



RED
ELÉCTRICA
CORPORACIÓN

Financial results

January - March 2011

Índice

In the first quarter of 2011 the company posted a profit of €129.5 million, 23.8% higher than the same period in 2010. This figure includes the transmission assets acquired which were not included in the first quarter last year.

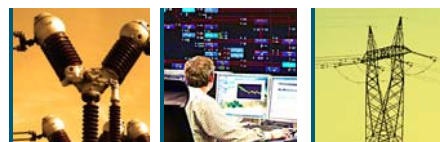
Earnings growth will ease as the year progresses as the cost of upgrading these assets is included.

To 31 March 2011 Red Eléctrica Group invested a total of €158.2 million, up 46.8% on the same period in 2010.

Red Eléctrica has fully refinanced the long-term bridge loan it was granted to finance the acquisition of these transmission assets.

May 4th 2011

1. Red Eléctrica: Financial Highlights	2
2. Evolution of results	2
3. Cash flow and balance sheet	4
4. Relevant events during the quarter	5
Consolidated Income Statement	6
Summarised Consolidated Balance Sheet.....	7
Summarised Consolidated Cash Flow Statement.....	7
Financial Calendar	8
Annex	9



1. Red Eléctrica: Financial highlights (*)

Income Statement

(in thousands of euros)	January - March		
	2011	2010	Δ %
Net Sales	404,897	319,866	26.6
Gross operating profit (EBITDA)	307,992	235,857	30.6
Net operating profit (EBIT)	221,751	169,995	30.4
Profit before taxes	184,734	148,674	24.3
Profit attributed to the parent company	129,547	104,609	23.8

Balance Sheet

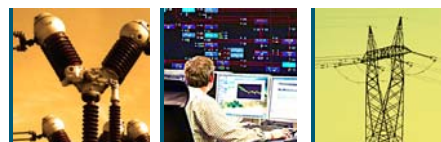
(in thousands of euros)	March 2011	March 2010	Δ %
Total non-current assets	7,867,158	5,817,472	35.2
Equity	1,785,864	1,532,258	16.6
Net financial debt	4,690,478	3,297,038	42.3

(*) Includes exchange rate derivatives.

Other financial figures

(in thousands of euros)	January - March		
	2011	2010	Δ %
Cash flow from operations	270,697	213,775	26.6
Capital expenditures	158,164	107,713	46.8
Dividends paid	79,173	69,016	14.7

(*) The financial statements for 1Q11 include 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

First quarter **revenue** totalled €404.9 million, up 26.6%. Of this amount, approximately 60% is due to the higher contribution from the transmission business following the acquisition of assets and also from the assets commissioned the previous year.

EBITDA amounts €308.0 million, up 30.6% on the previous year. This increase was driven by higher revenue and

- **Supply costs and other operating expenses** were 4.3% higher than in the first quarter 2010. Expenses associated with the upgrade of the assets acquired from the electricity companies in 2010 have not been included and will ultimately affect this item during the year.
- **Personnel expenses** advanced 30.2% and include €8.4 million in extraordinary expenses for severance payments in 2011. Stripping out the extraordinary effects, growth in this item would be 9.6%, due to the increase in the size of the average workforce and CPI.

At 31 March the **average headcount** at the Red Eléctrica Group was 1,763 employees, 4.6 % up on the year ago figure. The **total number of employees** was 1,759, 0.2% fewer than at 31 December 2010.

Operating expenses

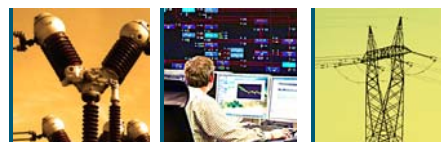
(in thousands of euros)	January - March		
	2011	2010	Δ %
Supply cost and other operating expenses*	62,073	59,537	4.3
Staff costs	37,575	28,854	30.2
Operating expenses	99,648	88,391	12.7

Depreciation and amortisation charges for the period rose 30.3% compared to first quarter 2010, mainly due to the larger asset base following the acquisition of transmission assets and other assets brought into operation.

