

RED
ELÉCTRICA
CORPORACIÓN

2012 Results 2013-2017 Business Plan



27th February 2013

2012 Results



RED ELÉCTRICA CORPORACIÓN



2012: A complex year

Regulation

- RD 13/2012: Deferral in the payment of revenues of new assets put into operation, now in n+2.
- RD 20/2012: Reduction in transmission revenues (€45m).
- RD 2/2013: Revenues indexed to new CPI.

Investments

- RD 12/2012: Removal of freedom of amortization.
- RD13/ 2012: Standstill of authorization of new investment until approval of the new Infrastructure Plan .
- At the end of 2012, REE had €1,800m of investments already authorized pending to be executed.

Bolivia

- Transportadora de Electricidad, S.A (TDE) nationalization in May 2012.
- Complaint for fair compensation.



2012: A year with significant improvements

Financial & Operating Results

- Solid results and strengthening of solvency ratios.
- Financing allows liquidity to cover maturities in the next 2 years.
- New historical maximum in the contribution of wind generation.
- Mainland-Balearic Islands electricity interconnection reaches maximum performance.

Investments

- €672m investment in transmission network. 860km of circuits and 188 positions put into operation.
- In January 2013, the Spanish Ministry approved a package of new investments essential for the guarantee of the supply of the system.
- In December 2012, release of the procedure to elaborate the new Energy Plan 2014-2020.

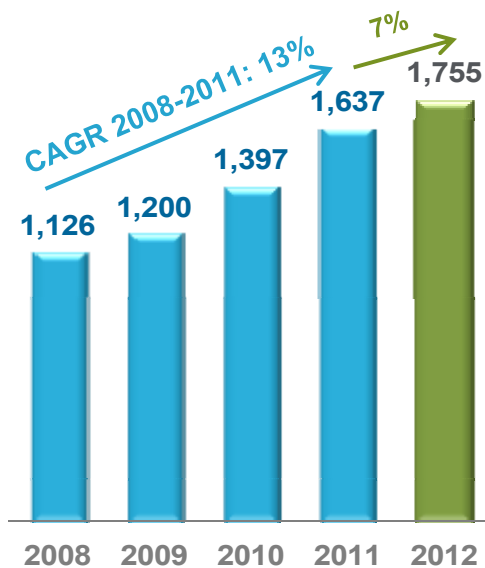
Corporate Governance and Responsibility

- Majority of external independent directors at the Corporate Governance and Responsibility Committee and Auditing Committee, no presence of Executive Directors and led by Independent Directors.
- More than one third of women on the Board.
- Worldwide leader of the utilities sector in the sustainable FTSE4Good index.

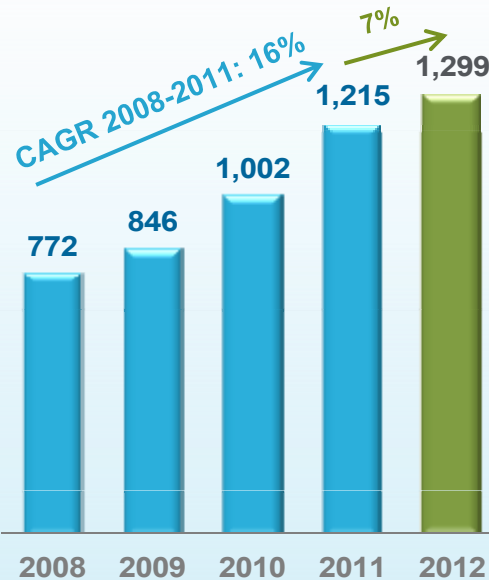


2012 Results: lower path of growth

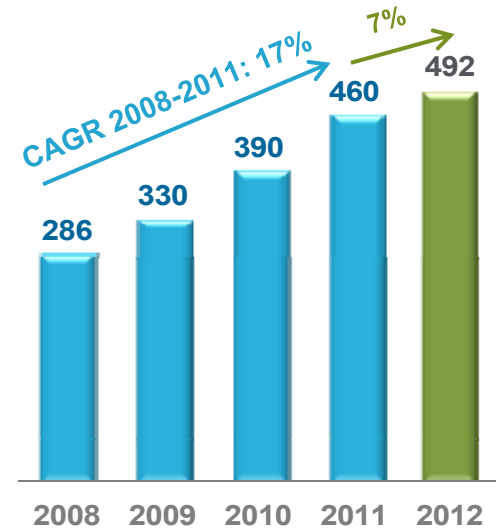
Revenues (€m)



