total
Executive chairman	1	-	1	1	-	1
Senior technicians	-	1	1	-	1	1
Specialist and administrative sta	-	2	2	-	2	2
	1	3	4	1	3	4

At 31 December 2013 the board of directors, including the executive director, comprises 11 members (11 members at 31 December 2012), of which 7 are male and 4 are female (7 male and 4 female members in 2012).

22. BALANCES AND TRANSACTIONS WITH GROUP COMPANIES, ASSOCIATES AND RELATED PARTIES

Balances and transactions with Group companies and associates

All transactions with Group companies and associates have been carried out at market prices.

Details of receivables from and payables to Group companies and associates in 2013 and 2012 are as follows (in thousands of Euros):

	2013		2012	
	Loans and dividends	Payables	Loans and dividends	Payables
Red Eléctrica de España, S.A.U. (REE)	959.619	1.509	809.849	1.509
Red Eléctrica Internacional, S.A.U. (REI)	501	37	-	52.319
Red Eléctrica Financiaciones, S.A.U. (REF)	84	-	57	-
Total Group companies	960.204	1.546	809.906	53.828

Loans and dividends receivable from REE primarily include the Euros 425 million five-year loan arranged with that company on 1 July 2011, of which Euros 425 million had been drawn down at 31 December 2013 (Euros 425 million at 31 December 2012). The average interest rate for the period was 4.01% (4.02% in 2012). This item also includes the current credit facility arranged with REE for an amount of Euros 650 million (Euros 500 million in 2012). Euros 504,104 thousand had been drawn down at 31 December 2013 (Euros 361,984 thousand at 31 December 2012). The average interest rate for the period was 1.83% (1.80% in 2012).

At 31 December 2012 payables to REI primarily comprise the credit facility arranged with this company for an amount of Euros 50 million, of which Euros 46,160 thousand had been drawn down at the 2012 reporting date. The average interest rate for the period was 1.80%. This policy expired in 2013.

Transactions with Group companies and associates are as follows (in thousands of Euros):

	2013				2012			
	Other operating income	Finance income	Other expenses	Finance costs	Other operating income	Finance income	Other expenses	Finance costs
Red Eléctrica de España, S.A.U. (REE)	10.072	488.792	1.087	-	9.788	456.128	1.057	-
Red Eléctrica Internacional S.A. (REI)	215	-	-	349	216	-	-	508
Red Eléctrica de España Finance, B.V. (RBV)	-	855	-	-	-	834	-	-
	----------	----------	----------	----------	----------	----------	----------	----------
Total Group companies	10.287	489.647	1.087	349	10.004	456.962	1.057	508
	=======	=======	=======	=======	=======	=======	=======	=======

At 31 December 2013 and 2012 other operating income from REE mainly derives from the property lease agreement entered into with this company.

In 2013 and 2012 finance income primarily reflects the dividend received from REE, while finance costs payable to REI comprise interest on the credit facility arranged with this company.

Related party balances and transactions

Related party transactions are carried out under normal market conditions and their amounts are immaterial. Details in thousands of Euros are as follows:

	2013				2012			
	Significant shareholders	Management	Other related parties	Total	Significant shareholders	Management	Other related parties	Total
Management or cooperation agreements	-	-	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-	-	-
	-------	-------	-------	-------	-------	-------	-------	-------
Total expenses	-	-	-	-	-	-	-	-
	====	====	====	====	====	====	====	====
Dividends received	-	-	4.539	4.539	-	-	4.512	4.512
Other income	-	-	31	31	-	-	21	21
	-------	-------	-------	-------	-------	-------	-------	-------
Total income	-	-	4.570	4.570	-	-	4.533	4.533
	====	====	====	====	====	====	====	====
Dividends and other allocated benefits	-	-	-	-	-	-	-	-
Other operations	-	-	-	-	-	-	-	-
	-------	-------	-------	-------	-------	-------	-------	-------
Total other transactions	-	-	-	-	-	-	-	-
	====	====	====	====	====	====	====	====

23. REMUNERATION OF THE BOARD OF DIRECTORS

Details of remuneration of the board of directors in 2013 and 2012, in thousands of Euros, are as follows:

	2013	2012
Total remuneration of the board of directors for all items	1.787	1.790
Remuneration of directors in their capacity as board members	579	610
	---------	---------
Total remuneration for members of the board of directors	2.366	2.400
	======	======

A breakdown of this remuneration by type of director at 31 December 2013 and 2012, in thousands of Euros, is as follows:

	2013	2012
Type of director (1) :		
Executives (2)	726	767
External directors representing shareholders	498	480
Independent external directors (2)	1.142	1.092
Amount not distributed due to empty positions on board (3)	-	61
	---------	---------
Total remuneration	2.366	2.400
	======	======

(1) Variations in remuneration between the two years are mainly due to the newly approved remuneration model.
(2) Prior to his appointment as the Company's executive chairman on 8 March 2012, Mr. José Folgado Blanco was an independent external director, accruing remuneration of Euros 39 thousand for this position.
(3) The balance of Euros 61 thousand corresponds to the positions for independent directors and directors representing shareholders, which were not filled in 2012.

