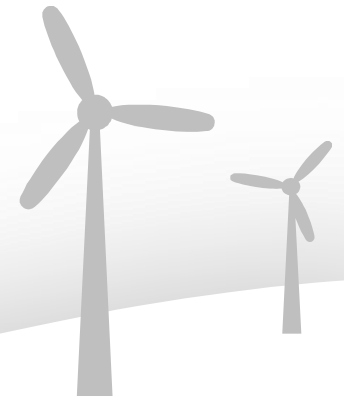


RED
ELÉCTRICA
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Acquisition of Spanish Transmission Assets

A New Step Forward for Red Eléctrica

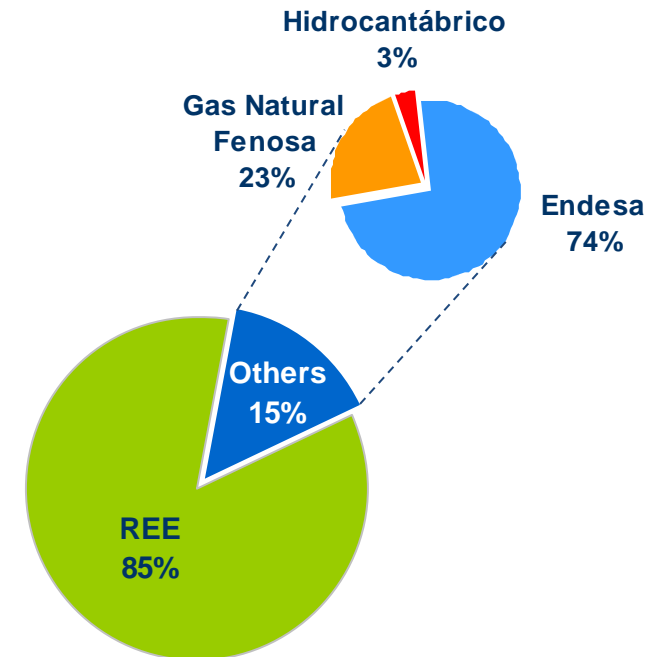
1st July 2010



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

<p>Existing Assets</p>	<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
<p>O&M</p>	<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
<p>Assets under Construction</p>	<ul style="list-style-type: none"> • Assets put into operation during 2010 valued at €142m. Transferred to REE once operating
<p>Transaction Calendar</p>	<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.

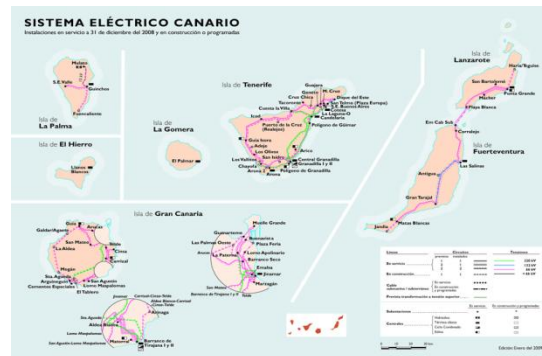
* Final price to be adjusted by revenues reflected in definitive tariffs.

Description of the Assets Acquired

Balearic Islands



Canary Islands



Operational Metrics

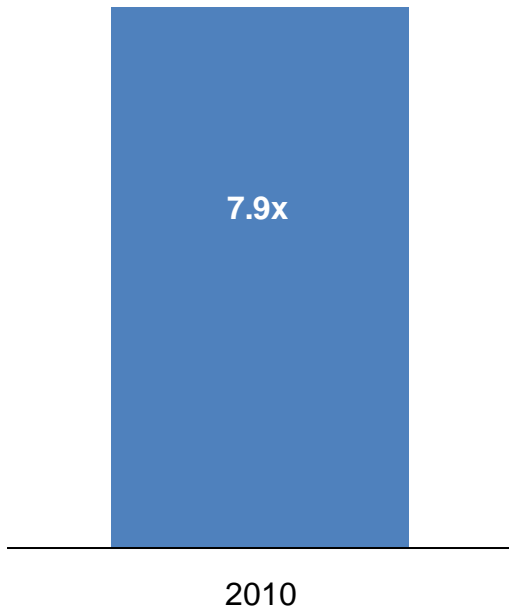
	REE	Endesa		REE post	Δ %
	31/12/09	Mainland	Island	acquisition	
Km. of Network	34,754	82	2,360	37,196	+7%
400 kV	17,977	-	-	17,977	+0%
220 kV	16,702	82	342	17,126	+3%
132 kV	75	-	158	233	+211%
66 kV or less	-	-	1,860	1,860	--
Bays	3,385	124	861	4,370	+29%
Transf. Capacity (MVA)	66,259	-	3,501	69,760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

