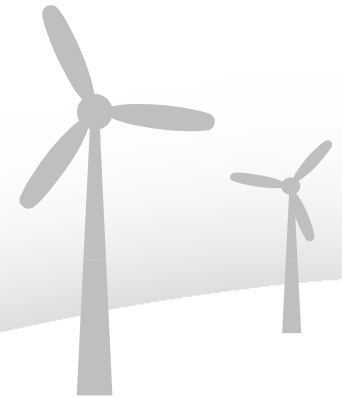




RED
ELÉCTRICA
CORPORACIÓN



Credit Presentation

Credit Investor Update

September, 2010





This document has been produced by Red Eléctrica Corporación, S.A. for the sole purpose expressed therein. It should not in any event be construed as an offer of sale, exchange or acquisition, or as an invitation to make any kind of offer, in particular for the purchase of securities issued by Red Eléctrica Corporación, S.A.

Its content is provisional and purely for information purposes and the statements it contains reflect the intentions, expectations and forecasts of Red Eléctrica Corporación, S.A. and its management. The content has not necessarily been verified by independent third parties and is, in any event, subject to negotiation, changes and modifications.

In this respect, neither Red Eléctrica Corporación, S.A. nor its directors, executives, staff, consultants or advisors or the companies belonging to its group (referred to collectively as its "Representatives") may be held liable for the precision, accuracy or integrity of the information or statements included in this document, and no form of explicit or implicit declaration or guarantee on the part of Red Eléctrica Corporación S.A. or its Representatives may be construed from its content. Neither may Red Eléctrica Corporación, S.A. or any of its Representatives be held liable in any way (including negligence) for any damage which may arise from the use of this document or any information contained in it.

Furthermore, Red Eléctrica Corporación, S.A. does not assume any commitment to publish potential modifications or revisions to the information, data or statements contained in the document in the event of changes in strategy or intention, or any unforeseen events which may affect them.

This disclaimer should be taken into consideration by all the individuals or entities to whom this document is targeted and by those who consider that they have to make decisions or issue opinions related to securities issued by Red Eléctrica Corporación, S.A., especially analysts, notwithstanding the option to consult the public documentation and disclosures notified or registered with the Spanish stock market authority (CNMV), which Red Eléctrica Corporación, S.A. recommends all interested parties to do.



Red Eléctrica representatives

Esther Rituerto – Chief Financial Officer

Teresa Quirós – Financial Director

Irene Gómez – Head of Investor Relations



Agenda

- 1 Introduction
- 2 Business Overview
- 3 Acquisition of Assets per Law 17/2007
- 4 Financial Strength

Key Investment Highlights: TSO Focused Strategy

Key Role in Spanish Electricity Sector

- Transmission System Operator (TSO) in Spain: owner of the transmission network and responsible for system operation and long-term planning

Fully Regulated

- 98% of revenues from regulated activities in domestic market*
- Revenues with no volume or commodity exposure, collected through settlement system handled by the regulator

Capex Plan generates new revenues

- Investments follow mandatory Government plan (Spanish Infrastructure Plan)
- All capex brings new additional regulated revenues

Strong Credit Profile

- Commitment to maintain a strong credit rating (currently AA- / A2) through conservative financing policies

Track Record of Delivery

- Consistently meeting investment, growth and financial targets
- Proactive refinancing on a long-term basis
- Efficient construction and maintenance

Supportive Ownership

- 20% owned by Spanish State and limitations on size and voting rights for other shareholders

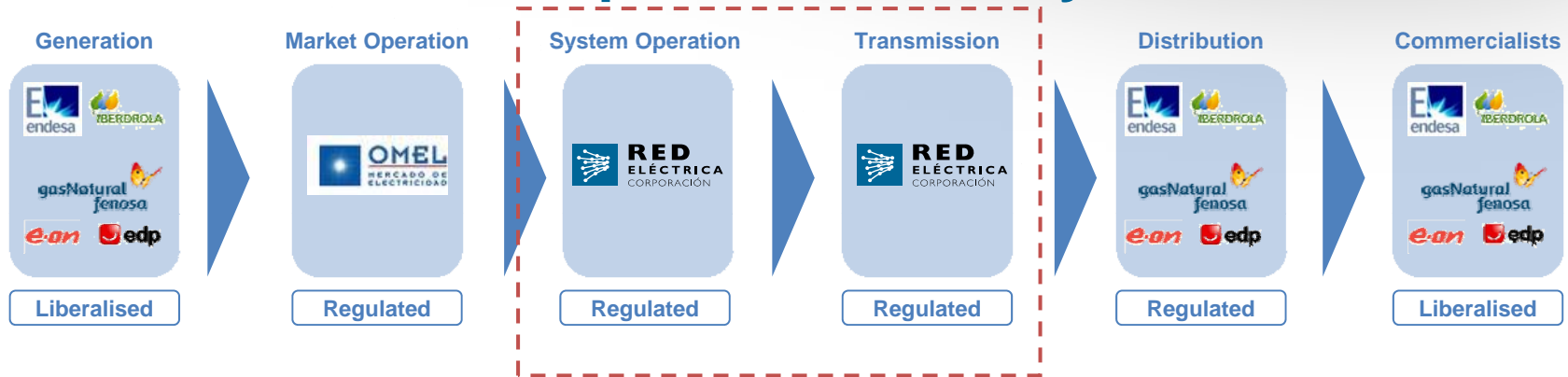
* Remaining 2% of revenues: international, telecoms and others.

Red Eléctrica History

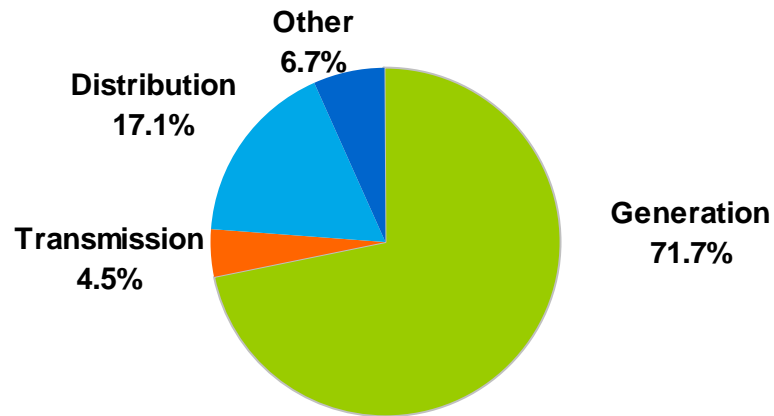
1985	<ul style="list-style-type: none"> Created in 1985, taking over the transmission grid and the operation of the Spanish power system
1997	<ul style="list-style-type: none"> Electricity Sector Act 54/1997 created a wholesale power market which required an effectively-managed transmission grid Confirmation of Red Eléctrica's role as a cornerstone of the Spanish electricity system
1999	<ul style="list-style-type: none"> Red Eléctrica IPO (In 2010, market cap of €4.5bn)
2002	<ul style="list-style-type: none"> Acquisition of transmission assets from Endesa and Union Fenosa
2003	<ul style="list-style-type: none"> 10-year €800m Eurobond programme 5-year €700m syndicated loan
2005	<ul style="list-style-type: none"> Acquisition of transmission assets from Inalta (previously owned by Iberdrola) US\$500m in USPP 7-year €900m syndicated loan (Renewal of previous syndicated loan)
2007	<ul style="list-style-type: none"> Act 17/2007 established REE's TSO Model (Transmission System Operator) and mandated REE to acquire all other transmission assets
2008	<ul style="list-style-type: none"> 2008-2016 Spanish Infrastructure Plan approved by Spanish Congress
2010	<ul style="list-style-type: none"> Acquisition of transmission assets from Endesa, Unión Fenosa and Hidrocantábrico.

