



**RED**  
**ELÉCTRICA**  
CORPORACIÓN

# Financial results

## January - December 2009

The economic-financial figures for 2009 confirm the fulfilment of the objectives set out in Red Eléctrica Group's strategic plan.

Profits for 2009 amounted to €330 million, up 15% on 2008.

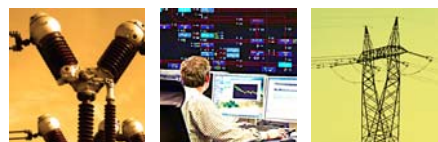
Total investments by the Red Eléctrica Group amount to €759 million, up 19% on 2008.

The dividend for 2009 proposed to the General Shareholders' Meeting will amount to €1.4781, up 15% on 2008 and represents a payout by the Group of 60.5%.

February, 25th of 2010

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## 1. Red Eléctrica: Financial Highlights

### Income Statement

(in thousands of euros)	January - December			October - December		
	2009	2008	Δ %	2009	2008	Δ %
Net Sales	1,200,115	1,125,884	6.6	321,316	288,748	11.3
Gross operating profit (EBITDA)	845,587	771,637	9.6	233,020	194,018	20.1
Net operating profit (EBIT)	544,851	524,555	3.9	130,893	129,608	1.0
Profit before taxes	461,116	415,039	11.1	111,874	102,533	9.1
Profit attributed to the parent company	330,402	286,119	15.5	83,301	69,937	19.1

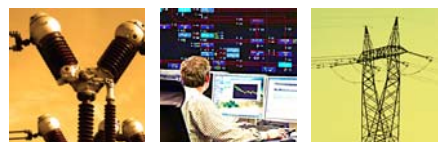
### Balance Sheet

(in thousands of euros)	December 2009	December 2008	Δ %
Total non-current assets	5,777,422	5,363,682	7.7
Equity	1,439,226	1,336,557	7.7
Net financial debt*	3,122,207	2,928,542	6.6

\* Includes exchange rate derivatives.

### Other financial figures

(in thousands of euros)	January - December			October - December		
	2009	2008	Δ %	2009	2008	Δ %
Cash flow from operations	616,069	545,856	12.9	166,750	119,462	39.6
Capital expenditures	758,569	635,086	19.4	320,033	245,939	30.1
Dividends paid	172,202	146,938	17.2	-	-	-



## 2. Evolution of results

**Turnover** for 2009 amounts to €1,200.1 million and the 6.6% increase has largely been due to the rise in the remunerated asset base owing to the facilities started up in 2008 and the effect of the 0.2% price restatement, following the discounting of the efficiency factor.

**EBITDA** amounts to €845.6 million, representing growth of 9.6% compared with 2008, as a result of the containment of operating expenses:

- **Supply costs and other operating costs** fell by 2.5% compared with the previous year. Not including the costs of claims that are recovered through insurance policies and non-recurring provisions established in the previous year, supplies and other operating expenses have increased by 2.4% owing to the increase in the asset base.
- **Staff costs** increased by 11.0% in 2009, while the average number of employees has increased by 7.9% in the same period. During 2008 final quarter some provisions were regularised, which led to abnormally low expense during the aforementioned quarter.

The **average number of employees** of the Red Eléctrica Group at 31 December 2009 stands at 1,641 people. Moreover, the **final number of employees** stands at 1.679 people, up 5.3% compared with 2008.

### Operating expenses

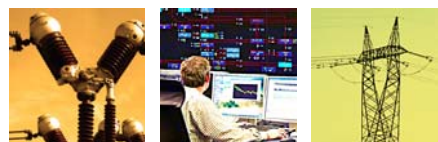
(in thousands of euros)	January - December			October - December		
	2009	2008	Δ %	2009	2008	Δ %
Supply cost and other operating expenses*	268,934	262,539	2.4	67,946	76,940	(11.7)
Staff costs	104,236	93,927	11.0	27,739	20,398	36.0
<b>Operating expenses</b>	<b>373,170</b>	<b>356,466</b>	<b>4.7</b>	<b>95,685</b>	<b>97,338</b>	<b>(1.7)</b>

\*Excluding claims costs that are recovered through insurance policies and the non-recurring impact of €11 million in respect of the provision reflected in 2008.

**EBIT** increased by 3.9% compared with 2008, as a result of amortisation/ depreciation for the year, which rose by 3.7% largely due to the start-up of transmission assets and a provision for **asset impairment** amounting to €45.1 million, based on the valuation carried out of the value of the Group's international investments.

