



**RED**  
**ELÉCTRICA**  
CORPORACIÓN

# Financial results

## January - June 2012

Profit for the first half of 2012 totalled €225.1 million, down 1.4 on the same period of 2011. This figure takes into account the effects of Royal Decree Law (RDL) 20/2012, issued on 13 July.

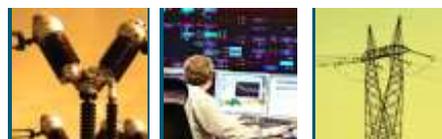
EBITDA was 7.7% higher year-on-year, at €655.2 million.

The Red Eléctrica Group invested a total of €285.0 million in the period, of which €272.4 was earmarked for development of the national transmission grid.

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27 July 2012



## 1. Red Eléctrica: Financial highlights

### Income statement

| (in thousands of euros)                  | January - June |         |        | April - June |         |        |
|--|----------------|---------|--------|--------------|---------|--------|
|  | 2012           | 2011    | Δ %    | 2012         | 2011    | Δ %    |
| Net revenue                              | 849,635        | 806,835 | 5.3    | 422,159      | 401,938 | 5.0    |
| Gross operating result (EBITDA)          | 655,222        | 608,266 | 7.7    | 315,082      | 300,274 | 4.9    |
| Net operating result (EBIT)              | 413,710        | 426,280 | (2.9)  | 171,149      | 204,529 | (16.3) |
| Profit before taxes                      | 320,837        | 356,683 | (10.0) | 119,157      | 171,949 | (30.7) |
| Results attributed to the parent company | 225,075        | 228,359 | (1.4)  | 84,957       | 98,812  | (14.0) |

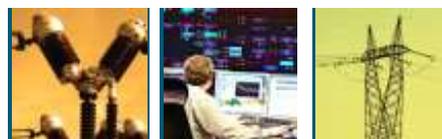
### Balance sheet

| (in thousands of euros) | June 2012 | December 2011 | Δ %   |
|-------------------------|-----------|---------------|-------|
| Non-current assets      | 8,304,001 | 8,332,849     | (0.3) |
| Equity                  | 1,833,787 | 1,813,547     | 1.1   |
| Net financial debt*     | 4,619,078 | 4,692,916     | (1.6) |

(\*) Including Exchange Rate Derivatives

### Other financial figures

| (in thousands of euros)              | January - June |         |        | April - June |         |        |
|--------------------------------------|----------------|---------|--------|--------------|---------|--------|
|                                      | 2012           | 2011    | Δ %    | 2012         | 2011    | Δ %    |
| After-tax cash flows from operations | 547,412        | 536,539 | 2.0    | 248,547      | 265,842 | (6.5)  |
| Investments                          | 284,975        | 351,841 | (19.0) | 140,917      | 193,677 | (27.2) |
| Dividends paid                       | 90,932         | 79,173  | 14.9   | -            | -       | -      |



## 2. Earnings performance

**Revenue** for the first half of 2012 amounted to €849.6 million, representing year-on-year growth of 5.3%. Transmission revenues in Spain reflect income related to assets commissioned in 2011 and the impact for the first half of 2012 of the measures enacted under RDL 20/2012 (issued on 13 July).

**EBITDA** totalled €655.2 million, up 7.7% on the previous year. EBITDA growth was driven by revenue performance, coupled with operating cost control:

- **Cost of supplies and other operating expenses** were 2.0% higher year-on-year.
- **Personnel expenses** narrowed 5.0%, due mainly to lower non-recurring severance payments with respect to the same period of the prior year.

At 30 June 2012 the **average headcount** at the Red Eléctrica Group was 1,780, up 0.7% on the year ago figure. Meanwhile, the **headcount at the June close** stood at 1,706, down 3.7% on the figure at December 2011, due to deconsolidation of TDE following its expropriation.