EBITDA (€m)

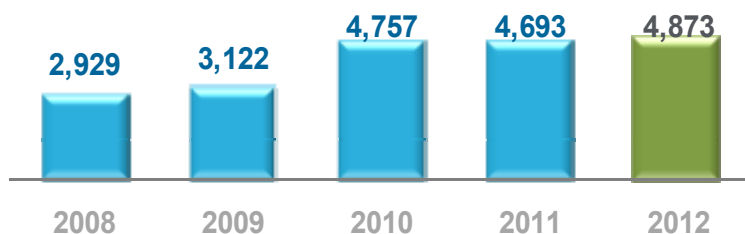


Net Income (€m)

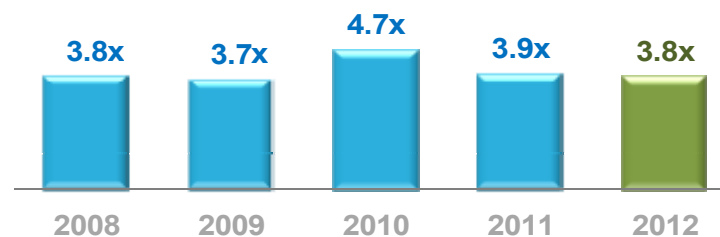


2012 Balance sheet: ratios improvements

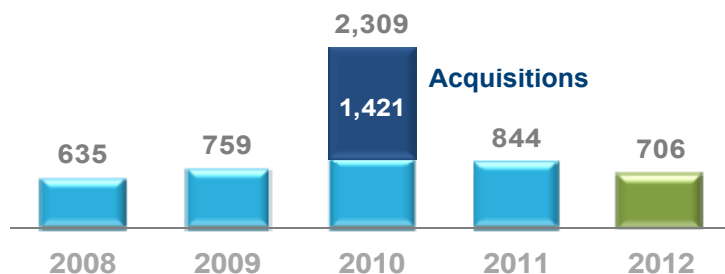
Net Debt (€m)



Net Debt / EBITDA



Investments* (€m)



* Note: including investments in the transmission grid, acquisitions, operation of the system and other investments.

Other highlights

	2008	2009	2010	2011	2012
Average cost of debt	4.4%	3.5%	3.2%	3.7%	3.8%
EBITDA / Interests	5.9x	7.5x	7.7x	6.8x	6.8x
Average debt life (years)	6.9	6.6	5.8	5.2	5.7*

* Note: including Eurobond issuance of €400m in January 2013

2013-2017 Strategic Plan



RED ELÉCTRICA CORPORACIÓN



Key strategic initiatives

Operating excellence

- An international TSO reference.
- Improvement in the network acquired in 2010 (islands).
- Continuous improvement in operating efficiency.

