



RED
ELÉCTRICA
CORPORACIÓN

**General
Shareholders'
Meeting
2011**

2010

Key year in reaching two significant milestones



We have successfully completed the single transport system operator (TSO) model



We have reinforced our world leadership in grid integration of renewables

Electricity

Axis around which the change towards an efficient and sustainable energy model can be made.

GENERATION

- CO₂ free technologies:
 - Renewables.
 - Nuclear.
- Efficient technologies:
 - Co-generation.
- Future technologies using carbon capture and storage.

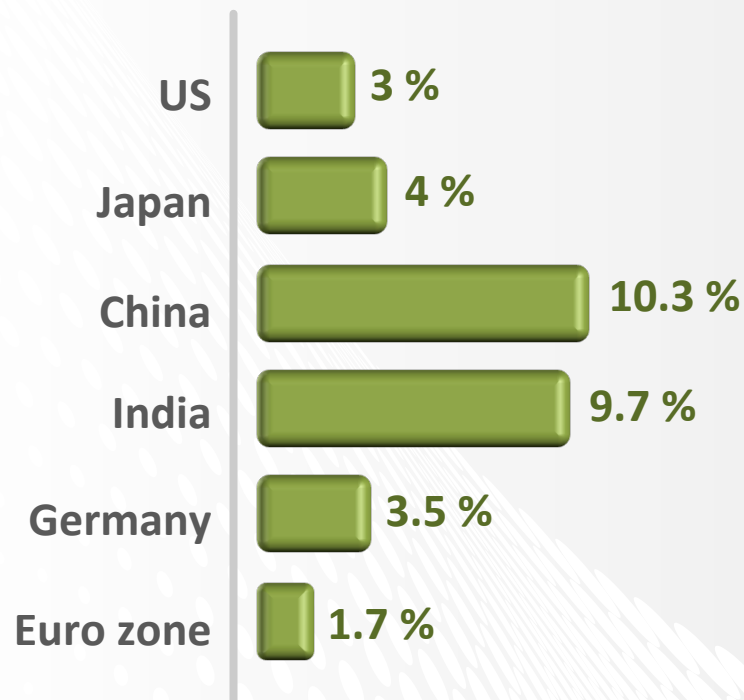
Electricity
as an energy
vector

DEMAND

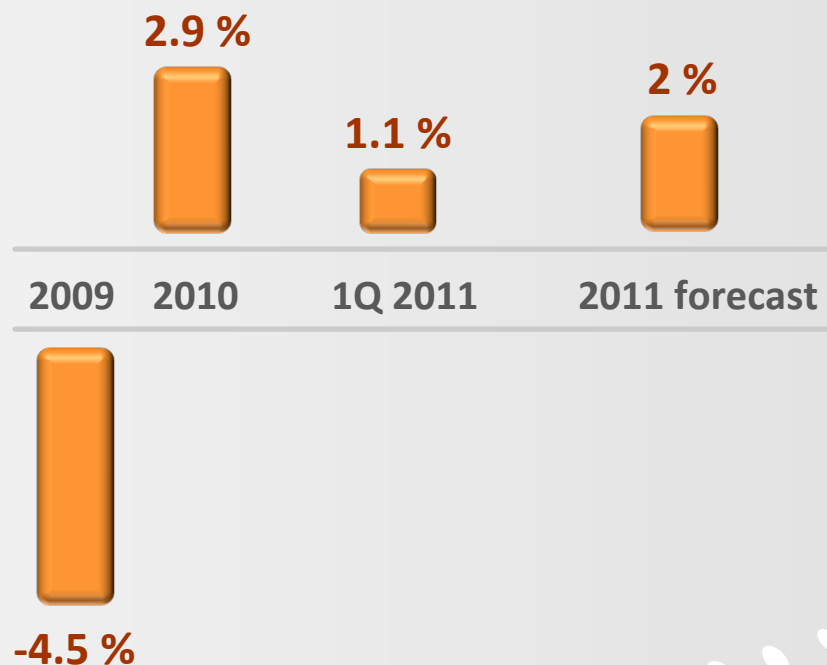
- Development of new, more efficient uses:
 - Heat pump.
 - LED.
- Roll-out of electric vehicles.
- Greater adaptability to more developed and more electricity dependent societies.