EBIT is up 30.4 % compared with the same period in 2010.

Financial results have amounted €-37.3 million compared with €-21.6 million in the same period the previous year. This is largely due to the expenses associated with the higher debt in order to acquire the abovementioned transmission assets. Also during the year, Red Eléctrica recognised a €2 million impairment provision for its stake in Redes Energéticas Nacionais, SGPS (REN).

Finally, **profit** for the quarter rose 23.8% compared to the figure at 31 March 2010. The tax rate was 29.9%, in line with the figure for the same period in 2010.



3. Cash flow and balance sheet

Cash Flow

(in thousands of euros)	January - March		
	2011	2010	Δ %
Profit before taxes	184,734	148,674	24.3
Income taxes paid	-	-	-
Amortization & depreciation of non-current assets	89,003	68,330	30.3
Other adjustments	(3,040)	(3,229)	(5.9)
Cash flow from operations after tax	270,697	213,775	26.6
Changes in working capital and other long-term assets and liabilities	29,180	(208,389)	(114.0)
Capital expenditures	(158,164)	(107,713)	46.8
Free cash flow	141,713	(102,327)	(238.5)
Dividends paid	(79,173)	(69,016)	14.7
Change in net financial debt	(62,540)	171,343	(136.5)

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

Operating cash flow after taxes and the strong performance of working capital have enabled the company to finance its investments over the period, pay out an interim dividend and reduce its financial debt by €62.5 million.

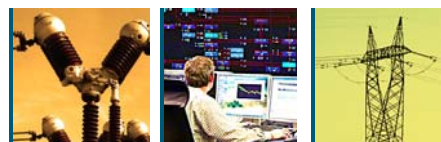
Operating cash flow after taxes totalled €270.7 million.

Changes in working capital and other long-term assets and liabilities totalled €29.2 million. This improvement is largely due to greater amounts receivable by Red Eléctrica for services rendered to the electricity system and lower payments made to suppliers of property, plant and equipment.

Investments by the Group in the quarter totalled €158.2 million, 46.8% higher than in the same period in 2010. Much of this investment, some €155.3 million, was earmarked for the national transmission grid.

The **interim dividend paid** in the first quarter of 2011 amounts to €79.2 million, equivalent to €0.5882 per share, and is 14.7% higher than that paid in the same period in 2010.

The Group's **net financial debt** at 31 March 2011 was €4,690.5 million compared to €4,756.6 million at 31 December 2010.



Net financial debt

(in thousands of euros)	National currency	Foreign currency	Total
Cash and cash equivalents	(9,529)	(11,590)	(21,119)
Long-term debenture loans	2,303,351	-	2,303,351
Long-term credits	1,979,634	40,568	2,020,202
Promissory notes and short-term credits	380,674	7,370	388,044
Total net financial debt	4,654,130	36,348	4,690,478

Of the Group's net debt, 74% is fixed rate and 26% floating rate.

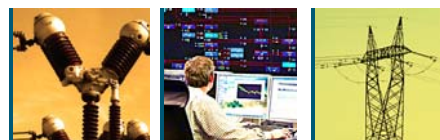
The average cost of the Group's financial debt at 31 March 2011 was 3.45% with an average balance on €4,795.9 million. In the same period in 2010, the average cost of debt was 3.32% and the average balance was €3,234.9 million.

Financial debt to 31 March included €300 million in short-term debt which the Group refinanced by issuing a €300 million, 9-year bond on the euromarket in April. This bond issue completes the Group's long-term refinancing of the €1,400 million bridge loan which was used to finance the acquisition of electricity transmission assets.

At 31 March 2011 Red Eléctrica Group equity stood at €1,785.9 million, an increase of 9.9% with respect to the 2010 year end due to the inclusion of profits for the year.

