



RED
ELÉCTRICA
CORPORACIÓN

Financial Results

January - June 2011

Profit for the first half of 2011 totaled €228.4 million, an increase of 17.4% on the same period in 2010.

Total investment by the Red Eléctrica Group was €351.8 million, 8.0% more than during the same period the previous year.

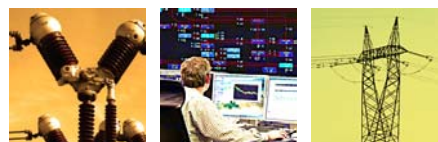
Red Eléctrica has taken out a new €600 million credit facility to strengthen the Group's sound liquidity and cover the refinancing of its current syndicated loan falling due in July 2012.

28 July 2011

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These condensed consolidated interim financial statements have been submitted for a limited auditors' review. Information is presented in accordance with International Financial Reporting Standards (IFRS).



1. Red Eléctrica: Financial highlights (*)

Income statement

(in thousands of euros)	January - June			April - June		
	2011	2010	Δ %	2011	2010	Δ %
Net Sales	806,835	650,096	24.1	401,938	330,230	21.7
Gross operating profit (EBITDA)	608,266	472,342	28.8	300,274	236,485	27.0
Net operating profit (EBIT)	426,280	340,451	25.2	204,529	170,456	20.0
Profit before taxes	356,683	274,571	29.9	171,949	125,897	36.6
Profit attributed to the parent company	228,359	194,487	17.4	98,812	89,878	9.9

Balance sheet

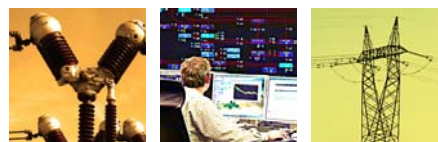
(in thousands of euros)	June 2011	December 2010	Δ %
Total non-current assets	7,937,321	7,808,573	1.6
Equity	1,702,394	1,624,554	4.8
Net financial debt (*)	4,642,206	4,756,601	(2.4)

(*) Includes exchange rate derivatives.

Other financial figures

(in thousands of euros)	January - June			April - June		
	2011	2010	Δ %	2011	2010	Δ %
Cash flow from operations	536,539	403,435	33.0	265,842	189,660	40.2
Capital expenditures	351,841	325,714	8.0	193,677	218,001	(11.2)
Dividends paid	79,173	69,016	14.7	-	-	-

(*) The financial statements for the first half of 2011 include the assets acquired from Endesa Distribución, S.L., Unión Fenosa Distribución, S.A.U. and Hidrocantábrico Distribución Eléctrica, S.A.U.



2. Earnings performance

The **Group reported Revenue** of €806.8 million in the first half of 2011, up 24.1% thanks to a larger contribution from transmission business. 62% of the increase was accounted for by the assets acquired during the latter half of 2010, and the remainder by the contribution of assets commissioned in the previous year.

EBITDA totalled €608.3 million, up 28.8% on the previous year. This improvement was driven by higher revenue and:

- The 6.2% rise in **the Cost of supplies and other operating expenses** with respect to the previous year.
- **Personnel expenses** increased by 21.4% and include €8.9 million in extraordinary expenses for severance payments made in 2011. Stripping out the extraordinary effects in both years, growth in this item would be 10.1%, mainly due to the increase in the size of the average workforce and CPI trends.

The **average workforce** at the Red Eléctrica Group at 30 June 2011 was 1,767 employees, an increase of 4.6% with respect to the same period in 2010. The **total number of employees** was 1,772, 0.5% higher than at December 2010.

Operating expenses

(in thousands of euros)	January - June			April - June		
	2011	2010	Δ %	2011	2010	Δ %
Supply cost and other operating expenses*	139,959	131,753	6.2	77,886	72,216	7.9
Staff costs	68,072	56,088	21.4	30,497	27,234	12.0
Operating expenses	208,031	187,841	10.7	108,383	99,450	9.0

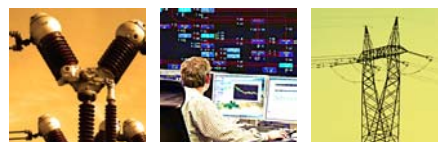
Depreciation and amortisation charges for the period rose by 37.0% compared to the first half of 2010, mainly due to the larger transmission asset base following acquisitions and other assets brought into operation.