Energy situation

Economic recovery (Δ GDP)



Rebound in electricity demand in Spain



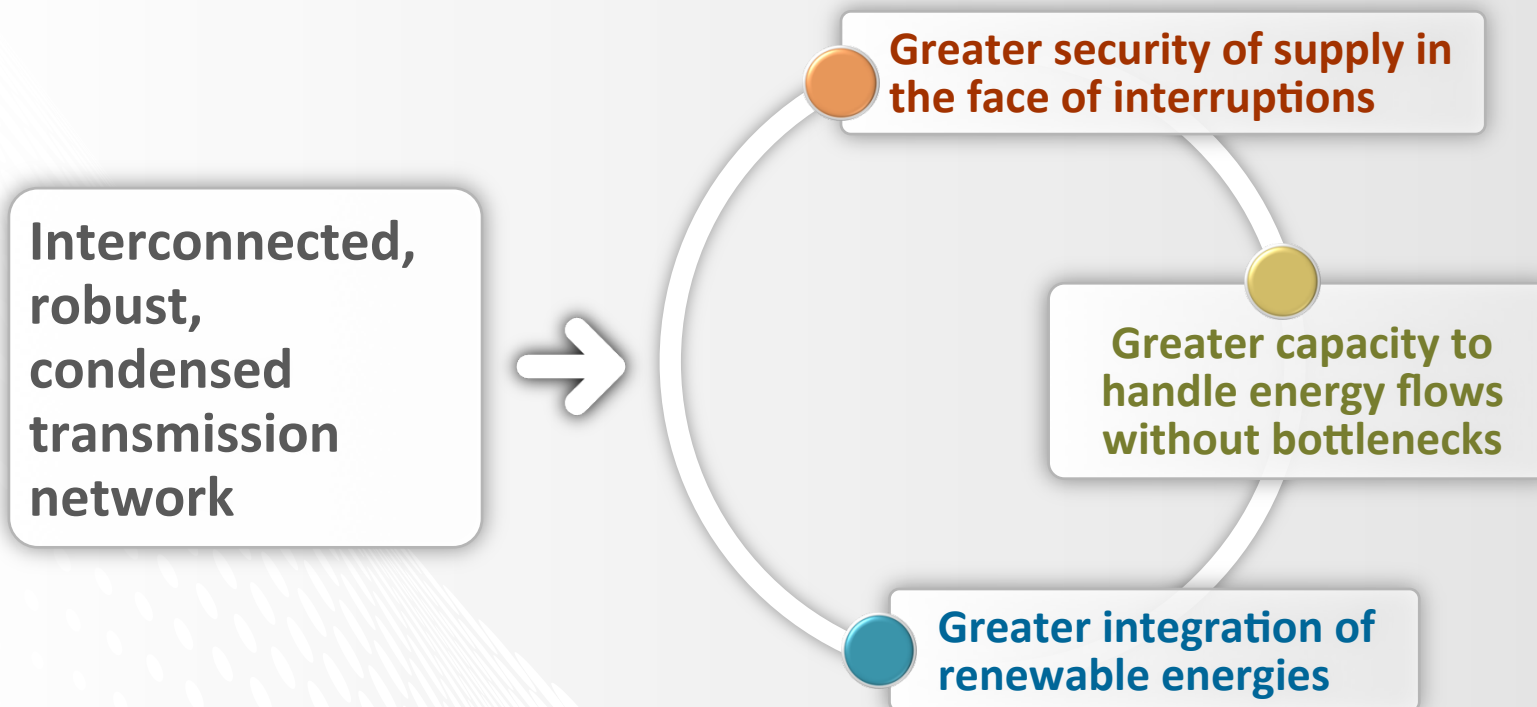
Energy situation

- Affected by new global events:
- Political instability in several Arab states.
Rising oil prices.
- Nuclear crisis in Japan after earthquake.



Global debate about future energy model

The role of power grids



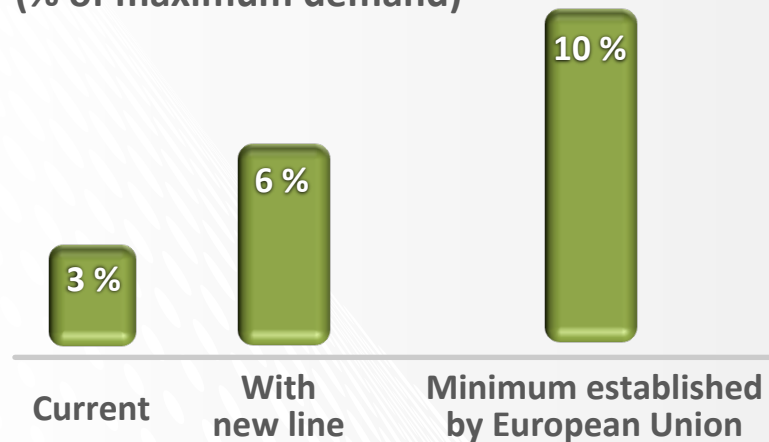
The role of power grids

Facilitating factor in achieving European energy policy objectives.



