



RED
ELÉCTRICA
CORPORACIÓN

Financial results

January - September 2012

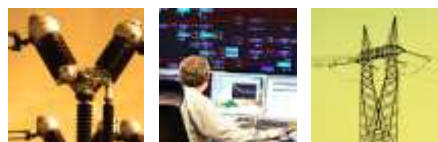
Profit for the first nine months of 2012 rose 1.5% year-on-year to €338 million

EBITDA was 6% higher year-on-year at €957 million.

The Red Eléctrica Group invested a total of €439 million in the period, of which €418 was earmarked for development of the national transmission grid.

26 October 2012

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1. Red Eléctrica: Financial highlights

Income statement

(in thousands of euros)	January - September			July - September		
	2012	2011	Δ %	2012	2011	Δ %
Net revenue	1,279,429	1,217,179	5.1	429,794	410,344	4.7
Gross operating result (EBITDA)	957,218	902,926	6.0	301,996	294,660	2.5
Net operating result (EBIT)	618,803	627,525	(1.4)	205,093	201,245	1.9
Profit before taxes	482,758	508,581	(5.1)	161,921	151,898	6.6
Profit for the period	337,942	332,948	1.5	112,867	104,589	7.9

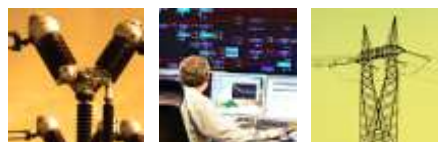
Balance sheet

(in thousands of euros)	September 2012	December 2011	Δ %
Non-current assets	8,348,841	8,332,849	0.2
Equity	1,939,029	1,813,547	6.9
Net financial debt*	4,980,153	4,692,916	6.1

(*) Includes exchange rate derivatives

Other financial figures

(in thousands of euros)	January - September			July - September		
	2012	2011	Δ %	2012	2011	Δ %
After-tax cash flows from operations	808,279	791,338	2.1	260,867	254,799	2.4
Investments	438,842	552,689	(20.6)	153,867	200,848	(23.4)
Dividends paid	297,677	252,792	17.8	206,745	173,619	19.1



2. Earnings performance

Revenue for the first nine months of 2012 totalled €1,279.4 million, representing year-on-year growth of 5.1%. This increase is due mainly to revenues relating to assets commissioned in 2011, which are partly offset by the impact of the measures enacted under Royal Decree 20/2012 of 13 July and the deconsolidation of TDE following its expropriation.

EBITDA totalled €957.2 million, up 6.0% on the previous year. EBITDA growth was driven by revenue performance, coupled with operating cost control:

- The **cost of supplies and other operating expenses** rose 7.1% year-on-year mostly as a result of higher maintenance activity.
- **Personnel expenses** narrowed 2.1%, due mainly to lower non-recurring severance payments with respect to the same period of the prior year.

The Red Eléctrica Group's **average headcount** at 30 September 2012 stood at 1,755, down 1.0% compared to the same period in 2011. The **headcount at the September close** stood at 1,703, a decrease of 5.4% compared to 31 December 2011 due to the expropriation of TDE.

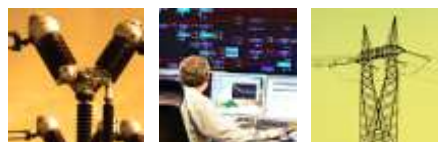
Operating expenses

(in thousands of euros)	January - September			July - September		
	2012	2011	Δ %	2012	2011	Δ %
Supply costs and other operating expenses	247,720	231,318	7.1	104,969	91,359	14.9
Personnel expenses	94,792	96,806	(2.1)	30,105	28,734	4.8
Operating expenses	342,512	328,124	4.4	135,074	120,093	12.5

EBIT decreased by 1.4% reflecting the 6.2% growth in amortisation and depreciation charges in the period compared to the first nine months of 2011 and the impairment allowance of €46.4 million on application of conservative valuation criteria for certain auxiliary transmission assets in the second quarter.

Net finance costs were -€137.0 million, compared to a net cost of -€119.6 million for the first nine months of 2011. This figure takes into account the effect of the expropriation of TDE (-€13.3 million), accounted for previously, and includes exchange differences also previously recognised in equity. It also reflects the €2.7 million decrease in market value at 30 September of the stake in REN-Redes Energéticas Nacionales, SGPS.

Lastly, **profit for the period** grew 1.5% year-on-year. The effective tax rate was 30.0% vs. 34.5% the previous year. As explained in previous releases, the higher tax rate for 2011 was the result of the assessment of the likely recovery of deferred taxes generated by the impairment of the Group's international investments.



