

RED
ELÉCTRICA
CORPORACIÓN

Financial results

January - March 2012

Profit for the first three months of 2012 rose 8.2% year-on-year to €140.1 million

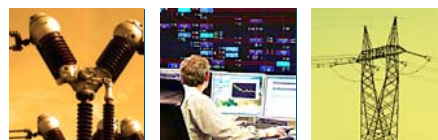
First-quarter EBITDA was 10.4% higher year-on-year, at €340.1 million

The Red Eléctrica Group invested a total of €144.1 million in the period, of which €140.5 was earmarked for the development of the national transmission grid

27 April 2012

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1. Red Eléctrica: Financial Highlights

Income statement

(in thousands of euros)	January - March		
	2012	2011	Δ %
Net Sales	427,476	404,897	5.6
Gross operating result (EBITDA)	340,140	307,992	10.4
Net operating result (EBIT)	242,561	221,751	9.4
Results before taxes	201,680	184,734	9.2
Results attributed to the parent company	140,118	129,547	8.2

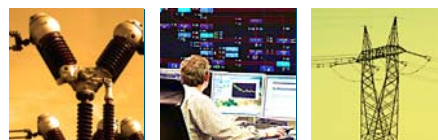
Balance sheet

(in thousands of euros)	March 2012	December 2011	Δ %
Total non-current assets	8,351,015	8,332,849	0.2
Equity	1,951,246	1,813,547	7.6
Net financial debt (*)	4,801,641	4,692,916	2.3

(*) Includes exchange rate derivatives.

Other financial figures

(in thousands of euros)	January - March		
	2012	2011	Δ %
Operating cash flow after taxes	298,865	270,697	10.4
Investments	144,058	158,164	(8.9)
Dividends paid	90,932	79,173	14.9



2. Earnings performance

First-quarter 2012 **revenue** amounted to €427.5 million, with year-on-year growth of 5.6%. The revenue accrued in respect of transmission remuneration in Spain represents an estimate of the measures passed under Spanish Royal Decree-Law 13/2012 issued on 31 March 2012.

EBITDA totalled €340.1 million, marking growth of 10.4% on the year-earlier figure. EBITDA growth was driven by the increase in revenues, coupled with operating cost controls:

- **Cost of supplies and other operating expenses** were 1.6% lower compared with last year.
- **Personnel expenses** narrowed by 11.0%, due mainly to lower non-recurring severance payments this year compared with last year.

At 31 March 2012, the Red Eléctrica Group's **average headcount** was 1,810, year-on-year growth of 2.7%. The **headcount at the March close**, meanwhile, stood at 1,823, up 1.3% on the year-end figure.

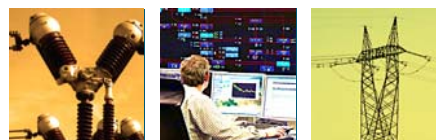
Operating expenses

(in thousands of euros)	January - March		
	2012	2011	Δ %
Supply costs and other operating expenses	61,072	62,073	(1.6)
Personnel expenses	33,456	37,575	(11.0)
Operating expenses	94,528	99,648	(5.1)

EBIT growth was 9.4% year-on-year in the first quarter.

Net finance costs were -€41.3 million compared to a net cost of -€37.3 million in the first three months of 2011, driven mainly by higher interest expense due to an increase in average interest rates.

Finally, **profit for the quarter** rose 8.2%. The effective tax rate was 30.5%, slightly above the first-quarter 2011 figure.



3. Cash flow and balance sheet performance

Cash flows

(in thousands of euros)	January - March		
	2012	2011	Δ %
Results before taxes	201,680	184,734	9.2
Taxes paid on earnings	-	-	
Provision for amortization of non-current assets	100,692	89,003	13.1
Other adjustments	(3,507)	(3,040)	15.4
Operating cash flow after taxes	298,865	270,697	10.4
Changes in working capital and other long-term assets and liabilities	(168,241)	29,180	-
Investments	(144,058)	(158,164)	(8.9)
Free cash flow	(13,434)	141,713	-
Dividends paid	(90,932)	(79,173)	14.9
Variation in net financial debt (*)	104,366	(62,540)	-

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

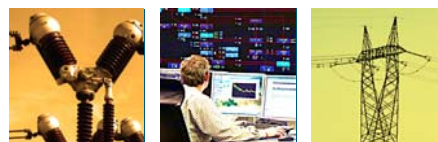
After-tax cash flows from operations amounted to €298.9 million in the first quarter, covering capital expenditure and dividend payments in the period totalling €235 million.

However, debt increased by €104.4 million to fund **working capital requirements and changes in other non-current assets and liabilities**, mainly as a result of the company's high business volumes in the last quarter of 2011. This was not offset by the collection of regulatory receivables (unlike in the first quarter of 2011).

The Group **invested** €144.1 million in the first three months of the year, 8.9% less than in the same period the year before. Capital expenditure was primarily earmarked for the development of the Spanish transmission grid (€140.5 million).

