

RED
ELÉCTRICA
CORPORACIÓN

Financial results

January - December 2012

Full-year profit and EBITDA in 2012 totalled €492.3 million and €1,299.2 million, respectively, up 7% year on year. This year's results were affected by the regulatory changes enacted during the year: Royal Decree-Law 12/2012 introducing tax changes, and Royal Decree-Laws 13/2012 and 20/2012 introducing changes to the electricity system.

Total investment was €705.8 million of which €671.6 million was earmarked for developing the national transmission grid.

The company will propose a 2012 dividend of €2.3651 per share at its General Shareholders' Meeting, which represents a pay-out ratio of 65%.

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27 February 2013



1. Red Eléctrica: Financial highlights

Income statement

(in thousands of euros)	January - December			October - December		
	2012	2011	Δ %	2012	2011	Δ %
Net revenue	1,755,256	1,637,336	7.2	475,827	420,157	13.2
Gross operating result (EBITDA)	1,299,150	1,215,220	6.9	341,932	312,294	9.5
Net operating result (EBIT)	859,888	843,807	1.9	241,085	216,282	11.5
Profit before taxes	680,514	683,675	(0.5)	197,756	175,094	12.9
Results attributed to the parent company	492,288	460,348	6.9	154,346	127,400	21.2

Balance sheet

(in thousands of euros)	December 2012	December 2011	Δ %
Total non-current assets	8,487,685	8,332,849	1.9
Equity	1,991,545	1,813,547	9.8
Net financial debt (*)	4,872,546	4,692,916	3.8

(*) Includes exchange rate derivatives.

Other financial figures

(in thousands of euros)	January - December			October - December		
	2012	2011	Δ %	2012	2011	Δ %
Operating cash flow after taxes	1,022,340	1,052,600	(2.9)	214,061	261,262	(18.1)
Investments	705,838	844,258	(16.4)	266,996	291,569	(8.4)
Dividends paid	297,677	252,792	17.8	-	-	-



2. Earnings performance

Revenue for 2012 amounted to €1,755.3 million, which represented year-on-year growth of 7.2%. This increase is due mainly to revenues relating to assets commissioned in 2011, €45 million of which was partly offset by the impact of the measures enacted under Royal Decree-Law 20/2012 of 13 July and the deconsolidation of TDE following its expropriation. The 13.2% year-on-year rise in revenue in the fourth quarter reflects the growth in revenue from construction of the electricity line concession in Peru amounting to €17 million.

EBITDA totalled €1,299.2 million, up 6.9% on the previous year. EBITDA growth was driven by revenue performance, coupled with operating cost control:

- **Supply costs and other operating expenses** up 11.8% in 2012 and rose 24% in fourth quarter compared to the same period of the previous year, primarily due to the inclusion of costs associated with the aforementioned construction of an electricity line in Peru.
- **Personnel expenses** grew 0.2% mainly because of lower non-recurring indemnity expenses this year compared to the previous year and the smaller headcount as a result of the expropriation of TDE.

The Red Eléctrica Group's **average headcount** at 31 December 2012 stood at 1,739, down 2.1% compared to the same period in 2011. The **headcount at the December close** stood at 1,701, a decrease of 5.5% compared to 31 December 2011 due to the expropriation of TDE.

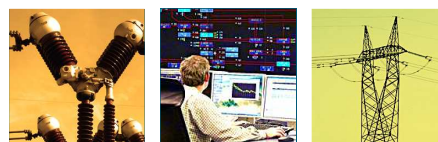
Operating expenses

(in thousands of euros)	January - December			October - December		
	2012	2011	Δ %	2012	2011	Δ %
Supply costs and other operating expenses	359,452	321,390	11.8	111,732	90,072	24.0
Personnel expenses	129,148	128,846	0.2	34,356	32,040	7.2
Operating expenses	488,600	450,236	8.5	146,088	122,112	19.6

EBIT growth was 1.9%, less than EBITDA growth due to the recognition of a charge for impairment of property, plant and equipment of €46.4 million based on the prudent valuation of certain auxiliary transport assets recognised in the second quarter. Depreciation and amortisation charges rose 6.0% compared to 2011.