Market integration and sustainability

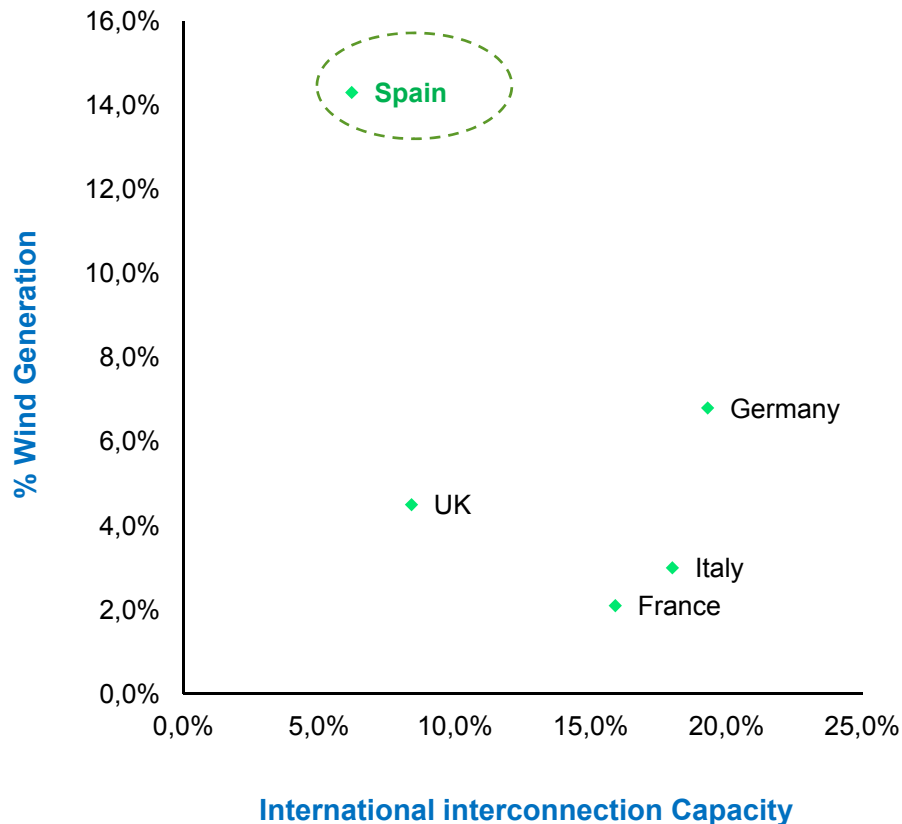
- Electrification optimum level.
- International interconnections.
- Islands investments.
- Mainland investment plan adjustment.

Balance sheet strengthening

- Prudent and efficient financing policies.
- Proactiveness in the coverage of financing needs.
- Improvement in solvency ratios.



Red Eléctrica: an international TSO reference



- First independent transmission company in Europe (1985).
- System operation: maximum renewable integration despite absence of interconnections.
- Proactive maintenance to maximize quality of the service.

Source: EIU (Economist Intelligence Unit).

Chart figures: % of 2011 of TWh Wind / TWh Total generation vs. % of 2011 of importation capacity as % of peak demand.

Improvement in the network acquired in 2010 (islands)

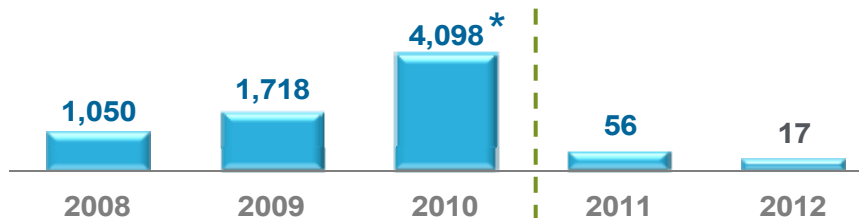
Network availability (%)

Assets acquisition in 2010



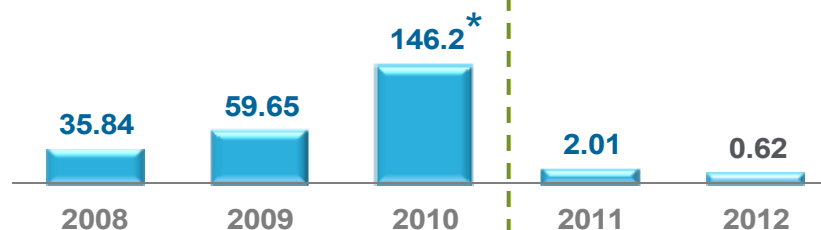
- Improvement plan of the islands assets since 2010.

No supplied energy (NSE) MWh



- Improvement of NSE and AIT ratios in 2011-2012.

Average interruption time (AIT) minutes



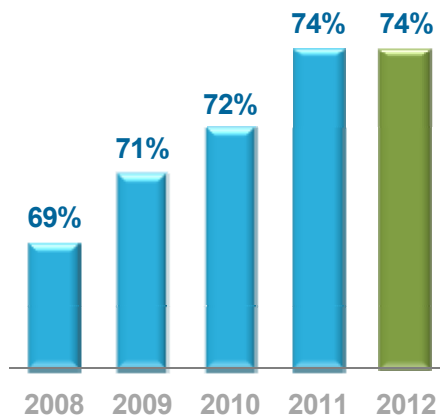
- Positive experience in the management of lower voltage network.

* Incident occurred due to breakdown in substation.



