

RED
ELÉCTRICA
CORPORACIÓN

Results 1H2013 and Regulatory Update



20th september 2013



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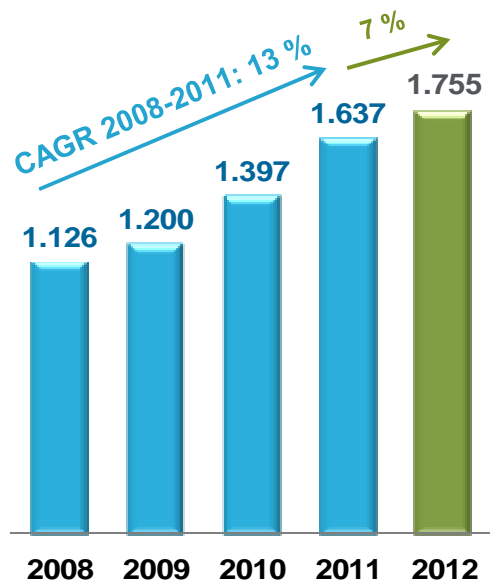
Highlights and results



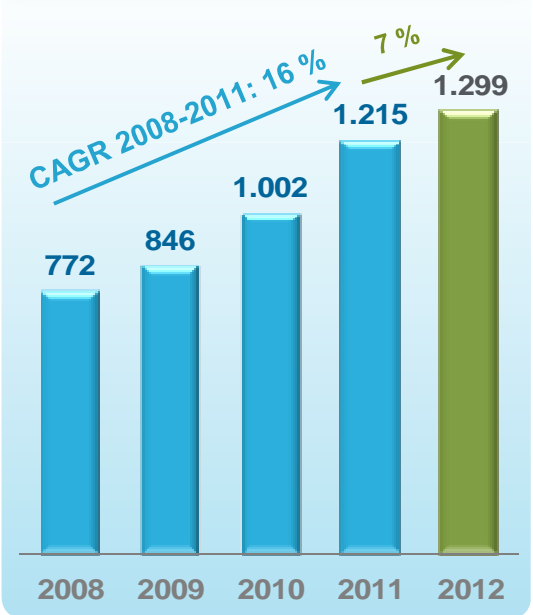


A new growth path

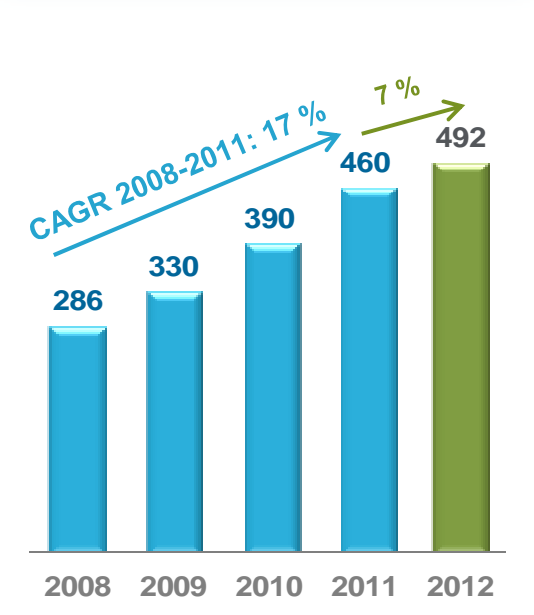
Revenue (€m)



EBITDA (€m)



Net profit (€m)





1H13 highlights

Results

- Recurring net profit amounted to €278m +6.2% vs. 1H12
- Relevant events in 1H13: revaluation of balance sheets, changes in scope of consolidation and impact of application of RD-I 9/2013
- Investments totalled €230m with €219m in transmission network

Regulation

- RD 9/2013 of urgent measures to guarantee financial stability in electricity sector: €75m reduction in transmission revenue in 2013
- Draft of Royal Decree to calculate future transmission revenue

Financials

- €1,977m liquidity to cover needs for next two years
- Active presence in Eurobond market. €700m issue in 1H13
- Fitch confirmed 'A-' rating with negative outlook following announcement of electricity sector reform. S&P ('BBB' negative outlook) recognises that the company is flexible enough to absorb any adverse changes.



