

**RED**  
**ELÉCTRICA**  
CORPORACIÓN

# Financial results

## January - December 2011

Full-year profit of €460.3 million, 18.0% year-on-year. EBITDA totalled €1,215.2 million.

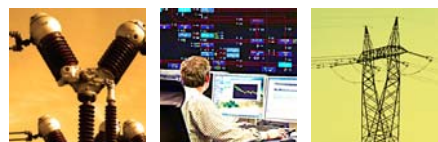
Total investment was €444.3 million, €18.9 of which was earmarked for developing the national transmission grid.

The company is to propose a 2011 dividend of €2.2124 per share at its General Shareholders' Meeting, which represents a pay-out ratio of 65%.

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28 February 2012



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

### Income statement

(in thousands of euros)	January - December			October -December		
	2011	2010	Δ %	2011	2010	Δ %
Net revenue	1,637,336	1,397,252	17.2	420,157	418,078	0.5
Gross operating result (EBITDA)	1,215,220	1,001,899	21.3	312,294	310,763	0.5
Net operating result (EBIT)	843,807	688,541	22.6	216,282	196,440	10.1
Profit before taxes	683,675	560,448	22.0	175,094	160,315	9.2
Results attributed to the parent company	460,348	390,150	18.0	127,400	107,367	18.7

### Balance sheet

(in thousands of euros)	December 2011	December 2010	Δ %
Total non-current assets	8,332,849	7,808,573	6.7
Equity	1,813,547	1,624,554	11.6
Net financial debt <sup>(1)</sup>	4,692,916	4,756,601	(1.3)

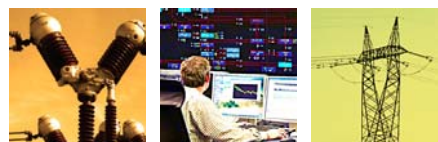
<sup>(1)</sup> Includes exchange rate derivatives.

### Other financial figures

(in thousands of euros)	January - December			October -December		
	2011	2010	Δ %	2011	2010	Δ %
Operating cash flow after taxes	1,052,600	871,952	20.7	261,262	278,285	(6.1)
Investments <sup>(2)</sup>	844,258	2,308,830	-	291,569	782,224	-
Dividends paid	252,792	198,777	27.2	-	-	-

<sup>(2)</sup> In 2010, it includes the payment for the acquisition of transmission assets

**(\*) The 2010 financial statements include in the final quarter the impact of the assets acquired from Endesa Distribución, S.L. and Unión Fenosa Distribución, S.A.U., which were accounted for in December 2010 and date from 28 July and 1 December respectively.**



## 2. Earnings performance

**Revenue** for the year amounted to €1,637.3 million, which represented year-on-year growth of 17.2%. Roughly half of this amount relates to the acquisition of transmission assets, while the rest is remuneration largely associated with new assets commissioned.

**EBITDA** totalled €1,215.2 million, up 21.3% on the previous year. EBITDA growth was driven by the revenue performance coupled with cost control which rose 5.0% despite the higher number of assets in operation and requiring maintenance.

- **Cost of supplies and other operating expenses** were 1.7% higher year-on-year.
- **Personnel expenses** rose 14.3% and included €10 million of non-recurring expenses for severance payments made in 2011. Stripping out non-recurring items from both years, growth in this heading would be 8.2%, driven mainly by the 4.8% of growth in the average headcount.

The **headcount at the end of 2011** stood at 1,800, 2.1% higher than in December 2010.

### Operating expenses

(in thousands of euros)	January - December			October -December		
	2011	2010	Δ %	2011	2010	Δ %
Supply costs and other operating expenses	321,390	315,944	1.7	90,072	93,432	(3.6)
Personnel expenses	128,846	112,709	14.3	32,040	29,961	6.9
<b>Operating expenses</b>	<b>450,236</b>	<b>428,653</b>	<b>5.0</b>	<b>122,112</b>	<b>123,393</b>	<b>(1.0)</b>

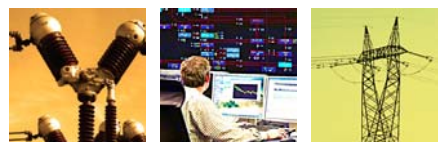
Depreciation and amortisation charges rose 25.4% year-on-year, due to the larger transmission asset base following acquisitions and other assets brought into operation.

**EBIT growth** versus 2010 was 22.6%.

**Net finance expense** was -€161.1 million, compared to a net expense of -€129.1 million in 2010. Finance income was €6.7 million and includes a €4.5 million dividend from Redes Energéticas Nacionais, SGPS (REN). Finance expense totalled €155.3 million, compared with €104.3 million the previous year. The main factor behind the 22.5% rise in the average debt balance was the transmission assets acquired during the course of the year. In addition, and in order to reflect its market value, the Group recognised an impairment loss of €12.5 million on Red Eléctrica's investment in REN.

