

3. Cash flow and balance sheet

Cash flow

(in thousands of euros)	January - March		
	2010	2009	Δ %
Profit before taxes	148,674	131,305	13.2
Income taxes paid	-	-	-
Amortization & depreciation of non-current assets	68,330	65,250	4.7
Other adjustments	(3,229)	(4,538)	(28.8)
Cash flow from operations after tax	213,775	192,017	11.3
Changes in working capital and other long-term assets and liabilities	(208,389)	(268,983)	(22.5)
Capital expenditures	(107,713)	(107,003)	0.7
Free cash flow	(102,327)	(183,969)	(44.4)
Dividends paid	(69,016)	(60,403)	14.3
Change in net financial debt	171,343	244,372	(29.9)

(*) The difference with the variation in the Net financial debt of page 2 relates to items entailing no movement in cash.

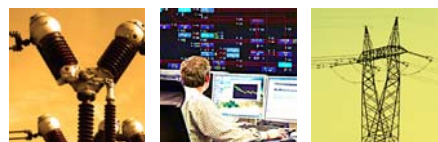
Operating cash flow after tax of €213.8 million, together with the arrangement of a net financial debt of €171.3 million, has financed investments in the period, the payment of dividends in the first quarter and working capital needs.

Changes in working capital and other long-term assets and liabilities have amounted to -€208.4 million. The improvement compared with the previous year is largely due to the fact that at March 2010, more transmission revenues have been settled as compared with the same period in 2009.

Investments by the Group in the first quarter of 2010 have amounted to €107.7 million, up 0.7% on the same period in 2009. Investments for the year relate mainly to the development of the transmission grid and have amounted to €107.2 million.

The **interim dividend paid** in the first quarter of 2010 amounts to €69.0 million, equivalent to 0.5115 euro per share, up 14% on the interim dividend in the same period in 2009.

The Red Electrica Group's **net financial debt** at 31 March 2010 amounts to €3,297.0 million compared with €3,122.2 million at 31 December 2009.



Net financial debt

(in thousands of euros)	National currency	Foreign currency	Total
Cash and cash equivalents	(6,228)	(8,294)	(14,522)
Long-term debenture loans	1,209,357	-	1,209,357
Long-term credits	1,803,944	49,024	1,852,968
Promissory notes and short-term credits	241,930	7,305	249,235
Total net financial debt	3,249,003	48,035	3,297,038

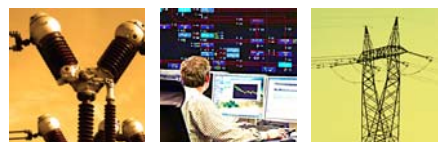
With respect to the interest rate, 72% of the Group's net debt is at a fixed rate while the remaining 28% is at a variable rate.

In addition, in the first quarter of 2010 the average cost of the Group's financial debt amounted to 3.32% while its average balance amounted to €3,234.9 million. In the same period in 2009, the average cost of the debt stood at 3.75% while the average balance amounted to €3,145.5 million.

At 31 March 2010 the Red Electrica Group's equity amounts to €1,532.3 million, up 6.5% on the 2009 year end. This increase largely results from profits for the period.

4. Relevant events during the period

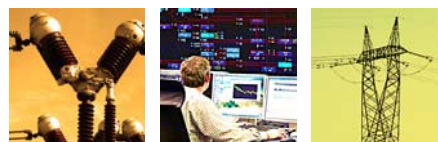
- **Payment of an interim dividend:** On 4 January 2010 the interim dividend was paid against 2009 profits at an amount of 0.5115 Euro per share, 14% up on the previous year.
- **Notice of the General Shareholders' Meeting:** The Company's Board of Directors, during the meeting held on 14 April 2010, resolved to call a General Shareholders' Meeting that will be held in a first call, on 19 May 2010 and, if appropriate, in a second call, on 20 May 2010.
- **New financing from the European Investment Bank:** The EIB has granted a credit facility for us to carry out our 2009-2011 investment plan amounting to €600 million, through one or various tranches and with a timeline of up to 20 years at fixed / variable rates.



Red Eléctrica Group

Consolidated Income Statement

(in thousands of euros)	03/31/2010	03/31/2009	2010/2009
Net Sales	319,866	291,983	9.5%
Self constructed assets	2,760	3,280	(15.9%)
Supply costs	(9,408)	(7,386)	27.4%
Other operating income	1,622	6,791	(76.1%)
Staff costs	(28,854)	(25,515)	13.1%
Other operating expenses	(50,129)	(49,721)	0.8%
Gross operating profit	235,857	219,432	7.5%
Amortisation/depreciation of non-current assets	(68,330)	(65,250)	4.7%
Charges from subsidies on non-financial fixed assets	2,467	2,189	12.7%
Impairments and the effect of disposal of fixed assets	1	5	(80.0%)
Net operating profit	169,995	156,376	8.7%
Financial income	99	123	(19.5%)
Financial expenses	(21,630)	(25,177)	(14.1%)
Exchanges differences	(47)	(216)	(78.2%)
Financial results	(21,578)	(25,270)	(14.6%)
Share of profit of associates accounted for using the equity method	257	199	29.1%
Profit before tax	148,674	131,305	13.2%
Income tax expense	(44,064)	(39,071)	12.8%
Consolidated results for the period	104,610	92,234	13.4%
A) Consolidated results attributable to the dominant company	104,609	92,235	13.4%
B) Consolidated results attributable to the minority interests	1	(1)	-