In view of investors' preference for a greater proportion of fixed remuneration for the board of directors, as opposed to variable remuneration, and with the aim of safeguarding the independence and commitment of the board members in the long term, the Company's board of directors has adopted a new remuneration model for 2013, which was approved by the shareholders at their general meeting held on 18 April 2013. The new model retains a similar level of total remuneration for the board members to that paid in 2012.

The remuneration accrued by individual members of the Company's board of directors in 2013, in thousands of Euros, is as follows:

	Fixed remuneration	Variable remuneration	Allowances for attending board meetings	Membership of committees	Contributions to life insurance and pension plans	Total
Mr. José Folgado Blanco	449,08	228,08 (1)	49,08	-	-	726,24
Ms. María de los Angeles Amador Millán	49,08	49,08	49,08	27,90	-	175,14
Mr. Miguel Boyer Salvador	49,08	49,08	49,08	-	-	147,24
Mr. Rui Manuel Janes Cartaxo	49,08	49,08	49,08	-	-	147,24
Mr. Fernando Fernández Méndez de Andés	49,08	49,08	49,08	27,90	-	175,14
Ms. Paloma Sendín de Cáceres	49,08	49,08	49,08	27,90	-	175,14
Ms. Carmen Gómez de Barreda	49,08	49,08	49,08	27,90	-	175,14
Mr. Juan Emilio Iranzo Martín	49,08	49,08	49,08	27,90	-	175,14
Ms. María José García Beato	49,08	49,08	49,08	-	-	147,24
Mr. Alfredo Parra García-Moliner(2)	49,08	49,08	49,08	27,90	-	175,14
Mr. Francisco Ruíz Jiménez(2)	49,08	49,08	49,08	-	-	147,24
	----------	----------	----------	----------	----------	------------
Total remuneration accrued	939,88	718,88	539,88	167,40	0,00	2.366,04
	======	======	======	======	======	=======

(1) Variable remuneration of the chairman includes his annual variable remuneration as executive director of the Company and the variable remuneration paid to members of the board of directors
(2) Amounts received by Sociedad Estatal de Participaciones Industriales (SEPI).

Remuneration by item at 31 December 2013 and 2012, in thousands of Euros, is as follows:

	2013	2012
Remuneration:		
Fixed remuneration (1)	940	402
Variable remuneration (1)	719	1.038
Allowances (1)	707	895
Contributions to life insurance and pension plans	-	4
Remuneration not distributed due to empty positions on board	-	61
	---------	---------
Total remuneration	2.366	2.400
	======	======

(1) The variation between the two years derives from the implementation in 2013 of the new remuneration model referred to above, which increases the proportion of fixed remuneration for the board of directors with respect to variable remuneration.

The annual variable remuneration of the executive director is set by the Corporate Responsibility and Governance Committee of the Company at the start of each year, using predetermined quantifiable and objective criteria. The targets are in line with the strategies and actions established in the Company's strategic plan and the degree of compliance is assessed by the Committee.

In 2009 a management remuneration scheme was set up ("25th Anniversary Extraordinary Plan" 2009-2013), which includes the executive director, to celebrate the Company's 25th anniversary. This scheme was devised as a management tool to encourage personnel to meet the five-year strategic plan. Adherence to this scheme was to be assessed at the end of its term in 2014. Depending on the targets met, the total amount for the five-year period with 100% compliance would be 1.8 times the annual fixed remuneration. As in the case of annual targets, this scheme takes into account predetermined quantifiable and objective criteria, in line with the medium- and long-term outlook of the Company's strategic plan. These targets are set and assessed by the Company's Corporate Responsibility and Governance Committee.

Following the scheme's conclusion in 2013, at the meeting held on 20 February 2014 the Corporate Responsibility and Governance Committee assessed the degree of compliance and agreed to set remuneration for the executive director included in the scheme at Euros 278 thousand, reflecting a degree of compliance of 106,3% during the period between the appointment of the executive director in question and 31 December 2013, the end date of the scheme. This remuneration will be paid in 2014 and has been included within the amounts the Company has accrued every year since 2009 with a charge to the scheme.