Net finance expense was -€180.7 million, compared to a net expense of -€161.1 million in 2011. As disclosed in previous releases, this figure takes into account the effect of the expropriation of TDE (-€13.3 million), including exchange differences previously recognised in equity, and the €2.7 million lower market value of the stake in REN-Redes Energéticas Nacionales, SGPS. Both these effects were recognised in previous quarters.

And finally, **full-year profit** grew 6.9% year on year. The effective tax rate was 27.7% vs. 32.7% the previous year. As explained in preceding 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, which were partially reversed this year.



3. Cash flow and balance sheet performance

Cash flow

(in thousands of euros)	January - December			October - December		
	2012	2011	Δ %	2012	2011	Δ %
Profit before taxes	680,514	683,675	(0.5)	197,756	175,094	12.9
Taxes paid on earnings	(109,051)	(3,892)	-	(82,861)	(112)	-
Provision for amortisation/depreciation of non-current assets	405,496	382,681	6.0	104,041	98,935	5.2
Other adjustments	45,381	(9,864)	-	(4,875)	(12,655)	(61.5)
Operating cash flow after taxes	1,022,340	1,052,600	(2.9)	214,061	261,262	(18.1)
Changes in working capital and other non-current assets and liabilities	(220,733)	109,549	-	137,332	80,584	70.4
Investments	(705,838)	(844,258)	(16.4)	(266,996)	(291,569)	(8.4)
Free cash flow	95,769	317,891	(69.9)	84,397	50,277	67.9
Dividends paid	(297,677)	(252,792)	17.8	-	-	-
Variation in net financial debt (*)	201,908	(65,099)	-	(84,397)	(50,277)	-

(*) The difference with the variation in Net Financial Debt on page 2 relates to items entailing no movements in cash.

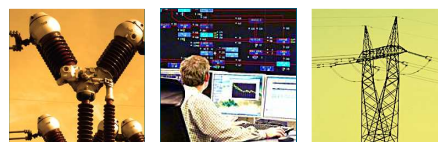
After-tax cash flow from operations of €1,022.3 million is down 2.9% on the 2011 figure due to the higher tax payment arising as a result of Royal Decree-Law 12/2012 eliminating the fiscal benefit of the accelerated depreciation on new investments. This cash flow and the rise in financial debt of €201.9 million enabled the company to finance its investments over the period, to pay out a dividend, and to assume the decrease in working capital.

The reduction in funds from working capital is primarily explained by the enactment of Royal Decree-Law 13/2012 establishing that revenues from assets commissioned in 2011 must be collected in 2013.

Group **investments** in 2012 totalled €705.8 million, down 16.4% on 2011. The bulk of this expenditure was earmarked for the development of the Spanish transmission grid (€671.6 million).

Dividends paid during 2012 totalled €297.7 million, 17.8% more than in 2011.

Lastly, the Red Eléctrica Group's **net debt** at 31 December 2012 was €4,872.5 million, up 3.8% on the figure at year-end 2011.



Net debt

(in thousands of euros)	National currency	Foreign currency	Total
Cash and cash equivalents	(36,962)	(3,352)	(40,314)
Long-term debenture bonds (*)	3,011,579	-	3,011,579
Long-term loans	1,783,902	27,823	1,811,725
Promissory notes and current loans	78,922	10,634	89,556
Total net financial debt	4,837,441	35,105	4,872,546

(*) Includes €800 million falling due in 2013.

The debt structure has remained steady during the period, with non-current debt representing 98% of the total. Of the Group's net debt, 87% is fixed rate and 13% is floating rate.

The average cost of the Group's debt in 2012 was 3.81% compared to 3.66% in 2011, while the average debt balance was €4,890.5 million, 2.8% higher than the average debt balance of €4,759.2 million in 2011.

Further, the Red Eléctrica Group's **equity** totalled €1,991.5 million, up 9.8% compared to year-end 2011. This increase is due mainly to earnings for the period, offset by the corresponding dividend payment.