Strengthening interconnections with Europe

Spain-France interconnection capacity (% of maximum demand)



New interconnection with France

- Double current interconnection capacity to 2,800 MW.
- Strengthen security of supply.
- Offer more support to grid integration of renewable energies.

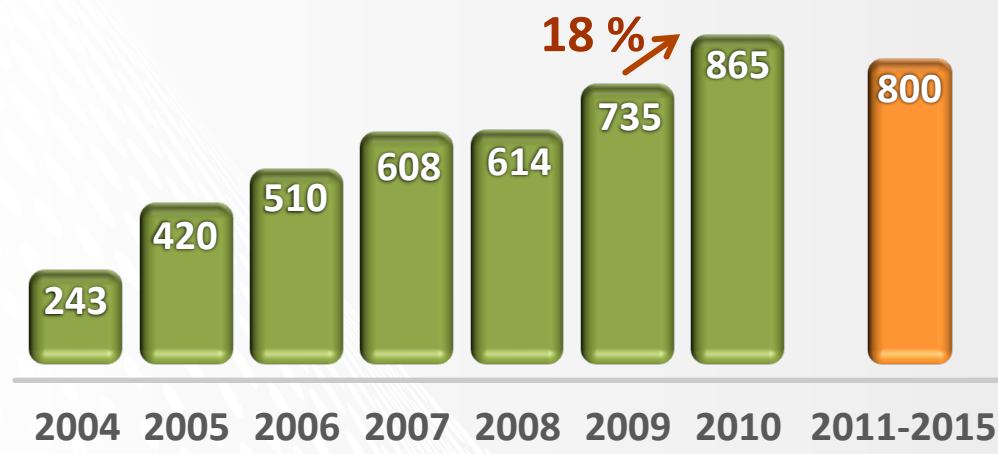
OBJECTIVE

**New interconnections to reach 6,000 MW
of interconnection capacity by 2020**

Improvement in transmission grid

Grid investment

(€mn)

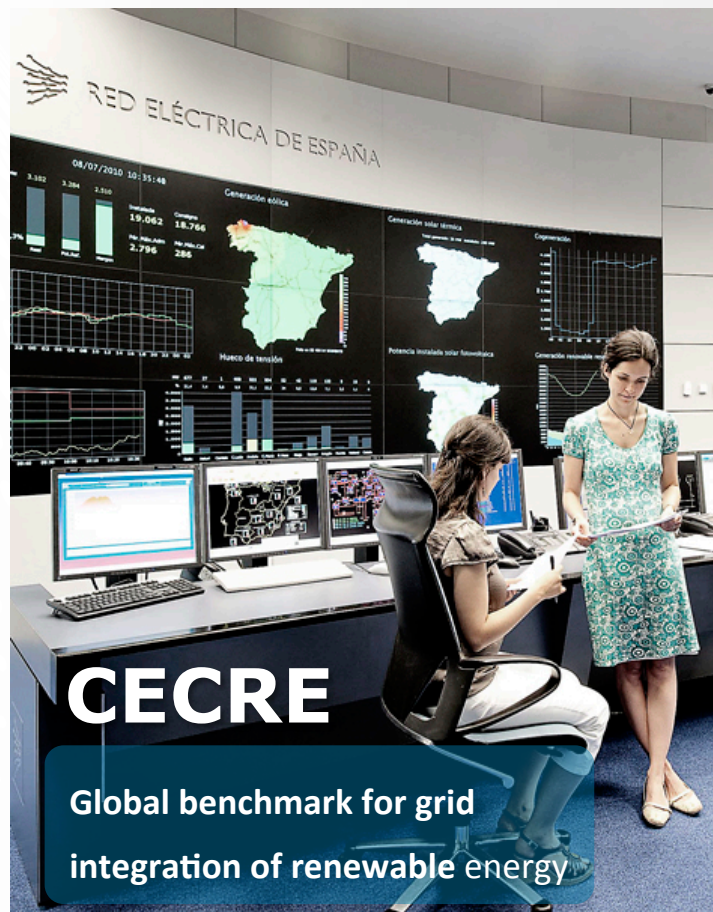


Priority objectives

- Interconnection with France.
- Undersea connection with Balearic Islands and between Majorca and Ibiza.
- Further condense grid and create new transmission hubs.
- Integrate assets acquired.

