



RED
ELÉCTRICA
CORPORACIÓN

Red Eléctrica, key in “The 2020 Targets”

2011-2015 Business plan

25 February 2011

Contents



2010 in figures



2011-2015 Business plan



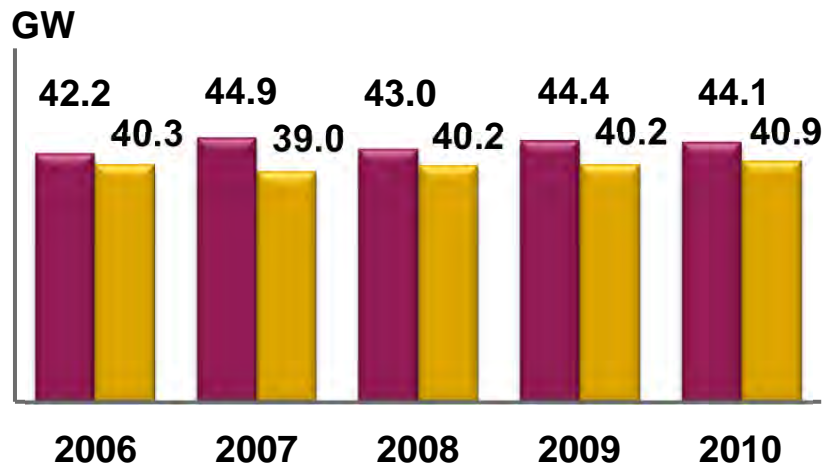
Our outlook for the decade ahead



2010 in figures

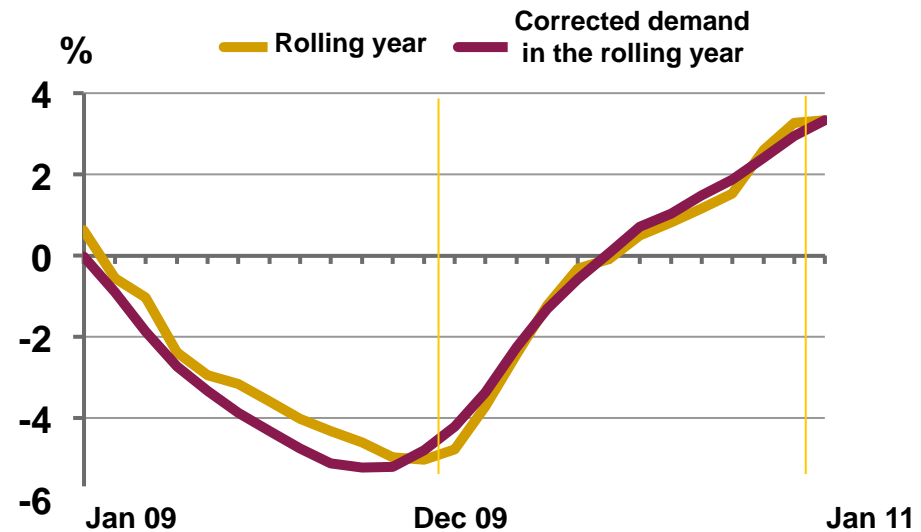
Sector performance in 2010

PEAK DEMAND REMAINS AT MAXIMUM LEVELS



■ Winter ■ Summer

RECOVERY IN ELECTRICITY DEMAND



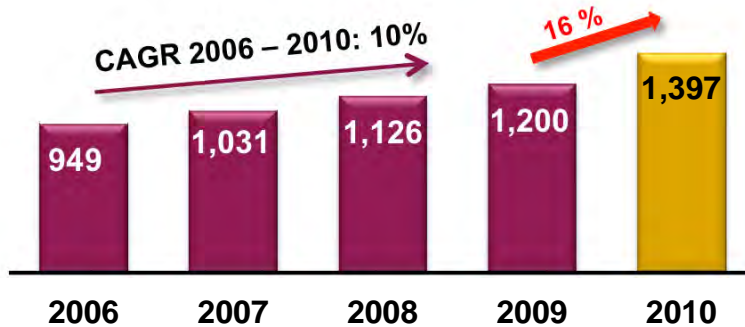
- Record in peak summer demand reached on 19 July 2010: 40,934 MW.
- Mainland demand rose 2.9 % in 2010.
- Demand expected to grow by roughly 2 % in 2011 and beyond.

Red Eléctrica's achievements in 2010

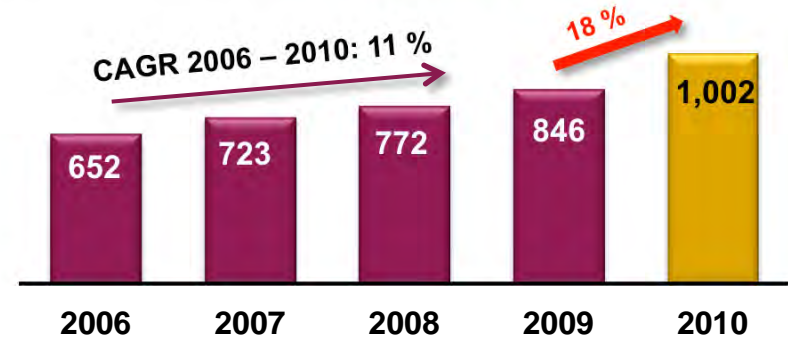
- **Financial and operative results surpassed our targets.**
- **TSO model completed with acquisition of transmission assets.**
- **Record capex levels.**
- **Progress on integration of renewable energy.**
- **Credit ratings maintained. Bridge loan to fund acquisitions mostly refinanced in the long term.**