First independent transmission asset created in Europe (1985)

Red Eléctrica in the Spanish Electricity Sector

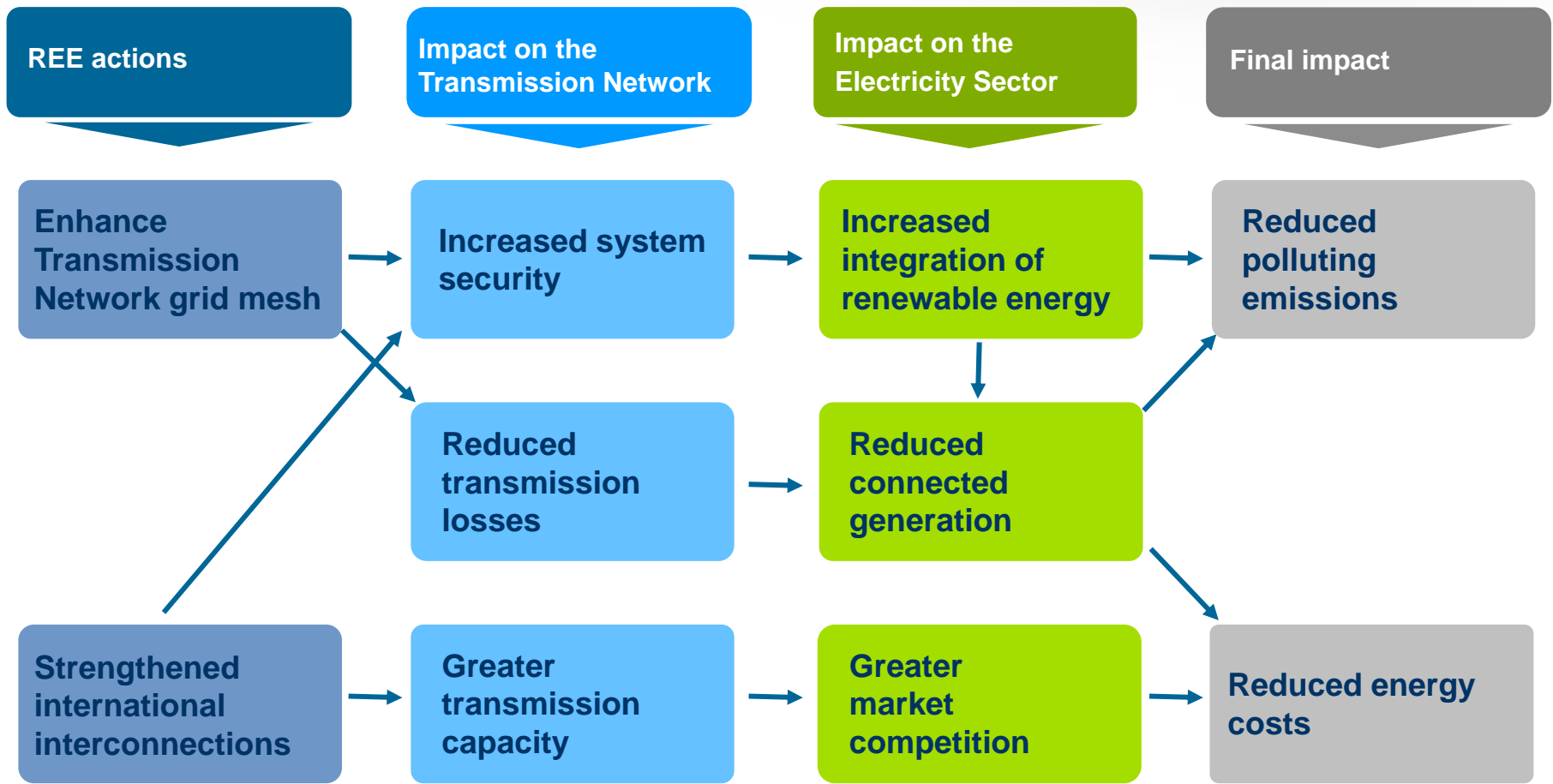


2010 System Costs (€31bn)



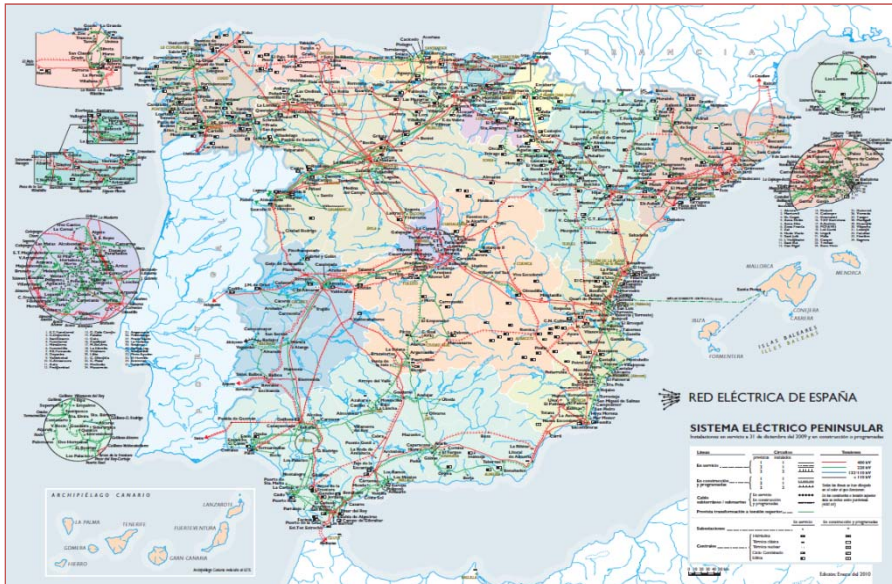
- REE has a central role in Spain's electricity system as System Operator and TSO.
- Despite being a core part of the system it only represents a fraction of total costs