**Financial results** amounted to € -84.5 million compared with €-110.1 million in 2008. Financial income amounted to €6.5 million and includes €4.4 million relating to the dividend paid out by REN in the second quarter. Financial expenses net of capitalised amounts amounted to €91.2 million compared with €117.2 million in the previous year, largely as a result of the fall in interest rates.

Lastly, **Profit for the year** was up 15.5% compared with 2008. The effective tax rate stood at 28.3% compared with 31.1% in the previous year. The effective rate was affected by the favourable resolution of the Treasury and Tax Court relating to the Deduction for Export Activities amounting to €3.3 million.



### 3. Cash flow and balance sheet

#### Cash flow

(in thousands of euros)	January - December			October - December		
	2009	2008	Δ %	2009	2008	Δ %
Profit before taxes	461,116	415,039	11.1	111,874	102,533	9.1
Income taxes paid	(144,527)	(102,352)	41.2	(50,269)	(41,839)	20.1
Amortization & depreciation of non-current assets	264,727	255,221	3.7	68,251	66,241	3.0
Other adjustments	34,753	(22,052)	-	36,894	(7,473)	-
<b>Cash flow from operations after tax</b>	<b>616,069</b>	<b>545,856</b>	<b>12.9</b>	<b>166,750</b>	<b>119,462</b>	<b>39.6</b>
Changes in working capital and other long-term assets and liabilities	121,049	4,517	-	195,325	231,136	(15.5)
Capital expenditures	(758,569)	(635,086)	19.4	(320,033)	(245,939)	30.1
<b>Free cash flow</b>	<b>(21,451)</b>	<b>(84,713)</b>	<b>-</b>	<b>42,042</b>	<b>104,659</b>	<b>(59.8)</b>
Dividends paid	(172,202)	(146,938)	17.2	-	-	-
<b>Change in net financial debt</b>	<b>193,653</b>	<b>231,651</b>	<b>(16.4)</b>	<b>(42,042)</b>	<b>(104,659)</b>	<b>59.8</b>

\* 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 tax amounts** to €616.1 million, up 12.9% on 2008, largely attributable to the increase in profit after tax obtained in the period. The movement in other adjustments is mainly attributable to the provision for asset impairment.

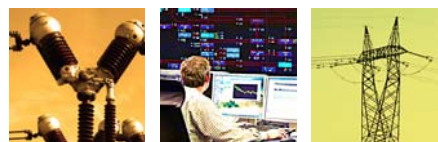
**Changes in working capital and other long-term assets and liabilities**, amounting to €121.0 million, mainly includes the positive impact of the recovery of €49 million related to 2008 VAT.

**Investments** carried out by the Group in 2009 amounted to €758.6 million, up 19.4% on 2008. Investments for the year largely relate to the development of the national grid and have amounted to €734.8 million. During 2009 a record number of 223 substation positions were brought into service, transformer capacity having been increased by 3.400 MVA. Similarly, 431 km of lines were brought into operation.

**Dividends paid** at 31 December 2009 amount to €172.2 million and are 17.2% up on the pay-out in 2008.

The cash flow generated during the year, together with the positive working capital and other long term assets and liabilities evolution, have been sufficient to finance the new investments and the dividend payment, incurring in an increase of the net financial debt of €193.7 million

The Red Eléctrica Group's **Net financial debt** at 31 December 2009 amounts to €3,122.2 million.



## Net financial debt

(in thousands of euros)	National currency	Foreign currency	Total
Cash and cash equivalents	(7,134)	(6,934)	(14,068)
Long-term debenture loans	1,259,185	-	1,259,185
Long-term credits	1,679,185	45,927	1,725,112
Promissory notes and short-term credits	145,143	6,835	151,978
<b>Total net financial debt</b>	<b>3,076,379</b>	<b>45,828</b>	<b>3,122,207</b>

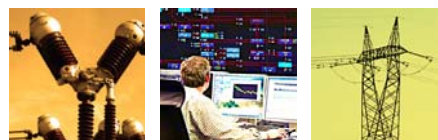
On the basis of interest rates, 76% of the Group's net debt is at a fixed rate while the remaining 24% is at variable rate.

Additionally, in 2009 the average cost of the Group's financial debt stood at 3.49%, while its average balance amounted to €3,153.3 million. In 2008 the average cost of the debt stood at 4.39% while the average balance amounted to €2,911.1 million.