Continuous improvement in operating efficiency

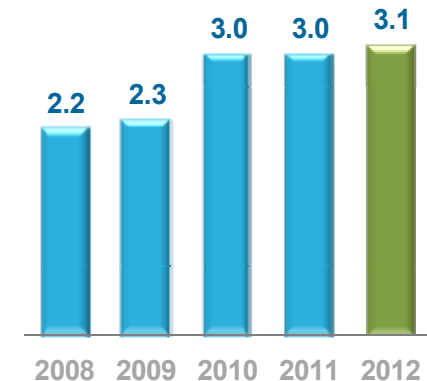
EBITDA / Revenues (%)



Gross tangible assets / Employee



Positions / Employee

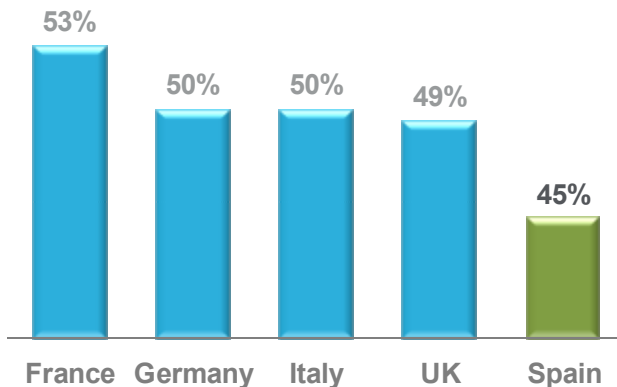


- Higher importance of efficiency in the current environment.
- Expected improvement EBITDA margin 150-200 bp in 2013-2017.
- Workforce already adapted to the new REE size.



Electrification optimum level: Potential of the electric sector and TSO role

Electricity consumption vs. petroleum



Lower relative level of electricity
consumption in Spain

Reduction of the
petroleum derived
products in the final
energy consumption

Management
of demand and
energy efficiency

Complete use of the
available generation
capacity

European electric
toll roads

Sector storage
development

Smart grids and
electric vehicles

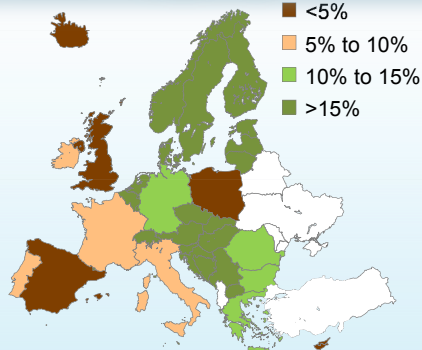
Source: EIU (Economic Intelligence Unit).

Chart figure: electricity consumption per capita over petroleum consumption per capita.

