



**RED**  
**ELÉCTRICA**  
CORPORACIÓN

# Financial results

## January - September 2011

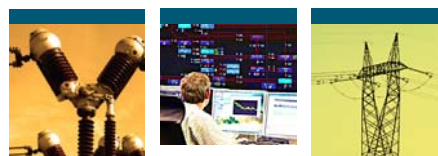
**Profit for the first nine months of 2011 rose 17.7% year-on-year to €332.9 million.**

**Total investment by the Red Eléctrica Group was €52.7 million, growth of 5.0% on the year-earlier figure.**

October, 28th of 2011

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## 1. Red Eléctrica: Financial Highlights (\*)

### Income Statement

(in thousands of euros)	January - September			July - September		
	2011	2010	Δ %	2011	2010	Δ %
Net Sales	1,217,179	979,174	24.3	410,344	329,078	24.7
Gross operating result (EBITDA)	902,926	691,136	30.6	294,660	218,794	34.7
Net operating result (EBIT)	627,525	492,101	27.5	201,245	151,650	32.7
Results before taxes	508,581	400,133	27.1	151,898	125,562	21.0
Results attributed to the parent company	332,948	282,783	17.7	104,589	88,296	18.5

### Balance Sheet

(in thousands of euros)	September 2011	December 2010	Δ %
Total non-current assets	8,040,323	7,808,573	3.0
Equity	1,783,497	1,624,554	9.8
Net financial debt (*)	4,740,642	4,756,601	(0.3)

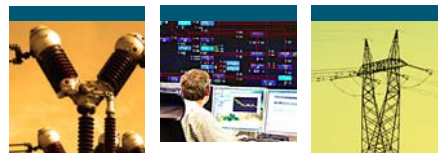
(\*) Includes exchange rate derivatives.

### Other financial figures

(in thousands of euros)	January - September			July - September		
	2011	2010	Δ %	2011	2010	Δ %
Operating cash flow after taxes	791,338	593,667	33.3	254,799	190,232	33.9
Investments	552,689	1,526,606	(63.8)	200,848	1,200,892	(83.3)
Dividends paid	252,792	198,777	27.2	173,619	129,761	33.8

(\*) In 2010, it includes an advanced payment for the acquisition of Endesa Distribucion S.L. transmission assets

**(\*) The 2011 financial statements consolidate the assets acquired from Endesa Distribución, S.L., Unión Fenosa Distribución, S.A.U. and Hidrocantábrico Distribución Eléctrica, S.A.U.**



## 2. Evolution of results

**Revenues** for the nine-month period amounted to €1,217.2 million, year-on-year growth of 24.3%, underpinned mainly by the transmission business. 60% of this growth is attributable to the consolidation of assets acquired during the second half of 2010, while the rest corresponds to remuneration for assets commissioned in the last year.

**EBITDA** totalled €902.9 million, marking growth of 30.6% on the year-earlier figure. EBITDA growth was driven by the revenue performance, coupled with cost control:

- **Cost of supplies and other operating expenses** were 4.0% higher year-on-year.
- **Personnel expenses** increased by 17.0% and include €8.9 million of non-recurring expenses for severance payments made in 2011. Stripping out non-recurring items from both periods, growth in this heading falls to 9.9%, driven by headcount growth and inflation trends.

In the nine months to September, the Red Eléctrica Group's **average headcount** was 1,772, year-on-year growth of 4.9%. The **final headcount**, meanwhile, stood at 1,780, up 1.0% on the year-end figure.

### Operating expenses

(in thousands of euros)	January-September			July-September		
	2011	2010	Δ %	2011	2010	Δ %
Supply costs and other operating expenses	231,318	222,512	4.0	91,359	90,759	0.7
Personnel expenses	96,806	82,748	17.0	28,734	26,660	7.8
<b>Operating expenses</b>	<b>328,124</b>	<b>305,260</b>	<b>7.5</b>	<b>120,093</b>	<b>117,419</b>	<b>2.3</b>

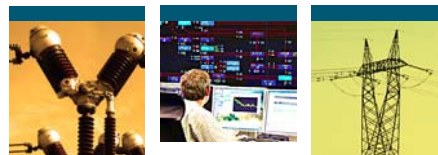
Depreciation and amortisation charges for the period rose 37.3% year-on-year, due to the larger transmission asset base following acquisitions and other assets brought into operation.