Results summary

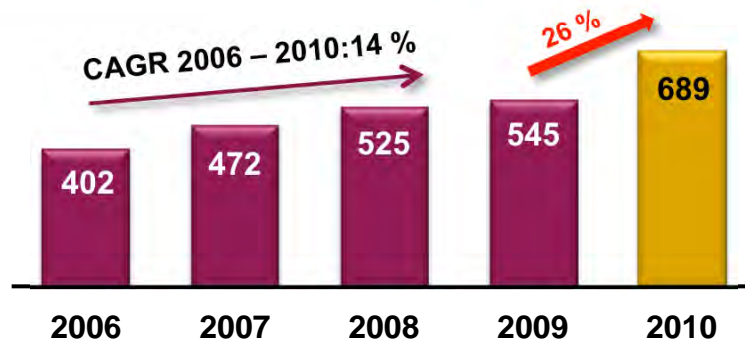
REVENUES (€mn)



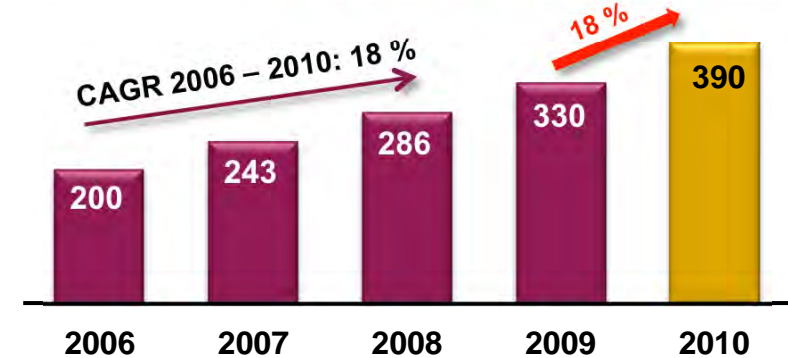
EBITDA (€mn)



EBIT (€mn)



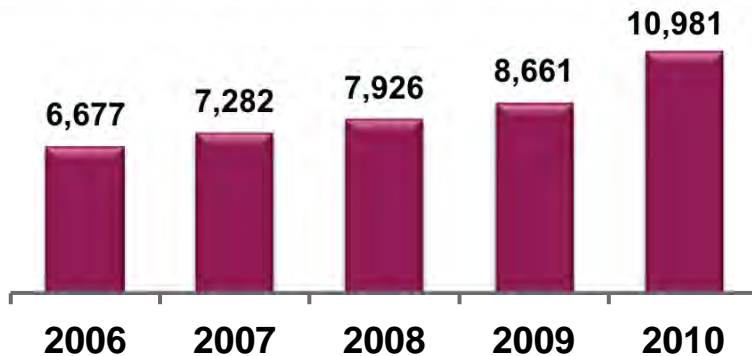
NET PROFIT (€mn)



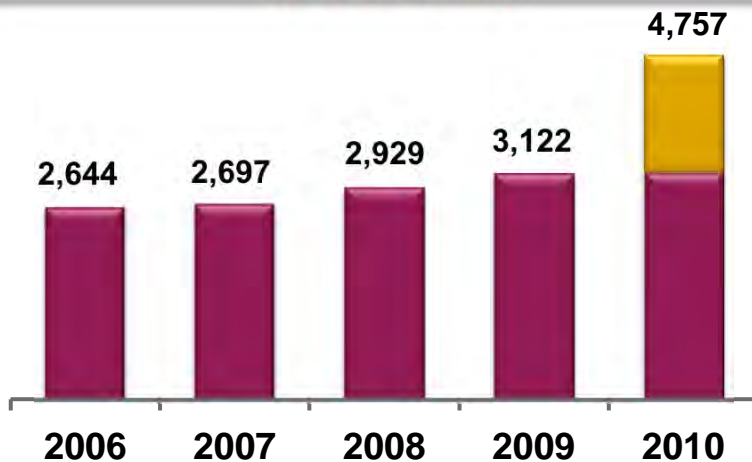
Total FY10 investment: €2.3bn
 €865mn to new infrastructure

Financial strength

GROSS TANGIBLE FIXED ASSETS (€mn)



NET DEBT (€mn)



 Debt to fund acquisitions

DEBT TRENDS

	2009	2010
Leverage (debt/debt+equity)	68 %	74 %
Average cost of debt	3.5 %	3.2 %
Credit ratings	AA-/A2	AA-/A2