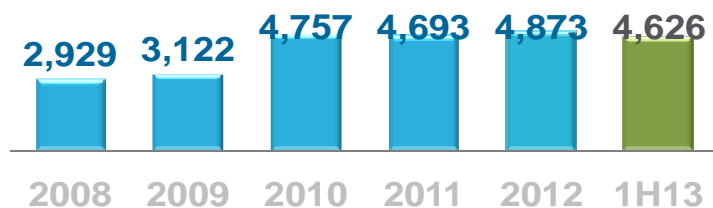
Results 1H13

Income statement (€m)	1H 12 actual	1H 13 actual	%	1H 12 proforma	1H 13 proforma	%
Net revenue	850	856	0.8	839	894	6.5
EBITDA	655	645	(1.5)	648	683	5.3
Net profit	225	272	20.8	261	278	6.2

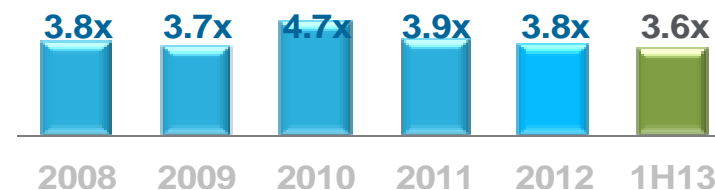


Balance & financial ratios evolution

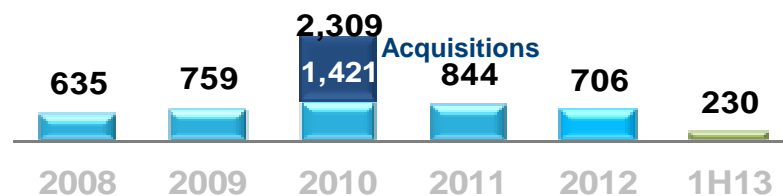
Net debt (€m)



Net debt/EBITDA



Investments* (€m)



Other highlights

	2008	2009	2010	2011	2012	1H13
Avg. cost of debt	4.4%	3.5%	3.2%	3.7%	3.8%	3.9%
EBITDA / interest	5.9x	7.5x	7.7x	6.8x	6.8x	6.0x
Avg. debt life (years)	6.9	6.6	5.8	5.2	5.4	6.2*

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

* Excluding €800n Eurobond issue maturing September 2013

Regulatory update





Electricity sector reform

Objetives of the electricity sector reform

- New regulatory framework guaranteeing financial stability in the electricity sector
- Significant reduction in system costs
- Elimination of tariff deficit (€10,500m in 2012)

Measures July 2013

- RD-I 9/2013 of urgent measures to guarantee financial stability in the electricity sector, in force since 12 July 2013
- Electricity sector draft law
- 7 royal decrees, 1 ministerial tariff order and 3 ministerial orders proposed

Deficit correction: €10,500m

- €6,000m of deficit already corrected following measures taken in 2012 and start of 2013
- €900m contribution from end customer via access tariffs and a further €900m through State Budget
- System costs reduced by €2,700m with new measures July 2013



Electricity sector reform

RD-I 9/2013: 2013-2014 temporary methodology to calculate transmission retribution

- Temporary methodology for 2013 and 2014 could be extended until definitive methodology is in force
- Establishes an implicit RAB calculated by the CNE and a financial return equivalent to the Spanish 10-year Government bonds on the secondary market plus 100 b.p. in the second period of 2013 and +200 b.p. for 2014
- The RD-I reduce transmission revenue by €75m in 2013
- Estimated transmission revenue for 2014 is approx. €1,600m
- Revenue calculated using this methodology will be definitive
- There will also be an incentive for availability of facilities



Electricity sector reform

Proposed RD: Methodology to calculate transmission revenue in the future

- A single methodology applicable to all transmission facilities
- The value of assets will depend on their replacement value and will be published in a resolution by the Directorate General of Energy Policy and Mines
- 6-year regulatory periods.
- Financial revenue for investment based on the average yield over the previous 24 months of Spanish 10-year Government bonds plus 200 b.p.
- Opex and maintenance revenue will be calculated in accordance with the facilities' representative unit cost.
- The useful life of facilities could be extended with separate revenue set for these installations.



