FADE

Fondo de Amortización del Déficit Eléctrico

Electricity Deficit Amortisation Fund

EUR 20 billion Debt Programme

Explicitly Guaranteed by the Kingdom of Spain

November 2012

Monitored by

GOBIERNO DE ESPAÑA

MINISTERIO DE INDUSTRIA, ENERGÍA Y TURISMO

GOBIERNO DE ESPAÑA

MINISTERIO DE ECONOMÍA Y COMPETITIVIDAD

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Contents

Section 1

FADE main features

FADE main features

- It is a vehicle created under the specific provisions of the Spanish Royal Decree 437/2010, that regulates the process of amortisation of the Tariff Deficit through FADE.
- FADE has been created to allow the electricity companies to sell over 5 years the Tariff Deficit Receivables to the Fund and to finance this transfer in the capital markets.
- Private solution to the Tariff Deficit problem, sponsored by the Spanish Government.
- Formally, the Fund is a securitisation vehicle, in practice it works as an agency of the Spanish Government:
  - Directed by active government bodies
  - Explicit Guarantee provided by the Kingdom of Spain
  - Fund assets regulated by Royal Decree 437/2010
  - All Bonds will benefit from the same degree of priority
  - Flexible and comprehensive funding programme
  - Fund open to future acquisitions of Tariff Deficit Receivables
- Its main governing body is the Interministerial Commission: a public entity formed by Secretaries of State and General Directors of the Ministry of Industry, Energy and Tourism and the Ministry of Economy and Competitiveness.
- Monitored and directed by the Monitoring Committee: a public body formed by high level officials.
- Its day-to-day operations are monitored by TdA, a private Fund Manager.
- Its debt programme is set at EUR 20 bn to acquire ex-post and ex-ante tariff deficit receivables.

What is FADE?

FADE
Fondo de Amortización del Déficit Eléctrico

Assets recognized by Law:

- Max. EUR 20 bn interest bearing Tariff Deficit Receivables

Liabilities strongly protected:

- EUR 20 bn* Guaranteed Debt Programme
- Max. EUR 2 bn Credit Line

Private Fund accountable to the Interministerial Commission:

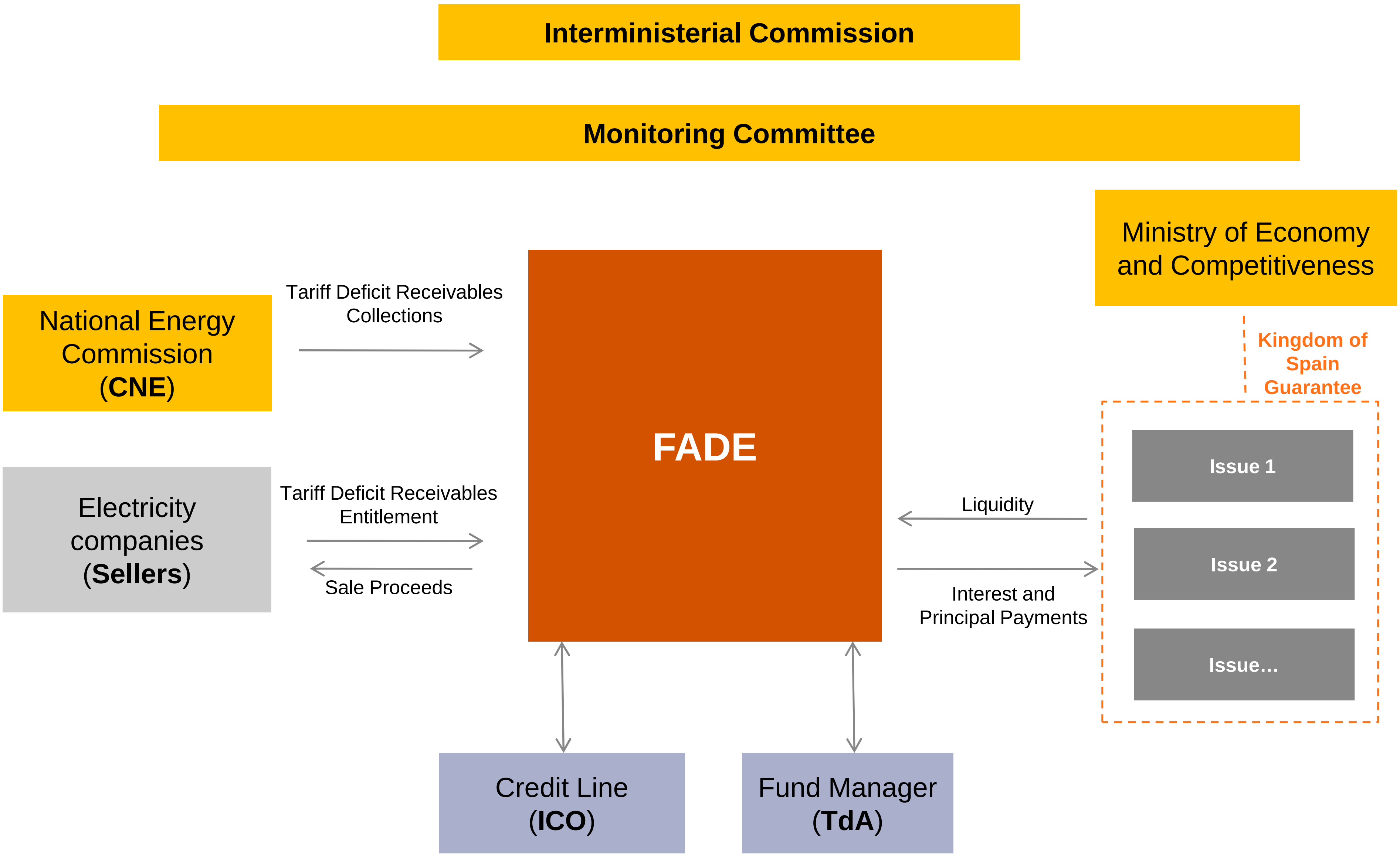
- 2 representatives of the Ministry of Industry, Energy and Tourism
- 2 representatives of the Ministry of Economy and Competitiveness