€4,000 mn investment in the period 2011-2015

Integration of renewable energies



2010

- **23,800 MW** of installed wind and solar capacity.
- **54 %** demand covered using wind power during some periods.
- **35 %** of annual demand covered using renewable sources.
- **21 %** less CO₂ emissions compared to 2009.

We are world leaders in the integration of renewables

New challenges in future

Promote demand-management strategies

New challenges

- Offset the reduced manageability of renewable energy generation.
- Achieve greater demand flexibility.
- Smooth out the demand curve (smaller peak/trough ratio).
- Boost energy efficiency.

**Efficient
demand
management**

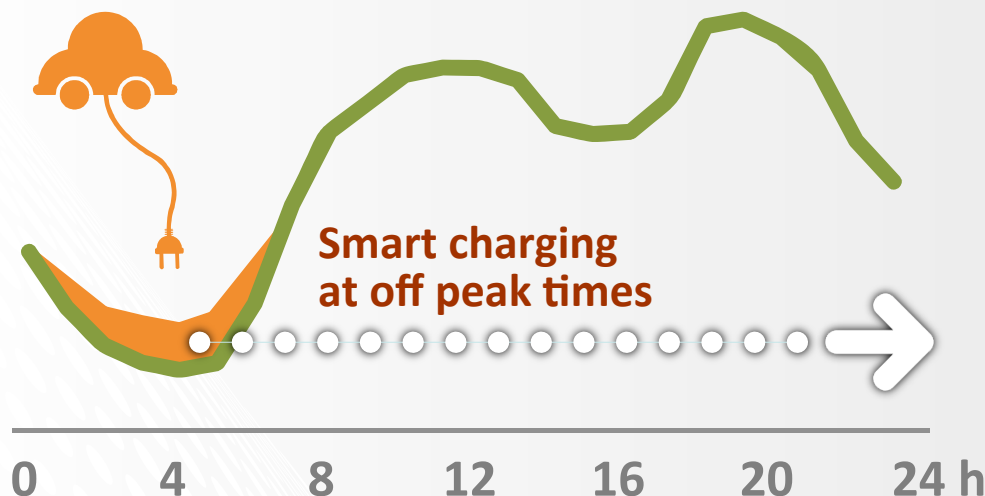
New tools

- Greater pumping capacity available for system operation.
- Future energy storage technologies.
- Increase in flexible generation.
- Development of smart charging (electric vehicles).
- Flexible consumers and smart grids.

Objective

Improve the overall efficiency of the electricity system

Roll-out of electric vehicles



Benefits:

- Better use of renewable energies.
- Use of surplus generation and grid capacity.
- Smoothing out of demand curve.

... other benefits

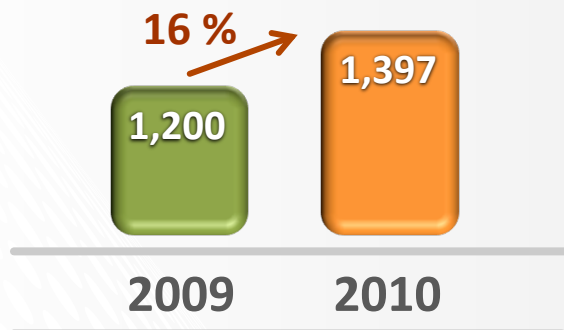
- Reduction of CO₂ emissions.
- Less dependence on foreign energy.
- Improvement in air quality and noise levels in streets.

... in the future

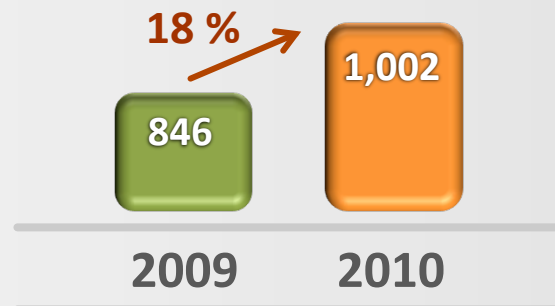
Will provide energy storage services.