The effective tax rate was 32.7%, compared to 30.4% in 2010. As explained in previous releases, this 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.

And finally, **full-year profit** rose 18.0% versus 2010.



### 3. Cash flow and balance sheet

#### Cash flow

(in thousands of euros)	January - December			October - December		
	2011	2010	Δ%	2011	2010	Δ %
Profit before taxes	683,675	560,448	22.0	175,094	160,315	9.2
Taxes paid on earnings	(3,892)	(48,953)	(92.0)	(112)	(12,937)	(99.1)
Provision for amortization of non-current assets	382,681	305,064	25.4	98,935	98,343	0.6
Other adjustments	(9,864)	55,393	(117.8)	(12,655)	32,564	(138.9)
<b>Operating cash flow after taxes</b>	<b>1,052,600</b>	<b>871,952</b>	<b>20.7</b>	<b>261,262</b>	<b>278,285</b>	<b>(6.1)</b>
Changes in working capital and other long-term assets and liabilities	109,549	(4,224)	-	80,584	47,211	70.7
Investments	(844,258)	(2,308,830)	-	(291,569)	(782,224)	-
<b>Free cash flow</b>	<b>317,891</b>	<b>(1,441,102)</b>	<b>-</b>	<b>50,277</b>	<b>(456,728)</b>	<b>-</b>
Dividends paid	(252,792)	(198,777)	27.2	-	-	-
<b>Variation in net financial debt (*)</b>	<b>(65,099)</b>	<b>1,639,879</b>	<b>-</b>	<b>(50,277)</b>	<b>456,728</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, to pay out a dividend, and to reduce debt by €65.1 million.

Group **investment** in 2011 totalled €844.3 million. Of this amount, €818.9 million was earmarked for the national grid, compared with €865.4 million in 2010 (this figure does not include the transmission assets acquired from the electricity companies in 2010).

**Dividends paid** during 2011 totalled €252.8 million, 27.2% more than in 2010.

The Group's **net debt** at 31 December 2011 was €4,692.9 million, 1.3% lower than at the end of 2010.

#### Net financial debt

(in thousands of euros)	National currency	Foreign currency	Total
Cash and cash equivalents	(14,937)	(4,406)	(19,343)
Long-term debenture loans	2,603,210	-	2,603,210
Long-term credits	1,161,780	37,316	1,199,096
Promissory notes and short-term credits	901,667	8,286	909,953
<b>Total net financial debt</b>	<b>4,651,720</b>	<b>41,196</b>	<b>4,692,916</b>

The net debt figure of €4,692.9 million includes €850 million of short-term debt in the form of a syndicated loan maturing in 2012. This loan, together with another syndicated deal of €600 million signed in July 2011 and €300 million relating to two other loan operations (signed but undrawn), had been fully refinanced as at 31 December 2011.



78% of the Group's net debt carries fixed rates while the remaining 22% carries floating rates. The average remaining term to maturity stands at 5.2 years.

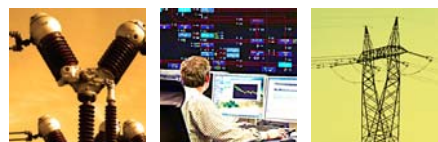
The average cost of the Group's debt in 2011 was 3.66%, while the average debt balance was €4,759.2 million. In 2010, the average cost of debt was 3.24% and the average debt balance €3,885.0 million.

As at the close of 2011, Red Eléctrica's equity totalled €1,813.5 million, up 11.6% year-on-year. This increase was driven mainly by retained earnings during the year and the dividend paid out against 2011 results.

#### 4. Relevant events

- 2011 was a record year in terms of investment activity. The following assets were brought on stream: 1,739 kilometres of new circuits, 247 new substation positions, and 2,700 MVA of new transformer capacity. It is also worth highlighting the completion of the underwater interconnection with the Balearic Islands, the first direct-current link in Spain.
- January 2: payment of 2011 interim dividend of €0.6764 per share.
- February 8: Standard & Poor's cut Red Eléctrica's long-term credit rating from "AA-" to "A+" and its short-term rating from "A-1+" to "A-1", following the reduction in the Kingdom of Spain's long-term and short-term ratings to "A" and "A-1" respectively. As a result, the company's rating remained a notch above Spain's sovereign rating.
- February 13: Red Eléctrica Corporación, S.A., through its subsidiary Red Eléctrica Financiaciones, S.A.U., issued a €250 million bond, maturing on 29 April 2020. This deal marked the completion of the company's refinancing requirements for 2012, 2013 and 2014.
- The company's Board of Directors has agreed to propose to the General Shareholders' meeting a dividend charged against 2011 results of €2.2124 per share, €0.6764 of which was paid on January 2.