Credit enhancements:

- Interest rate risk protection
- Revenues can be increased by decision of the Interministerial Commission

** This amount could be temporarily increased in order to prefund scheduled redemptions.*

FADE´s structure



Section 2

Description of the Assets

Description of the Assets: Structure of the Spanish Electricity System

- Spanish legislation distinguishes between regulated activities (system operation, transmission and distribution) and liberalised activities (supply and generation):

Regulated activities	
Transmission	• Regulated as a natural monopoly • Red Eléctrica de España, SA is currently the only operator (except for the transmission grid of the city of Madrid, held by Union Fenosa Distribución)
Distribution	• Regulated as a natural monopoly within its geographical scope of action
Liberalised activities	
Generation	• Most of the wholesale supply of electricity among market players takes place in the organized electricity day-ahead market established by law (the pool, managed by the *Operador del Mercado Ibérico de Electricidad- Polo Español, S.A.* "OMEL").
Supply	• As of 1 July 2009 the supply of electricity has been fully deregulated and all the Consumers receive their supply from the Suppliers at a freely negotiated price; • The Consumers pay a non-regulated market price that is agreed with the Suppliers who are in charge of supplying electricity to the end users; • The price includes the **Access Tariffs** (or Access Tolls) aimed to pay the system's regulated costs (such as transmission, distribution, renewable energy subsidies, past tariff deficit recovery, FADE, etc).

- Spanish legislation has also established the principle that some customers have the right to buy at the "Last Resort Tariff", a regulated price
  - Last Resort Consumers are typically household consumers and non-industrial SMEs, and receive their supply from Last Resort Suppliers appointed by the authorities. Their only activity is the supply of power to Last Resort Consumers.
  - Last Resort Tariff includes (i) cost of electricity generation resulting from a competitive auction process, (ii) Access Tariffs and (iii) cost of supply set forth by the regulation on supplies at Last Resort Tariff.

Description of the Assets: Tariff Deficit Receivables Background

- Since 2000 the revenues in the Spanish electricity system have not covered the costs of the system. Accordingly a subsequent deficit has arisen (the "**Tariff Deficit**").

- Tariff Deficit has to date been financed primarily by incumbent electricity companies, which have subsequently been granted a credit right to receive such amount with interests over 8 to 15 years ("**Tariff Deficit Receivables**").

- Tariff Deficit Receivables are included as a regulated cost of the electricity system which are collected via Access Tariffs payable by final consumers. The system's regulated costs also include transmission, distribution, renewable energy subsidies, past tariff deficit recovery, etc.

- Tariff Deficit Receivables already sold to FADE amount to EUR 13 billion.

- Tariff Deficit Receivables committed to be sold to FADE amount to EUR 7 billion (data as of 1 November 2012).

Description of the Assets:
Last Resort Tariff Consumer's bill

ENERGY	**47%**		
ACCESS TARIFFS	**53%**	Renewables	41%
		Transmission	8%
		Distribution	28%
		Tariff Deficit	12%
		Others	10%

Description of the Assets: Creation of FADE and Sufficiency of Access Tariffs in 2013

Sufficiency of Access Tariffs in 2013

Royal Decree-Law 6/2009, Royal Decree-Law 6/2010 and Royal Decree-law 14/2010 establish limits to restrict the increase of the Tariff Deficit, and define a path for the gradual sufficiency of Access Tariffs.

- In 2013, Access Tariffs are expected to be sufficient to meet the full costs of regulated activities without generating deficit.
- This target will be met gradually. A path of maximum deficit has been defined until 1 January 2013:
  - Maximum 2010 EUR 5.5 billion
  - Maximum 2011 EUR 3 billion
  - Maximum 2012 EUR 1.5 billion
- As the Access Tariff is set at the beginning of the year, the possible appearance of deviations due to mismatches in the real costs or revenues will mean that Access Tariffs for the next period will be increased in the amount required to cover the gap.
- Any possible deviation will be financed by incumbent electricity companies.

Creation of FADE

- Royal Decree-Law 6/2009, Royal Decree-Law 6/2010 and Royal Decree-Law 14/2010 also provide the electricity system with a financing methodology for existing and allowed future deficits.
- The solution approved (developed by Royal Decree 437/2010) is to finance the existing deficit through the assignment of the Tariff Deficit Receivables by current holders to FADE.