EBIT increased by 25.2% with respect to the same period in 2010.

Financial results showed an overall expense of -€70 million compared to -€66.4 million posted in the first half of 2010. Financial revenues stood at €XX million, and include the €4.5 million dividend distributed by Redes Energéticas Nacionais, SGPS (REN). Financial expense totalled €73.1 million, compared to €42.8 million in the first half of 2010. An increase in the average cost of financial debt caused by acquisition of transmission assets was the main reason for the greater outlay. Red Eléctrica also recognised an impairment provision of €2.7 million during the first half of 2011 on its stake in REN.

The effective tax rate was 36.0%, compared to 29.2% in the first half of 2010. The non-recurring rate increase was mainly due to the more conservative appraisal with respect to recovery of the prepaid tax generated by impairment of the Group's international holdings.

Finally, **Profit for the period** increased by 17.4% year-on-year.



3. Cash flow and balance sheet performance

Cash flow

(in thousands of euros)	January - June			April - June		
	2011	2010	Δ %	2011	2010	Δ %
Profit before taxes	356,683	274,571	29.9	171,949	125,897	36.6
Income taxes paid	(3,780)	(31,364)	(87.9)	(3,780)	(31,364)	(87.9)
Amortization & depreciation of non-current assets	187,524	136,918	37.0	98,521	68,588	43.6
Other adjustments	(3,888)	23,310	-	(848)	26,539	-
Cash flow from operations after tax	536,539	403,435	33.0	265,842	189,660	40.2
Changes in working capital and other long-term assets and liabilities	4,055	59,215	-	(30,204)	267,604	(111.3)
Capital expenditures	(351,841)	(325,714)	8.0	(193,677)	(218,001)	(11.2)
Free cash flow	188,753	136,936	37.8	41,961	239,263	(82.5)
Dividends paid	(79,173)	(69,016)	14.7	-	-	-
Change in net financial debt	(109,580)	(67,920)	-	(41,961)	(239,263)	(82.5)

(*) The difference emerging from the change in Net financial debt on page 2 corresponds to items causing no movements in the cash position.

Operating cash flow after taxes and changes in working capital have enabled the company to finance its investments over the period, pay out a dividend and reduce financial debt by €109.6 million .

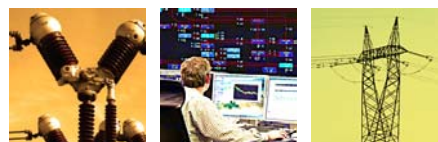
Investments carried out by the Group in the first half of 2011 totalled €351.8 million, an increase of 8.0% on those carried out during the same period in 2010. A large part of the investment made during the period was earmarked for the national transmission grid (€345.1 million)..

Dividends paid at 30 June 2011 totalled €79.2 million, an increase of 14.7% on the interim dividend paid out during the same period in 2010.

The Red Eléctrica Group **had Net financial debt** of €4,642.2 million at 30 June 2011, down 2.4% compared to year-end 2010.

Net financial debt

(in thousands of euros)	National currency	Foreign currency	Total
Cash and cash equivalents	(26,498)	(5,470)	(31,968)
Long-term debenture loans	2,602,319	-	2,602,319
Long-term credits	1,977,669	37,153	2,014,822
Promissory notes and short-term credits	49,707	7,326	57,033
Total net financial debt	4,603,197	39,009	4,642,206



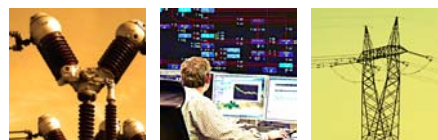
81% of the Group's net debt is fixed rate, whereas the remaining 19% is floating rate.

The average cost of the Group's financial debt during the first half of 2011 was 3.59%, with an average balance of €4,749.8 million. In the same period in 2010, the average cost of debt was 3.29%, and the average balance €3,266.7 million.

At 30 June 2011, the Red Eléctrica Group's **Equity** stood at €1,702.4 million, representing a 4.8% increase with respect to the 2010 year end. The increase was mainly due to the earnings obtained during the first six months of the year, the reduction in treasury shares and an increase in the valuation of hedging operations, partially offset by the accounting of the distribution of profits for the year approved at the General Shareholders' Meeting in April 2011.

