



RED ELÉCTRICA
CORPORACIÓN

10

years

*on the stock
exchange
1999 · 2009*

7 July 1999

Red Eléctrica debuted on the securities market at €8 a share. 10 years on, the share price has nearly quadrupled, while the company has undergone far-reaching changes in its corporate and ownership structure, grown rapidly and taken on a newfound importance.

New corporate structure

Red Eléctrica Corporación has been restructured into a holding company to further separate and enhance the transparency of activities regulated in Spain —transmission and network operation— from its other activities as provided for in Electric Sector Law 17/2007.

Now the regulated business is managed by Red Eléctrica de España, S.A.U., with Red Eléctrica Corporación, S.A. the parent of the group consisting of Red Eléctrica de España and the other group companies.

Changes to ownership structure

The company's ownership structure has also changed dramatically. Since the company's founding in 1985, Red Eléctrica's capital had been in the hands of utilities (40 %) and controlled by the government through SEPI (60 %), a Spanish state holding company.

When Red Eléctrica went public, just over 30 % of its capital was acquired by private and institutional investors. This percentage has since

increased steadily as utilities and SEPI sold more and more of their stakes.

Currently, 20 % of share capital is held by SEPI and the remaining 80 % is free float.

Shareholder returns

Red Eléctrica's share has generated an average annual return (including dividends) of 19 % in the decade since the company's listing. Over the same period, Spanish government bonds averaged a yield of 4.4 %.

The ongoing financial crisis has brought the Spanish stock exchanges back close to levels seen 10 years ago. (On 7 July 1999, the IBEX 35 closed at 10,400 points).

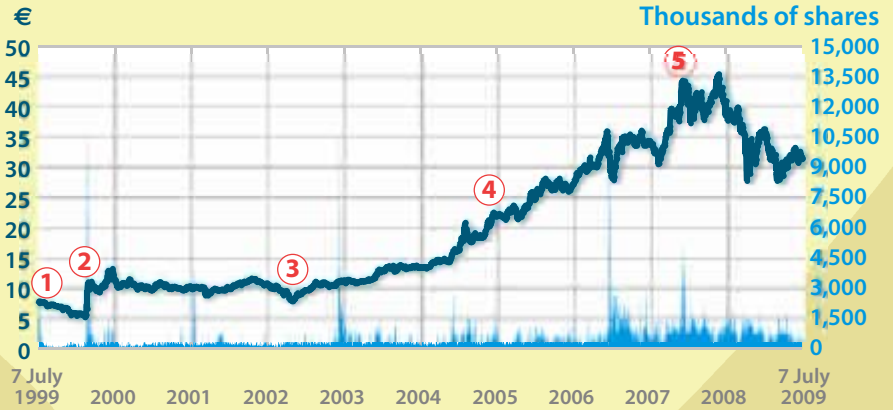
This contrasts with Red Eléctrica's share price, which has trebled over the decade.

This performance has garnered the company various awards, including one from the Edison Electric Institute (EEI) two years in a row, 2008 and 2009.

Key highlights 1998-2008. (€mn)

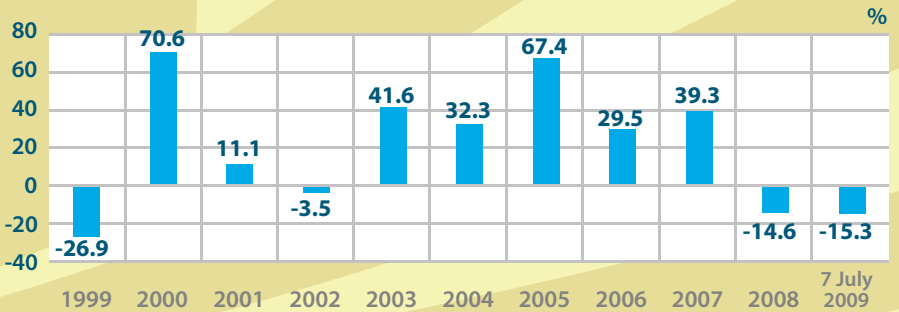
	1998	2008
Revenue	336	1,126
Profit	75	286
Non-current assets	1,376	5,364
Borrowings	484	2,929
Average number of employees	1,079	1,521

Share-price performance and daily trading volume

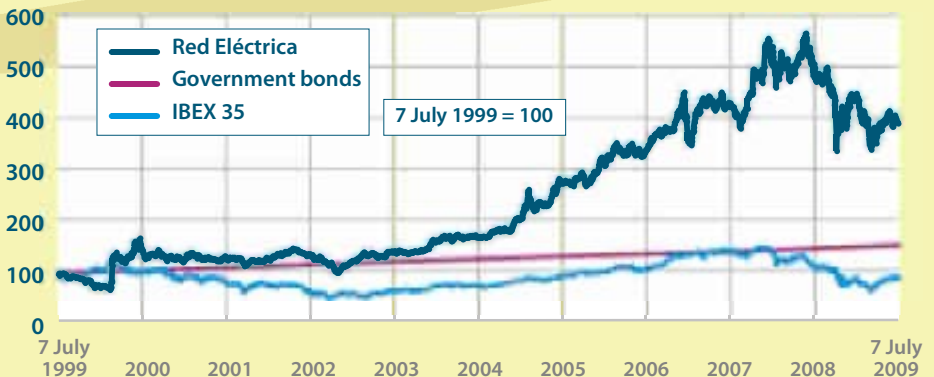


1. Red Eléctrica debuts on the stock exchange on 7 July 1999 at a price of €8 a share.
2. In February 2000, at the height of the dot-com fever, Red Eléctrica announces its plan to expand into telecommunications.
3. On 6 November 2002, the share closes down at €8.07 amid rumours of a purchase of transmission assets, then returns to normal levels as the terms of the agreement are unveiled.
4. In 2004 and 2005, we see the company consolidating its business. The share gains 27 % in 2004 and 59 % the following year on the back of an acquisition of Iberdrola assets and the sale of a telco subsidiary.
5. Summer 2007 heralds the first signs of the economic turmoil to follow as the financial system is hit by the subprime mortgage crisis.