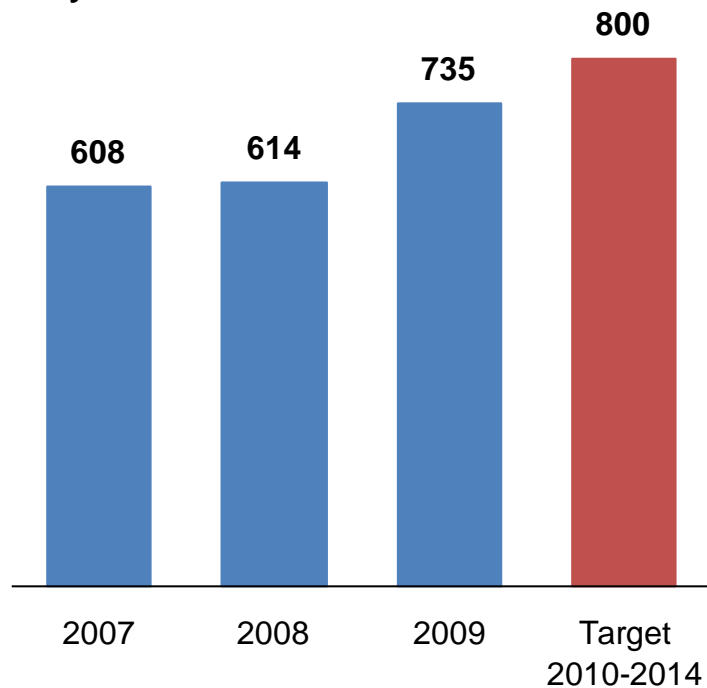
In line with precedents



€800m/year Capex Target Maintained

Investments in Transmission Assets

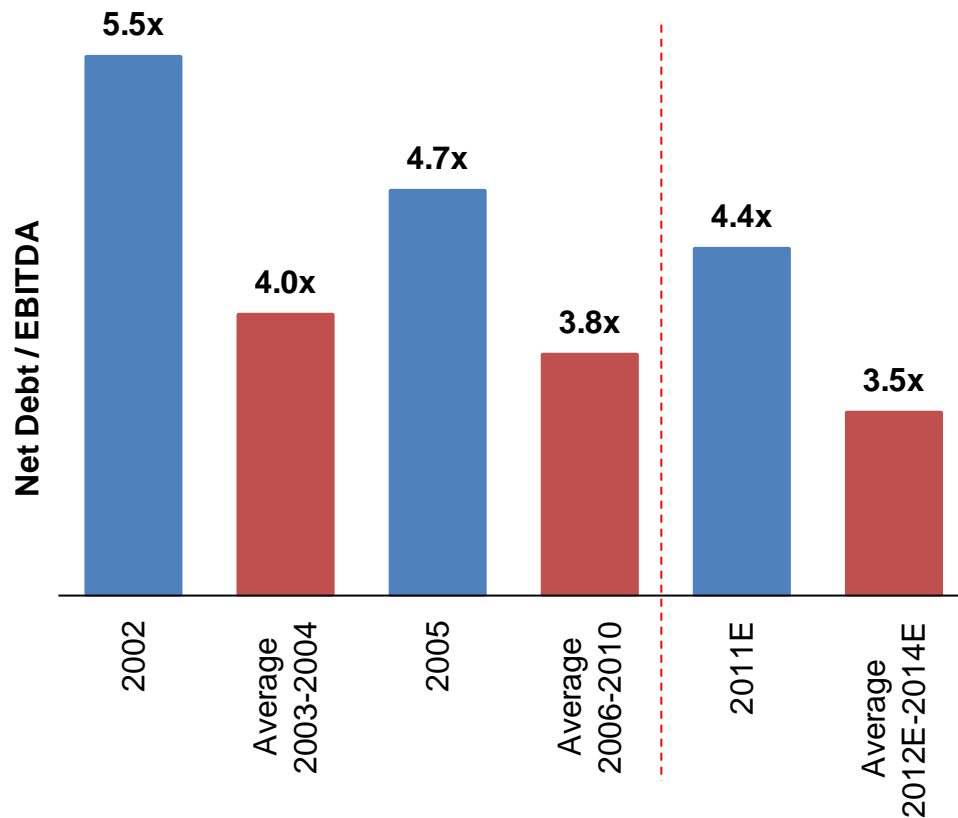
€/year



- 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



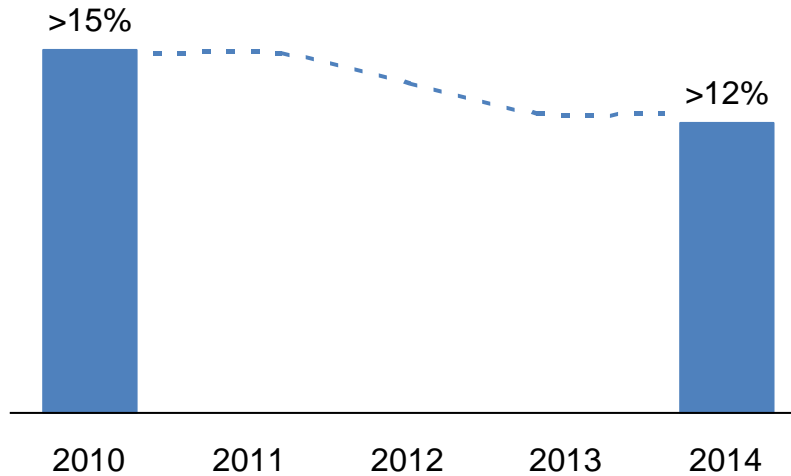
- Transaction is 100% debt financed
 - Bridge financing with a 2-year term
 - Plan to refinance into long-term tenors
- After acquisition, financial ratios stronger than those in prior acquisitions
- In the medium-term, financial ratios better than after past acquisitions
- Red Eléctrica is committed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

Red Eléctrica Financial Targets

Existing 2010-2014 Growth Targets

Impact of Acquisitions

EPS
Year-On-Year Growth



- 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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