Impact of Red Eléctrica's activities in the Electricity Sector



REE's Transmission Network

Red Electrica's Transmission Network

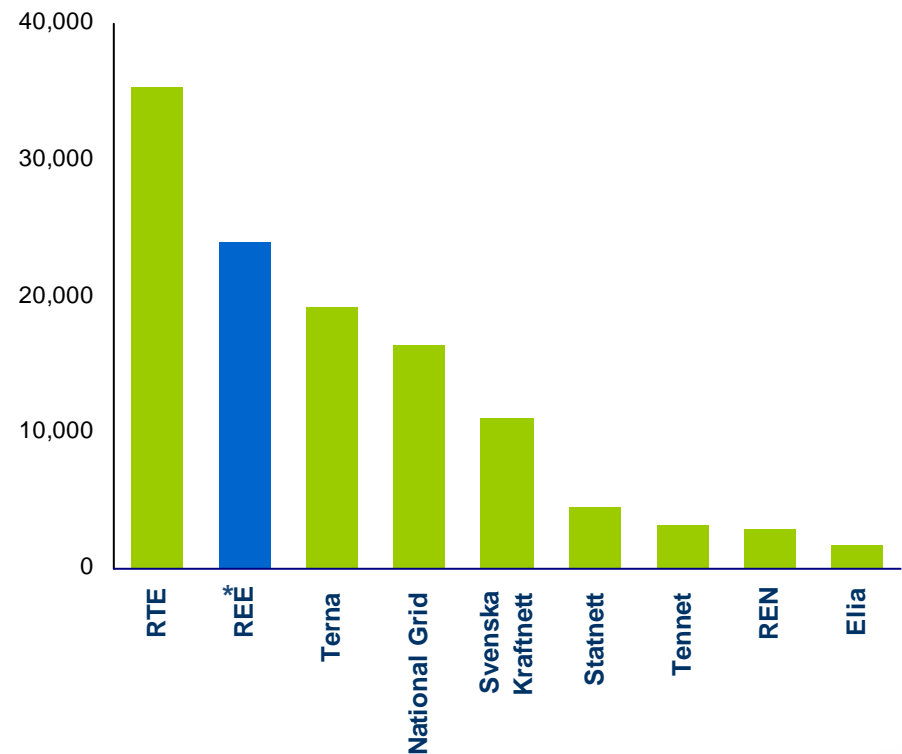


	Pre-Acquisition	Acquired from Endesa*	Acquired from Unión Fenosa*	Acquired from Hidrocantábrico*
Km of Network	34,754	2,442	45	158
Bays	3,385	985	30	36
Transf. Capacity	66,259	3,501	--	800

* As of 31st December 2009.

European TSO Comparison

Equivalent Km. of Network



* Includes Endesa, Unión Fenosa and Hidrocantábrico asset acquisition.
Source: Company analysis. Criteria based on ETSO-E. Calculated for 380kV equivalent lines, giving more weight to higher voltage lines

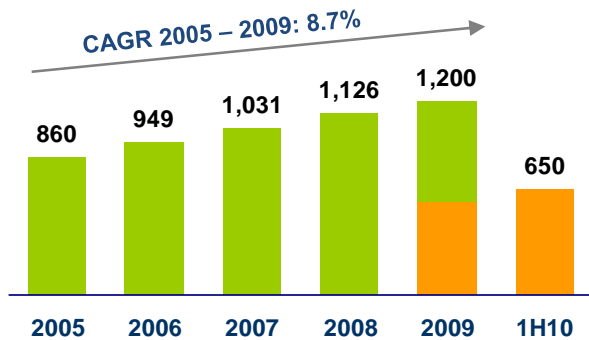


Agenda

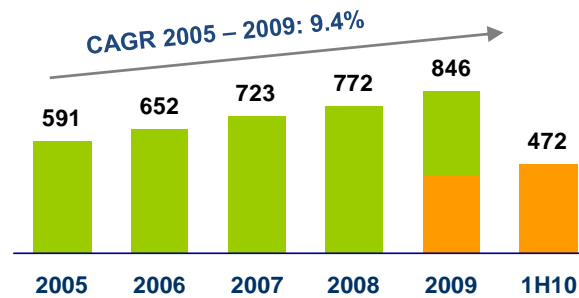
- 1 Introduction
- 2 Business Overview
- 3 Acquisition of Assets per Law 17/2007
- 4 Financial Strength

Evolution of Key Economic Data

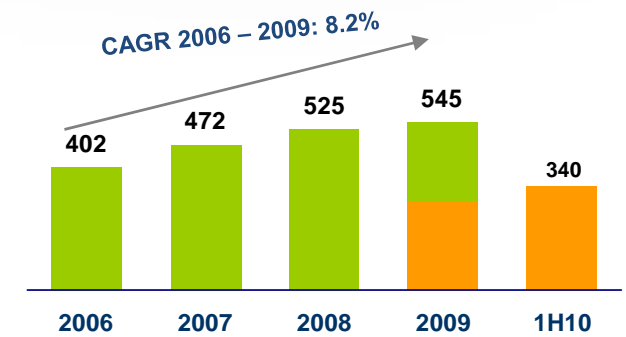
Revenues (€m)



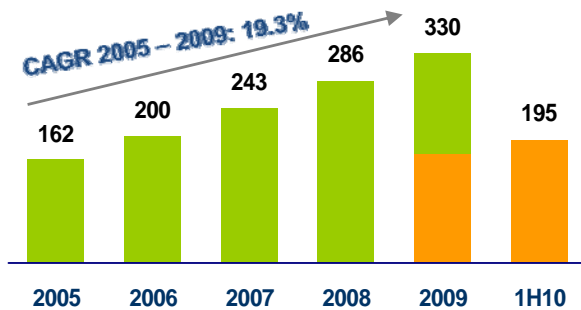
EBITDA (€m)



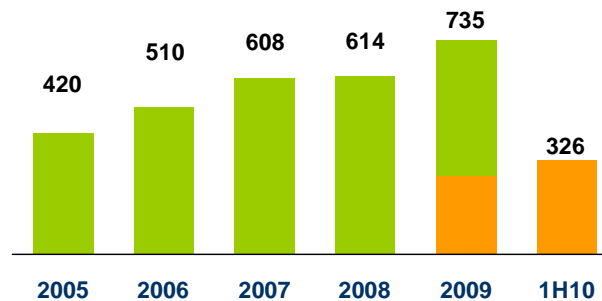
EBIT (€m)