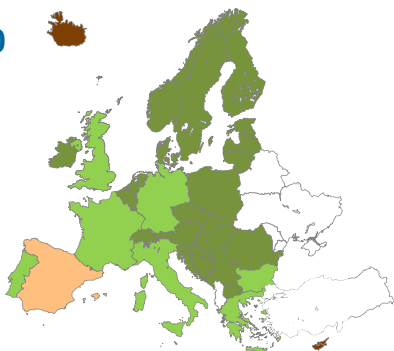
International interconnection

Insufficient interconnection capacity⁽¹⁾

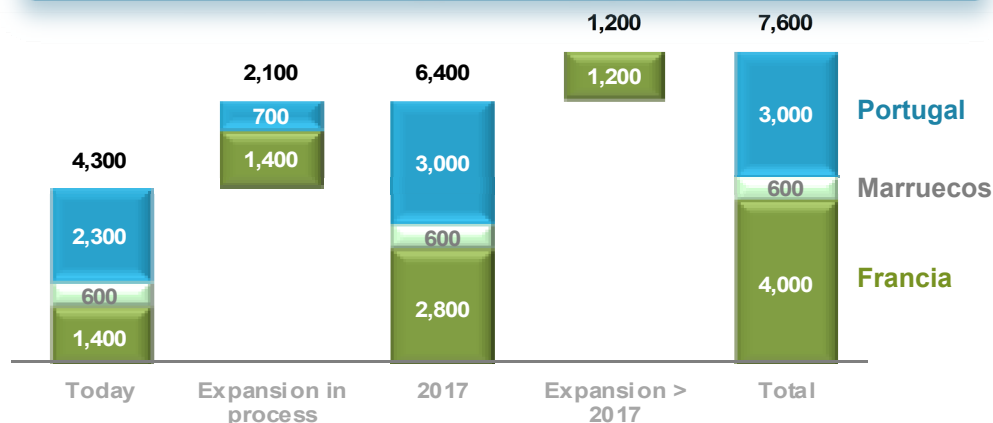
2011



2020



Exchange capacity (MW)⁽²⁾



France

Portugal

- Interconnection: Pyrenees East (Sta.Llogaia-Baixas)-2014
- Interconnection: West(País Vasco-Aquitania)-2020
- South Interconnection (Andalucía-Algarve)-2013/2014
- North Interconnection (Galicia-Oporto)-2015/2016

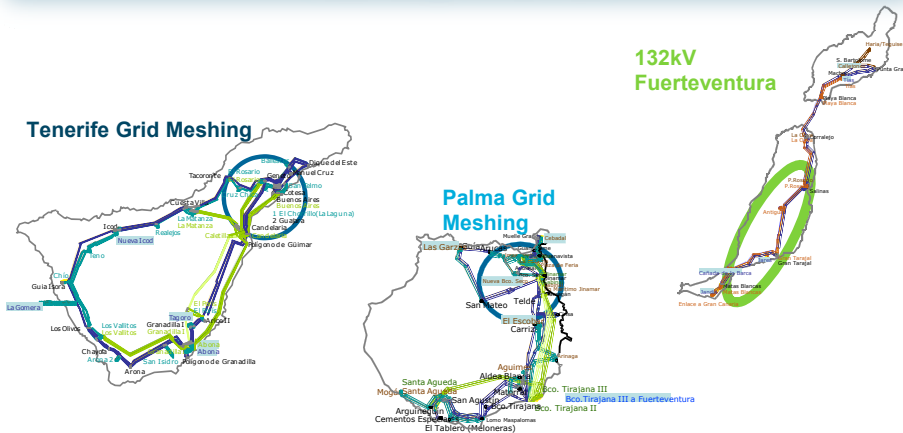
Source: "ENTSO-E 10-Year Network Development Plan 2012 Project for consultation" www.entsoe.eu

(1)% Import capacity / Installed generation capacity .

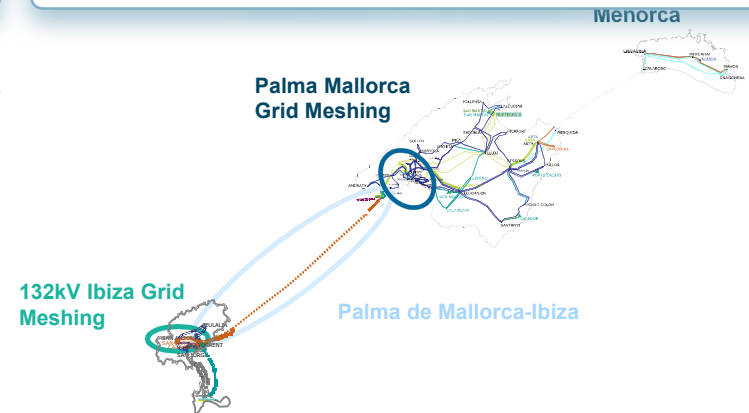
(2)Imports exchange capacity .