The executive director contract was proposed by the Corporate Responsibility and Governance Committee and approved by the Company's board of directors. In line with standard market practices, this contract considers termination benefits equivalent to one year's salary in the event that labour relations are terminated due to dismissal or changes of control.

During 2012 expenses relating to the departure of the previous executive director were recognised for an amount of Euros 2.3 million.

At 31 December 2013 and 2012 no loans or advances have been granted to the members of the board of directors, nor have any guarantees been pledged on their behalf. The Group has no pension obligations with the members of the board of directors at those dates.

In 2013 and 2012 the members of the board of directors did not engage in transactions with the Company or Group companies, either directly or through intermediaries, other than ordinary operations under market conditions.

Details of investments held by the members of the board of directors of the Company and their related parties, as defined in article 231 of the Spanish Companies Act, in the share capital of companies with identical, similar or complementary statutory activities to that of the Company at 31 December 2013, as well as the positions they hold and duties they carry out, and any activities they perform, on their own account or on behalf of third parties, that are identical, similar or complementary to the statutory activity of the Company, are included in Appendix I, based on the information received from the Company's directors.

24. MANAGEMENT REMUNERATION

The Company has no management personnel besides the executive director.

25. SEGMENT REPORTING

The Company does not consider it relevant to disclose the distribution of revenue by category of activity and geographical market, insofar as these categories and markets are not structured very differently in terms of the rendering of services as part of the Company's ordinary activities. Following the contribution of the branch of activities in 2008 pursuant to Law 17/2007, these activities are not regulated electricity activities. As such, the Company is not subject to the requirement to give separate disclosures by activity provided for in Royal Decree 437/1998 of 20 March 1998, which approves the standards adapting the Spanish General Chart of Accounts to electricity sector companies.

26. GUARANTEES AND OTHER COMMITMENTS WITH THIRD PARTIES AND OTHER CONTINGENT LIABILITIES

The Company, together with REE, has jointly and severally guaranteed the private issue in the United States of bonds totalling US Dollars 500 million by the Group company RBV, and the Eurobonds programme of REF for an amount of up to Euros 3,500 million at 31 December 2013 (up to Euros 2,500 million at 31 December 2012).

Furthermore, at 31 December 2013 the Company and REE have jointly and severally guaranteed the Euro Commercial Paper Programme (ECP programme) carried out by REF for an amount of up to Euros 1,000 million (up to Euros 1,000 million in 2012).

The Company has no commitments to purchase buildings at 31 December 2013 and 2012.

At 31 December 2013 the Company has extended bank guarantees to third parties in an amount of Euros 62 thousand (Euros 254 thousand in 2012).

27. ENVIRONMENTAL INFORMATION

At 31 December 2013 and 2012 the Company has no assets for the protection and improvement of the environment, nor has it incurred any environmental costs during the year. The Company is not involved in any litigation relating to environmental protection or improvement that could give rise to significant contingencies. No environment-related grants were received in the year.

28. OTHER INFORMATION

The auditor of the Company's annual accounts for 2013 is KPMG Auditores, S.L. (PricewaterhouseCoopers Auditores, S.L. in 2012). The fees accrued for the audit of the 2013 annual accounts total Euros 36 thousand (Euros 58 thousand in 2012). In 2013 and 2012, no other fees were accrued by companies directly or indirectly related to the audit firms in respect of professional services other than the audit of the annual accounts.

29. SHARE-BASED PAYMENT

No shares were delivered in 2013. In 2012, a total of 346 shares were delivered with a fair value of Euros 38.58 each, resulting in an expense for the year of Euros 13 thousand. This remuneration is measured based on the closing quotation of these Company shares.

The shares delivered were approved by the Company's shareholders at their general meeting, and the related costs incurred have been recognised under personnel expenses in the income statement.

30. EVENTS AFTER THE REPORTING PERIOD

No significant events have occurred between the reporting date and the date on which these annual accounts were authorised for issue.