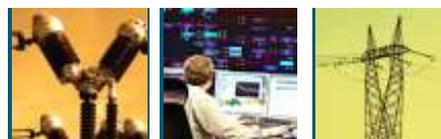
### Operating expenses

| (in thousands of euros)                   | January - June |                |              | April - June   |                |            |
|---|----------------|----------------|--------------|----------------|----------------|------------|
|   | 2012           | 2011           | Δ %          | 2012           | 2011           | Δ %        |
| Supply costs and other operating expenses | 142,751        | 139,959        | 2.0          | 81,679         | 77,886         | 4.9        |
| Personnel expenses                        | 64,687         | 68,072         | (5.0)        | 31,231         | 30,497         | 2.4        |
| <b>Operating expenses</b>                 | <b>207,438</b> | <b>208,031</b> | <b>(0.3)</b> | <b>112,910</b> | <b>108,383</b> | <b>4.2</b> |

**EBIT** decreased 2.9%, reflecting the 7.4% rise in amortisation and depreciation charges compared to the same period of 2011 and the impairment allowance of €46.4 million recorded in the period for fixed assets, upon application of conservative valuation criteria for certain auxiliary transmission assets.

**Net finance costs** were -€93.5 million, compared to a net cost of -€70.0 million for the first half of 2011. This figure takes into account the effect of the expropriation of TDE (-€13.3 million), including exchange differences previously recognised in equity.

Finally, **profit for the period** decreased 1.4% compared to the figure at 30 June 2011. The effective tax rate was 29.9%, compared to 36.0% in the prior period. As explained in previous releases, this higher tax rate for 2011 is the result of the assessment of the likely recovery of deferred taxes generated by the impairment of the Group's international investments.



### 3. Cash flow and balance sheet performance

#### Cash flow

| (in thousands of euros)   | January - June  |                  |               | April - June     |                 |              |
|---|-----------------|------------------|---------------|------------------|-----------------|--------------|
|   | 2012            | 2011             | Δ %           | 2012             | 2011            | Δ %          |
| Profit before tax   | 320,837         | 356,683          | (10.0)        | 119,157          | 171,949         | (30.7)       |
| Taxes paid on earnings  | (25,744)        | (3,780)          | -             | (25,744)         | (3,780)         | -            |
| Provision for amortization/depreciation of non-current assets           | 201,382         | 187,524          | 7.4           | 100,690          | 98,521          | 2.2          |
| Other adjustments   | 50,937          | (3,888)          | -             | 54,444           | (848)           | -            |
| <b>After-tax cash flows from operations</b>                             | <b>547,412</b>  | <b>536,539</b>   | <b>2.0</b>    | <b>248,547</b>   | <b>265,842</b>  | <b>(6.5)</b> |
| Changes in working capital and other non-current assets and liabilities | (93,383)        | 4,055            | -             | 74,858           | (30,204)        | -            |
| Investments   | (284,975)       | (351,841)        | (19.0)        | (140,917)        | (193,677)       | (27.2)       |
| <b>Free cash flow</b>   | <b>169,054</b>  | <b>188,753</b>   | <b>(10.4)</b> | <b>182,488</b>   | <b>41,961</b>   | <b>334.9</b> |
| Dividends paid  | (90,932)        | (79,173)         | 14.9          | -                | -               | -            |
| <b>Variation in net financial debt*</b>                                 | <b>(78,122)</b> | <b>(109,580)</b> | <b>(28.7)</b> | <b>(182,488)</b> | <b>(41,961)</b> | <b>-</b>     |

(\*) The difference with the change in Net Financial Debt shown on page 2 is due to items that don't involve cash movements.

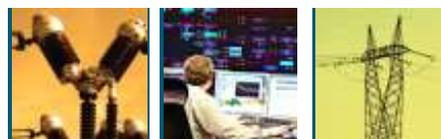
**After-tax cash flows from operations** were sufficient to finance the change in working capital, investments for the period, dividend payments and a reduction in net debt of €78.1 million.

Changes in **working capital and other non-current assets and liabilities** resulted in a cash outflow of €93.4 million in the first half of 2012, compared to cash inflow of €4 million in the same period of 2011. This variation is primarily because the 2011 figure included the positive effect of €56 million corresponding to recoverable VAT paid on the acquisition of assets.

The Group **invested** €285.0 million in the first half of 2012, down 19.0% on the same period of 2011. The bulk of this expenditure was earmarked for the development of the Spanish transmission grid (€272.4 million).

**Dividends paid** at 30 June 2012 amount to €90.9 million, up 14.9% on the interim dividend paid at 30 June 2011.

The Red Eléctrica Group's **net debt** at 30 June 2012 was €4,619.1 million, 1.6% lower than at the end of 2011.