Description of the Assets: Royal Decree-Law 14/2010 on urgent measures to reduce Tariff Deficit

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Urgent Measures to reduce Tariff Deficit

- The measures contained in Royal Decree-Law 14/2010, together with the savings measures agreed with the wind and thermo-solar power sectors in 2010, will generate a saving of EUR 4.6 billion over the next three years.
- The objective is to streamline and contain regulated costs and to seek new sources of revenues in the electricity system in order for all the stakeholders to contribute to resolving the tariff deficit problem.
- The Royal Decree-Law maintains the commitment to eliminate the tariff deficit by 2013. To this end, the deficit ceilings were increased to EUR 5.5 billion in 2010, to EUR 3 billion in 2011 and to EUR 1.5 billion in 2012.

Main provisions:

- An Access Toll is imposed to generation companies (EUR0.5/MWh) which will generate new revenues in the Spanish electricity system (EUR 150m per year).
- All companies in the electricity sector will assume the cost of energy efficiency/saving schemes over the next three years. This item, previously financed by Access Tariffs, will generate a saving of EUR 670m.
- Reduction of the number of operating hours with premium rights for solar photovoltaic power. This will ensure that photovoltaic energy companies contribute EUR 740m to the cost containment effort in the electricity system.

Measures adopted during 2012 to eliminate the tariff deficit

New measures adopted in 2012

- During 2012 several measures have been adopted to definitively solve the tariff deficit.
- On one side, several system costs have been reduced and, on the other side, the revenues have been increased by reviewing the access tariffs, in order to comply with the deficit limit for 2012 (EUR 1.5 billion) as established in the Electricity Sector Law.
- In addition to the above mentioned measures, at this time there is a draft law in the Parliament regarding fiscal measures to contribute to the sustainability of the electricity system. Both this draft and the Government commitment to solve the deficit problem, will allow for a balance of the electricity system revenues and costs from year 2013 onwards, as the public budget will assume part of the electricity system costs.

Description of the Measures adopted in 2012 to eliminate the tariff deficit

Main provisions:

▪Royal Decree-law 1/2012 temporarily suspends the very favourable economic regime granted to new renewable energy sources and cogeneration/CHP facilities, at least until the resolution of the deficit issue.

▪Royal Decree-laws13/2012 and 20/2012 reduce the network costs for 2012 in EUR 0.935 billion, by establishing a one year delay in the payment of new investments and the removal of the remuneration of amortized assets. In addition, other system costs have been reduced for 2012 in EUR 0.305 billion (such as the system operator that is now paid by the agents, capacity payments, guarantee of supply procedure payments, interruptible contracts, isolated systems) and also an estimated amount of EUR 0.675 billion will be returned as a revenue (coming from certain quantities from CNE budget as well as not used funds from IDAE regarding energy efficiency and saving measures).

▪Ministerial Order IET/843/2012 raises the access tariff prices for all the consumers in order to increase the electricity system revenues.

▪The draft law regarding fiscal measures to contribute to the sustainability of the electricity system creates several taxes: two separate taxes on production and radioactive waste storage, a levy on hydro generation, a tax on electricity generation, and the so-called "green cents" on the use of natural gas, fuel oil, gasoil, and coal for electricity generation and other uses. The estimated revenues will be **EUR 3 billion.**

Description of the Assets: The Royal Decree 437/2010 regulating FADE

<u>Fund asset definition</u>

- Constituted by “Tariff Deficit Receivables” and financial instruments which allow a more efficient management of the Fund.
- Revenues are guaranteed by the electricity system tariffs.
- <u>Base value:</u> value of the tariff deficit receivables
- <u>Interest rate</u>: resulting from market issuance plus 30 b.p. to cover negative cost of carry or other costs not included in the internal rate of return (the Interministerial Commission is allowed to revise it; but in no case this differential can be lower than 30 b.p.).
- <u>Maturity</u>: 15 years

<u>Fund liabilities definition</u>

- Constituted by the issued financial instruments (bonds explicitly guaranteed by the Kingdom of Spain) and financial instruments which allow a more efficient management of the fund.
- Main target: to minimize financial cost and refinancing risk.

Financial structure of the Fund

- FADE is an open ended Fund which can buy Tariff Deficit Receivables and finance them by issuing Bonds with maturities ranging up to 15 years.
- FADE will receive collections on the Tariff Deficit Receivables from the National Energy Commission (“**CNE**”) on a monthly basis comprised of:

Principal	Interest
Tariff Deficit Receivables will amortise over 15 years following an annuity profile which resets on a yearly basis and is calculated using the weighted average interest rate of the issued Bonds	Tariff Deficit Receivables will yield interest at a rate equal to the weighted average interest rate of the Bonds plus a differential of 0.30% (“**Differential**”) to cover other costs (including possible negative cost of carry due to mismatches between amortisation profile of the Tariff Deficit Receivables and of the Bonds)