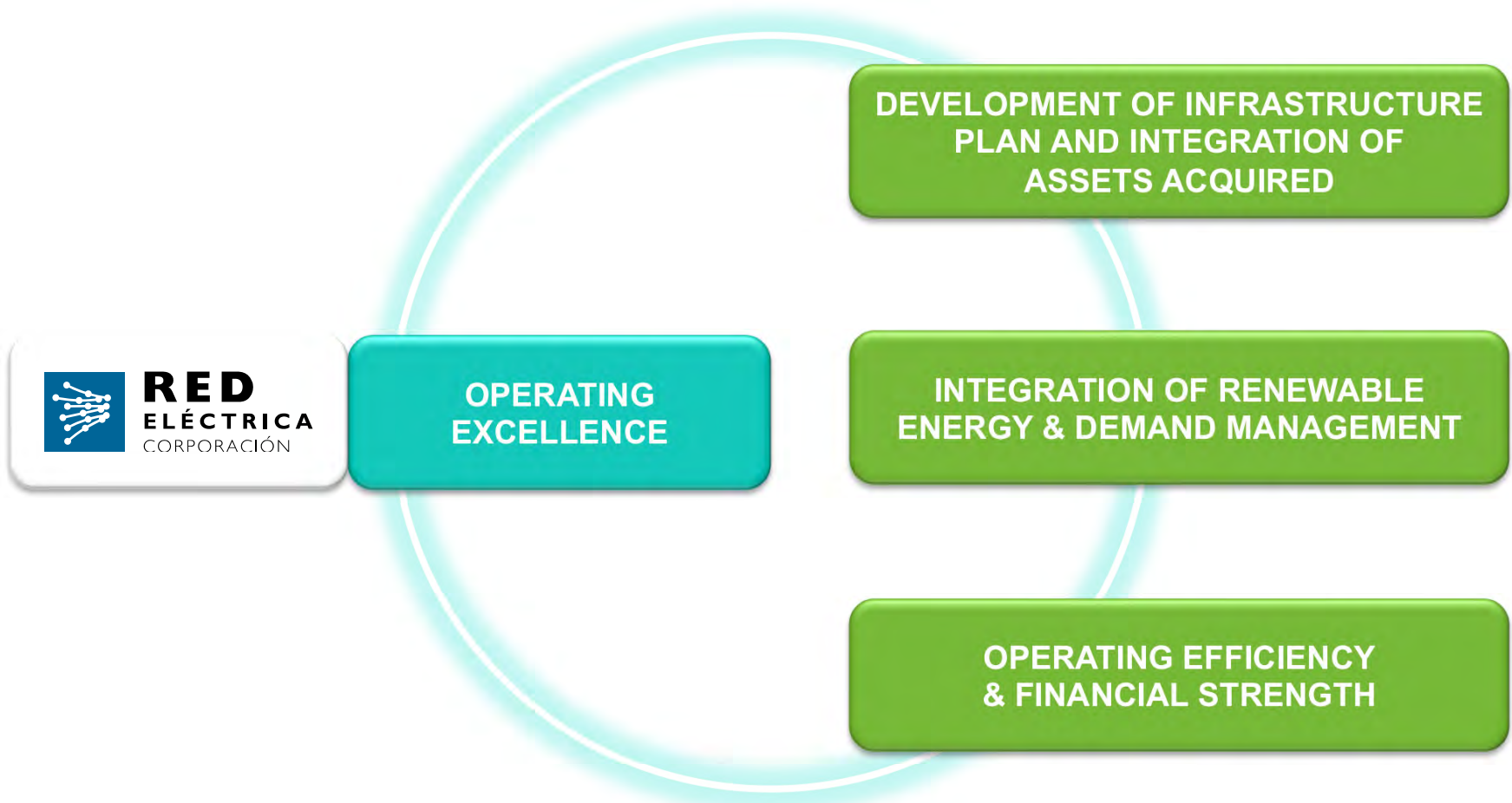
TREND IN COVERAGE RATIOS

	2009	2010
Net debt / EBITDA	3.7 x	4.7 x
EBITDA / interest	7.5 x	7.7 x



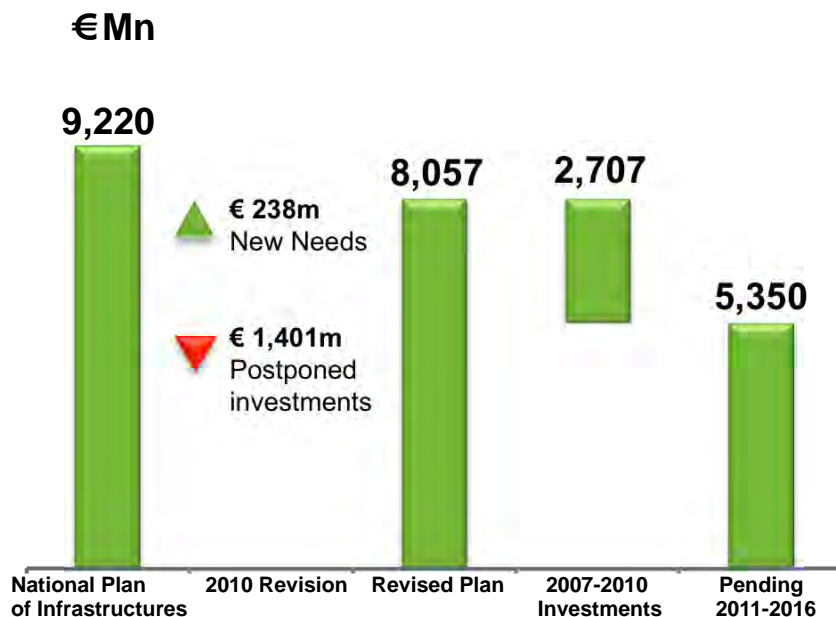
2011-2015 Business plan

Key strategic initiatives



Development of infrastructure plan

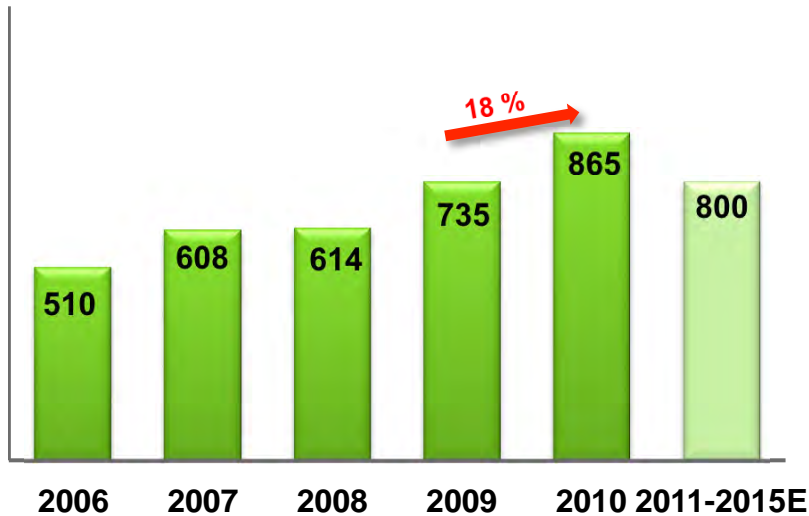
REVISION OF 2008-2016 INFRASTRUCTURE PLAN



- In November 2010 the 2008-2016 infrastructure plan was updated:
 - The review entailed the addition of €238mn worth of new facilities needed to guarantee the operation of the system.
 - €1.4bn assets, planned exclusively to supply of demand, were postponed.
- The postponed facilities will be reconsidered in the upcoming 2012-2020 programme, which is currently being drafted.

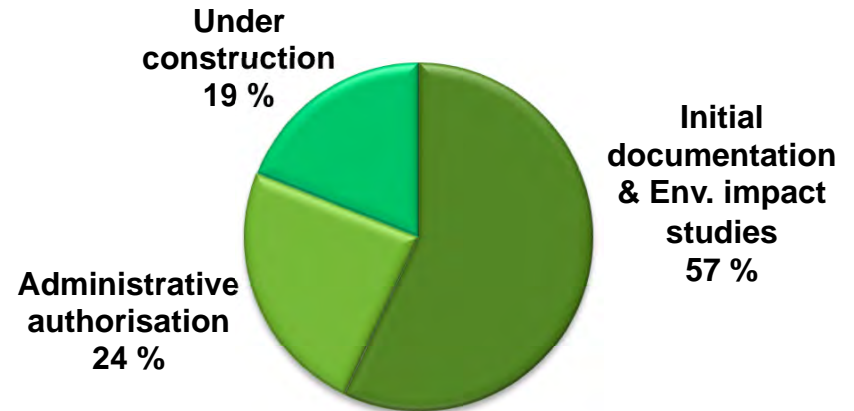
2011-2015 Investment plan

REE's INVESTMENT IN TRANSMISSION NETWORK (€mn)



