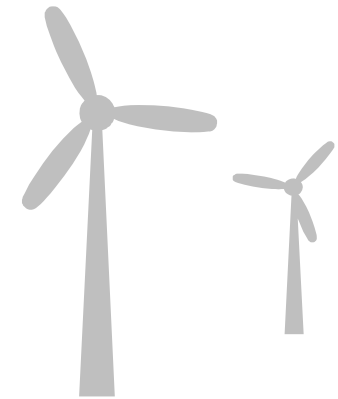


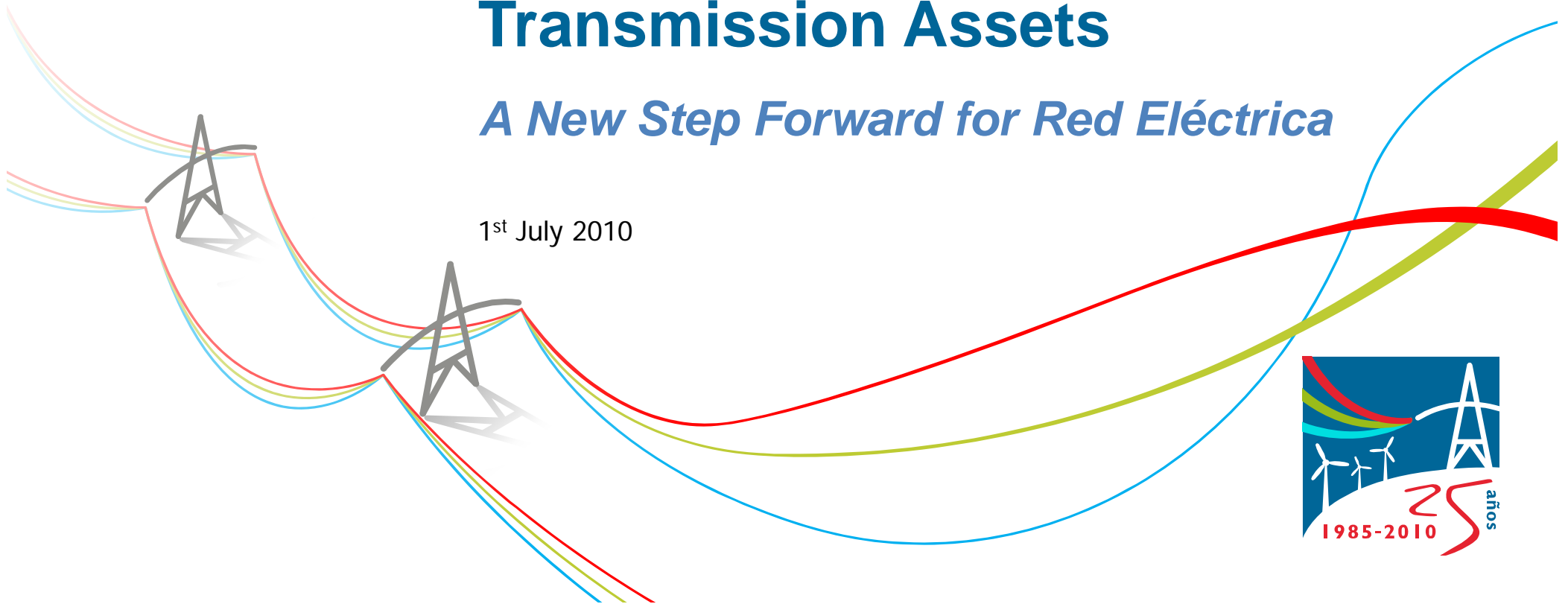
RED
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Acquisition of Spanish Transmission Assets