3. Cash flow and balance sheet performance

Cash flow

(in thousands of euros)	January - September			July - September		
	2012	2011	Δ %	2012	2011	Δ %
Profit before tax	482,758	508,581	(5.1)	161,921	151,898	6.6
Taxes paid on earnings	(26,190)	(3,780)	-	(446)	-	-
Provision for amortisation/depreciation of non-current assets	301,455	283,746	6.2	100,073	96,222	4.0
Other adjustments	50,256	2,791	-	(681)	6,679	-
After-tax cash flows from operations	808,279	791,338	2.1	260,867	254,799	2.4
Changes in working capital and other non-current assets and liabilities	(358,065)	28,965	-	(264,682)	24,910	-
Investments	(438,842)	(552,689)	(20.6)	(153,867)	(200,848)	(23.4)
Free cash flow	11,372	267,614	(95.8)	(157,682)	78,861	-
Dividends paid	(297,677)	(252,792)	17.8	(206,745)	(173,619)	19.1
Variation in net financial debt*	286,305	(14,822)	-	364,427	94,758	-

(*) The difference between this figure and the change in net financial debt shown on page 2 is due to items that do not involve cash movements

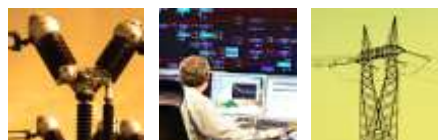
After-tax cash flows from operations rose 2.1% to €808.3 million, and this, in combination with the €286.3 million increase in financial debt, was sufficient to finance investments for the period, dividend payments and changes in working capital.

The lower working capital financing was due mainly to the measures implemented under Royal-Decree Law 13/2012, which establish that assets commissioned in 2011 must be charged in 2013, and to the timing effect whereby revenues from transmission activities in September were collected on 3 October.

The Group **invested** €438.8 million in the first nine months of 2012. The bulk of this expenditure was earmarked for the development of the Spanish transmission grid (€417.8 million).

Dividends paid at 30 September 2012 totalled €297.7 million, up 17.8% on the dividend paid at 30 September 2011.

Therefore, the **Red Eléctrica Group's** net debt at 30 September 2012 was €4,980.2 million, 6.1% higher than at the end of 2011.

**Net debt (*)**

(in thousands of euros)	National currency	Foreign currency	Total
Cash and cash equivalents	(9,368)	(1,696)	(11,064)
Long-term debenture bonds	2,859,558	-	2,859,558
Long-term loans	1,895,611	24,485	1,920,096
Promissory notes and current loans	203,120	8,443	211,563
Total net financial debt	4,948,921	31,232	4,980,153

(*) Debt classified by transaction source

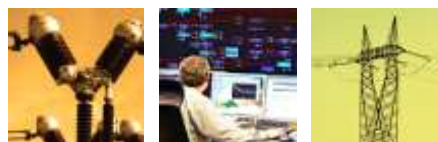
The debt structure has remained steady during the period, with non-current debt representing 96% of the total. Of the Group's net debt, 82% is fixed rate and 16% is floating rate.

The average cost of the Group's debt in the first nine months of 2012 was 3.78%, 3.64% in the same period in 2011, with an average balance of €4,870.9 million, up 2.4% on the figure of €4,756.8 million seen in 9M 2011.

Further, at 30 September 2012, the Red Eléctrica Group's **equity** totalled €1,939.0 million, up 6.9% compared to 31 December 2011. This increase is due mainly to earnings for the period, offset by the corresponding dividend payment.

4. Relevant events during the quarter

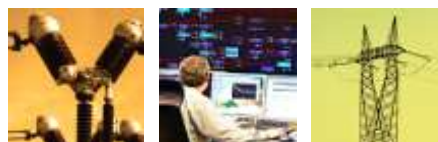
- On 15 October 2012, the rating agency Standard & Poor's downgraded the short and long-term ratings for Red Eléctrica Corporación, S.A. and Red Eléctrica de España, S.A.U, to 'BBB' and 'A-2' from 'A-' and 'A-2', respectively. This was a consequence of the recent rating downgrade on the Kingdom of Spain from BBB+ to BBB-, with negative outlook. Red Eléctrica's rating is therefore one notch higher than the rating assigned to the Kingdom of Spain. The agency has classified both the company's business profile and liquidity levels as "strong". Similarly, on 18 October, Moody's confirmed its rating for Red Eléctrica de España, S.A.U, at Baa2, maintaining its negative outlook. This is also a consequence of the recent action on the Kingdom of Spain's rating, which the agency ratified at Baa3, also with negative outlook. Thanks to its strong strategic position, solid financial profile and adequate liquidity, Red Eléctrica's rating remains higher than that of Spain.
- On 28 September, Red Eléctrica was named as the best company in the Utilities sector for socially responsible and sustainable policies by the FTSE4Good global index that assesses the best environmental, social and corporate government practices on a six monthly basis. Red Eléctrica once again tops 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.
- On 19 September, Red Eléctrica made a bond issue on the euromarket for the amount of €150 million, maturing 2018. The bonds will pay an annual coupon of 4.75%, with an issue price of 101.447%, implying a return of 4.436%. The issue was subscribed to the amount of over €750 million. This transaction strengthens Red Eléctrica's liquidity positions, allowing the Group to cover its financing requirements for the next two years.