- Collections in excess of interest payments on the Bonds and general costs of the Fund will be accumulated in the Collection Account to meet future payments of principal on the Bonds
- **The Interministerial Commission** set up by *The Ministry of Industry, Energy and Tourism and The Ministry of Economy and Competitiveness* will have powers to modify the Differential to ensure the yield of the Tariff Deficit Receivables is sufficient to cover all payments of the Fund (**with a floor set at 0.30%**)
- FADE will have access to a Credit Line of EUR 2 billion provided by ICO that can be used to cover temporary mismatches between collections from the Tariff Deficit Receivables and payments of interest and principal of the Bonds, the formation and first issue expenses, periodical expenses and extraordinary expenses

Section 3

Debt Programme

Debt Programme: Main characteristics

Programme Terms	
Programme Size	EUR 20,000,000,000
Guarantor	Kingdom of Spain
Ratings	Expected to be equivalent to the Kingdom of Spain's ratings: [BBB / Baa3 / BBB-] by Fitch / Moody's / Standard & Poor's
Collateral	Agency Treatment (Category III ECB)
Maturity	Benchmark maturities of 1, 2, 3, 5, 7, 10 and/or 15 years.
Interest Rate	Fixed or floating rate, short term instruments (1 year) issued at discount
Amortisation	Expected bullet, but FADE could also issue Bonds with a different amortisation profile
Risk Weighting	0% RWA confirmed by Bank of Spain
Financial and Paying Agent	ICO
Listing	AIAF Mercado de Renta Fija

Debt Programme: Alternative sovereign risk investment

Solvency of FADE is strengthened through guarantees both at the asset and liability side:

- Liability Side:
  - **FADE Bonds are explicitly guaranteed by the Kingdom of Spain.** The guarantee is explicit, unconditional, irrevocable, and waiving the benefit of excussio.
  - FADE is strengthened with a Credit Line limited to EUR 2 billion to cover potential mismatches and minimize refinancing risk.
- Asset Side:
  - Payments from the Tariff Deficit Receivables regulated by Law.
  - Payments ensure the recovery of the nominal plus interests in 15 annuities.
  - **Interests are linked to the cost of funding.**
  - A differential of 30 additional basis points over cost of funding is recognized to cover operational expenses and potential negative carry due to asset-liability temporary mismatches.
  - **The differential can be increased.**

**FADE provides an attractive investment opportunity,
offering investors exposure to Spanish sovereign risk
with additional security over collections from the electricity system**

Debt Programme: FADE funding programme

▪FADE began its activity with **initial funding requirements of EUR 20bn,** divided in two tranches: **first tranche for EUR13bn,** corresponding to the tariff deficit receivables accumulated until the end of 2010 and **second tranche for EUR7bn** corresponding to the ex post 2010, and the ex ante deficits for 2011 and 2012.

▪In 2011 it raised EUR 9.5bn, of which EUR **8.2bn were raised through syndications and EUR1.3bn through private placements.**

- ▪Syndications: 5 references with maturities of 2,3,4,7 and 10 years with initial sizes of EUR1bn to EUR2bn.
- ▪Private placements: 6 private placements with an average size of EUR 230m.

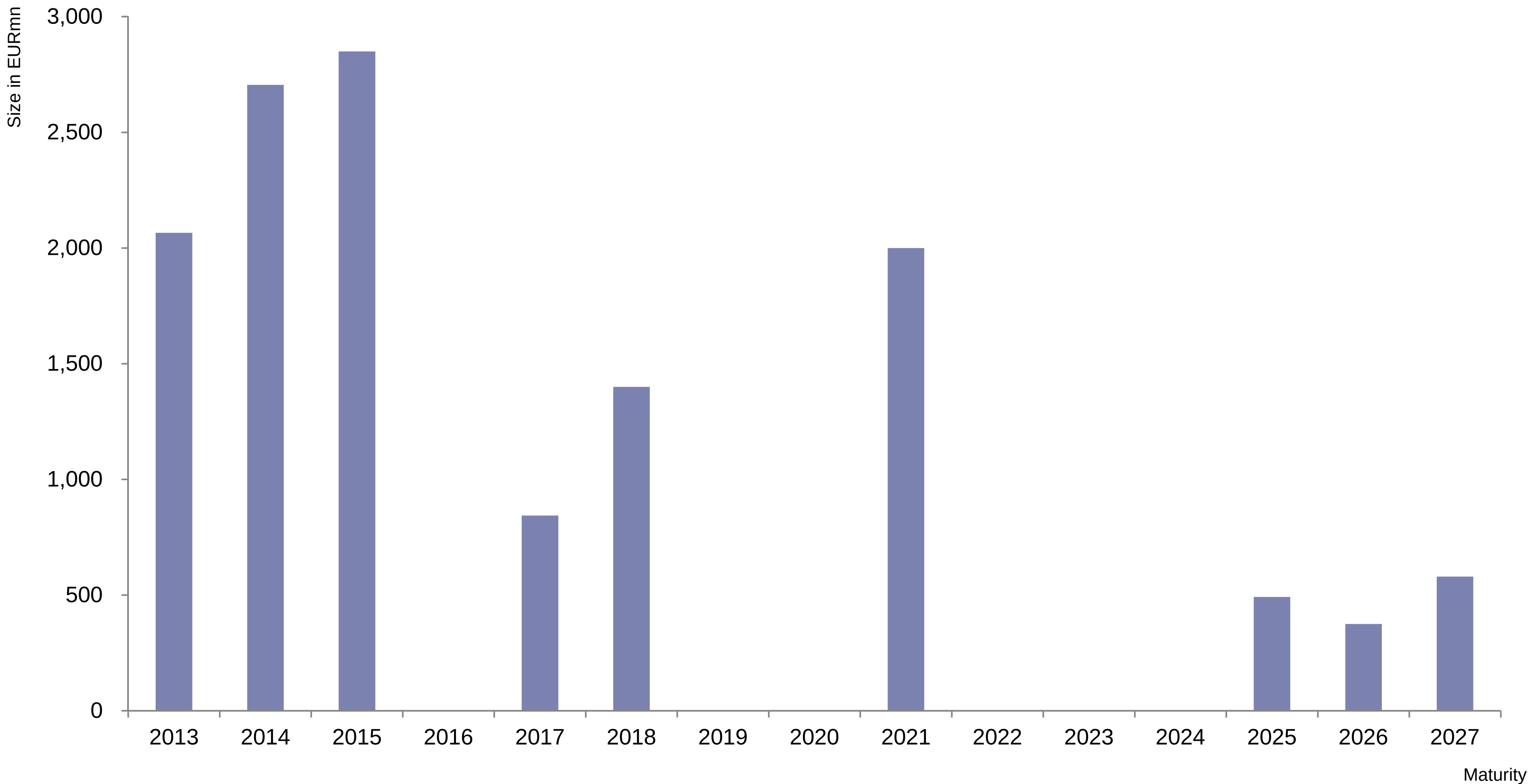
▪In 2012, FADE was present in the capital markets up until February. In the first two months of the year it managed to raise EUR 3.2bn through private placements, **completing the first tranche of its debt program (EUR13bn).**