4. Relevant events during the first half of the year

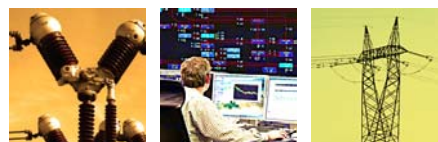
- **General Shareholders' Meeting:** The General Shareholders' Meeting held on 13 April approved the Annual Financial Statements of Red Eléctrica, its management by the Board of Directors, and the distribution of a dividend of €1.8751 per share, equivalent to the distribution of 65% of EPS.
- **Payment of dividends:** A dividend of €1.2869 per share was paid on 1 July as a gross final additional against 2010 earnings.
- **New line of credit:** On 14 July Red Eléctrica took out a new 5-year €600 million credit facility to strengthen the Group's sound liquidity position and cover the refinancing of its current syndicated loan falling due in July 2012.



Red Eléctrica Group

Consolidated income statement

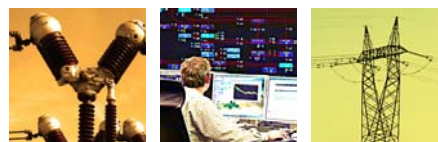
(in thousands of euros)	30/06/2011	30/06/2010	2011/2010
Net sales	806,835	650,096	24.1%
Self constructed assets	7,209	7,197	0.2%
Supply costs	(15,388)	(20,664)	(25.5%)
Other operating income	2,253	2,890	(22.0%)
Staff costs	(68,072)	(56,088)	21.4%
Other operating expenses	(124,571)	(111,089)	12.1%
Gross operating profit	608,266	472,342	28.8%
Amortisation/depreciation of non-current assets	(187,524)	(136,918)	37.0%
Charges from subsidies on non-financial fixed assets	5,537	4,991	10.9%
Impairments and the effect of disposal of fixed assets	1	36	(97.2%)
Net operating profit	426,280	340,451	25.2%
Financial income	5,587	4,646	20.3%
Financial expenses	(73,099)	(42,830)	70.7%
Exchange differences	184	(405)	(145.4%)
Net asset impairment profit/(loss)	(2,622)	(27,799)	-
Financial results	(69,950)	(66,388)	5.4%
Share of profit of associates accounted for using the equity method	353	508	(30.5%)
Profit before tax	356,683	274,571	29.9%
Income tax expense	(128,351)	(80,083)	60.3%
Consolidated results for the period	228,332	194,488	17.4%
A) Consolidated results attributable to the dominant company	228,359	194,487	17.4%
B) Consolidated results attributable to the minority interests	(27)	1	-



Red Eléctrica Group Consolidated balance sheet

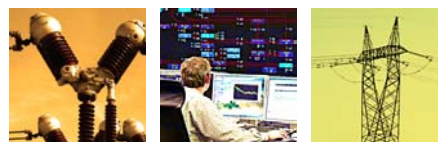
ASSETS (in thousands of euros)	30/06/2011	31/12/2010
Intangible assets	2,368	2,943
Tangible fixed assets	7,769,180	7,607,912
Property, plant and equipment	2,111	2,126
Investments accounted for by the equity method	3,974	5,757
Non-current financial assets	71,076	78,969
Deferred tax assets	47,226	61,384
Other non-current assets	41,386	49,482
Total non-current assets	7,937,321	7,808,573
Non-current assets available for sale	601	601
Inventories	56,904	43,788
Trade and other receivables	461,496	412,464
Current financial assets	876	186
Cash and cash equivalent	31,968	18,286
Total current assets	551,845	475,325
Total assets	8,489,166	8,283,898

LIABILITIES (in thousands of euros)	30/06/2011	31/12/2010
Equity	1,696,102	1,629,666
Share capital	270,540	270,540
Other reserves	1,211,732	1,071,446
Treasury shares (-)	(14,529)	(23,297)
Results attributable to the dominant company	228,359	390,150
Interim dividend	0	(79,173)
Valuation adjustments	4,727	(6,837)
Minority interests	1,565	1,725
Equity	1,702,394	1,624,554
Subsidies and other non-current advance collections	374,963	368,761
Provisions	79,087	75,752
Other financial liabilities	4,594,786	3,727,980
Deferred tax liabilities	399,930	338,426
Other non-current liabilities	79,573	81,601
Total non-current liabilities	5,528,339	4,592,520
Provisions	1,841	1,864
Current financial liabilities	931,739	1,839,677
Trade and other payables	324,853	225,283
Current liabilities	1,258,433	2,066,824
Total liabilities	8,489,166	8,283,898