At 31 December 2009 the Red Eléctrica Group's equity amounted to €1,439.2 million up by 7.7% on 2008. This increase results from the profit for the period, partly offset by the valuation of hedging derivatives, the pay-out of 2008 profits and the 2009 interim dividend.

## 4. Relevant events during the period

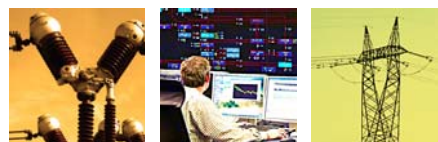
- **Interim dividend:** On 17 December 2009 the payment of an interim dividend against 2009 profits was announced amounting to 0.5115 Euro per share, representing an increase of 14% compared with the previous year. This dividend was paid on 4 January 2010.



## Red Eléctrica Group

## Consolidated Income Statement

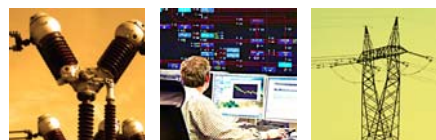
(in thousands of euros)	31/12/2009	31/12/2008	2009/2008
Net Sales	1,200,115	1,125,884	6.6%
Self constructed assets	16,240	5,486	-
Supply costs	(47,217)	(62,130)	(24.0%)
Other operating income	12,818	20,685	(38.0%)
Staff costs	(104,236)	(93,927)	11.0%
Other operating expenses	(232,133)	(224,361)	3.5%
<b>Gross operating profit</b>	<b>845,587</b>	<b>771,637</b>	<b>9.6%</b>
Amortisation/depreciation of non-current assets	(264,727)	(255,221)	3.7%
Charges from subsidies on non-financial fixed assets	9,273	8,146	13.8%
Impairments and the effect of disposal of fixed assets	(45,282)	(7)	-
<b>Net operating profit</b>	<b>544,851</b>	<b>524,555</b>	<b>3.9%</b>
Financial income	6,526	5,375	21.4%
Financial expenses	(91,177)	(117,213)	(22.2%)
Exchange differences	110	1,657	-
Net asset impairment profit/(loss)	-	98	-
<b>Financial results</b>	<b>(84,541)</b>	<b>(110,083)</b>	<b>(23.2%)</b>
Share of profit of associates accounted for using the equity method	806	567	42.2%
<b>Profit before tax</b>	<b>461,116</b>	<b>415,039</b>	<b>11.1%</b>
Income tax expense	(130,707)	(128,914)	1.4%
<b>Consolidated results for the period</b>	<b>330,409</b>	<b>286,125</b>	<b>15.5%</b>
<b>A) Consolidated results attributable to the dominant company</b>	<b>330,402</b>	<b>286,119</b>	<b>15.5%</b>
<b>B) Consolidated results attributable to the minority interests</b>	<b>7</b>	<b>6</b>	<b>-</b>



## Red Eléctrica Group Consolidated Balance Sheet

Assets (in thousands of euros)	31/12/2009	31/12/2008
Intangible assets	1,984	2,873
Tangible fixed assets	5,620,188	5,174,033
Property, plant and equipment	2,158	2,456
Investments accounted by the equity method	5,046	4,941
Non-current financial assets	83,312	128,370
Deferred tax assets	64,734	51,009
<b>Total non-current assets</b>	<b>5,777,422</b>	<b>5,363,682</b>
Non-current assets available for sale	601	601
Inventories	43,997	43,780
Trade and other receivables	364,779	389,154
Current financial assets	766	173
<b>Cash and cash equivalent</b>	<b>14,068</b>	<b>15,865</b>
<b>Total current assets</b>	<b>424,211</b>	<b>449,573</b>
<b>Total assets</b>	<b>6,201,633</b>	<b>5,813,255</b>

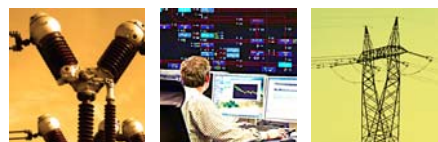
Liabilities (in thousands of euros)	31/12/2009	31/12/2008
Equity	1,458,684	1,298,396
Share capital	270,540	270,540
Other reserves	938,547	824,325
Treasury shares (-)	(11,789)	(22,185)
Results attributable to the dominant company	330,402	286,119
Advances against dividends	(69,016)	(60,403)
Valuation adjustments	(19,519)	38,100
Minority interests	61	61
<b>Equity</b>	<b>1,439,226</b>	<b>1,336,557</b>
Subsidies and other non-current advance collections	321,177	280,776
Provisions	53,272	45,830
Other financial liabilities	2,978,948	2,826,932
Deferred tax liabilities	230,498	163,284
Other non-current liabilities	85,758	90,188
<b>Total non-current liabilities</b>	<b>3,669,653</b>	<b>3,407,010</b>
Provisions	1,738	2,430
Current financial liabilities	885,062	775,413
Trade and other payables	205,954	291,845
<b>Current liabilities</b>	<b>1,092,754</b>	<b>1,069,688</b>
<b>Total liabilities</b>	<b>6,201,633</b>	<b>5,813,255</b>