**EBIT** growth over 9M10 was 27.5%.

**Net finance expense** was 119.6 million, compared to a net expense of 92.7 million in 9M10. Finance income was €6.1 million and includes a €4.5 million dividend from Redes Energéticas Nacionais, SGPS (REN). Finance expense totalled €113.4 million, compared to €69.9 in the first nine months of 2010. The main factor driving this increase was the higher average debt balance, in turn triggered by the transmission asset acquisitions. In addition, the Group recognized an impairment of €12.5 million on Red Eléctrica's investment in REN.

The effective tax rate was 34.5%, which compares with 29.3% in 9M10. The higher tax rate is the result of a one-off accounting entry, namely a more conservative assessment of the likely recovery of deferred taxes generated by the impairment of the Group's international investments, as noted last quarter.

Lastly, **profit for the period** rose 17.7% year-on-year.



### 3. Cash flow and balance sheet

#### Cash flow

(in thousands of euros)	January - September			July - September		
	2011	2010	Δ %	2011	2010	Δ %
Results before taxes	508,581	400,133	27.1	151,898	125,562	21.0
Taxes paid on earnings	(3,780)	(36,016)	(89.5)	-	(4,652)	-
Provision for amortization of non-current assets	283,746	206,721	37.3	96,222	69,803	37.8
Other adjustments	2,791	22,829	-	6,679	(481)	-
<b>Operating cash flow after taxes</b>	<b>791,338</b>	<b>593,667</b>	<b>33.3</b>	<b>254,799</b>	<b>190,232</b>	<b>33.9</b>
Changes in working capital and other long-term assets and liabilities	28,965	(51,435)	-	24,910	(110,650)	-
Investments	(552,689)	(1,526,606)	-	(200,848)	(1,200,892)	-
<b>Free cash flow</b>	<b>267,614</b>	<b>(984,374)</b>	<b>-</b>	<b>78,861</b>	<b>(1,121,310)</b>	<b>-</b>
Dividends paid	(252,792)	(198,777)	27.2	(173,619)	(129,761)	33.8
<b>Variation in net financial debt</b>	<b>(14,822)</b>	<b>1,183,151</b>	<b>-</b>	<b>94,758</b>	<b>1,251,071</b>	<b>-</b>

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

**After-tax cash flow from operations** and changes in working capital enabled the company to finance its investments over the period, pay out a dividend and reduce debt by €14.8 million.

**Investments** carried out by the Group during the nine-month period totalled €552.7 million, year-on-year growth of 5.0%; this figure does not include €1,000 million of down-payments made in 9M10 for the acquisition of transmission assets. Development of the national transmission grid accounted for the bulk of capital expenditure during the period, reaching €539.4 million.

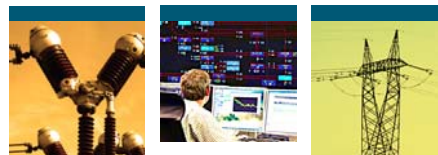
**Dividends paid** to 30 September 2011 totalled €252.8 million, 27.2% more than was paid out in 9M10.

The Group's **net debt** at 30 September 2011 stood at €4,740.6 million, slightly below the year-end 2010 figure.

#### Net financial debt

(in thousands of euros)	National currency	Foreign currency	Total
Cash and cash equivalents	(12,512)	(6,586)	(19,098)
Long-term debenture loans	2,602,760	-	2,602,760
Long-term credits	1,172,835	39,630	1,212,465
Promissory notes and short-term credits	936,674	7,841	944,515
<b>Total net financial debt</b>	<b>4,699,757</b>	<b>40,885</b>	<b>4,740,642</b>

78% of the Group's net debt carries fixed rates while the remaining 22% carries floating rates.



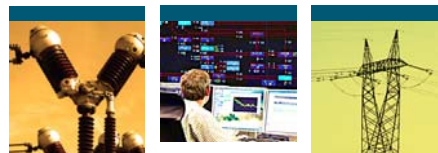
The Group's average cost of debt in the first nine months of 2011 was 3.64%, while the average debt balance was €4,756.8 million. In the same period in 2010, the average cost of debt was 3.29%, and the average debt balance €3,490.0 million

Elsewhere, at 30 September 2011, the Red Eléctrica Group's equity totalled €1,783.5 million, marking growth of 9.8% on year-end 2010, driven primarily by retained earnings during the nine-month period.