PROGRESS ON 5Y PLAN

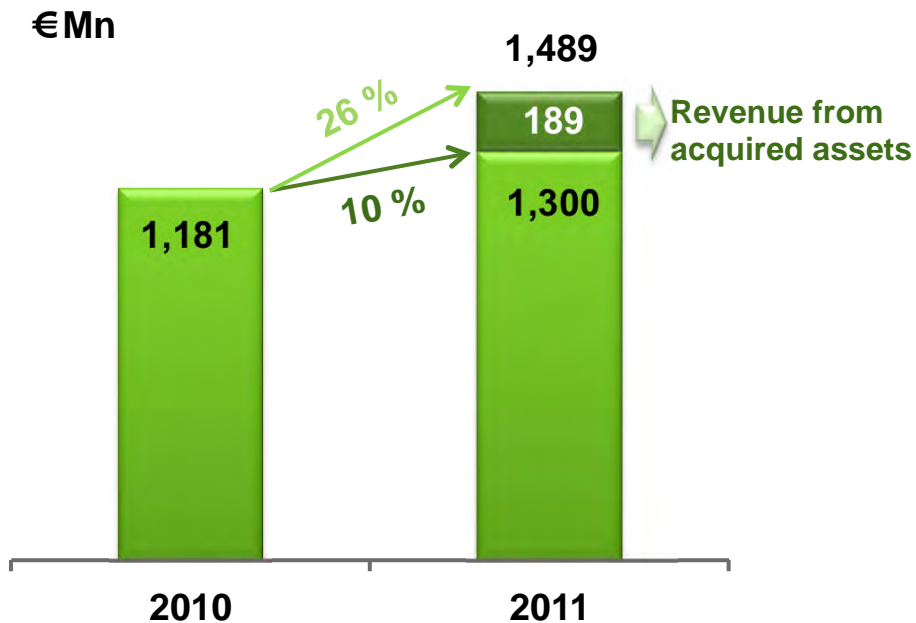
% of total investment



REE to invest €4.0bn between 2011 and 2015

REE has successfully concluded its transition to TSO

REE's REGULATED REVENUES TARIFF 2010 vs. 2011

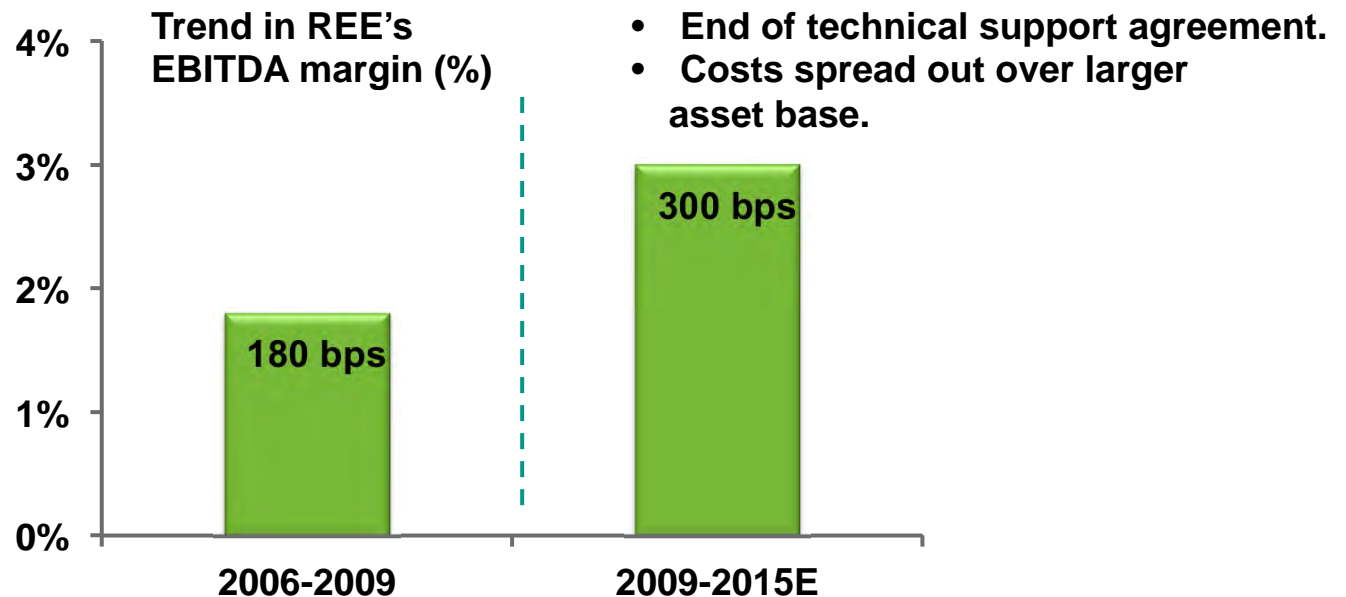


- Acquisition of outstanding transmission assets closed successfully.
- REE now owns 100 % of non-mainland assets.
- Endesa's assets were consolidated in our financial statements since 28 July 2010, Gas Natural-Fenosa's assets since 1 December 2010, and the Hidrocantábrico acquisition since 1 January 2011.

Source: Spanish Ministerial Order 3353/2010 of 28 December 2010.

Assets integration

- Four-year technical assistance contract worth a total of €66mn.
- Renovation facility programme and protection system addecuation.
- 100 % of facilities to be remotely controlled by in-house resources within business plan period.



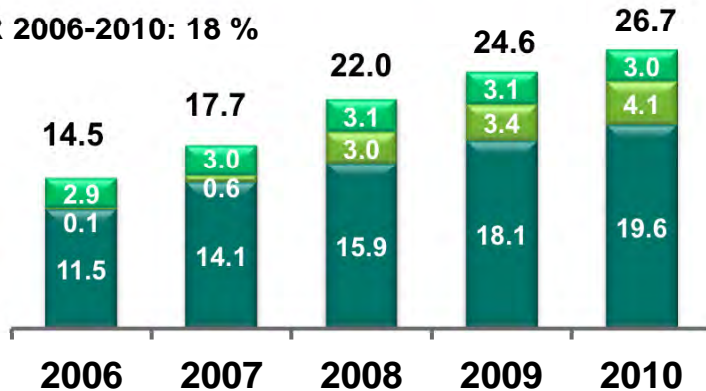
EBITDA margin expansion following integration of assets