## Net debt

| (in thousands of euros)            | National currency | Foreign currency | Total            |
|------------------------------------|-------------------|------------------|------------------|
| Cash and cash equivalents          | (142,698)         | (6,893)          | (149,591)        |
| Long-term debenture bonds          | 2,859,241         | -                | 2,859,241        |
| Long-term loans                    | 1,401,097         | 24,998           | 1,426,095        |
| Promissory notes and current loans | 474,664           | 8,669            | 483,333          |
| <b>Total net financial debt</b>    | <b>4,592,304</b>  | <b>26,774</b>    | <b>4,619,078</b> |

The debt structure has remained steady during the period, with non-current debt representing 97% of the total. Of the Group's net debt, 85% is fixed rate and 15% is floating rate.

The average cost of the Group's financial debt during the first half of the year was 3.74%, with an average balance of €4,841.7 million in the period. In the same period of 2011, the average cost of debt was 3.59% and the average debt balance was €4,749.8 million.

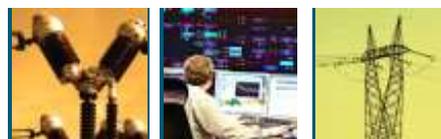
At 30 June 2012, the Red Eléctrica Group's **equity** totalled €1,833.8 million, marking growth of 1.1% on year-end 2011. This growth mainly reflects the earnings for the period, offset in part by recognition of the distribution of prior year's results approved at the Annual General Meeting.

## 4. Relevant events during the quarter

- **Royal Decree Law 20/2012** of 13 July modified remuneration for the transmission activity. According to **article 39** of the regulation, in the transmission activity, remuneration as investment shall be made for all unamortised assets in service, using their net value as the basis for remuneration. Application of this criteria results in a €45 million decrease in transmission remuneration for 2012.
- On 2 July 2012 the Group distributed €1.536 per share as the final gross **dividend payment** for 2011.
- In June 2012, the Group arranged a **€175 million loan** from the **European Investment Bank (EIB)** to finance the Spanish portion of the Spain-France electricity power link. The project will ensure enhanced security of supply in both the Spanish and French electricity networks. In addition, between May and July the Group also secured various long-term financing operations amounting to €450 million.
- In May 2012, the rating agency **Standard & Poor's** downgraded the short and long-term ratings for Red Eléctrica Corporación, S.A. and Red Eléctrica de España, S.A.U, from 'A+' and 'A-1' to 'A-' and 'A-2', respectively. Likewise, in June, **Moody's** lowered the A2 long-term rating held by Red Eléctrica de España and its subsidiaries to Baa2. These modifications reflect the lower country rating assigned to Spain. Based on its strong strategic position and solid financial profile, in both cases Red Eléctrica's rating is above Spain's sovereign rating.
- By virtue of Supreme Decree 1214, on 1 May 2012 the Bolivian government **nationalised the company Transportadora de Electricidad, S.A. (TDE)**. The compensation payable to Red Eléctrica for the nationalisation has yet to be determined. Red Eléctrica held a 99.94% interest in this company.
- **Annual General Meeting:** At the Annual General Meeting held on 19 April 2012, the shareholders approved the Red Eléctrica financial statements, the management performance of the Board of Directors, and distribution of a dividend of €2.2124 per share. The shareholders also approved the re-election and/or appointment of certain Company directors, including re-election of José Folgado Blanco as Executive Director. Following the Annual General Meeting, at their 26 April 2012 meeting,



the Board of Directors renewed the membership of the Audit Committee and the Corporate Governance and Responsibility Committee. Both committees are primarily comprised of independent directors, and the chairmen of both committees are independent directors.