▪In October and November 2012 FADE resumed its funding programme to finance the second tranche of Tariff Deficit Receivables **(EUR7bn),** beginning with 4 long-term private placements. For the next year it intends to complete its debt programme through a combination of **long-term private placements and medium-term syndications**.

FADE resumes its role as an active issuer, with the commitment to acquire further EUR 7bn of Tariff Deficit Receivables

Debt Maturity Profile for FADE

- Outstanding issues include 5 public transactions, which have been complemented by taps and private placements
- Bonds launched through public issues amount to EUR 8.5bn, and full outstanding debt amounts to EUR 13.88bn



Section 4

Institutional Framework

Institutional Framework: Interministerial Commission

- Royal Decree 437/2010 establishes an Interministerial Commission, with members of both the Ministry of Economy and Competitiveness and the Ministry of Industry, Energy and Tourism to supervise FADE

Members of the Commission	
Secretary of State for Energy	Chairman of the Commission
Secretary of State for Economy	
General Director for Energy Policy and Mining	
General Secretary of the Treasury and Financial Policy	
Legal department of the Ministry of Industry, Energy and Tourism	Acts as Secretary

Functions of the Commission

i. Supervision of FADE
ii. Ensure the proper compliance with all conditions to be carried out by the Fund Manager
iii. Supervision, approval and dismissal in the event of bad practice of the Fund Manager
iv. Announce the auctions of the Fund's financial instruments and determine the time frames, and their terms and conditions
v. Declare the exceptional capital market circumstances that make it advisable to delay the issues
vi. Raise the spread Differential

Institutional Framework: Monitoring Committee

- The Interministerial Commission has delegated part of its functions to the Monitoring Committee, created by the order issued by Ministry of Presidency PRE 2037/2010, of 26 July.

Members of the Committee	
General Secretary of the Treasury and Financial Policy	Chairman of the Committee
General Director for Energy Policy and Mining	
Deputy General Director of Electrical Energy	
Deputy General Director of Financial and Strategic Analysis	Acts as Secretary
Deputy General Director of Finance and Management of Public Debt	
A representative of the National Energy Commission (CNE)	Entitled to speak, not to vote
A representative designated by the Fund Manager	Entitled to speak, not to vote

Functions of the Committee

i. Brief the Interministerial Commission on the performance of the Fund Manager over its duties

ii. Report on whether the Fund Manager is satisfactorily complying with the terms set forth in the technical specifications and clauses

iii. Approve the appointment by the Fund Manager of advisory or other similar services that cost more than EUR50,000 or any services hired from one same counterparty that cost more than EUR75,000 a year

iv. Approve the price of the Bonds agreed with the financial institutions involved in the placement

v. Authorise the Fund to enter into financial instruments

vi. Establish the formula for calculating the internal rate of return of the Bonds without a fixed coupon at the Fund Manager's proposal