Integration of renewable energies

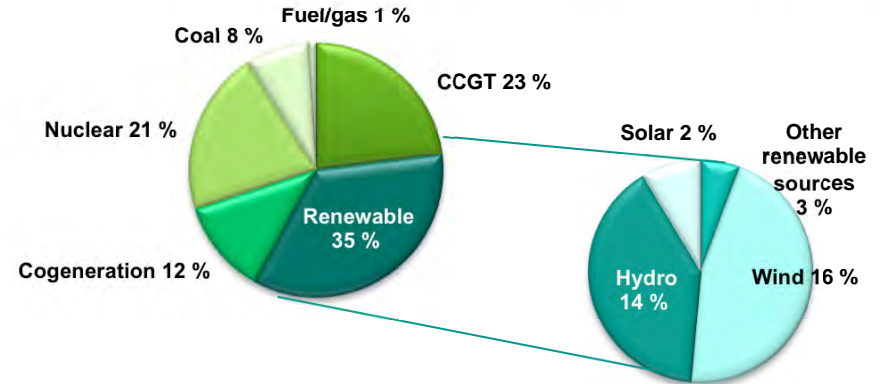
INSTALLED MAINLAND CAPACITY (GW)

CAGR 2006-2010: 18 %

+1 %
+144 %
+14 %



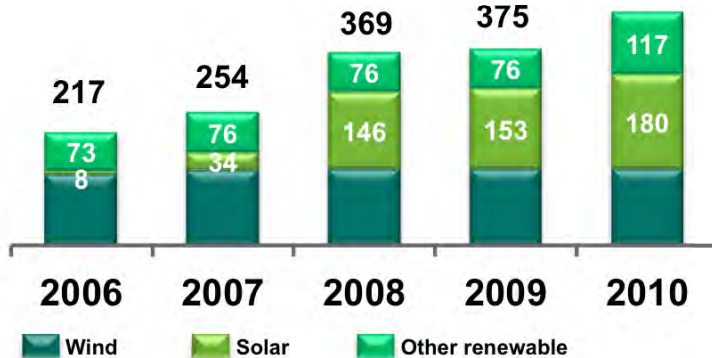
COVERAGE OF MAINLAND DEMAND 2010



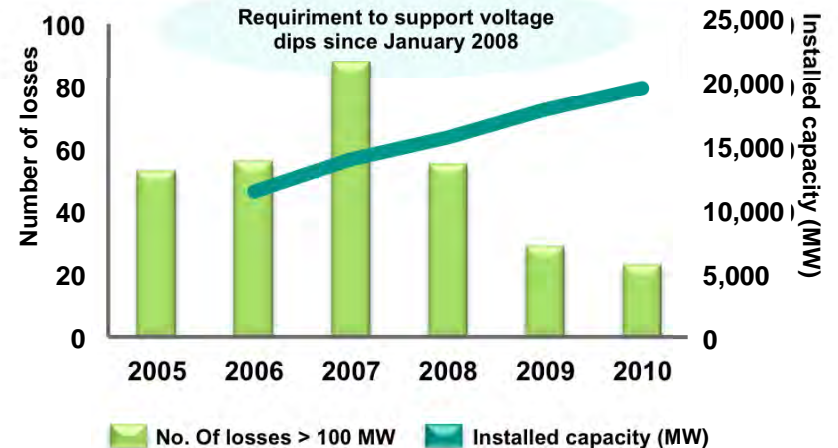
INSTALLED NON-MAINLAND CAPACITY (MW)