Annual return of Red Eléctrica share (including dividends)



REE share price performance, vs. IBEX 35 and Spanish government bonds (*)



(*) The formula for calculating the yield on government bonds assumes that investors bought 10-year bonds on 7 July 1999 and reinvest their savings on 31 December each year at the prevailing interest rate for such bonds.

Market perception

Comments from research analysts who have been following Red Eléctrica during these 10 years

«When I started covering Red Eléctrica's IPO, I thought I was looking at a defensive company, with limited risk. At that time, the dot-com boom was affecting all share prices and there was scant interest in Red Eléctrica. Even so, I could easily see the resilience of its earnings, its high dividend yield and its regulated features... And yet, even Red Eléctrica shared in the internet boom through its fibre-optic network which, while not a successful venture per se, helped put the company on the map and attract coverage by analysts. Later, everything became much more straightforward and certain regulatory shocks aside, Red Eléctrica can be said to have been a safe and stable stock market investment, confirming its outstanding qualities over many years and remaining insulated from the market's ups and downs»

Nicolás Fernández Picón

Head of Research at Ibersecurities
Grupo Banco Sabadell

«I never invest directly in shares on my own or my family's behalf, but it so happened that Red Eléctrica came to market just after I had written a research report on the company and I was having one of those family meetings in which siblings try to sort out their mother's finances. Red Eléctrica to me seemed an unbeatable proposition: undervalued, low risk, promising growth and high dividend yields. So, we asked my mother's opinion. Being from Bilbao, my mother unfortunately refused to trade in her shares in her bank for some of Red Eléctrica's and so lost out on doubling their value virtually within a month and achieving average returns of 20 % a year over the past 10 years»

Bosco Muguero Eulate

Utilities - Grupo Santander

«The Red Eléctrica share bears the hallmarks of any sound investment: reasonable returns and guaranteed recovery of principal. Its market performance over the past 10 years delivers on this claim, with cumulative annual returns of close to 20 %»

José Porta

Iberian Equities A.V.

«Red Eléctrica's IPO in the summer of 1999 presented a serious challenge: here was a security rated as defensive hitting the market amid a strong economic upswing. At the time, some investors would say they viewed Red Eléctrica as a bond proxy, yet the general mood favoured companies with strong forecast growth, especially in the telco and dot-com sectors. In that environment, the share price languished for months (from June to February). Yet Red Eléctrica knew to push its telecommunications angle, informing the market of its plans to unlock the value of its fibre-optics network and joining the technology boom in the process.

Since then, Red Eléctrica has shown how attractive its business is and the market has rewarded it by nearly quadrupling the company's share price from its IPO price of €8, while the Ibex 35 is largely at the same level»

Víctor Peiro

Caja Madrid Bolsa

10



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«Since its IPO, Red Eléctrica has undergone more changes than any of us foresaw back in 1999. Given the relatively low capital expenditure requirements of its transmission grid at the time, the group initially focused on creating value in other areas, including evolving its fibre-optics assets into a telecommunications business and expanding internationally. Starting in 2002, however, the long-awaited opportunity arose to buy the mainland's remaining transmission assets.

A period of concentration in the company's domestic business followed, which was much welcomed by analysts like ourselves given Red Eléctrica's proven ability to invest efficiently and on a large scale in growing organically and in upgrading its network to meet the needs of the 'new' company which had far outgrown its former IPO self in size and complexity (this process is still ongoing and should ultimately entrench the company's position as Spain's sole carrier before the end of 2010). Red Eléctrica's growth profile seems assured given the vast investments needed to keep upgrading the transmission network to match the ever-expanding installed capacity of renewable energies. In future, these capital expenditures could be rounded off with additional investments designed to increase grid density to a point where a large-scale switch to electric cars becomes viable.

In short, these 10 years have seen Red Eléctrica emerge not only as a large player, but also as the

company best positioned to rise to the technological challenges of a society increasingly concerned about the environment.

Congratulations»

Javier Garrido

JP Morgan Chase

«When Red Eléctrica made its debut on the Spanish stock exchange 10 years ago, it was a classic utility: a safe haven security, an attractive dividend yield, stable, predictable and regulated income, visible growth within the framework of the Spanish national energy plan ... And yet, in our view, Red Eléctrica's main merit over the past 10 years has been its deftness in attracting and maintaining market interest in a company that from the outset has shown a highly flexible and dynamic growth model (e.g. the acquisition of the networks of Endesa, Unión Fenosa and Iberdrola; in its telco strategy to unlock the value of its fibre-optics network; and its international expansion into Bolivia's power grid). All told, 10 years later Red Eléctrica is showing no signs of slowing down and remains in great shape. The company offers an interesting story of growth, dynamism and flexibility»

Antonio Cruz

Banesto Utilities Research

years of sustainable growth
and shareholder returns