Key parties involved and their roles

Parties		Role
Fund	Fondo de Titulización del Déficit del Sistema Eléctrico, Fondo de Titulización de Activos, *also known as* "**FADE**" (Fondo de Amortización del Déficit Eléctrico)	Acquisition of Tariff Deficit Receivables financed via issuance of Bonds
Guarantor	Kingdom of Spain	Guarantees payments of principal and interest on the Bonds if guarantee is executed
Interministerial Commission	Comprised of Secretaries of State and General Directors from the Ministry of *Industry, Energy and Tourism* and from The Ministry of *Economy and Competitiveness*	Supervises FADE. Has powers to increase the Differential payable by the electricity system on the Tariff Deficit Receivables to cover rising costs of the Fund
Monitoring Committee	Comprised of high level officials, including General Directors from the Ministry of *Industry, Energy and Tourism* and of The Ministry of *Economy and Competitiveness*	Oversees the correct functioning of the Fund
Sellers	Iberdrola, Gas Natural, Hidroeléctrica, Endesa, Endesa Generación, Elcogás, E.On Generación and E On España, Gas y Electricidad Generación, Unión Eléctrica de Canarias Generación	Sell the Tariff Deficit Receivables to the Fund
National Energy Commission	Comisión Nacional de Energía ("**CNE**"), the regulating entity for the energy sector in Spain. Public body with its own corporate legal identity and attached to the *Ministry of Industry, Energy and Tourism*	Acts as paying agent of the electricity system and will pay collections of the Tariff Deficit Receivables to the Fund
Liquidity Provider, Account Bank and Financial Agent	Instituto de Crédito Oficial ("**ICO**"). State Financial Agency which reports to the *Ministry of Economy and Competitiveness*	Provides Credit Line which may be drawn to meet possible gaps between receipts and payments of the Fund. Holds the bank accounts of the Fund
Fund Manager	Titulización de Activos, S.G.F.T., S.A. ("**TdA**")	Responsible for the safekeeping, administration and management of the Receivables and for the financial servicing of the Fund. It watches over bondholder interests

Section 5

Sovereign Risk Comparables

Comparative analysis between FADE and similar products

	FADE	CADES	FROB	GGB
Purpose	Tariff Deficit Funding	Social Security Deficit Funding	Banking Sector Restructuring	Facilitating Banking Sector funding under stress conditions
Government Control	Strong	Strong	Strong	Weak
Board members	Secretary of State for the Economy General Secretary of the Treasury Secretary of State for Energy General Director for Energy Policy and Mining	President-government appointed Ministry of Economy and Competitiveness Representatives (3) Ministry of Social Affaires Representatives (2)	Representatives of Bank of Spain (4) Ministry of Economy and Competitiveness (4) Ministry of Finance (1)	The Spanish Treasury concedes the guarantees but no public structure is created ad-hoc
Guarantee	Explicit Unconditional, irrevocable, waiving the right of excussio	Implicit	Explicit Unconditional, irrevocable, waiving the right of excussio	Explicit Unconditional, irrevocable, waiving the right of excussio

Comparative analysis between FADE and similar products

	FADE	CADES	FROB	GGB
Assets	Tariff Deficit receivables as Permanent Costs of the Electricity System.	CRDS	Preferred stock of the restructured banks	Ordinary banks balance sheet assets
Liabilities	Hard Bullets in all available maturities Bonds with a predetermined amortising profile FRN Short term (1 year) bonds issued at discount.	Wide range of instruments	Hard bullets Capital provided by the State and the Deposit Guarantee Fund	Hard bullets
Additional guarantees	Credit Line Automatic interest rate risk hedging Possibility of increasing the interest rate recognised to the Receivables Last resort financing of the electricity system by incumbent electricity companies	none	Credit Line	none
Main credit risk	Kingdom of Spain	Republic of France	Kingdom of Spain	Kingdom of Spain
Life	15 years maximum	Non-defined	7 years max	5 years max

Appendix I

Details of the Kingdom of Spain Guarantee

Kingdom of Spain Guarantee

Guarantee Key Terms	
Guarantor	*Ministry of Economy and Competitiveness*, on behalf of the State Administration of Kingdom of Spain
Limit of Guarantee	Initially **EUR 20,000,000,000**. Future bond issuances by the Fund will benefit from a Guarantee with equal terms
Characteristics	Explicit, unconditional, irrevocable and waiving the benefit of Excussio
Guaranteed Transactions	Bond issues in Euros made by the Fund in Spain and that meet the following requirements: **a)** **Type of security:** non-subordinated debt bonds that are not guaranteed by any other type of guarantee. **b)** **Maturity term:** maximum 16 years **c)** **Rate of return:** fixed or variable interest rate. In case of a variable interest rate, the reference rate must be widely known and used in the financial markets. **d)** **Structure of guaranteed operations:** redemption may be made in one single payment or through regular payments (agreed and fixed at issuance) over the life of the guaranteed bond. **e)** **Admission to trading:** securities must be admitted to trading on one of the Spanish official secondary markets.
Execution Procedure	1. In order to speed up the disbursement process, interest and principal amounts due on each Bond Series will be paid as one payment. The Fund Manager must inform the General Secretary of the Treasury and Financial Policy 15 days prior to the Payment Date on which there will be a missed payment on the Bond. 2. Following missed payment of a Bond, the Fund Manager, representing all Bond holders, will present a written instruction for payment to the General Secretary of the Treasury and Financial Policy. 3. Once legitimate right of the Fund has been established, the General Secretary will immediately begin the necessary proceedings to recognise the obligation and subsequent order of payment resulting from the enforcement of the guarantee and will transfer the amount due to the Fund on its account opened at the Financial Agent exclusively for this purpose.
Interest in the Event of Execution	At the EONIA rate for the days elapsed between the maturity of the guaranteed obligation and the actual date of payment by the State, provided the execution of the Guarantee is requested within the 5 days following the maturity date