Key consolidated data

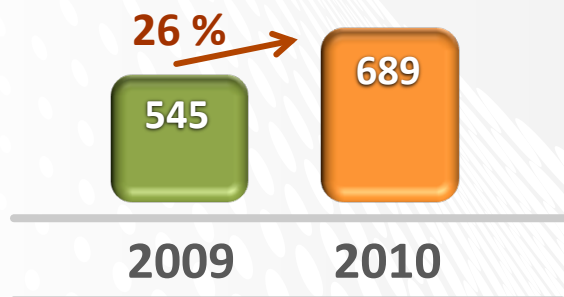
Revenue (€mn)



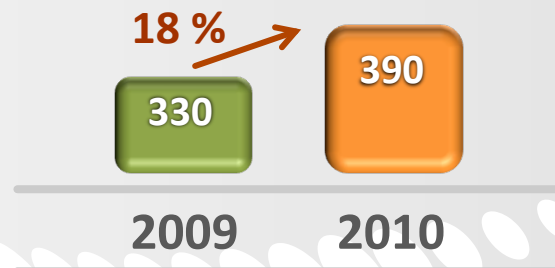
EBITDA (€mn)



EBIT (€mn)



Net profit (€mn)



Financial strength

Net debt

(€mn)



Debt to fund acquisitions

Changes in debt

	2009	2010
Leverage	68 %	74 %
Average cost	3.5 %	3.2 %
Net debt/EBITDA	3.7 x	4.7 x

**Credit
rating**

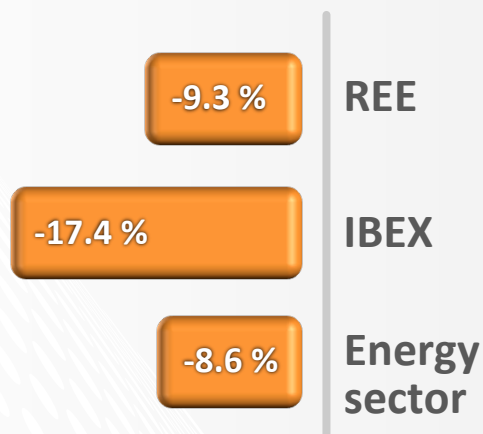
**AA- Standard & Poors
A2 Moodys**



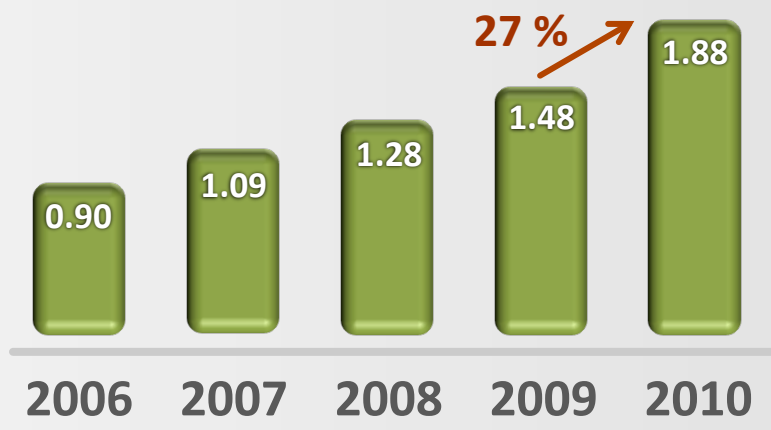
RED ELÉCTRICA DE ESPAÑA

Shareholder returns

Stock market performance 2010



Dividend per share (€)



1st quarter 2011

**15 % hike in REE
share price**

Pay-out: 65 %

Corporate responsibility activities



Outcomes

Commitment to employees



- Creation of stable employment.
- Equal opportunities employer.
- Application of measures to boost work-life balance.
- High levels of training.

Commitment to the environment and sustainability



- Approval of biodiversity strategy .
- Completion of strict environmental assessments for all projects.
- Control and reduction of contaminating emissions.

Commitment to corporate governance

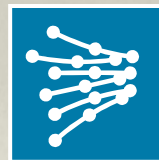


- 96 % of recommendations of Unified Code of Good Governance adopted.
- On-going reduction in Board remuneration as a percentage of the Group's results.

Best IBEX company in terms of corporate responsibility

Strategic Plan 2011-2015





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