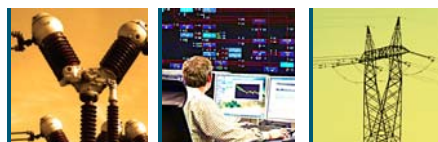
4. Relevant events during the period

- This quarter the company carried out **two bond issues** on the euromarket. On 4 February, Red Eléctrica Corporación, S.A., through its subsidiary Red Eléctrica Financiaciones, S.A.U., made a €600 million 7-year bond issue. On 14 April the company, once again through Red Eléctrica Financiaciones S.A.U., launched a 9-year €300 million bond issue.
- **Call notice for the Annual Shareholders' Meeting:** At its meeting on 24 February 2011, the company's Board of Directors resolved to call its Annual Shareholders' Meeting, to be held at second call on 13 April 2011. At the same meeting the Board resolved to pay a **dividend charged against 2010 earnings of €1.8751 per share**. From this amount, and on 3 January 2011, the company paid an **interim dividend** of €0.5882 per share which is €7.67 cents higher than the previous year.



Consolidated Income Statement

(in thousands of euros)	31/03/2011	31/03/2010	2011/2010
Net Sales	404,897	319,866	26.6%
Self constructed assets	1,859	2,760	(32.6%)
Supply costs	(4,526)	(9,408)	-
Other operating income	884	1,622	(45.5%)
Staff costs	(37,575)	(28,854)	30.2%
Other operating expenses	(57,547)	(50,129)	14.8%
Gross operating profit	307,992	235,857	30.6%
Amortisation/depreciation of non-current assets	(89,003)	(68,330)	30.3%
Charges from subsidies on non-financial fixed assets	2,761	2,467	11.9%
Impairments and the effect of disposal of fixed assets	1	1	0.0%
Net operating profit	221,751	169,995	30.4%
Financial income	537	99	-
Financial expenses	(35,733)	(21,630)	-
Exchange differences	(65)	(47)	38.3%
Net asset impairment profit/(loss)	(2,029)	-	-
Financial results	(37,290)	(21,578)	-
Share of profit of associates accounted for using the equity method	273	257	6.2%
Profit before tax	184,734	148,674	24.3%
Income tax expense	(55,220)	(44,064)	25.3%
Consolidated results for the period	129,514	104,610	23.8%
A) Consolidated results attributable to the dominant company	129,547	104,609	23.8%
B) Consolidated results attributable to the minority interests	(33)	1	-



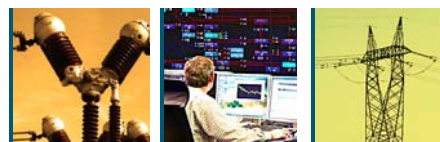
Consolidated Balance Sheet

(in thousands of euros)	31/03/2011	31/12/2010
Total non-current assets	7,867,158	7,808,573
Total current assets	491,912	475,325
Total assets	8,359,070	8,283,898

Liabilities (in thousands of euros)	31/03/2011	31/12/2010
Equity	1,785,864	1,624,554
Total non-current liabilities	5,209,317	4,592,520
Current liabilities	1,363,889	2,066,824
Total liabilities	8,359,070	8,283,898

Consolidated Cash Flow Statement

(in thousands of euros)	31/03/2011	31/03/2010
CASH FLOW FROM OPERATING ACTIVITIES	392,780	218,969
Profits before tax	184,734	148,674
Adjustment to the results	121,031	86,346
Changes in current capital	101,870	(7,882)
Other cash flows from operations	(14,855)	(8,169)
CASH FLOWS FROM INVESTMENT ACTIVITIES	(272,859)	(321,298)
Payments for investments	(279,221)	(327,811)
Collections from divestments	187	327
Other collections/(payments) from investment activities	6,175	6,186
CASH FLOWS FROM FINANCING ACTIVITIES	(117,266)	102,357
Changes in equity	16,534	30
Collections/(payments) from financial liability instruments	(54,627)	171,343
Dividends paid	(79,173)	(69,016)
Effect of foreign exchange fluctuation on cash and cash equivalents	178	426
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENT DURING THE PERIOD	2,833	454
Cash and equivalent at the beginning of the period	18,286	14,068
Cash and equivalent at the close of the period	21,119	14,522