4. Relevant events

- The Electricity Tariff Order of 14 February 2013 establishes €1627.6 million transmission revenues for Red Eléctrica in 2013.
- Royal Decree-Law 2/2013 of 1 February 2013 establishes that the remuneration of the different activities in the electricity sector which was previously linked to the general Consumer Price Index (CPI) will be linked to the CPI at constant tax rates, excluding unprocessed foods and energy products with effect from 1 January 2013. This change will mainly affect transmission assets commissioned before 2008.
- Pursuant to the investment plan drawn up by the company, Red Eléctrica brought on stream approximately 860 kilometres of new circuits, 4,830 MVA of new transformer capacity, and 188 new positions during 2012. 23 new substations were added to the Spanish electricity system during the year. Remuneration and the maintenance costs and depreciation charges associated with these new assets will be recognised under the group's revenues in 2013, although collections will not be made until 2014 in accordance with Royal Decree-Law 13/2012.
- On 11 January, Red Eléctrica Corporación, S.A., through its subsidiary Red Eléctrica Finanzaciones, S.A.U., issued a €400 million nine-year bond with a coupon of 3.875%. This transaction strengthens Red Eléctrica's liquidity positions, allowing the group to cover its financing requirements for the coming years.
- Ministerial Order IET 18/2013 was approved on 17 January furnishing the Directorate General of Energy Policy and Mines with the power to authorise certain transmission grid facilities that urgently need to be brought on stream and are considered essential to ensuring supply security. These new facilities, along with the projects already commissioned by the company in previous years, bring average annual investments in the development of new facilities to approximately €600 million.
- In October, the company was ranked as the best company in sustainable and socially responsible policies in the Utilities sector, according to the FTSE4Good global index (Financial Times and London Stock Exchange). Red Eléctrica is therefore at the top of the world ranking of companies with the best practices in three areas: environmental sustainability, development of strong relations with stakeholders and the defence and support of universal human rights. The FTSE4Good index is one



of the most prestigious indices in the world for investors who recognise that long-term investments in socially-responsible practices generate lasting benefits and increase value for shareholders.

- The Board of Directors resolved to propose to the shareholders at their Annual General Meeting the distribution of a dividend for 2012 of €2.3651 per share, €0.6764 of which was paid out as an interim dividend on 2 January.



Red Eléctrica Group

Consolidated income statement

(in thousands of euros)	31/12/2012	31/12/2011	2012/2011
Revenue	1,755,256	1,637,336	7.2%
Work performed by the company on its own assets	18,995	18,077	5.1%
Supplies	(69,597)	(42,649)	63.2%
Other operating revenues	13,499	10,043	34.4%
Personnel costs	(129,148)	(128,846)	0.2%
Other operating expenses	(289,855)	(278,741)	4.0%
Gross operating result (EBITDA)	1,299,150	1,215,220	6.9%
Amortisation/depreciation of non-current assets	(405,496)	(382,681)	6.0%
Release of grants related to assets	12,626	11,407	10.7%
Impairment of and gains/losses on fixed asset disposals	(46,392)	(139)	-
Net operating result (EBIT)	859,888	843,807	1.9%
Financial income	8,356	6,699	24.7%
Financial expense	(172,829)	(155,301)	11.3%
Exchange differences	(200)	19	-
Impairment and profit/loss on disposal of financial instruments	(15,999)	(12,474)	28.3%
Net finance expense	(180,672)	(161,057)	12.2%
Results of companies carried under the equity method	1,298	925	40.3%
Profit before taxes	680,514	683,675	(0.5%)
Corporate income tax	(188,368)	(223,421)	(15.7%)
Consolidated profit for the period	492,146	460,254	6.9%
A) Consolidated profit attributable to the parent company	492,288	460,348	6.9%
B) Consolidated profit attributable to non-controlling interests	(142)	(94)	-



Red Eléctrica Group Consolidated balance sheet

ASSETS (in thousands of euros)	31/12/2012	31/12/2011
Intangible assets	23,359	4,830
Property, plant and equipment	8,265,640	8,068,413
Investment properties	2,604	2,695
Investments accounted for using the equity method	4,774	4,663
Non-current financial assets	58,919	91,904
Deferred tax assets	115,466	127,144
Other non-current assets	16,923	33,200
Non-current assets	8,487,685	8,332,849
Inventories	52,747	44,378
Trade and other receivables	633,315	368,070
Other current financial assets	1,130	837
Cash and cash equivalents	40,314	19,343
Current assets	727,506	432,628
Total assets	9,215,191	8,765,477