## Consolidated Cash Flow Statement

(en miles de euros)	31/12/2009	31/12/2008
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>670,563</b>	<b>402,322</b>
Profits before tax	461,116	415,039
Adjustment to the results-	386,817	367,588
Amortisation & depretiation of non-current assets	264,727	255,221
Other adjustments to the results (net)	122,090	112,367
Changes in current capital	52,250	(143,534)
Other cash flows from operations	(229,620)	(236,771)
Interest payments	(88,934)	(117,095)
Collection of dividends	4,964	5,220
Collection of interests	2,120	1,023
Collections/(payments) of income taxes	(144,527)	(102,352)
Other collections/(payments) from operations	(3,243)	(23,567)
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>	<b>(705,660)</b>	<b>(472,699)</b>
Payments for investments	(755,680)	(496,390)
Tangible, intangible fixed assets and property investments	(754,737)	(496,095)
Other financial assets	(943)	(295)
Collections from divestments	342	444
Tangible, intangible fixed assets and property investments	-	411
Other financial assets	342	33
Other collections/(payments) from investment activities	49,678	23,247
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>33,543</b>	<b>74,529</b>
Changes in equity	12,092	(10,184)
Acquisition	(106,523)	(184,572)
Disposal	118,615	174,388
Collections/(payments) from financial liability instruments	193,653	231,651
Issue and disposal	1,283,078	1,545,807
Return and amortisation	(1,089,425)	(1,314,156)
Dividends paid	(172,202)	(146,938)
<b>Effect of foreing exchange fluctuation on cash and cash equivalent</b>	<b>(243)</b>	<b>376</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENT DURING THE PERIOD</b>	<b>(1,797)</b>	<b>4,528</b>
<b>Cash and equivalent at the beginning of the period</b>	<b>15,865</b>	<b>11,337</b>
<b>Cash and equivalent at the close of the period</b>	<b>14,068</b>	<b>15,865</b>





## Financial calendar Upcoming events

### Estimated dates

1Q2010 results

April 2010

For further information:

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



### Disclaimer

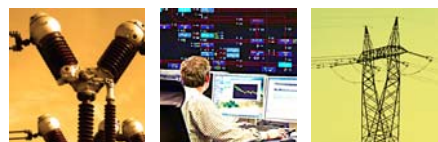
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## ANNEX I

### Corporate Responsibility Sustainability Index and Rating agencies



Red Eléctrica included in the DJSI World Index for the fourth 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 behaviours in corporate responsibility and sustainability*



FTSE4Good



Selected for inclusion in the FTSE4Good index series, which measures the performances of companies that meet global recognised CR responsibility standards.



Included in the new FTSE4Good IBEX index, since it was launched in 2008.



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



Selected for inclusion on the Ethibel Excellence index, one of Europe's benchmark indices for socially responsible investment.



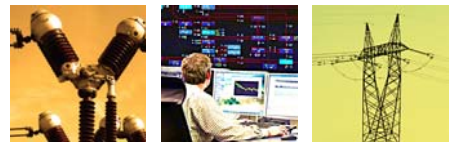
Inclusion on the ECPI Ethical Index Global and ECPI Ethical Index EMU for its responsible practices in relation to environmental, social, and corporate governance issues.



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



Investment bank Goldman Sachs places REE among the top seven utility companies in the world in terms of returns on capital, positioning, and environmental, social and corporate governance practices.



## 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 third consecutive year, first place in the “Culture, policies and responsible practices among IBEX 35 companies” study conducted by the Observatorio de Responsabilidad Social Corporativa.



Winner in the seventh 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).

## Corporate Reputation monitors



Inclusion for the fourth year running among the Top 100 companies in Corporate Reputation (merco EMPRESAS), taking 55<sup>th</sup> place. In addition, REE ranked 28<sup>th</sup> place in the merco PERSONAS rating.