## Red Eléctrica Group

## Consolidated income statement

| (in thousands of euros)   | 30/06/2012      | 30/06/2011      | 2012/2011      |
|---|-----------------|-----------------|----------------|
| Revenue   | 849,635         | 806,835         | 5.3%           |
| Own work capitalised  | 7,378           | 7,209           | 2.3%           |
| Supply costs  | (18,728)        | (15,388)        | 21.7%          |
| Other operating income  | 5,647           | 2,253           | -              |
| Personnel expenses  | (64,687)        | (68,072)        | (5.0%)         |
| Other operating expenses  | (124,023)       | (124,571)       | (0.4%)         |
| <b>EBITDA</b>   | <b>655,222</b>  | <b>608,266</b>  | <b>7.7%</b>    |
| Amortisation/depreciation of non-current assets                         | (201,382)       | (187,524)       | 7.4%           |
| Release of grants related to assets                                     | 6,208           | 5,537           | 12.1%          |
| Impairment of and gains/losses on fixed asset disposals                 | (46,338)        | 1               | -              |
| <b>Net operating profit</b>   | <b>413,710</b>  | <b>426,280</b>  | <b>(2.9%)</b>  |
| Finance income  | 5,536           | 5,587           | (0.9%)         |
| Finance costs   | (83,940)        | (73,099)        | 14.8%          |
| Exchange differences  | (1,174)         | 184             | -              |
| Impairment of and gains/losses on disposal of financial instruments     | (13,916)        | (2,622)         | -              |
| <b>Net finance expense</b>  | <b>(93,494)</b> | <b>(69,950)</b> | <b>33.7%</b>   |
| Results of companies accounted for using the equity method              | 621             | 353             | 75.9%          |
| <b>Profit before tax</b>  | <b>320,837</b>  | <b>356,683</b>  | <b>(10.0%)</b> |
| Income tax expense  | (95,822)        | (128,351)       | (25.3%)        |
| <b>Consolidated profit for the period</b>                               | <b>225,015</b>  | <b>228,332</b>  | <b>(1.5%)</b>  |
| <b>A) Consolidated profit attributable to the parent company</b>        | <b>225,075</b>  | <b>228,359</b>  | <b>(1.4%)</b>  |
| <b>B) Consolidated profit attributable to non-controlling interests</b> | <b>(60)</b>     | <b>(27)</b>     | <b>-</b>       |

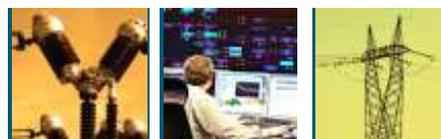


## Red Eléctrica Group

### Consolidated balance sheet

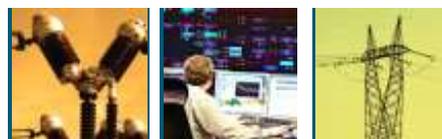
| ASSETS (in thousands of euros)                    | 30/06/2012       | 31/12/2011       |
|---|------------------|------------------|
| Intangible assets                                 | 11,626           | 4,830            |
| Property, plant and equipment                     | 8,060,801        | 8,068,413        |
| Investment properties                             | 2,627            | 2,695            |
| Investments accounted for using the equity method | 4,805            | 4,663            |
| Non-current financial assets                      | 98,707           | 91,904           |
| Deferred tax assets                               | 100,268          | 127,144          |
| Other non-current assets                          | 25,167           | 33,200           |
| <b>Non-current assets</b>                         | <b>8,304,001</b> | <b>8,332,849</b> |
| Inventories                                       | 59,497           | 44,378           |
| Trade and other receivables                       | 352,520          | 368,070          |
| Current financial assets                          | 1,501            | 837              |
| Cash and cash equivalents                         | 149,591          | 19,343           |
| <b>Current assets</b>                             | <b>563,109</b>   | <b>432,628</b>   |
| <b>Total assets</b>                               | <b>8,867,110</b> | <b>8,765,477</b> |

| LIABILITIES (in thousands of euros)              | 30/06/2012       | 31/12/2011       |
|--|------------------|------------------|
| Equity   | 1,842,716        | 1,820,185        |
| Share capital                                    | 270,540          | 270,540          |
| Reserves   | 1,369,456        | 1,208,913        |
| Treasury shares and own equity instruments (-)   | (22,355)         | (28,684)         |
| Profit attributable to the parent company        | 225,075          | 460,348          |
| Interim dividend                                 | -                | (90,932)         |
| Adjustments due to changes in value              | (11,998)         | (8,312)          |
| Non-controlling interests                        | 3,069            | 1,674            |
| <b>Equity</b>                                    | <b>1,833,787</b> | <b>1,813,547</b> |
| Government grants and other non-current advances | 405,701          | 400,894          |
| Non-current provisions                           | 60,130           | 67,426           |
| Non-current financial liabilities                | 4,336,743        | 3,831,476        |
| Deferred tax liabilities                         | 632,437          | 607,616          |
| Other non-current liabilities                    | 75,512           | 77,540           |
| <b>Non-current liabilities</b>                   | <b>5,510,523</b> | <b>4,984,952</b> |
| Current provisions                               | 9                | 1,948            |
| Current financial liabilities                    | 1,246,741        | 1,693,612        |
| Trade and other payables                         | 276,050          | 271,418          |
| <b>Current liabilities</b>                       | <b>1,522,800</b> | <b>1,966,978</b> |
| <b>Total equity and liabilities</b>              | <b>8,867,110</b> | <b>8,765,477</b> |