CAGR 2006-2010: 20 %

+2 %
+118 %
+13 %



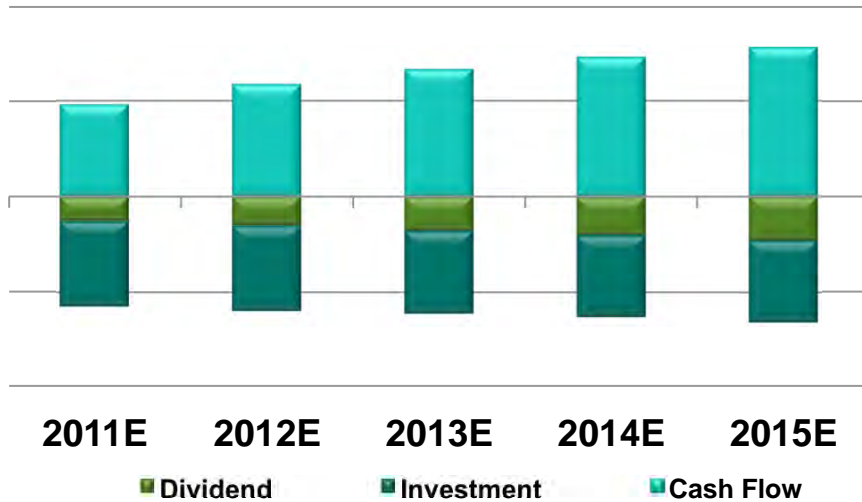
REDUCTION IN WIND POWER DISCONNECTS



Financial strength

CASH FLOW vs. DIVIDENDS AND CAPEX

€Mn



DEBT MATURITY SCHEDULE

€Mn

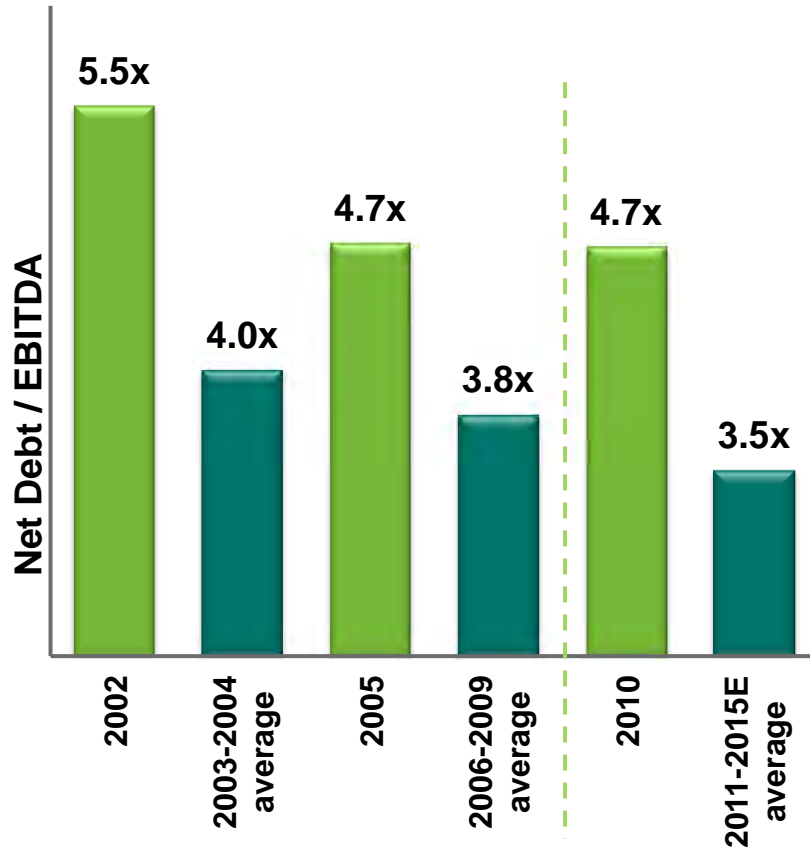


* Following the 4 February 2011 Euromarket issue (€600mn of 7Y bonds)

31 December 2010: €825mn of undrawn long-term liquidity and €294mn of short-term funds

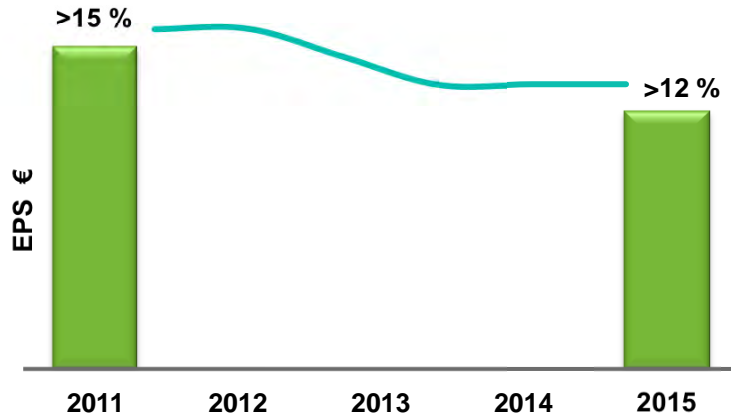
Financial strength

TREND OF FINANCIAL RATIOS



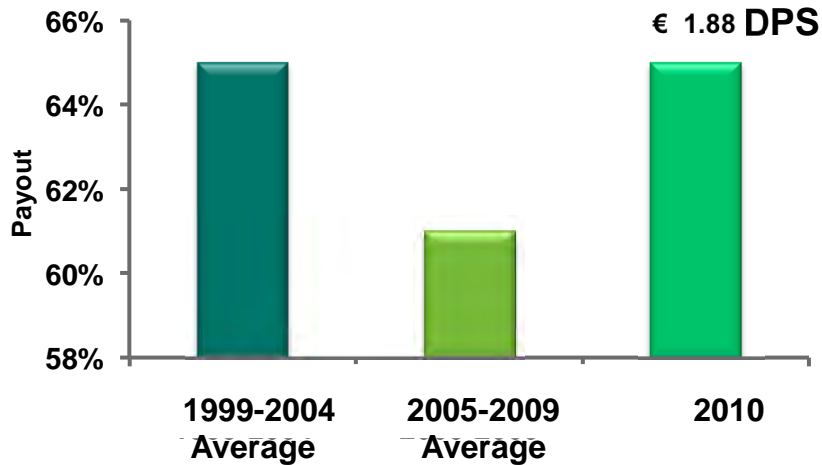
- After acquisitions, stronger financial ratios than those in prior acquisitions.
- REE is committed to its strong credit ratings.

Financial targets



EPS EVOLUTION

- Maintenance of growth rate in the short term.
- EPS growth > 12 % a year in the medium term.



DPS EVOLUTION

- DPS growth in line with EPS growth.