Appendix II

Details of the Credit Line

Credit Line provided by ICO

Credit Line Key Terms	
Liquidity Provider	ICO
Maximum Limit	**EUR 2,000,000,000**.
Uses	Will be used by the Fund Manager on behalf of the Fund to meet possible gaps between income and payments of the Fund, to exclusively make payments of: 1. principal on the Bonds; 2. interest on the Bonds, 3. initial, ordinary and issuance expenses If needed in light of the absence of other Available Resources, without resorting to the State Guarantee.
Refund	Amounts drawn will be refunded on a daily basis from amounts outstanding in the Collection Account. As refund takes place outside the Priority of Payments of the Fund, repayment of the Credit Line ranks senior to the Bonds. However, the Credit Line does not benefit from amounts received under the Guarantee.
Available Period	From the issue date of the first issuance until the 24th month prior to the Final Maturity Date of the Bond Series with the longest maturity.

Appendix III

Description of the flows of FADE

Sources and Application of Funds

Source and application of funds on the Disbursement Date of each Bond Issue	
Source:	i. Proceeds from the Issue of the Bonds; ii. Drawdown of the Credit Line to pay the Initial Expenses and the Issue Expenses of the First Issue; iii. For following Issues, the Available Funds, as defined below, or the credit line will be used to pay the Issue Expenses.
Application	1. Payment of purchase price for Tariff Deficit Receivables, or repayment of an existing Series if the Bonds are issued to refinance a previous issuance; 2. Payment of initial and Issuance Expenses.
Source and application of funds on each Payment Date	
Source ("Available Funds"):	i. Income from the Tariff Deficit Receivables; ii. Interest earned on amounts deposited in the Collection Account; iii. Unused amount of the Credit Line which may only be used for payments of interest and principal on the Bonds and initial, issuances and periodic expenses; iv. If applicable, amounts received from any Interest Swaps; v. Any other amounts outstanding in the Treasury or Collection Account. Additionally, the holders of the guaranteed Bonds may make use of the amount drawn down from the State Guarantee that is paid to the Financial Agent in an account opened in Bank of Spain, which will be applied pursuant to the terms of the Guarantee.
Application ("Priority of Payments Order")	1. Initial and issuance expenses, periodic expenses and extraordinary expenses of the Fund, and payment to the State, as appropriate, of any amounts that it may have paid to the Fund by drawing down on the Guarantee for Bond interest and principal payments, together with any interest that has accrued in favour of the State; 2. Pro rata payment of net amounts due under any Interest Swaps, if applicable (except for payments in item 5 below); 3. Payment of the interest accrued by the Bonds; 4. Payment of principal of the Bonds of all the Series; 5. Pro rata liquidation payment of any Interest Swaps if the Swap is terminated due to unforeseeable objective circumstances or when the Fund is not the breaching or affected party; 6. Remaining amounts will be deposited in the Collection Account.

Appendix IV

Description of the Tariff Deficit Receivables

Recognised Tariff Deficit Receivables

Recognised Tariff Deficit Receivables: Categories and Initial Holders

(Amount outstanding as of 21/11/2012)

	Endesa, S.A	Iberdrola, S.A.	Gas Natural SDG, S.A.	Hidroeléctrica del Cantábrico, S.A.	E.ON España, S.L.	E.ON Generación, S.L.
Extrapeninsular 2003-2005	27,910.03					
Extrapeninsular 2006						
Extrapeninsular 2007						
Extrapeninsular 2008						
Peninsular 2006						
Peninsular 2008						
Déficit 2009						
Déficit 2010	1,104,000,000.00	875,250,000.00	343,750,000.00	152,000,000.00	25,000,000.00	2,500,000,000.00
Déficit 2011	1,324,800,000.00	1,050,300,000.00	412,500,000.00	182,400,000.00	30,000,000.00	3,000,000,000.00
Déficit 2012	578,863,328.08	458,922,815.97	180,239,609.24	79,698,678.12	13,108,335.23	1,310,832,766.64
Total	3,007,691,238.11	2,384,472,815.97	936,489,609.24	414,098,678.12	68,108,335.23	6,810,860,676.67