The **interim dividend** paid out in the first quarter of 2012 totalled €90.9 million, equivalent to €0.6764 per share and 14.9% above the amount paid out in 1Q11.

The Group's **net debt** at 31 March 2012 was €4,801.6 million compared to €4,692.9 million at 31 December 2011.



Net debt

(in thousands of euros)	National currency	Foreign currency	Total
Cash and cash equivalents	(7,112)	(6,218)	(13,330)
Long-term debenture bonds	2,858,931	-	2,858,931
Long-term credits	1,304,031	38,809	1,342,840
Promissory notes and current credits	605,175	8,025	613,200
Total net financial debt	4,761,025	40,616	4,801,641

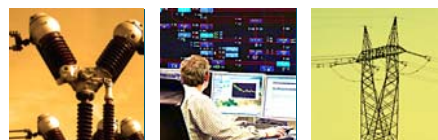
Eighty-five per cent of the Group's net debt is fixed-rate, while the remaining 15% is floating-rate.

The average cost of the Group's debt in the first quarter of 2012 was 3.70%, shaped primarily by the relatively higher weight of long-term borrowings. The average debt balance during the quarter was €4,825.5 million. In the first quarter of 2011, the average cost of debt was 3.45% on an average debt balance was €4,795.9 million.

At 31 March 2012, Red Eléctrica Group's equity totalled €1,951.2 billion, marking growth of 7.6% over the year-end 2011 balance, thanks mainly to retained earnings recognised during the first three months of the year.

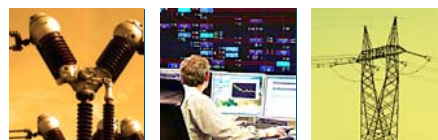
4. Relevant events during the quarter

- On 8 March the Board of Directors of Red Eléctrica in Spain appointed **José Folgado as chairman of the Board**, replacing Luis Atienza who simultaneously stepped down as director.
- **Annual General Meeting:** At its meeting on 12 March 2012, the company's Board of Directors resolved to call an Annual General Meeting, held at second call on 19 April 2011. At the same meeting the Board resolved to pay a **dividend against 2011 earnings of €2.2124 per share**, €0.3373 more than the prior-year payment. Of this total, €0.6764 per share was already paid out on 2 January 2012 in the form of an **interim dividend**.
- At a meeting held on 22 March 2012, the Board of Directors of Red Eléctrica agreed to submit the appointment of Alfredo Parra, Francisco Ruiz and Fernando Fernández as **proprietary directors**, and Juan Iranzo, Paloma Sendín and Carmen Gómez de Barreda as **independent directors** to its shareholders for approval. All these resolutions, as well as the appointment of José Folgado as **chairman**, were carried at the Annual General Meeting.
- On March 28 Red Eléctrica entered into a **Euro Commercial Paper** program (ECP) amounting to €1 billion. That same day the company signed with the **European Investment Bank** new funding by €250 million with a maturity of up to 18 years. Both operations will optimize the cost of debt and maintain its high degree of flexibility and diversification.
- On 31 March 2012, the Spanish government passed **Royal Decree-Law 13/2012** adopting measures intended to correct the deviation between revenue and expenditure in the electricity and gas sectors. The measures passed include the deferred until *year n+2* of remuneration of transmission assets put into service in *year n* and a proposal to reform the transmission remuneration model in order to review remuneration to fully depreciated assets. The government has also called for a revision of national infrastructure plan of gas and electricity sectors to bring them in line with the current situation.



Consolidated income statement

(in thousands of euros)	31/03/2012	31/03/2011	2012/2011
Net Sales	427,476	404,897	5.6%
Self constructed assets	3,228	1,859	73.6%
Supply costs	(5,574)	(4,526)	23.2%
Other operating income	3,964	884	-
Staff costs	(33,456)	(37,575)	(11.0%)
Other operating expenses	(55,498)	(57,547)	(3.6%)
Gross operating profit	340,140	307,992	10.4%
Amortisation/depreciation of non-current assets	(100,692)	(89,003)	13.1%
Charges from subsidies on non-financial fixed assets	3,065	2,761	11.0%
Impairments and the effect of disposal of fixed assets	48	1	-
Net operating profit	242,561	221,751	9.4%
Financial income	545	537	1.5%
Financial expenses	(41,811)	(35,733)	17.0%
Exchange differences	(73)	(65)	12.3%
Net asset impairment profit/(loss)	-	(2,029)	-
Financial results	(41,339)	(37,290)	10.9%
Share of profit of associates accounted for using the equity method	458	273	67.8%
Profit before tax	201,680	184,734	9.2%
Income tax expense	(61,584)	(55,220)	11.5%
Consolidated results for the period	140,096	129,514	8.2%
A) Consolidated results attributable to the dominant company	140,118	129,547	8.2%
B) Consolidated results attributable to the minority interests	(22)	(33)	-



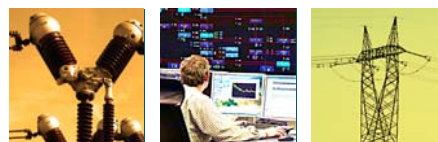
Summary consolidated balance sheet

Assets (in thousands of euros)	31/03/2012	31/12/2011
Non-current assets	8,351,015	8,332,849
Current assets	493,944	432,628
Total assets	8,844,959	8,765,477