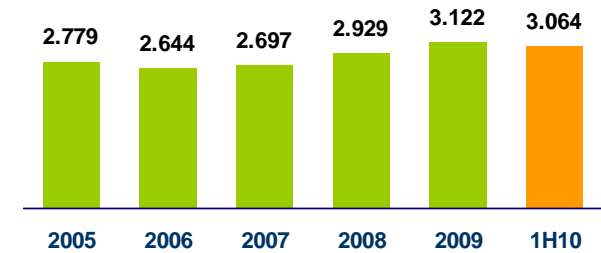
Net Income (€m)



REE Investment in the Transmission Network



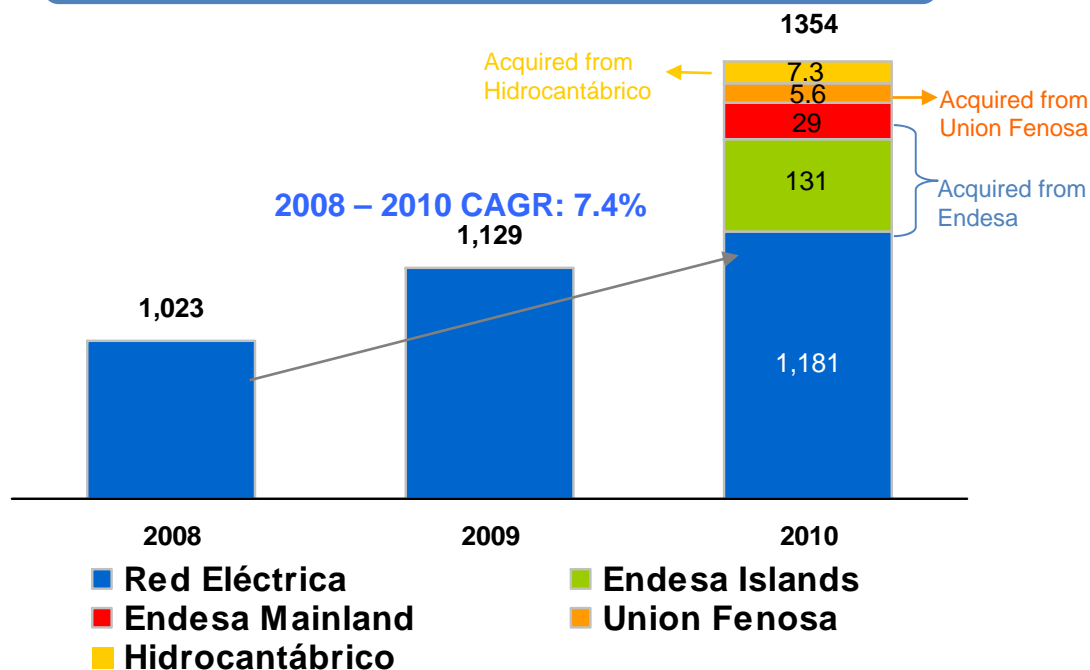
Net Debt (€m)



Significant growth in operating results with stable net debt

Historical Evolution of Transmission Regulated Revenues and System Operator

Transmission Revenues (€m)*



- REE's regulated revenues represent around 98% of its total revenues
- Proforma for the assets acquisition, REE receives 97% of Spanish transmission revenues
- System operation is remunerated according to recognised costs
 - 2010 amount set at €38m
 - This figure has been stable for the past years

Fuelled by investments, regulated revenues have grown steadily.

* Data published on 2008;2009 and 2010 tariff decrees.

Overview of Spanish Transmission Regulation

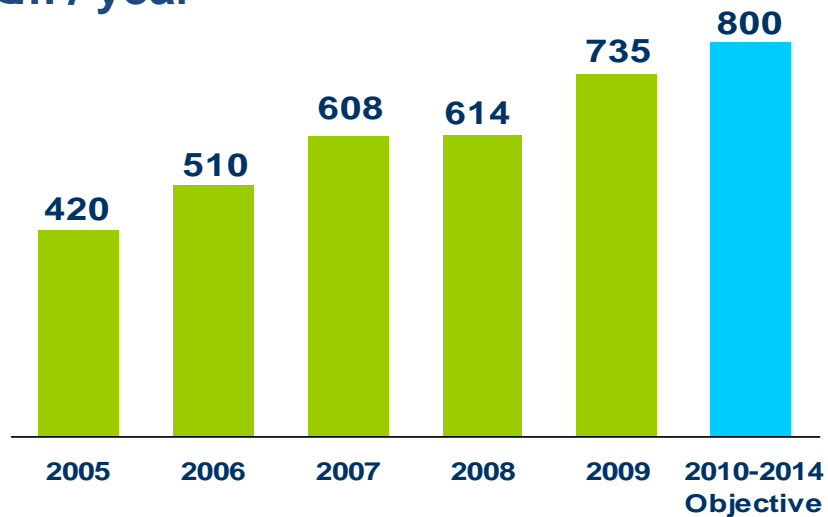
- Transmission is a natural monopoly. REE defined as sole transmission and system operator (TSO)
- Transmission regulated revenues
 - Based on amount of assets in operation
 - Not affected by electricity demand or commodity prices
- Investments made following guidelines of Spanish Infrastructure Plan (currently 2008 – 2016) approved by Congress
 - New remuneration methodology for new assets approved in 2008
 - All capex brings new regulated revenues. Maintenance capex within opex
- Settlement managed by Spanish Energy Commission (CNE). Regulated activities (inc. transmission) have a priority in collections

Long track record of supportive regulation.

€4bn Investment Plan 2010-2014

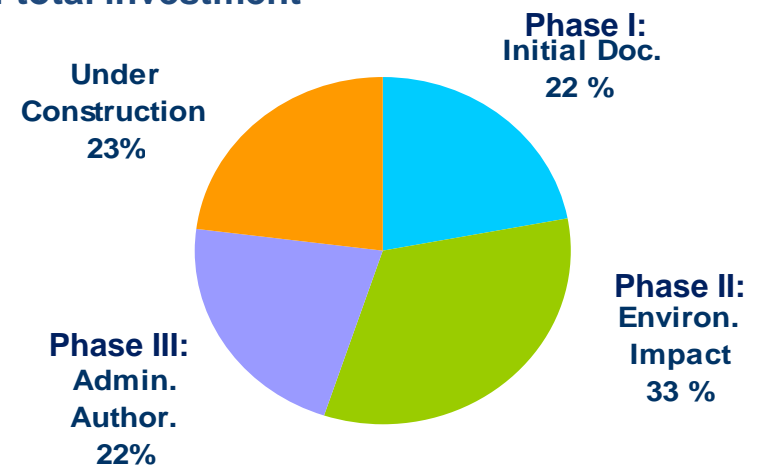
REE Investment in the Transmission Network