#### 4. Relevant events during the period

- **Credit rating:** Last 21 and 24 October, the credit rating agencies Standard & Poor's y Moody's issued its reports on Red Eléctrica's rating. Standard & Poor's reiterated its rating levels for Red Eléctrica Corporación, S.A. and its subsidiary Red Eléctrica España, S.A.U. (long term: AA-; short-term: A-1+), lowering its ratings outlook from stable to negative. Additionally, Moody's has also maintained its rating level for Red Eléctrica de España, S.A.U., A2 with negative outlook.
- **Financing:** As disclosed in conjunction with the 1H11 release, on 14 July 2011 Red Eléctrica de España S.A.U. closed a €600 million 5-year credit line which will be used to refinance an existing syndicated loan due July 2012.
- **Business excellence:** Red Eléctrica has obtained the award on business excellence in the category of "assuming responsibility for a sustainable future" granted by the European Foundation for Quality Management (EFQM). This Foundation has also underlined Red Eléctrica's management in the categories of "the accomplishment of balanced results" and "to increase value for clients" as "good practice".

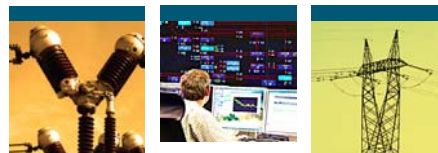
These awards, the most important European excellence indicator in the company, are granted to the best European companies in the adoption of managing business practices.



## Red Eléctrica Group

## Consolidated Income Statement

(in thousands of euros)	09/30/2011	09/30/2010	2011/2010
Net Sales	1,217,179	979,174	24.3%
Self constructed assets	11,014	10,082	9.2%
Supply costs	(26,264)	(32,510)	(19.2%)
Other operating income	2,857	7,140	(60.0%)
Staff costs	(96,806)	(82,748)	17.0%
Other operating expenses	(205,054)	(190,002)	7.9%
<b>Gross operating profit</b>	<b>902,926</b>	<b>691,136</b>	<b>30.6%</b>
Amortisation/depreciation of non-current assets	(283,746)	(206,721)	37.3%
Charges from subsidies on non-financial fixed assets	8,356	7,651	9.2%
Impairments and the effect of disposal of fixed assets	(11)	35	-
<b>Net operating profit</b>	<b>627,525</b>	<b>492,101</b>	<b>27.5%</b>
Financial income	6,130	4,764	28.7%
Financial expenses	(113,430)	(69,878)	62.3%
Exchange differences	189	131	44.3%
Net asset impairment profit/(loss)	(12,474)	(27,751)	-
<b>Financial results</b>	<b>(119,585)</b>	<b>(92,734)</b>	<b>29.0%</b>
Share of profit of associates accounted for using the equity method	641	766	(16.3%)
<b>Profit before tax</b>	<b>508,581</b>	<b>400,133</b>	<b>27.1%</b>
Income tax expense	(175,678)	(117,367)	49.7%
<b>Consolidated results for the period</b>	<b>332,903</b>	<b>282,766</b>	<b>17.7%</b>
<b>A) Consolidated results attributable to the dominant company</b>	<b>332,948</b>	<b>282,783</b>	<b>17.7%</b>
<b>B) Consolidated results attributable to the minority interests</b>	<b>(45)</b>	<b>(17)</b>	<b>-</b>



## Red Eléctrica Group

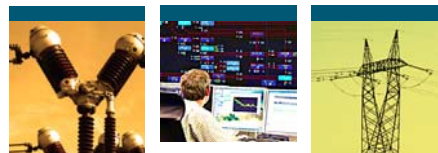
**Consolidated Balance Sheet**

Assets (in thousands of euros)	09/30/2011	12/31/2010
Non-current assets	8,040,323	7,808,573
Current assets	422,759	475,325
<b>Total assets</b>	<b>8,463,082</b>	<b>8,283,898</b>

Liabilities (in thousands of euros)	09/30/2011	12/31/2010
Net equity	1,783,497	1,624,554
Non-current liabilities	4,839,814	4,592,520
Current liabilities	1,839,771	2,066,824
<b>Total liabilities</b>	<b>8,463,082</b>	<b>8,283,898</b>