Electricity sector reform

Next steps

- On 26 July sector agents submitted their comments on the published regulation
- There will now be a dialogue process between the regulator and sector agents
- Red Eléctrica considers a priority:
 - The model needs to guarantee a reasonable return higher than the agents' cost of capital
 - The value of the assets must include all the costs incurred
 - A mechanism to update the net value of assets
 - The residual life needs to be established which is in keeping with the technical life of the facilities
 - Adequate revenue for extending useful life
 - Suitable incentives are needed for availability of facilities and construction and maintenance processes
- On 20 september CNE published 26/2013 report regarding the RD proposal on the methodology for the calculation of tranmission activity remmuneration framework

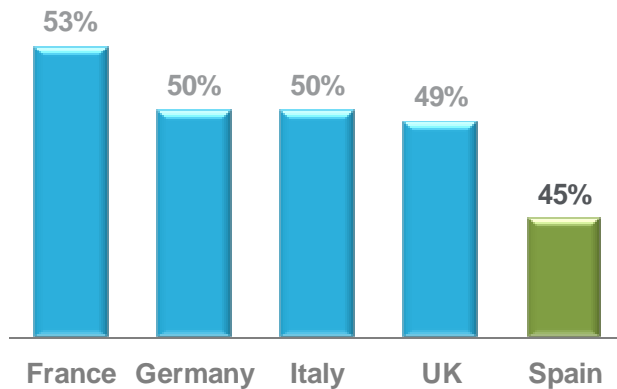
TSO key role in the energetic policy





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

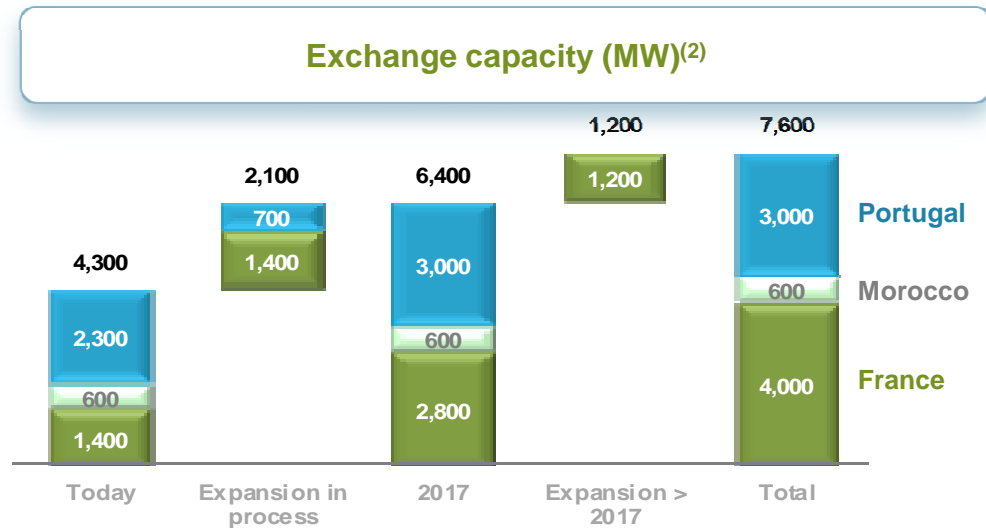
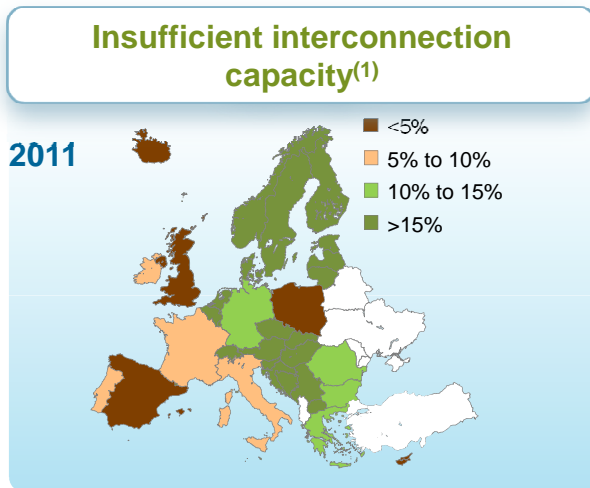
Sector storage
development

Smart grids and
electric vehicles

Source: EIU (Economic Intelligence Unit).
Chart figure: electricity consumption per capita over petroleum consumption per capital.