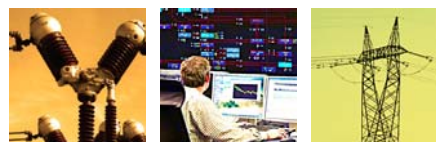




## Red Eléctrica Group

## Consolidated income statement

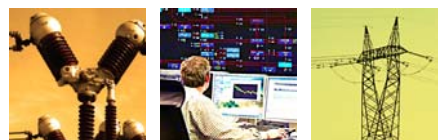
(in thousands of euros)	31/12/2011	31/12/2010	2011/2010
Net revenue	1,637,336	1,397,252	17.2%
Work performed by the company on its own assets	18,077	18,044	0.2%
Supplies	(42,649)	(45,022)	(5.3%)
Other operating revenues	10,043	15,256	(34.2%)
Personnel costs	(128,846)	(112,709)	14.3%
Other operating expenses	(278,741)	(270,922)	2.9%
<b>Gross operating result (EBITDA)</b>	<b>1,215,220</b>	<b>1,001,899</b>	<b>21.3%</b>
Amortisation/depreciation of non-current assets	(382,681)	(305,064)	25.4%
Charges from subsidies on non-financial fixed assets	11,407	10,364	10.1%
Impairment and profit/loss on fixed asset disposals	(139)	(18,658)	(99.3%)
<b>Net operating result (EBIT)</b>	<b>843,807</b>	<b>688,541</b>	<b>22.6%</b>
Financial income	6,699	5,027	33.3%
Financial expense	(155,301)	(104,341)	48.8%
Exchange differences	19	101	(81.2%)
Impairment and profit/loss on disposal of financial instruments	(12,474)	(29,883)	(58.3%)
<b>Financial income/expense</b>	<b>(161,057)</b>	<b>(129,096)</b>	<b>24.8%</b>
Results of companies carried under the equity method	925	1,003	(7.8%)
<b>Profit before taxes</b>	<b>683,675</b>	<b>560,448</b>	<b>22.0%</b>
Corporate income tax	(223,421)	(170,300)	31.2%
<b>Consolidated profit of loss for the year</b>	<b>460,254</b>	<b>390,148</b>	<b>18.0%</b>
<b>A) Consolidated results attributable to the parent company</b>	<b>460,348</b>	<b>390,150</b>	<b>18.0%</b>
<b>B) Consolidated results attributable to minority interests</b>	<b>(94)</b>	<b>(2)</b>	<b>-</b>



## Red Eléctrica Group Consolidated balance sheet

Assets (in thousands of euros)	31/12/2011	31/12/2010
Intangible assets	4,830	2,943
Property, plant and equipment	8,068,413	7,607,912
Investment properties	2,695	2,126
Investments accounted for using the equity method	4,663	5,757
Non-current financial assets	91,904	78,969
Deferred tax assets	127,144	61,384
Other non-current assets	33,200	49,482
<b>Non-current assets</b>	<b>8,332,849</b>	<b>7,808,573</b>
Non-current assets held for sale	-	601
Inventories	44,378	43,788
Trade and other receivables	368,070	412,464
Other current financial assets	837	186
Cash and cash equivalents	19,343	18,286
<b>Current assets</b>	<b>432,628</b>	<b>475,325</b>
<b>Total assets</b>	<b>8,765,477</b>	<b>8,283,898</b>

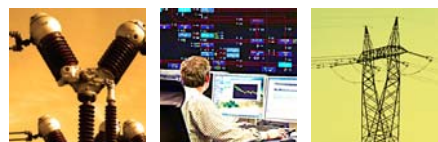
LIABILITIES (in thousands of euros)	31/12/2011	31/12/2010
Equity	1,820,185	1,629,666
Share capital	270,540	270,540
Reserves	1,208,913	1,071,446
Treasury shares and own equity instruments (-)	(28,684)	(23,297)
Profit attributable to the parent company	460,348	390,150
Interim dividend	(90,932)	(79,173)
Adjustments due to changes in value	(8,312)	(6,837)
Minority interests	1,674	1,725
<b>Equity</b>	<b>1,813,547</b>	<b>1,624,554</b>
Subsidies and others	400,894	368,761
Non-current provisions	67,426	75,752
Non-current financial liabilities	3,831,476	3,727,980
Deferred tax liabilities	607,616	338,426
Other non-current liabilities	77,540	81,601
<b>Non-current liabilities</b>	<b>4,984,952</b>	<b>4,592,520</b>
Current provisions	1,948	1,864
Current financial liabilities	1,693,612	1,839,677
Trade and other payables	271,418	225,283
<b>Current liabilities</b>	<b>1,966,978</b>	<b>2,066,824</b>
<b>Total liabilities</b>	<b>8,765,477</b>	<b>8,283,898</b>