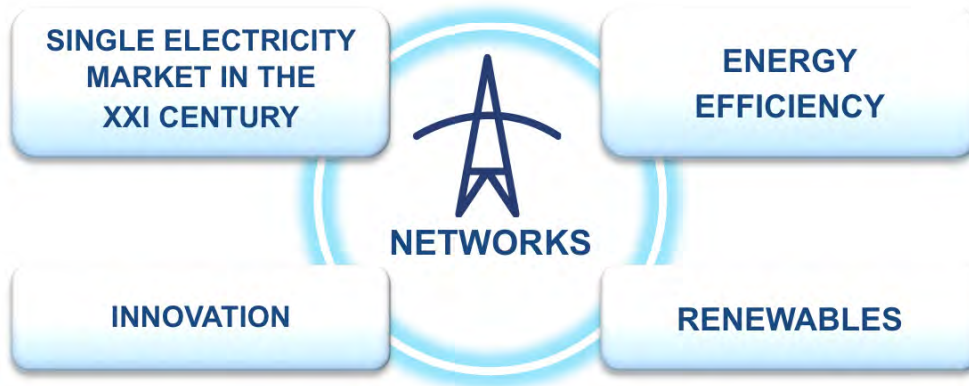
INVESTMENTS 2011-2015: €4bn.



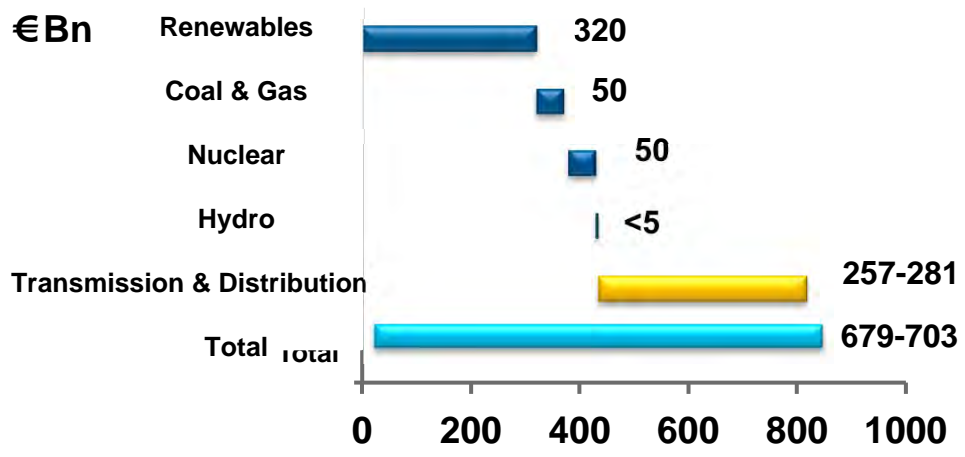
Our outlook for
the decade ahead

Electricity networks: cornerstone of European energy policy

20 % LOWER EMISSIONS, 20 % REDUCTION IN PRIMARY ENERGY USE, 20 % OF ENERGY FROM RENEWABLE SOURCES



- Priority projects**
- Two or more border crossings.
 - Profits at European level (supranational effects).
 - Application of new technology.
 - Electricity highways.



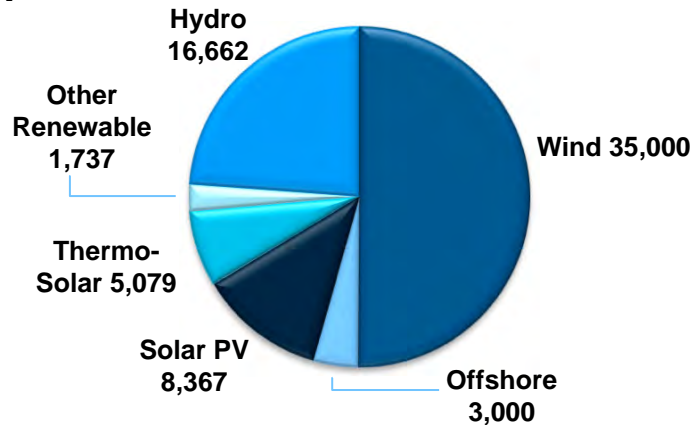
Source: Electric Power & Natural Gas Industry Vision 2020. Mckinsey.

- Prerequisites for development of interconnected electricity networks**
- Regulatory stability and adequate returns.
 - Capital market access.
 - Public support for infrastructure.

Our vision for the coming decade

IMPLICATIONS OF 2020 RENEWABLE TARGETS FOR SPAIN

MW



2020 Capacity installed

Source: Spain's National Renewable Energy Action Plan, 2011-2020, June 2010

End use of renewable energies (ktep)	2016	2020
Power generation	10,002	12,903
Heating / cooling	4,651	5,654
Transmission	3,004	3,885
Total renewables	17,403	22,057
Total end energy use	95,078	97,041
% Share of renewable energy in total energy mix	18.3 %	22.7 %

Source: Spain's National Renewable Energy Action Plan, 2011-2020, June 2010

- The national renewable energy plan 2011-2020 implies that 40 % of the electricity generation will be obtained through renewable sources.
- Particular emphasis placed on cross-border infrastructure and electricity highways: new interconnections with France with a potential interconnection with the UK under analysis.

Investments in the transmission network will remain crucial beyond 2016



RED ELÉCTRICA CORPORACIÓN

relacioninversores@ree.es

Presentation available in:

www.ree.es

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