International interconnection



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

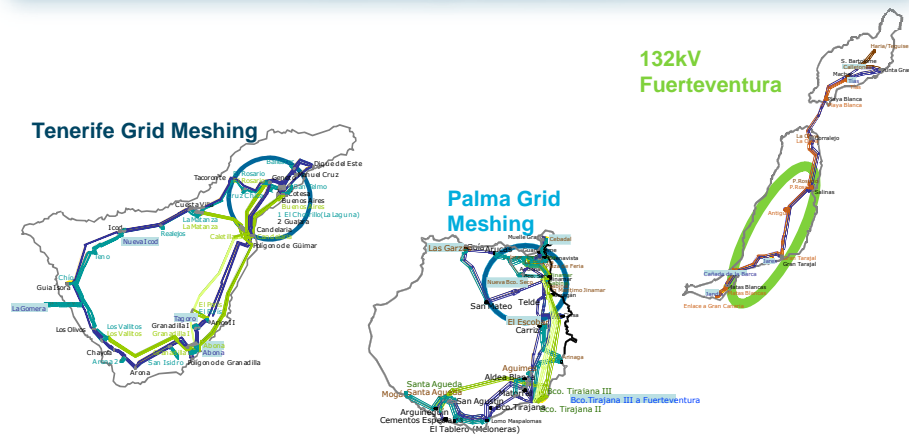
(1)% Import capacity / Installed generation capacity .

(2)Imports exchange capacity .