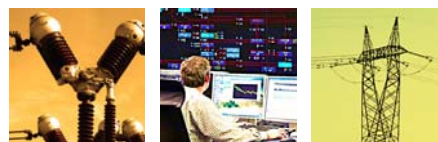
Red Eléctrica Group Consolidated Balance Sheet

Assets (in thousands of euros)	03/31/2010	12/31/2009
Total non-current assets	5,817,472	5,777,422
Total current assets	406,277	424,211
Total assets	6,223,749	6,201,633

Liabilities (in thousands of euros)	03/31/2010	12/31/2009
Equity	1,532,258	1,439,226
Total non-current liabilities	3,763,072	3,669,653
Current liabilities	928,419	1,092,754
Total liabilities	6,223,749	6,201,633

Consolidated Cash Flow Statement

(in thousands of euros)	03/31/2010	03/31/2009
CASH FLOW FROM OPERATING ACTIVITIES	218,969	69,386
Profits before tax	148,674	131,305
Adjustment to the results	86,346	86,790
Changes in current capital	(7,882)	(135,722)
Other cash flows from operations	(8,169)	(12,987)
CASH FLOWS FROM INVESTMENT ACTIVITIES	(321,298)	(248,315)
Payments for investments	(327,811)	(254,176)
Collections from divestments	327	84
Other collections/(payments) from investment activities	6,186	5,777
CASH FLOWS FROM FINANCING ACTIVITIES	102,357	177,279
Changes in equity	30	(6,690)
Collections/(payments) from financial liability instruments	171,343	244,372
Dividends paid	(69,016)	(60,403)
Effect of foreign exchange fluctuation on cash and cash equivalents	426	379
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENT DURING THE PERIOD	454	(1,271)
Cash and equivalent at the beginning of the period	14,068	15,865
Cash and equivalent at the close of the period	14,522	14,594



Financial calendar Upcoming events

Estimated dates

1H2010 results

26-30th July 2010

For further information:

Visit our website: <http://www.ree.es>

or contact us: **Investor Relations**

Paseo Conde de los Gaitanes, 177
28109 Alcobendas · Madrid
Teléfono: (34) 91 650 20 12

relacioninversores@ree.es

Red Eléctrica has the following credit ratings: AA- from S&P and A2 from Moody's.



Disclaimer

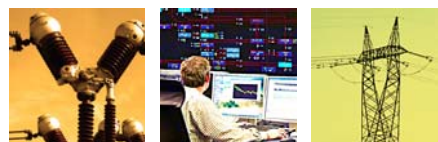
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ANNEX I

Corporate Responsibility Sustainability Index and Rating agencies



Red Eléctrica included in the DJSI World Index for the fourth year running, with a score of 74 out of 100 points, bringing it closer to global leader in its sector (84 points).



Honourable mention: obtains the SAM Bronze categories of Sustainability Yearbook in 2010, which recognises the best behaviours in corporate responsibility and sustainability



FTSE4Good



Selected for inclusion in the FTSE4Good index series, which measures the performances of companies that meet global recognised CR responsibility standards.



Included in the new FTSE4Good IBEX index, since it was launched in 2008.



Selected as the second company more responsible of the public supply sector, with a "B Prime" classification.



Included on the Ethibel Excellence index, one of Europe's benchmark indices for socially responsible investment, since year 2008.



Inclusion on the ECPI Ethical Index Global and ECPI Ethical Index EMU for its responsible practices in relation to environmental, social, and corporate governance issues.



Storebrand, the Scandinavian financial services company, rates Red Eléctrica as "Best in class" due to its remarkable efforts aimed at social and environmental issues.



Selected by the Investment bank Goldman Sachs among the top utility companies in the world since 2008. Leader in quality management and in terms of returns on capital in 2009.



Corporate Responsibility certifications



First business group to obtain AENOR certification for the new RS 10:2009 corporate responsibility standard.



SA8000 corporate responsibility certification renewal shows that REE has developed an efficient and active CR management system.



It also obtained a Family-Friendly Company certificate from the MásFamilia foundation, in recognition of its initiatives promoting life-work balance.

Corporate Responsibility monitors



First place in the “Corporate Responsibility in IBEX 35 companies’ annual reports” study conducted by the Observatorio de Responsabilidad Social Corporativa



For the third consecutive year, first place in the “Culture, policies and responsible practices among IBEX 35 companies” study conducted by the Observatorio de Responsabilidad Social Corporativa.



Winner in the seventh edition of the **Premio Memorias de Sostenibilidad de Empresas Españolas (prize for best sustainability report published by a Spanish company)** awarded by the Instituto de Censores Jurados de Cuentas de España (ICJCE) and the Asociación Española de Contabilidad and Administración de Empresas (AECA).

Corporate Reputation monitors



Inclusion for the fourth year running among the Top 100 companies in Corporate Reputation (merco EMPRESAS), taking 55th place. In addition, REE ranked 28th place in the merco PERSONAS rating.