Consolidated cash flow statement

(in thousands of euros)	30/06/2011	30/06/2010
CASH FLOWS FROM OPERATING ACTIVITIES	590,946	621,223
Profit before tax	356,683	274,571
Adjustments to results	250,958	198,515
Amortisation & depreciation of non-current assets	187,524	136,918
Other adjustments to the results (net)	63,434	61,597
Changes to current capital	14,431	198,861
Other cash flows from operations	(31,126)	(50,724)
Interest payments	(33,123)	(23,903)
Collection of dividends	5,040	4,891
Collection of interest	1,101	187
Collections/(payments) of income taxes	(3,780)	(31,364)
Other collections/(payments) from operations	(364)	(535)
CASH FLOWS FROM INVESTING ACTIVITIES	(419,160)	(462,915)
Payments for investments	(431,285)	(471,822)
Collections on divestments	384	416
Other cash flows in relation to investing activities	11,741	8,491
CASH FLOWS FROM FINANCING ACTIVITIES	(157,988)	(40,070)
Payments received/(made) on equity instruments	12,003	(22,575)
Acquisition	(85,515)	(75,002)
Disposal	97,518	52,427
Payments received/(made) on financial liabilities	(90,818)	51,521
Issue and disposal	1,164,345	708,389
Return and amortisation	(1,255,163)	(656,868)
Dividends paid	(79,173)	(69,016)
Effect of changes in exchange rates	(116)	1,203
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	13,682	119,441
Cash and cash equivalents at the beginning of the period	18,286	14,068
Cash and cash equivalents at the end of the period	31,968	133,509



Financial calendar Forthcoming events

Estimated dates

Presentation of results - first nine months of 2011	October 2011
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Red Eléctrica has been rated AA- by S&P and A2 by Moody's.



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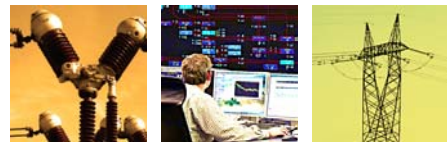
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APPENDIX

Corporate responsibility

Sustainability indexes and rating agencies



Red Eléctrica again features on the DJSI World Index for the fifth year running, with a score of 73 out of 100 points, bringing it to the verge of global leadership of its sector with 84 points.



Recognition: 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.



It has been on the FTSE4Good IBEX since it was launched in 2008.



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



REE has been on the Ethibel Excellence index, a benchmark European index for socially responsible investment, since 2008.



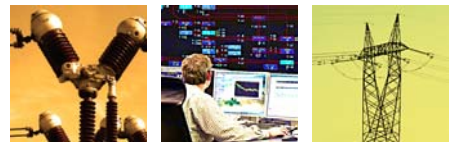
It also forms part of the ECPI Ethical Index Global and ECPI Ethical Index EMU in view of its responsible practices in relation to environmental and social issues and corporate governance.



The Scandinavian financial services company Storebrand rates Red Eléctrica as "Best in Class" due to its remarkable efforts targeting social and environmental issues.



Selected by the investment bank Goldman Sachs as one of the world's top utility companies since 2008. Leader in quality management and returns on capital in 2009.



Triodos Bank

Triodos Bank has chosen Red Eléctrica for its asset investment universe. It leads the ranking ahead of companies such as EDP, Terna, Iberdrola, Enel and EDF 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.



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



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

Corporate responsibility monitors



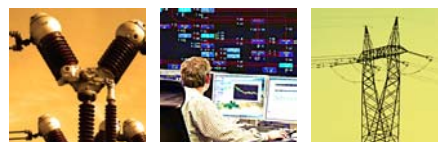
Ranked first in the "Corporate Responsibility in IBEX 35 companies' annual reports" survey conducted by the Observatorio de Responsabilidad Social Corporativa for the fifth consecutive year.



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.



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 45th, and also took 20th place in the mercoLIDERES survey.