Red Eléctrica Group

Consolidated income statement

(in thousands of euros)	30/09/2012	30/09/2011	2012/2011
Revenue	1,279,429	1,217,179	5.1%
Own work capitalised	11,463	11,014	4.1%
Supply costs	(34,105)	(26,264)	29.9%
Other operating income	8,838	2,857	-
Personnel expenses	(94,792)	(96,806)	(2.1%)
Other operating expenses	(213,615)	(205,054)	4.2%
EBITDA	957,218	902,926	6.0%
Amortisation/depreciation of non-current assets	(301,455)	(283,746)	6.2%
Release of grants related to assets	9,378	8,356	12.2%
Impairment of and gains/losses on fixed asset disposals	(46,338)	(11)	-
Net operating profit	618,803	627,525	(1.4%)
Finance income	7,830	6,130	27.7%
Finance costs	(128,243)	(113,430)	13.1%
Exchange differences	(583)	189	-
Impairment of and gains/losses on disposal of financial instruments	(15,999)	(12,474)	28.3%
Net finance expense	(136,995)	(119,585)	14.6%
Results of companies accounted for using the equity method	950	641	48.2%
Profit before tax	482,758	508,581	(5.1%)
Income tax expense	(144,894)	(175,678)	(17.5%)
Consolidated profit for the period	337,864	332,903	1.5%
A) Consolidated profit attributable to the parent company	337,942	332,948	1.5%
B) Consolidated profit attributable to non-controlling interests	(78)	(45)	73.3%



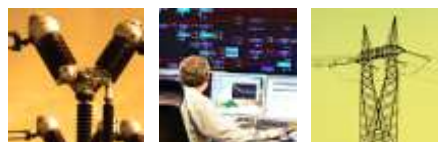
Red Eléctrica Group Consolidated balance sheet summary

ASSETS (in thousands of euros)	30/09/2012	31/12/2011
Non-current assets	8,348,841	8,332,849
Current assets	637,107	432,628
Total assets	8,985,948	8,765,477

LIABILITIES (in thousands of euros)	30/09/2012	31/12/2011
Equity	1,939,029	1,813,547
Non-current liabilities	5,109,535	4,984,952
Current liabilities	1,937,384	1,966,978
Total equity and liabilities	8,985,948	8,765,477

Consolidated cash flow statement

(in thousands of euros)	30/09/2012	30/09/2011
CASH FLOW FROM OPERATING ACTIVITIES	507,723	877,920
Profit before tax	482,758	508,581
Adjustments to profit	474,608	393,647
Changes in working capital	(307,010)	56,179
Other cash flow from operating activities	(142,633)	(80,487)
CASH FLOW FROM INVESTING ACTIVITIES	(512,142)	(612,963)
Payments for investments	(525,231)	(629,690)
Proceeds from disposals	454	474
Other cash flow from investing activities	12,635	16,253
CASH FLOW FROM FINANCING ACTIVITIES	(3,864)	(264,494)
Proceeds from/(payments for) equity instruments	12,652	(2,772)
Proceeds from/(payments on) financial liabilities	278,026	(8,930)
Dividend payments	(297,677)	(252,792)
Other cash flows from financing activities	3,135	-
Effect of variations in exchange rates	4	349
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(8,279)	812
Cash and cash equivalents at beginning of period	19,343	18,286
Cash and cash equivalents at end of period	11,064	19,098



Financial calendar

Upcoming events

Estimated dates

2012 earnings presentation	February 2013
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For more information:

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



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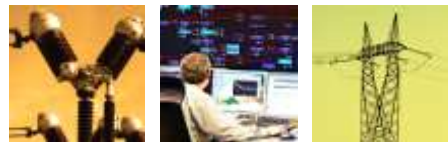
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APPENDIX I

Corporate responsibility and reputation: indices, accolades and certifications.



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



"Bronze Class" distinction in the electricity sector in the Sustainability Yearbook 2012.



World leader in the utilities sector with an overall score of 4.5 about of 5 and a relative score of 100 points out of 100.



Classified as "Prime".



Included in the Kempen SNS SRI index since 2004.



Included in the Ethibel Excellence index since 2008.



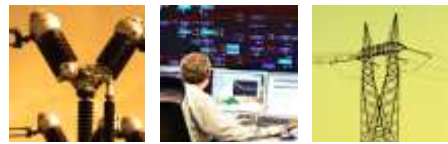
Included in the Aspi Eurozone index since 2011.



Included in the ESG STOXX Leaders index since 2011.



Included in the ECPI Ethical EMU index in 2011.



Awarded “Best in class” distinction.



Selected as one of the four best European companies in 2011, obtaining the maximum score (96 out of 100).



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



For the fifth consecutive year, first place in the “Culture, policies and responsible practices among IBEX 35 companies” study conducted by the Observatorio RSE.



Included among the Top 100 best-reputed companies, ranking as follows: #26 in the mercoEMPRESAS ranking, #55 in the mercoLÍDERES ranking, #22 in the mercoPERSONAS ranking and #24 in the ranking of socially-responsible companies with the best corporate governance.

Corporate Responsibility certifications



First business group to achieve certification for the RS 10:2009 technical specification on corporate social responsibility, replaced in 2012 by the IQNet SR10 international standard.



The company's corporate responsibility management system has been certified under SA8000 regulations since 2005.



EFR (family-friendly company) certification in recognition of its initiatives promoting life-work balance and equality since 2009.