RED ELÉCTRICA CORPORACIÓN, S.A.
Information on the members of the board of directors at 31 December 2013

Board member	Direct and indirect interests held by the members of the board of directors in the share capital of companies with identical, similar or complementary statutory activities to that of the Company	Positions and duties of the members of the board of directors at companies outside the Red Eléctrica Group with identical, similar or complementary statutory activities to that of the Company
Mr. José Folgado Blanco	----------------	Joint director of Red Eléctrica Internacional, S.A.U. Director of Redes Energéticas Nacionais, SGPS, S.A. (REN) Board chairman of Red Eléctrica del Sur, S.A. (REDESUR)
Mr. Alfredo Parra García-Moliner	----------------	----------------
Mr. Francisco Ruíz Jiménez	----------------	----------------
Mr. Fernando Fernández Méndez de Andés	----------------	----------------
Mr. Juan Iranzo Martín	----------------	----------------
Ms. Paloma Sendín de Cáceres	----------------	----------------
Ms. Carmen de Barreda Tous de Monsalve	----------------	----------------
Ms. María de los Ángeles Amador Millán	----------------	----------------
Mr. Miguel Boyer Salvador	----------------	----------------
Ms. María José García Beato	----------------	----------------
Mr. Rui Manuel Janes Cartaxo	19,162 shares in Redes Energéticas Nacionais, SGPS, S.A. (REN)	Chairman and CEO of Redes Energéticas Nacionais, SGPS, S.A. (REN)

The members of the board of directors have declared that they have no conflicts of interest as defined in article 229 of the Spanish Companies Act. None of the members of the board of directors or their related parties has carried out, on their own account or on behalf of third parties, any other activities that are identical, similar or complementary to the statutory activity of the Company.

RED ELÉCTRICA
CORPORACIÓN

Directors' Report
2013

CONTENTS

DIRECTORS' REPORT

BUSINESS PERFORMANCE. SIGNIFICANT EVENTS

Since July 2008, REC has been operating as the Parent of the RED ELÉCTRICA Group by holding interests in the share capital of the Group companies and rendering assistance and support services to these companies.

The commitments that the Company undertakes in carrying out these activities drive it towards ongoing generation of value for all its stakeholders.

KEY FINANCIAL INDICATORS

In 2013, profit after tax amounted to Euros 487.2 million, an increase of 7.9% on the prior year. This profit included:

- Revenue of Euros 494.2 million. This figure includes Euros 469.6 million corresponding to dividends from Group companies and investees, given that one of the Company's activities as Parent of the Group is holding shares in Group companies.

- EBITDA amounting to Euros 498.6 million, up 7.6% on 2012.

- EBIT amounting to Euros 497.2 million, up 8.2% on 2012.

The dividends paid in 2013 amounted to Euros 319 million, 7.2% more than in 2012. This amount includes payment of the interim dividend for 2013 and the complementary dividend for 2012.

REC's equity totalled Euros 2,030.1 million.

STOCK MARKET PERFORMANCE AND SHAREHOLDER RETURNS

All of the shares in the Company, as the Group's listed company, are quoted on the four Spanish stock exchanges and are traded through the Spanish automated quotation system. REC also forms part of the IBEX 35 index, of which it represented 1.52% in 2013.

In 2013 the Company's free float was 80%.

At the date of the last shareholders' meeting, 18 April 2013, the free float comprised an estimated 108,216,000 shares, of which 11% is held by non-controlling shareholders, 5% by Spanish institutional investors and 84% by foreign institutional investors, primarily in the United States and the United Kingdom.

The market capitalisation of the Company at the end of 2013 was Euros 6,561 million.

In general, 2013 was a positive year in terms of stock market performance.

Rises were supported by sound economic growth in the US and an increase in confidence in the Eurozone, especially in the peripheral countries.

The major US indexes, the Dow Jones and Standard & Poor's, approached all-time highs after rising approximately 30% over the course of the year.

Meanwhile, the NASDAQ technology index gained 38% in the year. The German DAX index performed similarly, reaching record levels after a 25.5% rise in 2013, making it the best performing European index. Lastly, the Japanese Nikkei index gained 56.7% as a result of very aggressive monetary and fiscal policies.

Of the European stock exchanges, following three consecutive years of losses, the Spanish stock exchange saw notable performance, rising 21% in 2013.

Increased confidence in our economy, as reflected by the decline in the risk premium to approximately 220bp (having started the year at around 400bp) and the first signs of economic growth, has boosted investor appetite for Spanish assets.

For the fourth consecutive year the Company outperformed the IBEX, rising by 30%. The year was marked by regulatory changes introduced in 2013 to guarantee the economic and financial sustainability of the Spanish electricity system. The share price slumped to an annual low in April and slid back to similar levels in mid-July following the approval of Royal Decree 9/2013, adopting urgent measures to ensure the financial stability of the electricity system. However, the price recovered in the last quarter of the year, reaching an all-time high following the publication of Royal Decree 1047/2013 on 30 December, introducing a new remuneration system for electricity transmission activities.

In total, 318.3 million shares were traded in 2013, which is 2.35 times the Company's share capital. Cash transactions amounted to Euros 13,171 million.