## Consolidated cash flow statement

(in thousands of euros)	31/12/2011	31/12/2010
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>1,205,946</b>	<b>824,678</b>
Profit before taxes	683,675	560,448
Adjustments to results	522,571	459,757
Asset depreciation/amortization	382,681	305,064
Other adjustments to results (net)	139,890	154,693
Changes in working capital	121,012	(51,408)
Other cash flows from operating activities	(121,312)	(144,119)
Collection/(payments) of interest	(122,967)	(100,207)
Collection of dividends	5,395	5,237
Collection of interest	2,213	568
Corporate income tax received/(paid)	(3,892)	(48,953)
Other payments received/(made) for operating activities	(2,061)	(764)
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>	<b>(889,167)</b>	<b>(2,249,299)</b>
Payments for investments	(933,297)	(2,308,614)
Property, plant and equipment, intangible assets and investment property	(932,476)	(2,306,745)
Other financial assets	(821)	(1,869)
Divestments	590	1,471
Other financial assets	590	1,471
Other cash flows from investment activities	43,540	57,844
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>(316,381)</b>	<b>1,428,303</b>
Payments received/(made) for equity instruments	(4,627)	(9,927)
Acquisition	(167,035)	(134,623)
Disposal	162,408	124,696
Payments received/(made) for financial liability instruments	(58,962)	1,637,007
Issue and placements	1,401,564	3,418,068
Redemption and write-off	(1,460,526)	(1,781,061)
Dividend payments	(252,792)	(198,777)
<b>Effect of exchange rate variations</b>	<b>659</b>	<b>536</b>
<b>NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>1,057</b>	<b>4,218</b>
<b>Cash and cash equivalents at the start of the period</b>	<b>18,286</b>	<b>14,068</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>19,343</b>	<b>18,286</b>





## Financial calendar

### Forthcoming events

#### Estimated dates

1Q12 results presentation	April 2012
General Shareholders' Meeting	April 2012

For more information:

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



#### Disclaimer

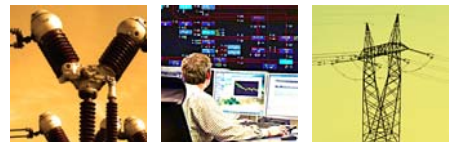
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## APPENDIX

### Corporate responsibility Sustainability indices and rating agencies



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

Honorable mention: *SAM Bronze* in the 2012 Sustainability Yearbook, publication that lists the best performances in terms of corporate responsibility and sustainability.



FTSE4Good



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 September 2011, was 4.5 points out of 5.



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



The company obtains a "*B Prime*" rating for its efforts on social and environmental issues.



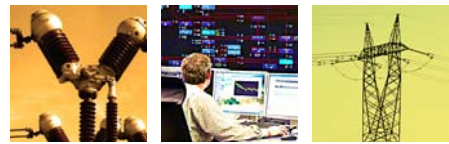
Included on the Ethibel Excellence index, one of Europe's benchmark indices for socially responsible investment, since 2008.



Included in the Aspi Eurozone index in September 2011, for its remarkable efforts in the following fields: environment, human rights, personnel, 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.



Inclusion in the ECPI Ethical EMU Equity Index for its responsible practices relating to environmental, social, and corporate governance issues.

## Investment banks



Storebrand, the Scandinavian financial services company, rates Red Eléctrica as “Best in class” due to its remarkable efforts aimed at social and environmental issues.



Inclusion 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).



Triodos Bank has included Red Eléctrica in its investment universe. It leads the ranking in a comparative analysis of the sustainability ratings of 13 European utility companies (electricity).

## Corporate Responsibility certifications



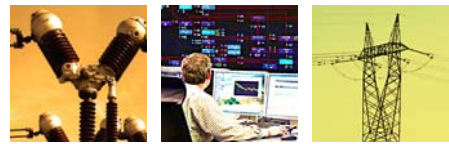
First business group to obtain AENOR certification for the new RS 10:2009 corporate responsibility standard.



Red Eléctrica's 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 consecutive year in the ranking of the top 100 companies with the best reputation in the mercoEMPRESAS survey in 26th place, ranked 20th in the mercoPERSONAS survey, and ranked 19th in the Most Responsible Companies survey.