LIABILITIES (in thousands of euros)	31/12/2012	31/12/2011
Equity	2,027,340	1,820,185
Share capital	270,540	270,540
Reserves	1,370,426	1,208,913
Treasury shares and own equity instruments (-)	(14,698)	(28,684)
Profit attributable to the parent company	492,288	460,348
Interim dividend	(91,216)	(90,932)
Adjustments due to changes in value	(40,177)	(8,312)
Non-controlling interests	4,382	1,674
Equity	1,991,545	1,813,547
Subsidies and others	403,210	400,894
Non-current provisions	65,434	67,426
Non-current financial liabilities	3,990,860	3,831,476
Deferred tax liabilities	651,102	607,616
Other non-current liabilities	75,268	77,540
Non-current liabilities	5,185,874	4,984,952
Current provisions	10	1,948
Current financial liabilities	1,763,611	1,693,612
Trade and other payables	274,151	271,418
Current liabilities	2,037,772	1,966,978
Total equity and liabilities	9,215,191	8,765,477



Consolidated cash flow statement

(in thousands of euros)	31/12/2012	31/12/2011
CASH FLOW FROM OPERATING ACTIVITIES	798,771	1,205,946
Profit before taxes	680,514	683,675
Adjustments to results	618,770	522,571
Asset depreciation/amortisation	405,496	382,681
Other adjustments to results (net)	213,274	139,890
Changes in working capital	(244,236)	121,012
Other cash flows from operating activities	(256,277)	(121,312)
Collection/(payments) of interest	(152,162)	(122,967)
Collection of dividends	5,592	5,395
Collection of interest	1,746	2,213
Corporate income tax received/(paid)	(109,051)	(3,892)
Other payments received/(made) for operating activities	(2,402)	(2,061)
CASH FLOW FROM INVESTING ACTIVITIES	(723,602)	(889,167)
Payments for investments	(739,244)	(933,297)
Property, plant and equipment, intangible assets and investment property	(738,214)	(932,476)
Other financial assets	(1,030)	(821)
Proceeds from disposals	701	590
Property, plant and equipment, intangible assets and investment property	125	-
Other financial assets	576	590
Other cash flows from investing activities	14,941	43,540
CASH FLOWS FROM FINANCING ACTIVITIES	(54,315)	(316,381)
Proceeds from/(payments for) equity instruments	17,348	(4,627)
Acquisition	(125,330)	(167,035)
Disposal	142,678	162,408
Proceeds from/(payments on) financial liabilities	222,879	(58,962)
Issue and placements	1,808,226	1,401,564
Redemption and write-off	(1,585,347)	(1,460,526)
Dividend payments	(297,677)	(252,792)
Other cash flows from financing activities	3,135	-
Effect of exchange rate variations	117	659
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	20,971	1,057
Cash and cash equivalents at beginning of period	19,343	18,286
Cash and cash equivalents at end of period	40,314	19,343



Financial calendar

Upcoming events

Estimated dates

1Q12 results presentation	April 2013
General Shareholders' Meeting	April 2013

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Red Eléctrica has the following credit ratings: BBB from S&P and Baa2 from Moody's.



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APPENDIX

Corporate Responsibility certifications



Red Eléctrica was included in the DJSI World Index for the seventh year running, with a score of 79 points out of a 100.



Awarded the “Bronze Class” award for the fifth consecutive year in the Sustainability Yearbook.



FTSE4Good

World leader in the Utilities sector with an overall score of 4.5 out of 5 and a relative score of 100 points out of 100 (*).



Included in the Ethibel Excellence index since 2008.



Included in the Aspi Eurozone index since 2011.



Included in the Kempen SNS SRI index since 2004.



Included in the ESG STOXX Leaders index since 2011.



Inclusion in the ECPI Ethical EMU Equity Index since 2011.



Awarded “Best in class” distinction in 2009.



Selected as one of the four best European companies in 2011, obtaining the maximum score (96 out of 130).



Included in the investor universe in 2010. Top-ranked in a comparative analysis of the sustainability performance of 13 European utilities.

(*) FTSE Group confirms that Red Eléctrica Corporación has been independently evaluated in accordance with FTSE4Good criteria and complies with the requirements to be ranked in the FTSE4Good indices, the global index established by the FTSE Group. FTSE4Good is a global index designed to encourage investments in companies that meet globally recognised corporate responsibility standards. Companies ranked in the FTSE4Good index adhere to strict environmental, social and corporate governance criteria, and are in a position to benefit from sustainable business practices.