Liabilities (in thousands of euros)	31/03/2012	31/12/2011
Net equity	1,951,246	1,813,547
Non-current liabilities	5,409,850	4,984,952
Current liabilities	1,483,863	1,966,978
Total liabilities	8,844,959	8,765,477

Summary consolidated cash flow statement

(€ 000)	31/03/2012	31/03/2011
CASH FLOW FROM OPERATING ACTIVITIES	206,375	392,780
Results before taxes	201,680	184,734
Adjustment to the results	138,180	121,031
Changes in current capital	(105,242)	101,870
Other cash flows from operations	(28,243)	(14,855)
CASH FLOWS FROM INVESTMENT ACTIVITIES	(228,729)	(272,859)
Payments for investments	(232,621)	(279,221)
Collections from divestments	229	187
Other collections/(payments) from investment activities	3,663	6,175
CASH FLOWS FROM FINANCING ACTIVITIES	16,480	(117,266)
Collections/(payments) from equity instruments	9,059	16,534
Collections/(payments) from financial liability instruments	98,353	(54,627)
Dividend payments	(90,932)	(79,173)
Effect of variations in exchange rates	(139)	178
NET INCREASE / (DECREASE) IN CASH AND EQUIVALENT	(6,013)	2,833
Cash and equivalent at the beginning of the period	19,343	18,286
Cash and equivalent at the close of the period	13,330	21,119



Financial calendar

Upcoming events

Estimated dates

Payment of the final dividend from 2011 profit	2 July 2012
1H12 results presentation	23-31 July 2012

For more information:

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Red Eléctrica is rated A+ by S&P and A2 by Moody's.



Disclaimer

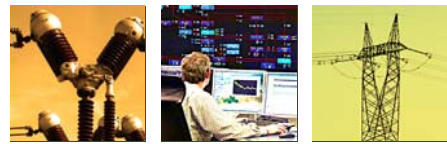
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APPENDIX

Corporate responsibility

Sustainability indices and rating agencies



Red Eléctrica included in the DJSI World Index for the sixth year running, with a score of 76 points out of 100



Accolades: SAM Bronze distinction in its Sustainability Yearbook 2012. REE ranks among the 16 top-rated power utilities in this report.



Since 2008 included in the FTSE4Good index comprising the world's leading companies in corporate responsibility. REE's overall score, following the latest review in March 2012, was 4.5 points out of 5.



Included in the FTSE4Good IBEX index since its launch in 2008.



Accolades: Classified 'B Prime' by Oekom.



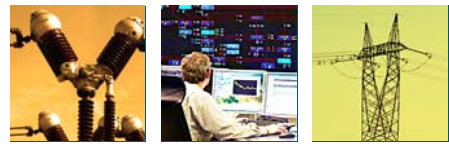
Included on the Ethibel Excellence index, one of Europe's benchmark indices for socially responsible investment, since 2008.



Included in the Aspi Eurozone index in September 2011, for outstanding performance in the following fields: environmental management, human rights, HR management, commitment to the community, corporate conduct and corporate governance.



Included in the STOXX Index in September 2011, following an analysis of the company's management of environmental, social, and corporate governance issues.



Included in the ECPI Ethical EMU Equity index for its responsible practices in relation to environmental, social, and corporate governance issues.

Investment banks



Accolades: Storebrand, the Scandinavian financial services company, rates Red Eléctrica as “Best in class” for its outstanding performance on social and environmental issues.



Included since 2008. Chosen in 2011 as one of the four leading European companies in terms of sustainability, obtaining the maximum score (96 out of 130).



Included in Triodos Bank’s investor universe in 2010. Top-ranked in a comparative analysis of the sustainability performance of 13 European power utilities.

Corporate Responsibility certifications



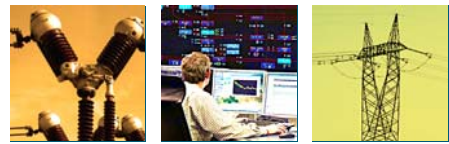
First business group to obtain AENOR certification for the new RS 10:2009 corporate responsibility standard.



Red Eléctrica's corporate responsibility management system has been certified under SA8000 regulations since 2005.



It also obtained a Family-Friendly Company certificate from the *MásFamilia* foundation, in recognition of its initiatives promoting life-work balance in 2009



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 sixth consecutive year.



For the fifth consecutive year, first place in the “Culture, policies and responsible practices among IBEX 35 companies” study conducted by the *Observatorio RSE*.



Finalist in the eighth 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). REE won the award the previous year.

Corporate reputation monitors



Included for the sixth year running among the Top 100 best-reputed corporates, ranking as follows: #26 in the *mercoEMPRESAS* ranking, #20 in the *mercoLÍDERES* ranking, #22 in the *mercoPersonas* ranking and #19 in the *Empresas Más Responsables* ranking.