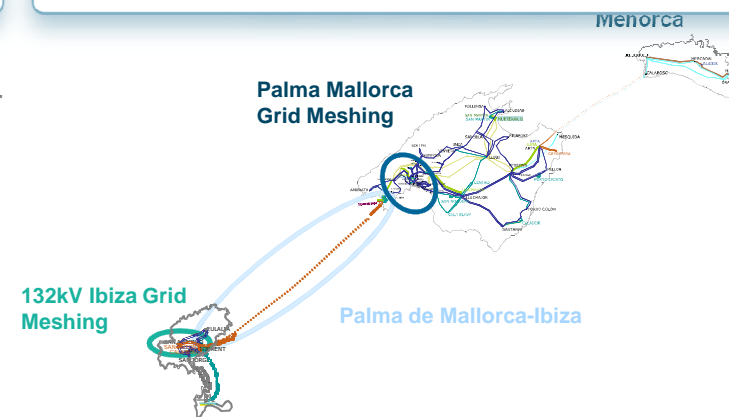


High level of investments in islands

Canary Islands



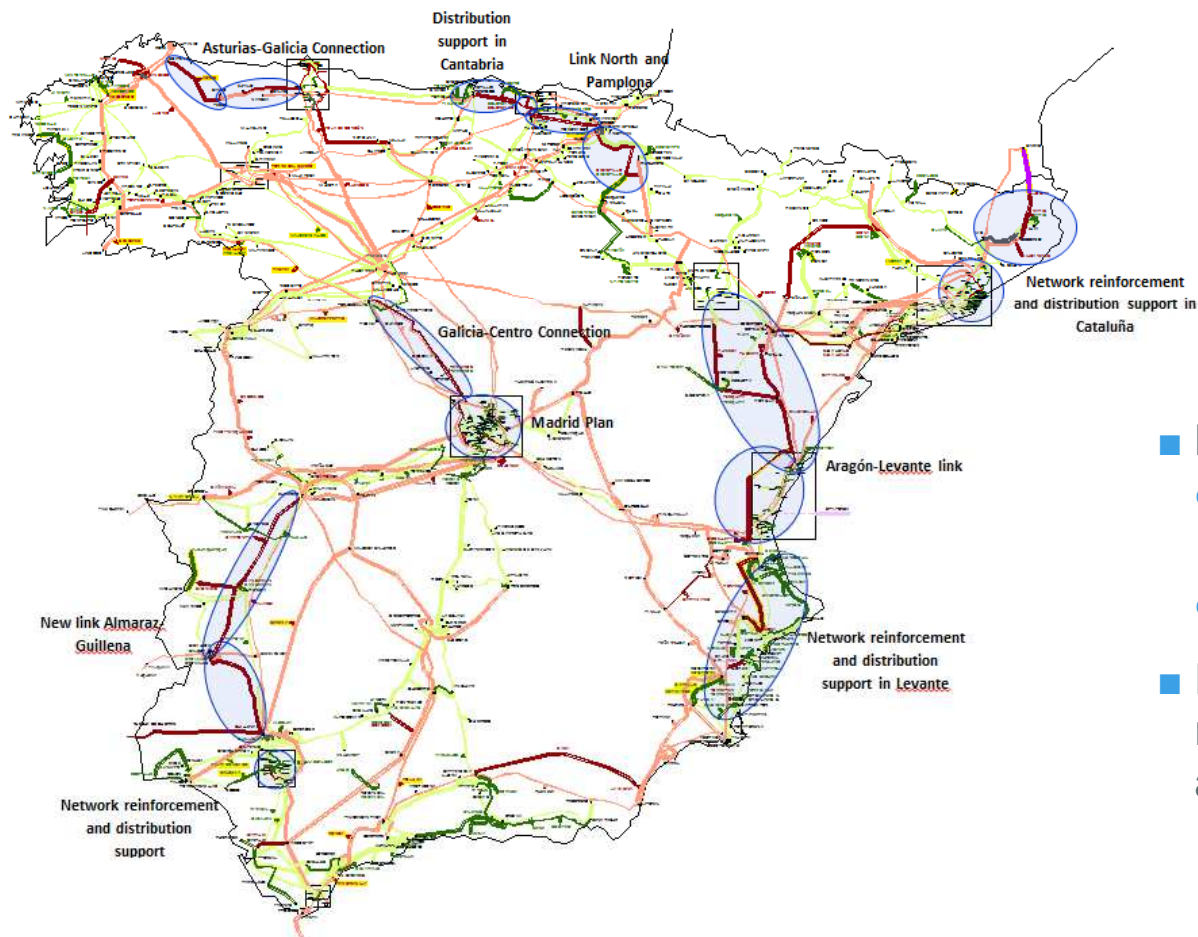
Balearic Islands



- 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.
- Estimated investments needs of €125-150m/year.



Lower level of investments in mainland, but still relevant



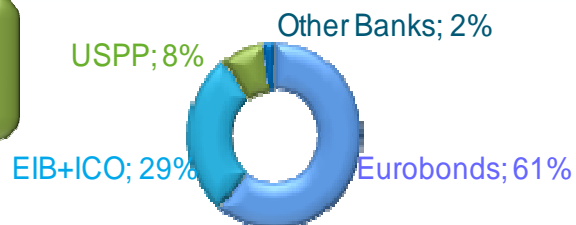
- Investments focused in:
 - Increase security of supply.
 - System costs reduction.
- Estimated investment needs of €425-450m per annum.



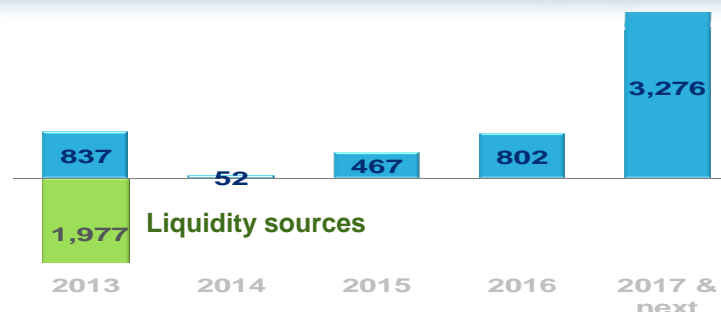
Balance sheet strength: liquidity as of 30th June 2013 to cover 2013-2015 maturities

Debt breakdown

Total gross debt:
€5,434m*



Debt maturities (€m)



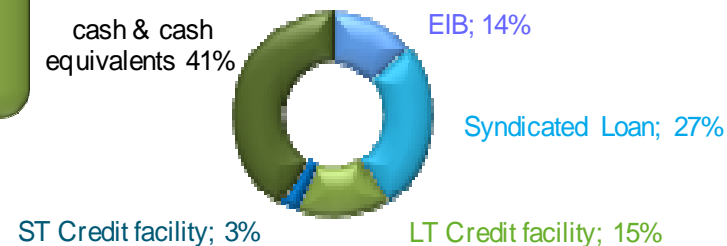
Eurobonds emission

Date	Amount	Maturity date	Coupon
May 2013	€300m	May 2019	2.4%
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%

*Net Debt as of 30th June 2013: €4,626m

Liquidity breakdown

Total liquidity sources:
€1,977m





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Presentation available at:

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