## Consolidated cash flow statement

| (in thousands of euros)                                      | 30/06/2012       | 30/06/2011       |
|--|------------------|------------------|
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>                   | <b>508,556</b>   | <b>590,946</b>   |
| Profit before tax  | 320,837          | 356,683          |
| Adjustments to profit  | 331,512          | 250,958          |
| Depreciation/amortization                                    | 201,382          | 187,524          |
| Other adjustments to results (net)                           | 130,130          | 63,434           |
| Changes in working capital                                   | (49,821)         | 14,431           |
| Other cash flows from operating activities                   | (93,972)         | (31,126)         |
| Interest paid  | (72,975)         | (33,123)         |
| Collection of dividends                                      | 5,114            | 5,040            |
| Collection of interest                                       | 1,024            | 1,101            |
| Corporate income tax received/(paid)                         | (25,744)         | (3,780)          |
| Other collections/(payments) on operating activities         | (1,391)          | (364)            |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>                   | <b>(346,441)</b> | <b>(419,160)</b> |
| Payments for investments                                     | (357,801)        | (431,285)        |
| Proceeds from disposals                                      | 344              | 384              |
| Other cash flows from investing activities                   | 11,016           | 11,741           |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                  | <b>(31,990)</b>  | <b>(157,988)</b> |
| Proceeds from/(payments for) equity instruments              | 6,816            | 12,003           |
| Acquisition  | (70,662)         | (85,515)         |
| Disposal   | 77,478           | 97,518           |
| Proceeds from/(payments on) financial liabilities            | 50,667           | (90,818)         |
| Issue and placements   | 941,807          | 1,164,345        |
| Redemption and write-off                                     | (891,140)        | (1,255,163)      |
| Dividend payments  | (90,932)         | (79,173)         |
| <b>Other cash flows from financing activities</b>            | <b>1,459</b>     | <b>-</b>         |
| <b>Effect of variations in exchange rates</b>                | <b>123</b>       | <b>(116)</b>     |
| <b>NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS</b> | <b>130,248</b>   | <b>13,682</b>    |
| <b>Cash and cash equivalents at beginning of period</b>      | <b>19,343</b>    | <b>18,286</b>    |
| <b>Cash and cash equivalents at end of period</b>            | <b>149,591</b>   | <b>31,968</b>    |



## Financial calendar Upcoming events

### Estimated dates

|                           |              |
|---------------------------|--------------|
| 9M12 results presentation | October 2012 |
|---------------------------|--------------|

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Red Eléctrica has the following credit ratings: A- by S&P and Baa2 by Moody's.



### Disclaimer

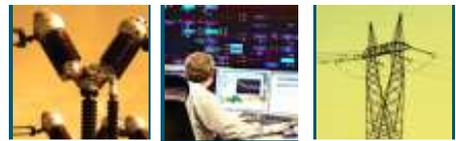
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## APPENDIX

### 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 utilities in this report.



FTSE4Good

Included in the FTSE4Good index since 2008. 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 in the Ethibel Excellence index since 2008.



Included in the Aspi Eurozone index since September 2011.



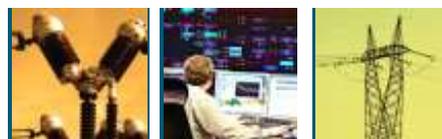
Included in the STOXX ESG index since September 2011.



Included in the Kempen SNS SRI index since 2004.



In 2011, Red Eléctrica joined the ECPI Ethical EMU Equity index.



## Investment banks



Accolades: Storebrand, the Scandinavian financial services company, rates Red Eléctrica as “Best in class”.



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 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



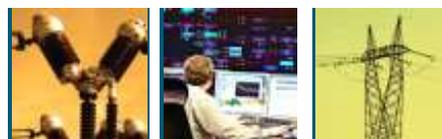
First place in the “Corporate Responsibility in IBEX 35 companies’ annual reports” study conducted by the Observatorio de Responsabilidad Social Corporativa for the sixth consecutive year.



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 seventh year running among the Top 100 best-reputed corporates, ranking as follows: #26 in the mercoEMPRESAS ranking, #55 in the mercoLÍDERES ranking, #22 in the mercoPersonas ranking and #24 in the *Empresas Más Responsables* ranking