High level of investments in islands

Canary Islands

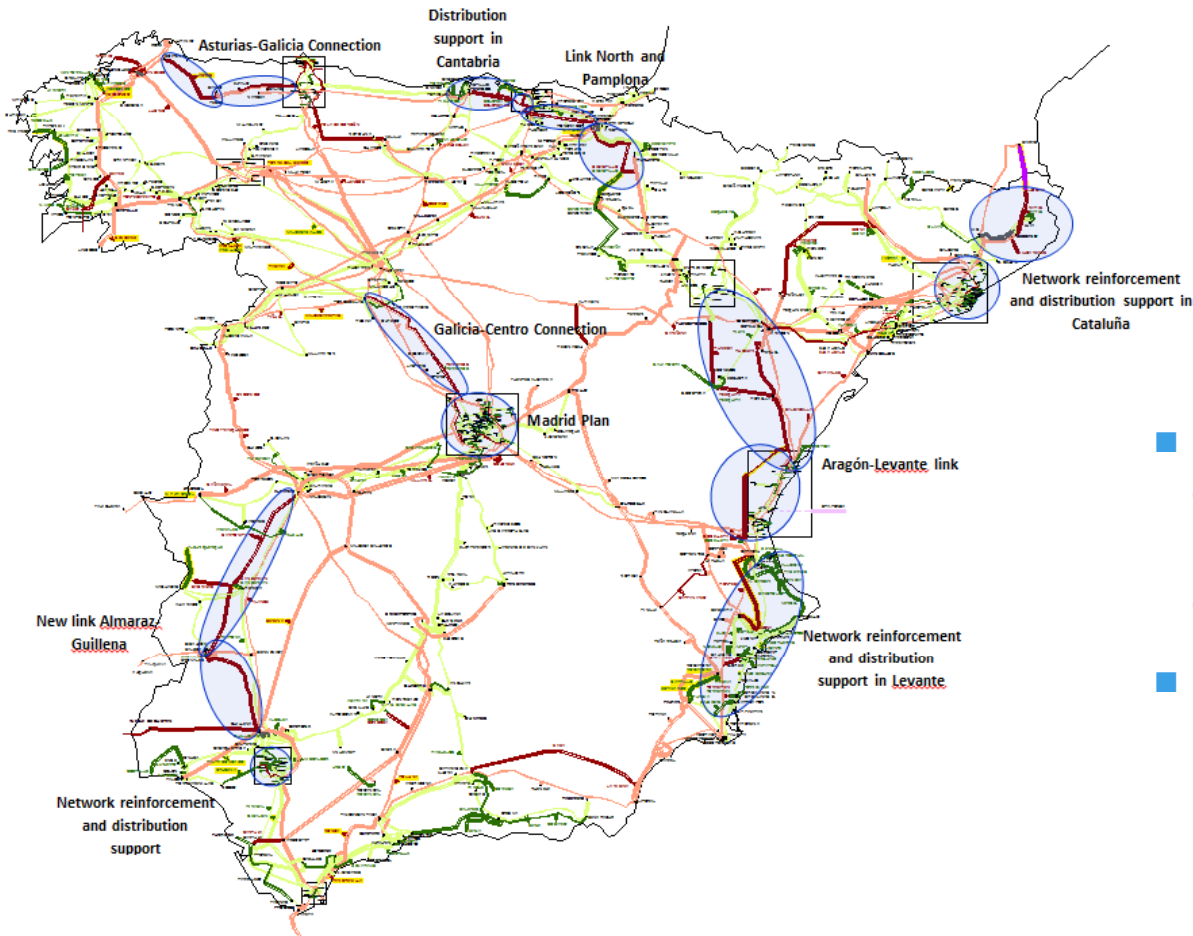


Balearic Islands



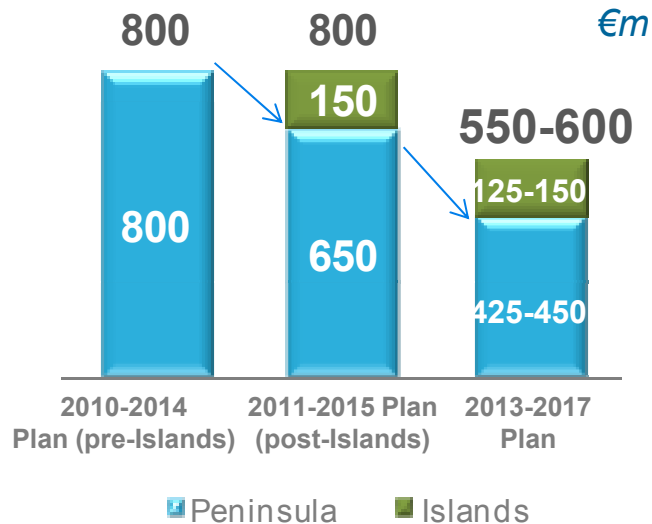
- Improvement and renovation of grid meshing.
- Increase in voltage of certain lines.
- Distribution support in large cities.
- Connection of Mallorca-Ibiza.
- Fuerteventura-Gran Canaria interconnection study.
- Investments of €125-150m/year.