OWN SHARES

In order to provide investors with adequate levels of liquidity the Company acquired 3,090,094 shares with a total par value of Euros 6.2 million and a cash value of Euros 125.6 million in 2013. A total of 3,466,575 shares were sold, with an overall par value of Euros 6.9 million and a cash value of Euros 145.1 million.

At 31 December 2013 the Company held 38,376 own shares, representing 0.03% of its share capital. These shares had an overall par value of Euros 77 thousand and a market value of Euros 1,861 thousand.

The Parent has complied with the requirements of article 509 of the Spanish Companies Act, which provides that the par value of acquired shares listed on secondary markets, together with those already held by the Parent and its subsidiaries, must not exceed 10% of the share capital. The Company’s subsidiaries do not hold own shares or shares in the Parent.

RISK MANAGEMENT

The RED ELÉCTRICA Group has implemented a Risk Control System covering all activities, which is adapted to its risk profile. The Risk Policy and Comprehensive Risk Management and Control Procedures are based on the Enterprise Risk Management Integrated Framework outlined in the Committee of Sponsoring Organizations (COSO II) report.

The main risk identified in achieving REC's objectives is credit risk, as debt transactions are carried out through Group companies, which assume the market, liquidity, regulatory, operational and environmental risks relating to the Group's activities.

The risk management policies are detailed in note 9 to the accompanying annual accounts.

ENVIRONMENTAL ISSUES

At 31 December 2013, REC has no assets for the protection and improvement of the environment. In 2013 the Company incurred no expenses in protecting and improving the environment.

REC is not involved in any litigation relating to environmental protection or improvement that could give rise to significant contingencies. No environment-related grants were received in the year.

RESEARCH, DEVELOPMENT AND INNOVATION (R&D&i)

REC does not carry out research, development or innovation activities (R&D&i).

EXCELLENCE AND CORPORATE RESPONSIBILITY

The RED ELÉCTRICA Group has become one of the most advanced companies in the field of corporate responsibility, occupying a leading position in the rankings that evaluate both the results obtained by company management and the level of involvement and support for sustainable development in all areas of activity.

The RED ELÉCTRICA Group's objective is to consolidate its position as a sustainable, ethical and responsible company, managed in accordance with criteria of excellence and responsibility in its operations.
This focus on sustainable development is reflected at a strategic level, as the pursuit of excellence and responsible business practices constitutes one of RED ELÉCTRICA's four basic strategies, which is rolled out to operations through management.

Since 1999, RED ELÉCTRICA has applied the EFQM Excellence Model (European Foundation for Quality Management), aiming for ongoing improvements to the Company's management and results.

In 2013 RED ELÉCTRICA again obtained the 500+ European Seal of Excellence, obtained in 2003 and renewed every two years, exceeding previous ratings on all occasions. At the last excellence evaluation based on the EFQM 2013 model, RED ELÉCTRICA obtained 678 points.

RED ELÉCTRICA is the best rated Spanish company with a seal issued by Club Excelencia en Gestión in 2013.

With regard to quality management, a process management system has been implemented based on international standards, resulting in a Corporate Quality Management System encompassing all processes. This system adopts a proprietary method and encompasses all of the Company's activities by defining, designing, controlling, monitoring, assessing and improving processes.

Scorecards have also been developed as part of this system, as a key means of monitoring and assessing the Company's core processes, by establishing indicators that allow processes to be improved and the Company's strategic objectives to be met.

All of RED ELÉCTRICA's activities are certified according to international standards. In 2013 all of the certified corporate management systems underwent a second audit (quality, environment, health and safety and corporate responsibility).

RED ELÉCTRICA has formed part of the Dow Jones Sustainability World Index since 2006 and the FTSE4Good Index since 2008.
Similarly, in 2013 RED ELÉCTRICA formed part of the ECPI EMU Ethical Equity index and was included in the ECPI Global ESG Best in Class Equity index. In addition, RED ELÉCTRICA remained in the Kempen SNS SRI index and the STOXX ESG Leaders family of indexes.

EVENTS AFTER 31 DECEMBER 2013

No significant events have occurred between the reporting date and the date on which these annual accounts were authorised for issue.

OUTLOOK

As the Parent of the RED ELÉCTRICA Group, REC will work to ensure that the Group companies' strategies remain focused on service quality in order to secure a leadership positioning in terms of the reliability and security of the electricity systems in which they operate and in their activities.

REC remains committed to maximising value for its shareholders, offering an attractive dividend yield and contributing to a re-rating of its shares through efficient business management.

All of these initiatives will generate long-term value, creating lasting, competitive advantages and improving our corporate reputation, whilst focusing on providing optimum service to society the differentiating feature of the Company's management.