€m / year



Progress of 5 year Plan

% of total investment



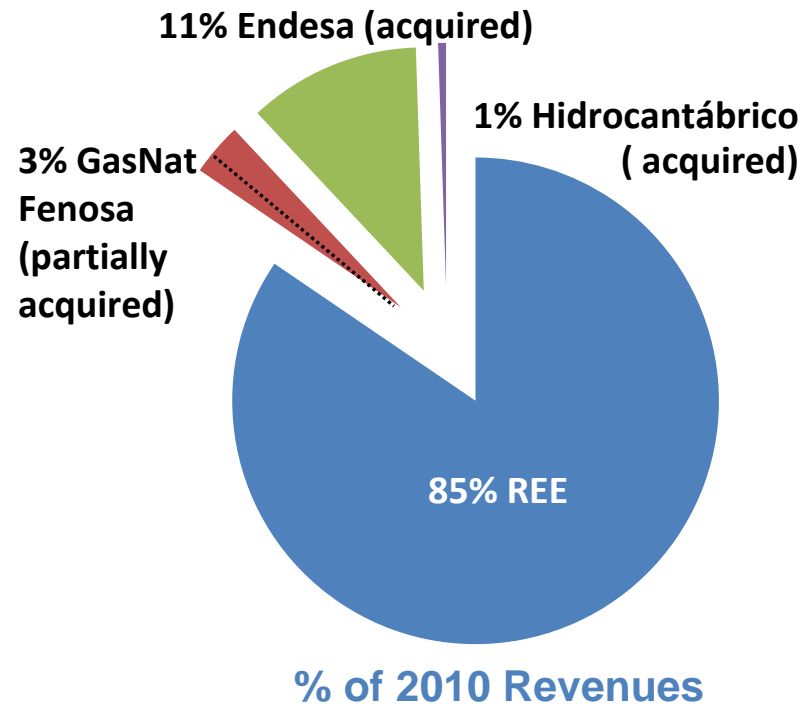
- Red Eléctrica investment plan based on Spanish Infrastructure Plan approved by the Congress
- New assets in operation provide new revenues
- Same capex plan confirmed after the acquisitions, financed with REE's higher cash flows



Agenda

- 1 Introduction
- 2 Business Overview
- 3 Acquisition of Assets per Law 17/2007
- 4 Financial Strength

Agreement to Acquire Transmission Assets: Within Mandate of Law 17/2007



Endesa

- Agreement signed on 1st July 2010
- €1,270m for assets in operation at the end of 2009
- Assets put into operation in 2010 valued at €142m

Gas Natural Fenosa

- Agreement signed on 23rd July 2010
- €44.6m for assets in operation at the end of 2009
- Assets put into operation in 2010 valued at €2.3m

Hidrocantábrico

- Agreement signed on 30th July 2010
- €57.8m for assets in operation at the end of 2009

Terms are in line with 2002 – 2005 transactions: 7.9x Regulated Revenues Multiple.



Bridge Financing

- REE has signed a credit with a tenor of 2 years (1+1) with seven banks
- Competitive costs
- Refinancing on long-term basis when an attractive window is available

Successful REE track record in executing negotiations with banks and refinancings.



Agenda

- 1 Introduction
- 2 Business Overview
- 3 Acquisition of Assets per Law 17/2007
- 4 Financial Strength

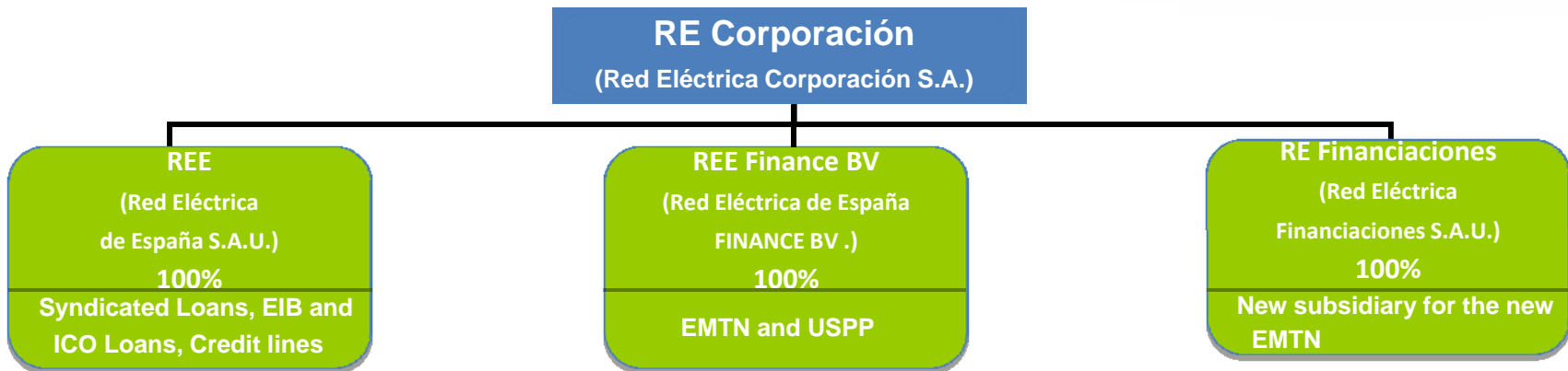


Conservative Financial Policy

- Commitment to maintaining strong ratings (currently AA- / A2)
- Maintenance of diversified financing sources, including privileged financing sources (e.g. EIB)
- Long tenors of debt, in line with long asset life of REE's portfolio
- 90% - 95% long-term debt at attractive conditions
- Around 70% of fixed interest rates
- Sufficient liquidity to cover investment programme

Group Structure and Financial Flexibility

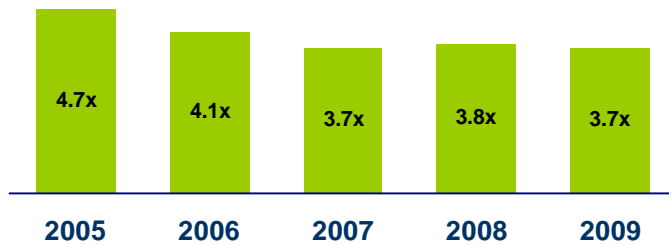
Basic Group Structure



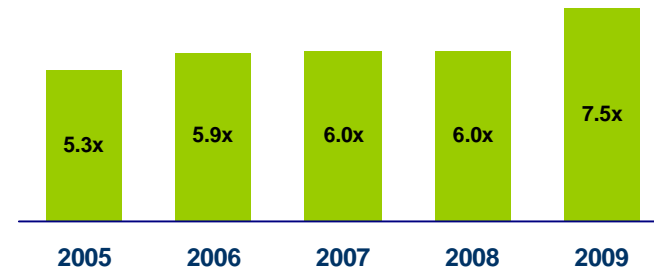
- REE and RE Corporación guarantee RE Finance BV's and RE Financiaciones' debt issuances
- Red Eléctrica has the maximum flexibility to finance its needs:
 - New loans: EIB and other possibilities
 - New issues: through New EMTN program and USPP