Fondo de Amortización del Déficit Eléctrico

Appendix V

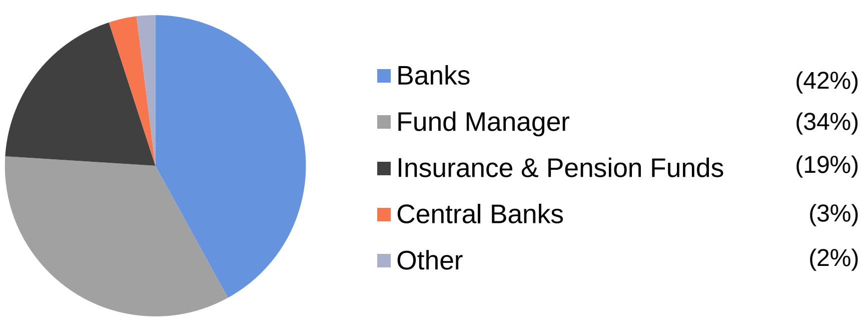
Summary of FADE's Public Issues

Summary of FADE's Public Issues

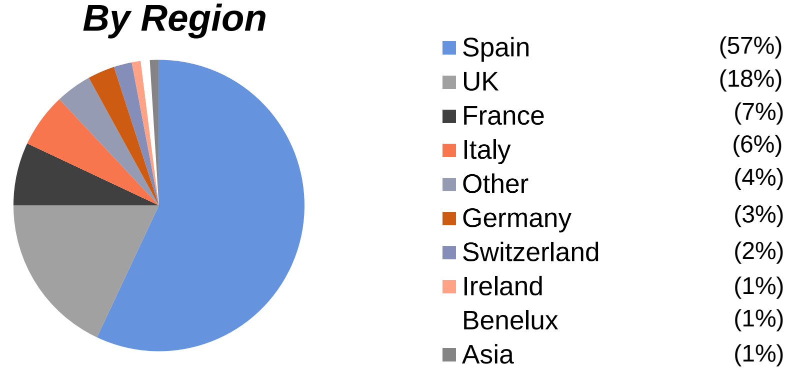
FADE
Fondo de Amortización del Déficit Eléctrico

Guarantor	Kingdom of Spain
Collateral	Agency treatment
Issues' current ratings	Baa3/BBB-/BBB by Moody's, S&P and Fitch
Maturity dates	between September 2013 and March 2021
Total Size of Public issues	EUR 8.5 billion
Risk Weighting	0% RWA confirmed by Bank of Spain
Financial and Paying Agent	ICO currently rated Baa3/BBB-/BBB) by Moody's, S&P and Fitch
Geographic distribution	more than half of the demand came from domestic accounts with Spain at 57%, well complemented by international accounts with UK leading the way (18%), followed by France (7%), Italy (6%), Germany (3%), Switzerland (2%)…
Distribution per investor type	conditioned by the transactions' maturities at launch, dominated by banks (42%), followed by fund managers (34%), insurance companies & pension funds (19%), central banks (3%)…

By Investor type



By Region

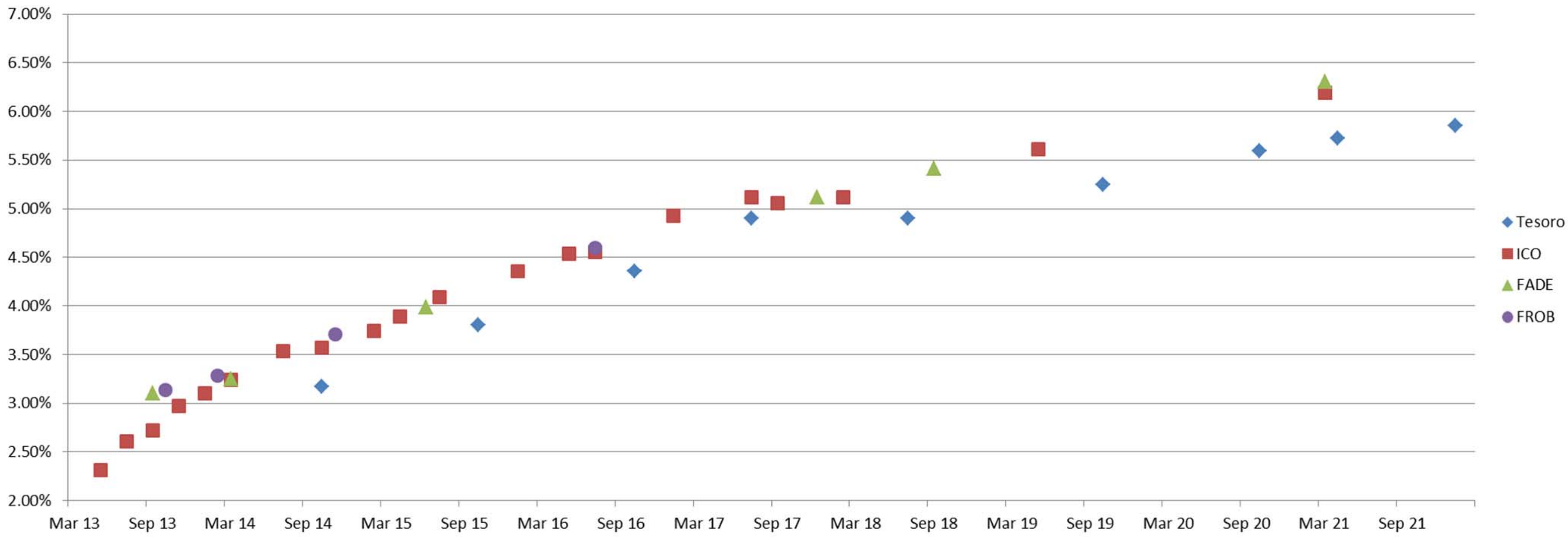


Appendix VI

Secondary Levels for Spanish References

Secondary levels for Spanish comparables

- Comparative graph representing the curves for the Spanish Treasury, ICO, FADE and FROB



Thank you for your attention

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www.thespanisheconomy.com