A New Step Forward for Red Eléctrica

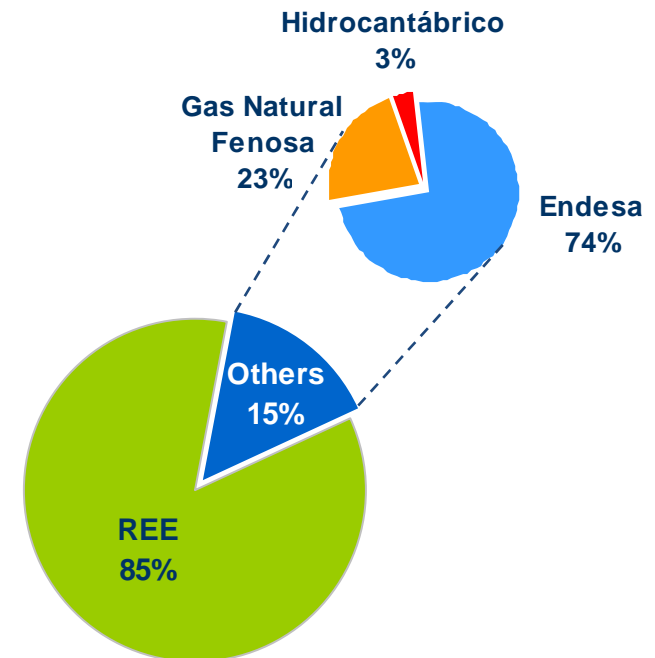
1st July 2010



A New Step Forward for Red Eléctrica

- Law 17/ 2007 obligations fulfilled with successful outcome
- Agreement to acquire 100% of Endesa's Transmission assets in mainland and the islands
- Agreements with Gas Natural Fenosa and Hidrocantábrico on an earlier stage, less material for REE and will be subject to exceptions

2010 Spanish Transmission Revenues



Terms of the Agreement

Existing Assets	<ul style="list-style-type: none"> • €1,270m for assets in operation at the end of 2009 • €160m of 2010 regulated revenues* • REE benefits from cash flow arising from the effective date of transaction
O&M	<ul style="list-style-type: none"> • Undertaken by REE from closing • 60 Endesa employees to join REE in the islands • 4 year technical assistance contract • Around 70% EBITDA margin in initial 5 years; 75% thereafter
Assets under Construction	<ul style="list-style-type: none"> • Assets put into operation during 2010 valued at €142m. Transferred to REE once operating
Transaction Calendar	<ul style="list-style-type: none"> • 1st July 2010 – signature of Sale and Purchase Agreement with Endesa • 31st July 2010 – expected effective date of transaction • 4Q2010 – Ministry of Industry (MITyC) and Autonomous Regions approvals

Closing expected before the end of 2010.

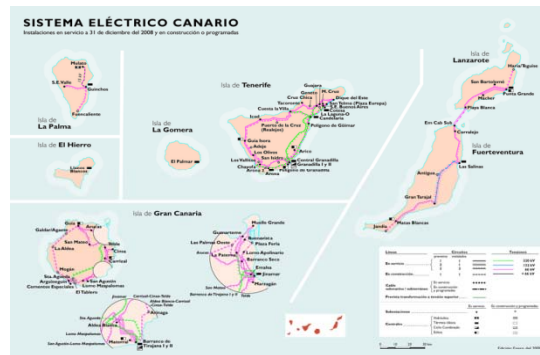
* Final price to be adjusted by revenues reflected in definitive tariffs.

Description of the Assets Acquired

Balearic Islands



Canary Islands



Operational Metrics

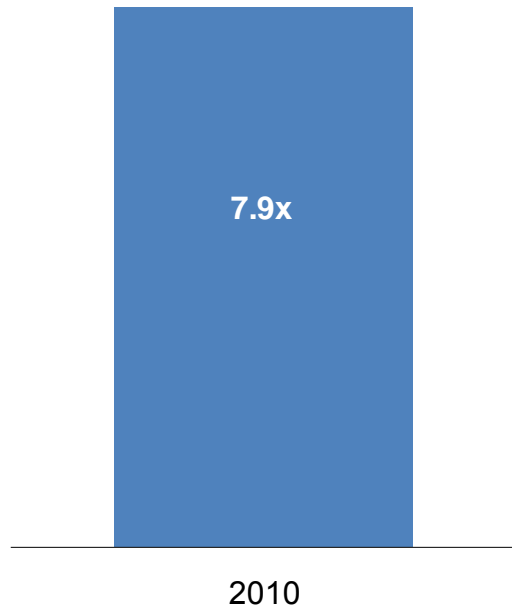
	REE 31/12/09	Endesa		REE post acquisition	Δ %
		Mainland	Island		
Km. of Network	34,754	82	2,360	37,196	+7%
400 kV	17,977	-	-	17,977	+0%
220 kV	16,702	82	342	17,126	+3%
132 kV	75	-	158	233	+211%
66 kV or less	-	-	1,860	1,860	--
Bays	3,385	124	861	4,370	+29%
Transf. Capacity (MVA)	66,259	-	3,501	69,760	+5%