Key Financial Ratios Evolution

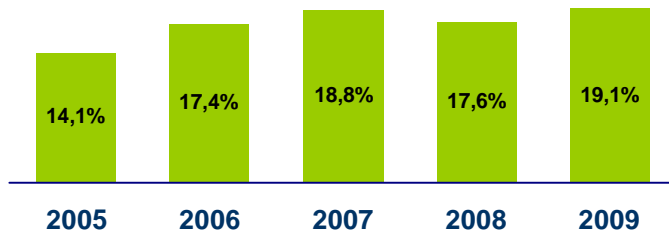
Net Debt / EBITDA



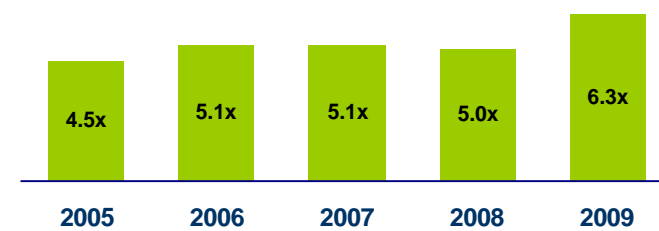
EBITDA / Interest



FFO / Total Debt



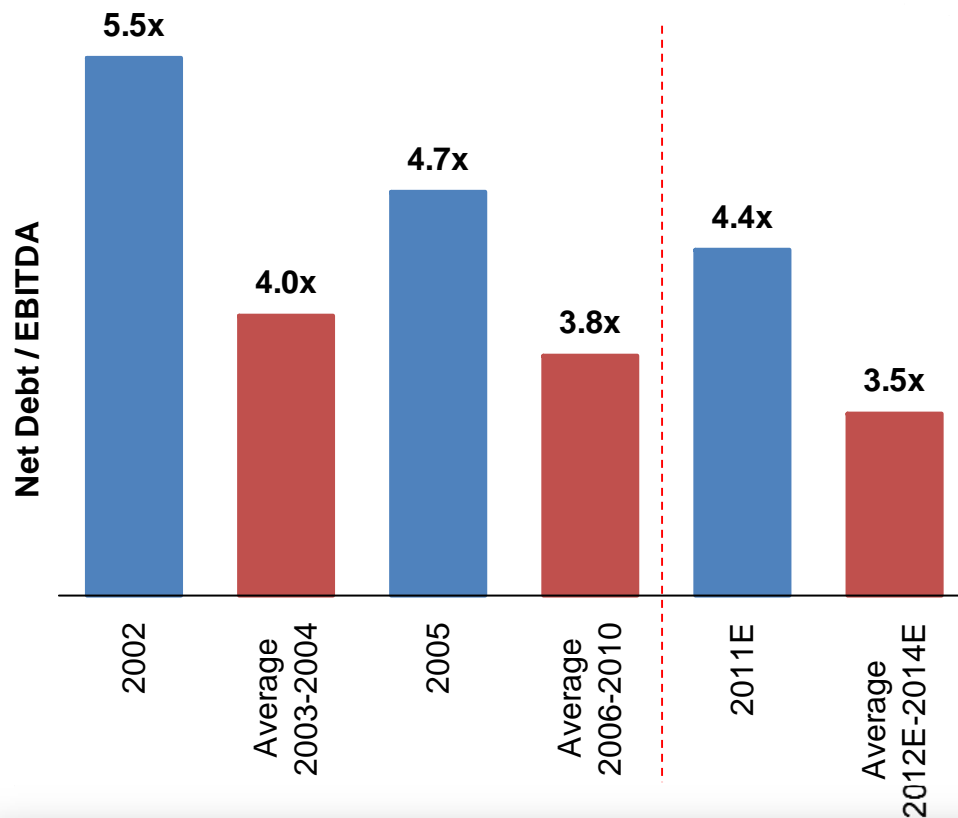
(FFO + Interest) / Interest



Ratios improve steadily.

Financing and Impact on Debt Coverage

Evolution of Red Eléctrica Financial Ratios



- Net debt will increase from €3.1bn in 1H2010 to around €5.0bn by the end of 2010: Transaction is 100% debt financed
- 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

Expected Quick Improvement in Leverage Ratios.

Credit Rating - Overview

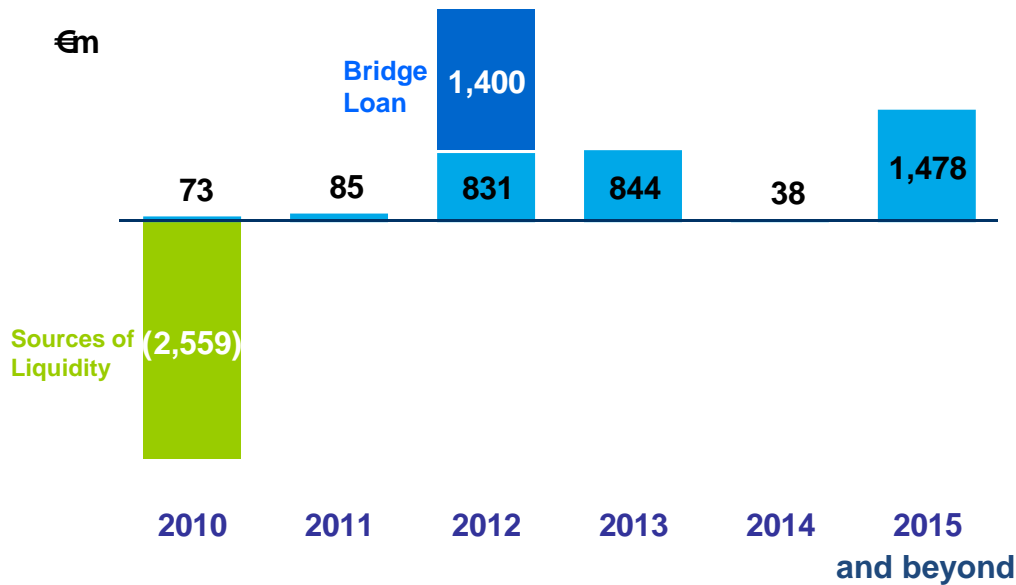
	Current Rating	Last Action
S&P	AA-	Stable since 2000. Affirmed after acquisitions in July 2010.
Moody's	A2	Stable since 2003. Affirmed after acquisitions in July 2010.