**Consolidated Cash Flow Statement**

(in thousands of euros)	09/30/2011	09/30/2010
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>877,920</b>	<b>716,574</b>
Results before taxes	508,581	400,133
Adjustment to the results	393,647	295,106
Changes in current capital	56,179	127,989
Other cash flows from operations	(80,487)	(106,654)
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>	<b>(612,963)</b>	<b>(1,681,409)</b>
Payments for investments	(629,690)	(1,699,392)
Collections from divestments	474	850
Other collections/(payments) from investment activities	16,253	17,133
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>(264,494)</b>	<b>969,249</b>
Collections/(payments) from equity instruments	(2,772)	(12,830)
Collections/(payments) from financial liability instruments	(8,930)	1,180,856
Dividend payments	(252,792)	(198,777)
Effect of variations in exchange rates	349	381
<b>NET INCREASE / (DECREASE) IN CASH AND EQUIVALENT</b>	<b>812</b>	<b>4.795</b>
<b>Cash and equivalent at the beginning of the period</b>	<b>18.286</b>	<b>14.068</b>
<b>Cash and equivalent at the close of the period</b>	<b>19.098</b>	<b>18.863</b>



## Financial calendar

### Upcoming events

### Estimated dates

2011 results

February 2012

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](mailto:relacioninversores@ree.es)

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



### Disclaimer

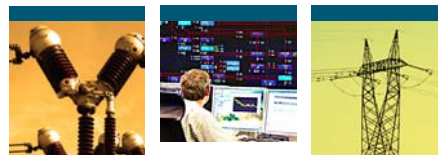
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## ANNEX I

### Social Responsibility

### Sustainability Index and rating agencies



Red Eléctrica again features on the DJSI World Index for the sixth year running, with a score of 76 out of 100 points, bringing it to the verge of global leadership of its sector with 86 points.



*Honourable mention: SAM Bronze in the 2011 Sustainability Yearbook in acknowledgement of the best behaviours in corporate responsibility and sustainability.*



REE has been on the FTSE4Good Index for multinationals with major commitments to corporate responsibility since 2008, with an overall score of 4.5 out of a maximum of 5, according to the revision of last September.



Included in the new FTSE4Good IBEX index, the first CR index in Spain launched in April 2008.



The company obtains the “B Prime” classification due its efforts in the social and environmental areas.



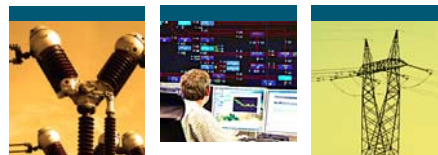
Selected for inclusion on the Ethibel Excellence index, one of Europe's benchmark indices for socially responsible investment, since 2008.



Inclusion on the Aspi Eurozone Index in September 2011, because of its good outperform in the following areas: environmental, human rights, human resources, commitment with the community, entrepreneur behaviour and corporate governance.



Inclusion on the STOXX Index since last September 2011 after the analysis of the management of the company in the environmental, social and corporate governance areas.



Inclusion on the ECPI Ethical Index Euro 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.



Investment bank Goldman Sachs places REE among the top seven utility companies in the world in terms of returns on capital, positioning, and environmental, social and corporate governance practices.



Triodos Bank has chosen Red Eléctrica for its asset investment universe. It leads the ranking in a comparative analysis of the sustainability ratings of thirteen European utility companies (electricity).

## Corporate Responsibility certifications



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



Red Eléctrica's management system of corporate responsibility is certifies under the SA8000 since 2005.

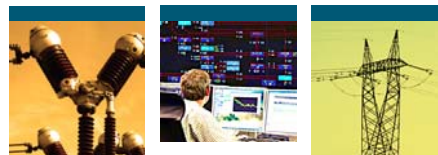


It also obtained a Family-Friendly Company certificate from the MásFamilia foundation, in recognition of its initiatives promoting life-work balance and equality since 2009.

## 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 fifth consecutive year.



For the fourth consecutive year, it leads the ranking in the "Culture, policies and responsible practices among IBEX 35 companies" survey conducted by the Observatorio RSE.



Asociación Española de Contabilidad  
y Administración de Empresas

Finalist in the eighth "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 y Administración de Empresas (AECA). REE won the award the previous year.

## Corporate Reputation monitors



Included, for the sixth consecutive year, in the ranking of the top 100 companies with the best reputation in the mercoEMPRESAS survey. It was placed 26th, and also took 20th place in the mercoLIDERES survey. It is placed 19<sup>th</sup> in the most responsible companies ranking.