- Endesa was the only owner of networks in the islands
 - Perimeter includes 66kV, 132kV and 220kV
 - 76% of the total is 66kV
- Mainland assets located in Andalucía, Aragón and Catalonia
 - Significant presence in the Barcelona area

Terms are in line with 2002-2005 Transactions

Multiple of Regulated Revenues

2002-2005
Precedents



- Similar multiple revenues paid
- Transfer of assets under construction
- 4-year contract with vendor to guarantee operational transfer

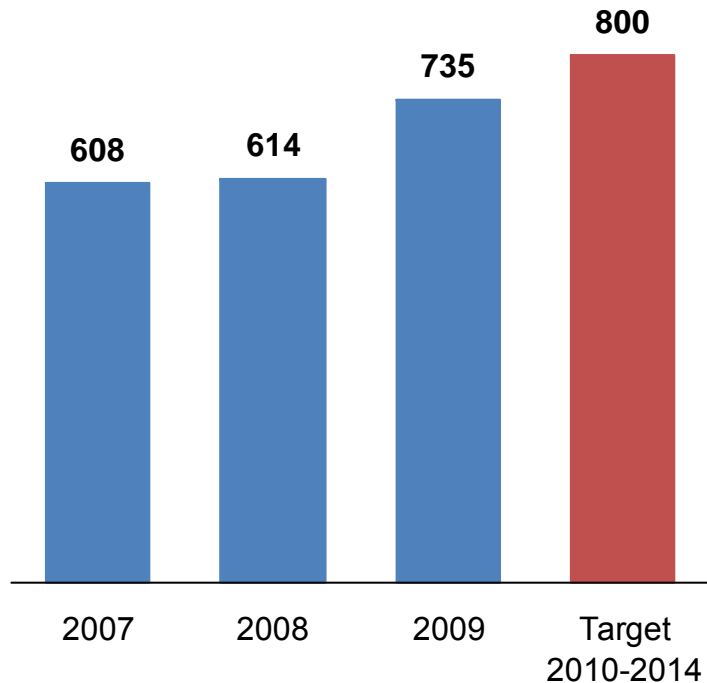
In line with precedents



€800m/year Capex Target Maintained

Investments in Transmission Assets

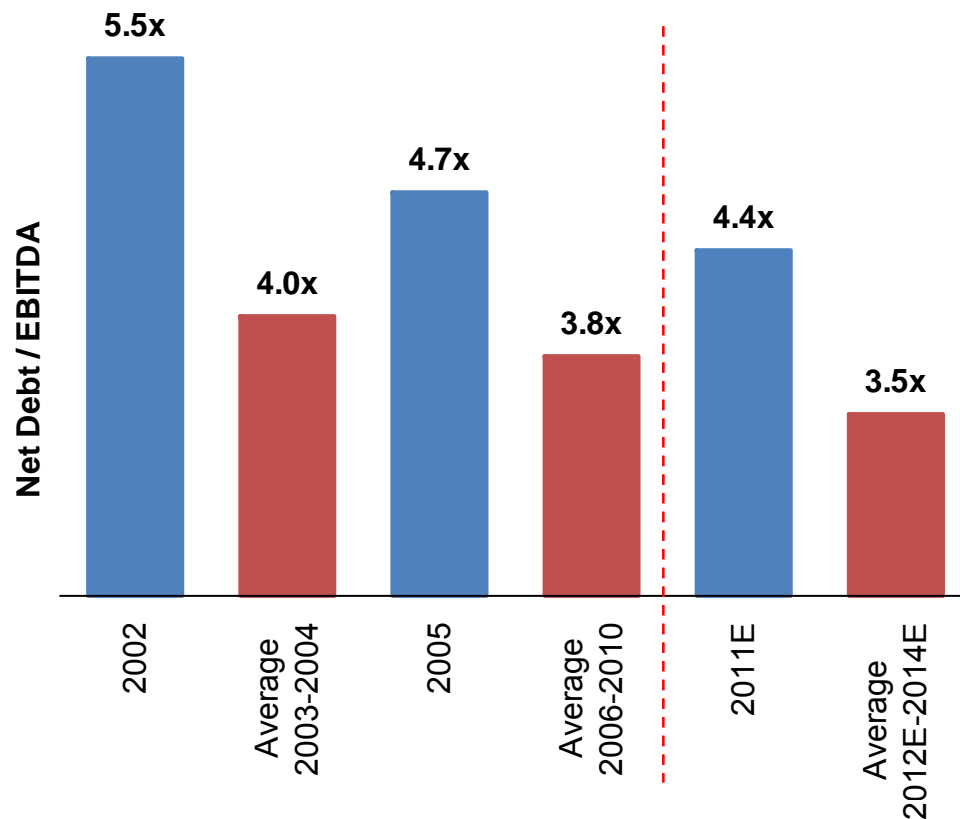
€m/year



- REE target remains at €4bn for 2010 – 2014 and pipeline projects in the islands prove that a high level is sustainable in the long-term
- Transaction reconfirms that REE will be responsible for future development in the mainland and the islands
- Remuneration of new investments in the islands is the same as the one in the mainland

Financing and Impact on Debt Coverage

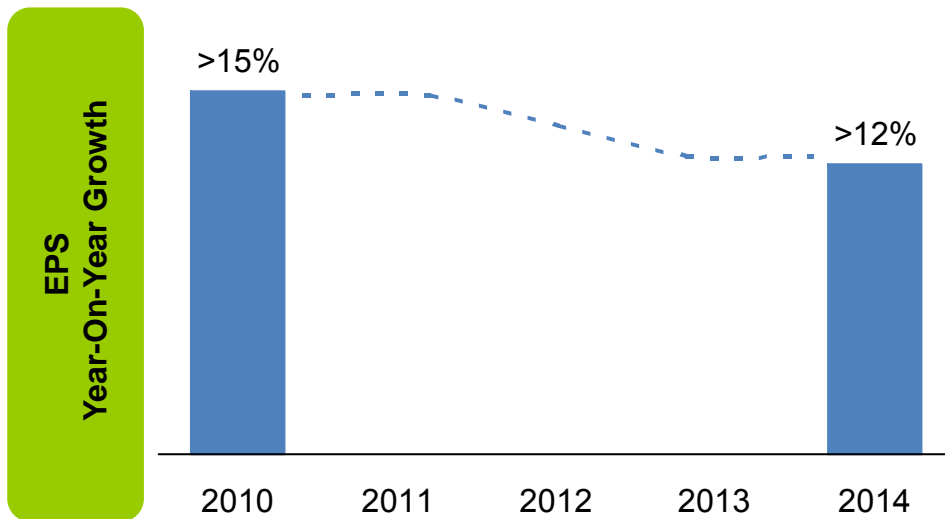
Evolution of Red Electrica Financial Ratios



- Transaction is 100% debt financed
 - Bridge financing with a 2-year term
 - Plan to refinance into long-term tenors
- After acquisition, financial ratios stronger than those in prior acquisitions
- In the medium-term, financial ratios better than after past acquisitions
- Red Eléctrica is committed to its strong credit ratings

Red Eléctrica Financial Targets

Existing 2010-2014 Growth Targets



Impact of Acquisitions

- Neutral impact in initial 1 -2 years
- Positive impact in medium and long-term

DPS Year-On-Year Growth

In line with EPS growth

- In line with EPS Growth



Conclusions

- Law 17/2007 obligations fulfilled on attractive terms
- REE reinforces its focus on its core business
- Transaction strengthens REE's capex pipeline
- Commitment of fully debt financing transaction on attractive terms is met
- Solid financial ratios after acquisition
- EPS and DPS growth targets reaffirmed

A New Step Forward for Red Eléctrica.



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