Comments

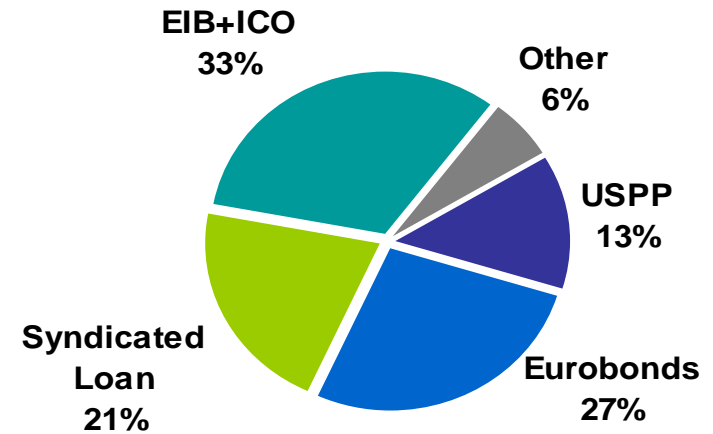
- Rating agency views based on forecasts that include the debt for the acquisition of Endesa's transmission assets
- No unfunded pensions
- No off-balance sheet debt
- Negative outlook expected to become stable in the coming months

Debt Maturities in 2010-2014

Debt maturity breakdown as of 30/06/2010*



Debt Structure**



- 2 year bridge loan to fund Endesa acquisitions.
- Average maturity of debt is 5.9 years, excluding bridge loan.
- Only 3% of total debt maturing in 2010 and 2011.
- Cost of debt 3.49% as of 31st December 2009

* Adjusted by Bridge Loan and signed €150m long-term loan.

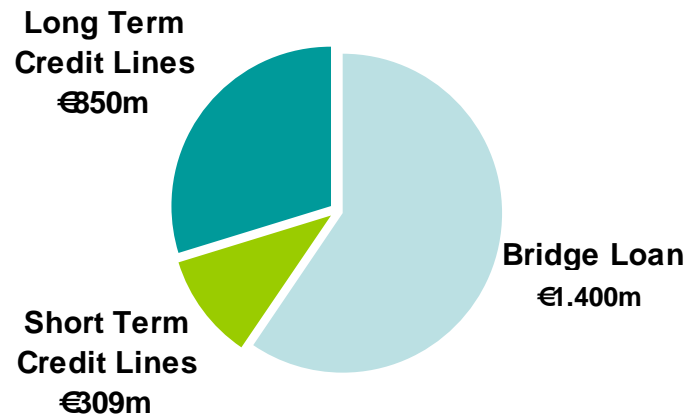
** Drawn Debt.

Strong Liquidity Position

Liquidity position as of 30/06/10*

(€m)	Committed	Drawn	Undrawn
Short-term Credit Lines	309	0	309
Long-term Credit Lines	1,650	800	850
Bridge Loan	1,400	0	1,400
Total REE Group	3,359	800	2,559