Lower level of investments in mainland, but still relevant



- Investments focused in:
 - Increase security of supply.
 - System costs reduction.
- Investment of €425-450m per annum.

REE investment plan update



- New rhythm of investment consistent with the lower electricity demand and generation plants: €550-600m/per annum.
- 2013 -2017 Investments based on the Administrative Authorisations already available (77%).
- New Investment Plan 2014-2020 in course.



Looking for a sufficient and stable remuneration regime



Measures to reduce tariff deficit with an impact in REE:

- One year delay in the payment of revenues of new assets put into operation, now n+2.
- Remuneration based on net assets value for pre-2008 assets.
- New CPI index for revenues calculation.

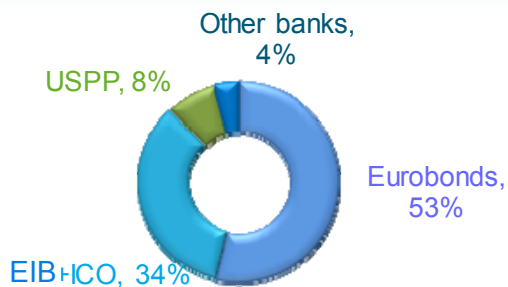


The development of RD-L 13/2012 will imply to development of an objective and reasonable remuneration regime for Red Eléctrica

Balance sheet strength: liquidity to cover 2013-2014 maturities

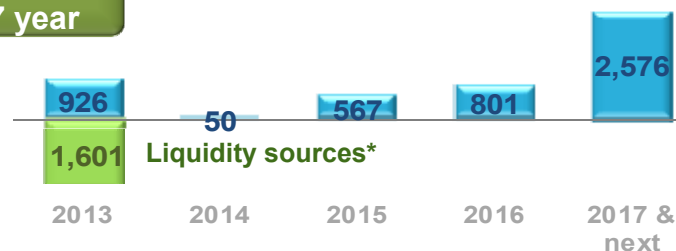
Debt breakdown

Total Gross Debt
€4,913m



Debt maturities (€m)

Average life
5.7 year

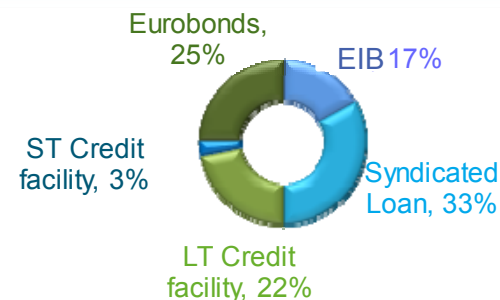


Eurobonds emission

Date	Size	Maturity	Coupon
Jan 2013	€400m	Jan 2022	3.9%
Oct 2012	€150m	Feb 2018	4.4%
Feb 2012	€250m	Apr 2020	4.5%
Apr 2011	€300m	Apr 2020	4.9%
Feb 2011	€600m	Feb 2018	4.8%
Oct 2010	€500m	Oct 2016	3.6%

Liquidity breakdown

Total Liquidity sources:
€1,601m*



* Nota: Liquidez a 31 de diciembre de 2012 incorporando emisión de €400 millones de enero de 2013.



REE credit rating above sovereign

Moody's

Baa2

- Constant in A2 since 2003 until 1Q 2012.
- One notch above sovereign.
- According to Moody's, Red Eléctrica stand alone rating (ex-sovereigns) is A2.

S&P

BBB

- Constant in AA- since 2003 until 1Q 2012.
- One notch above sovereign.
- BBB rating underestimates FFO/Net Debt Red Eléctrica's ratio.

Focus on the improvement of financial ratios

Cost of debt 50-100 bp lower than sovereign



2013-2017 Targets

Net Income

CAGR ~ 6-8%

Leverage

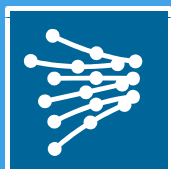
<3.5x Net Debt / EBITDA

Dividend

**Growth in line with net
income (payout 65 %)**

Investment

€550-600m / year



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Presentation available in:

www.ree.es

Shareholders & investors/Presentations



FTSE4Good



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