Financial calendar

Forthcoming events

Estimated dates

Payment of the final dividend 2010	1st July 2011
1H2011 results	25-31th July 2009

For more information:

Visit our website: <http://www.ree.es>

or contact: **Investor Relations**

Paseo Conde de los Gaitanes, 177
28109 Alcobendas · Madrid
Tel: (34) 91 650 20 12

relacioninversores@ree.es

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



Disclaimer

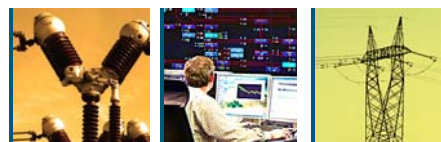
This document has been prepared by Red Eléctrica Corporación, S.A. for the sole purpose described herein. In no case may it be interpreted as an offer made to sell, exchange or purchase, nor may it represent an invitation to make any type of offer, particularly, to acquire or purchase any security issued by Red Eléctrica Corporación, S.A.

The content of this document has a merely informative and provisional nature and all statements contained herein relate to intentions, expectations and forecasts made by Red Eléctrica Corporación, S.A. or its management. Said content has not been necessarily independently verified and is, in any case, subject to negotiation, changes and modifications.

In this regard, neither Red Eléctrica Corporación, S.A. nor any of its management, directors, officers, employees, consultants, agents or advisors of the company or any of its affiliates and/or subsidiaries belonging to the Group (together the "Representatives") shall be liable for the accuracy, correctness or completeness of the information or statements included in this document, and in no event may its content be construed as any type of explicit or implicit representation or warranty made by Red Eléctrica Corporación, S.A. or its Representatives. Likewise, neither Red Eléctrica Corporación, S.A. nor any of its Representatives shall be liable in any way whatsoever (including negligence) for any loss or damage that may arise from the use of this document or of any information contained herein.

Furthermore, Red Eléctrica Corporación, S.A. does not undertake to publish any possible modifications or revisions of the information, data or statements contained herein, should there be a change of strategy or intentions, or if unforeseeable facts or events were to occur that affected the same.

This disclaimer must be taken into account by any person or entity to which this document is addressed, as well as by those who choose to adopt decisions or issue or broadcast opinions relating to any securities issued by Red Eléctrica Corporación, S.A. and, in particular, by the analysts handling the same, without prejudice to the possibility of consulting the documentation and public information that has been notified or recorded at the Spanish Securities Market Commission (Comisión Nacional del Mercado de Valores), a consultation which Red Eléctrica Corporación, S.A. recommends.



APPENDIX

Corporate responsibility Sustainability indices and rating agencies



Red Eléctrica included in the DJSI World Index for the fifth year running, with a score of 74 out of 100 points, bringing it closer to global leader in its sector (84 points).



Honourable mention: obtains the SAM Bronze categories of Sustainability Yearbook in 2010, which recognises the best behaviour in corporate responsibility and sustainability.



FTSE4Good



Included in the FTSE4Good index which comprises the world's leading companies committed to corporate responsibility since 2008.

Included in 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".



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



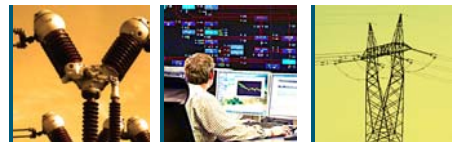
Inclusion on the ECPI Ethical Index Global and ECPI Ethical Index EMU for its responsible practices in relation to environmental, social, and corporate governance issues.



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



Selected by the Investment bank Goldman Sachs among the top utility companies in the world since 2008. Leader in quality management and returns on capital in 2009.



Corporate Responsibility certifications



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



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



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

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 fourth consecutive year.



For the third 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 previous year.

Corporate Reputation monitors



Included, for the fifth consecutive year in the ranking of the top 100 companies with the best reputation in the merco EMPRESAS survey in 45th place and also ranked 43rd in the merco LIDERES survey.