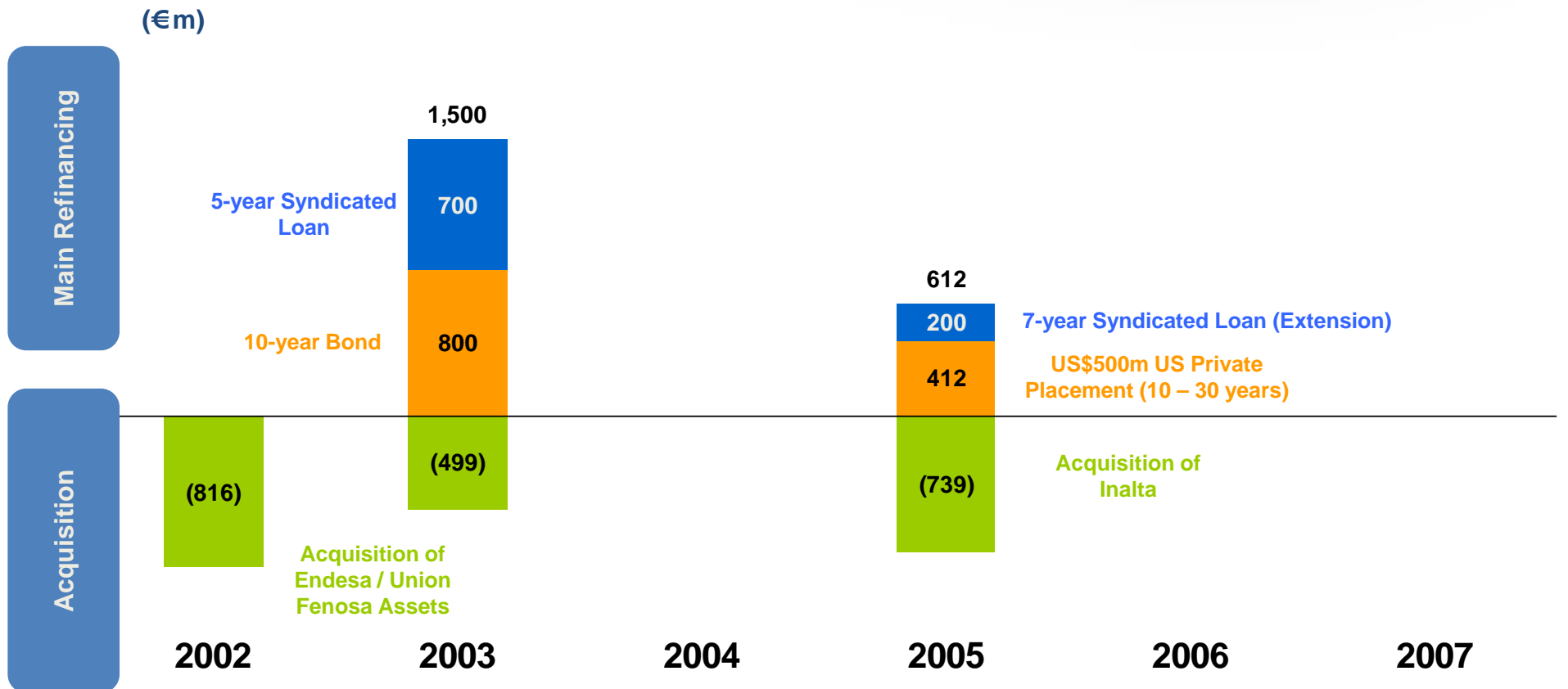
Sources of liquidity



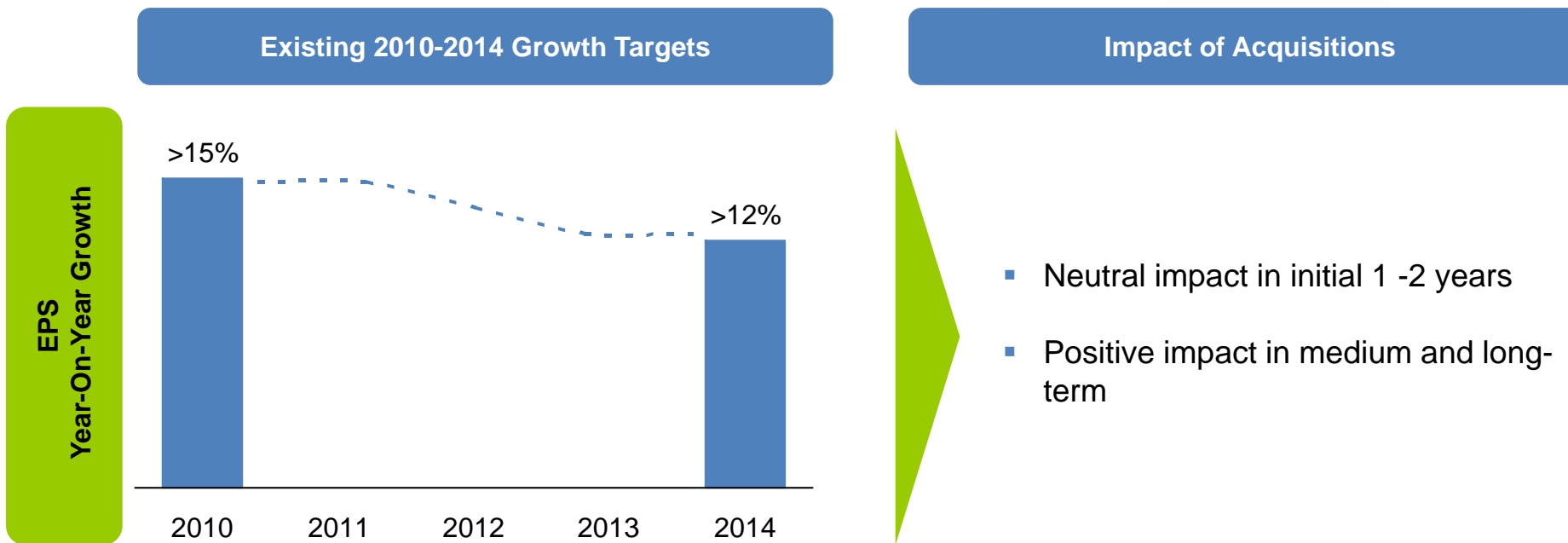
- Long-term credit lines include a new €600m 20 years facility with the EIB
- In addition, REE is active in the commercial paper market, enjoying a high demand in the domestic market.

* Adjusted by Bridge Loan and signed €150m long-term loan, both signed in July 2010.

Strong Track Record in Long-Term Refinancing



Red Eléctrica Growth Targets: Organic and Post Acquisitions





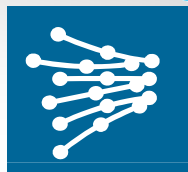
Conclusion – Red Eléctrica Credit Positioning

- **Clear strategy**
- **Strong business profile**
- **Mandatory acquisitions completed**
- **Commitment to strong ratings**
- **Conservative financial policy**
- **Track-record of delivery**

Solid business, solid credit profile.



 RED ELÉCTRICA CORPORACIÓN



RED ELÉCTRICA

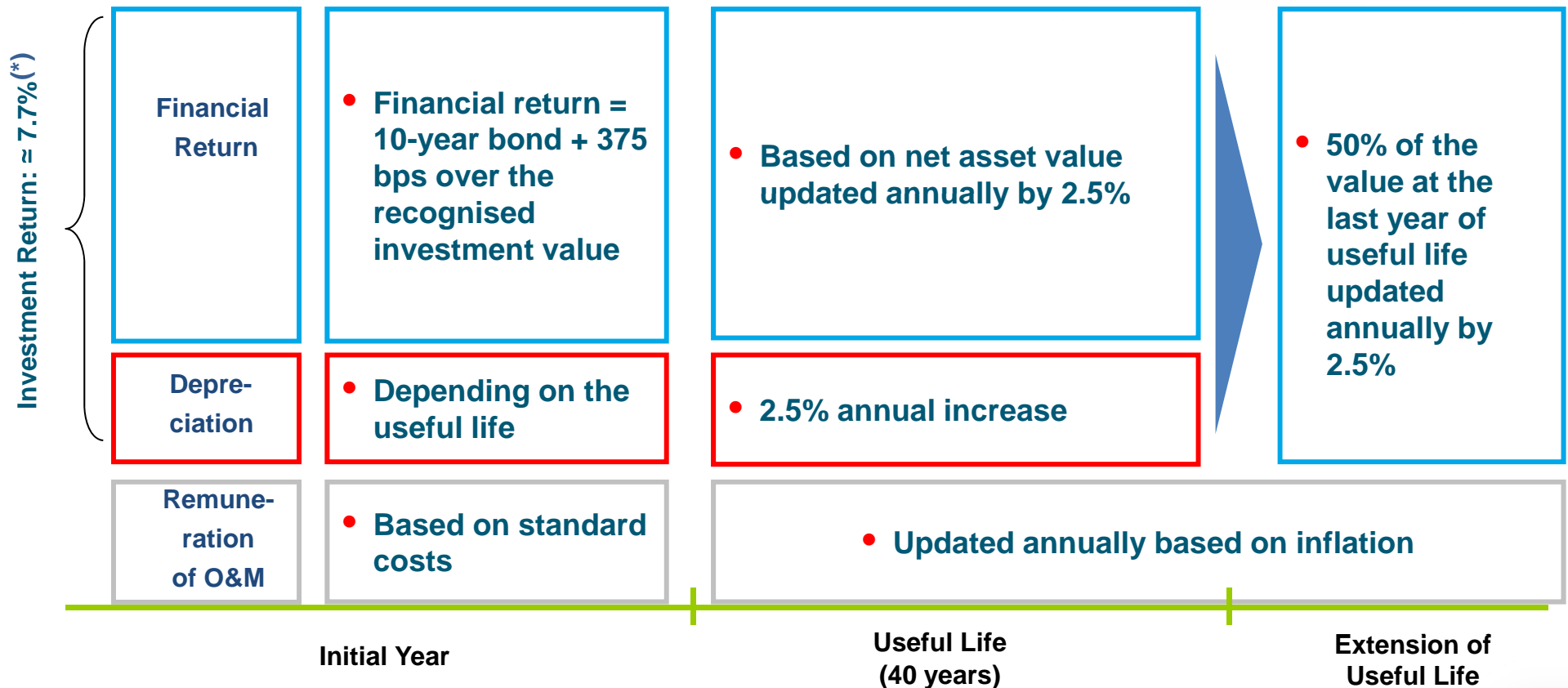
CORPORACIÓN

relacioninversores@ree.es

www.ree.es

Remuneration of Assets to be Put into Operation After 2008

Description of Build-Up and Evolution of Revenues from New Investments



(*) Calculated taking into account a 10-years Spanish Treasury Bond of 4,24%