

RED
ELÉCTRICA
CORPORACIÓN

Financial results

January - June 2010

Red Eléctrica de España has entered into an agreement relating to the acquisition of the transmission assets of Endesa Distribución, Unión Fenosa Distribución and Hidrocantábrico Distribución.

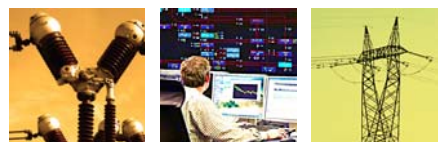
Profits for the first six months of 2010 amounted to €194.5 million, up 13.6% on the same period in 2009.

Investments by the Red Eléctrica Group amounted to €325.7 million, up 20.5% on the same period last year.

30th July 2010

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1. Red Eléctrica: Financial Highlights

Income Statement

(in thousands of euros)	January - June			April - June		
	2010	2009	Δ %	2010	2009	Δ %
Net Sales	650,096	583,270	11.5	330,230	291,287	13.4
Gross operating profit (EBITDA)	472,342	411,303	14.8	236,485	191,871	23.3
Net operating profit (EBIT)	340,451	285,017	19.4	170,456	128,641	32.5
Profit before taxes	274,571	241,625	13.6	125,897	110,320	14.1
Profit attributed to the parent company	194,487	171,207	13.6	89,878	78,972	13.8

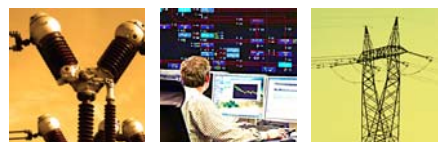
Balance Sheet

(in thousands of euros)	June 2010	December 2009	Δ %
Total non-current assets	5,989,404	5,777,422	3.7
Equity	1,485,433	1,439,226	3.2
Net financial debt (*)	3,064,100	3,122,207	(1.9)

(*) Includes exchange rate derivatives.

Other financial figures

(in thousands of euros)	January - June			April - June		
	2010	2009	Δ %	2010	2009	Δ %
Cash flow from operations	403,435	331,719	21.6	189,660	139,702	35.8
Capital expenditures	325,714	270,310	20.5	218,001	163,307	33.5
Dividends paid	69,016	60,403	14.3	-	-	-



2. Evolution of results

Revenue for the first half of 2010 amounts to €650.1 million, representing growth of 11.5%, largely due to the increase in the remunerable asset base owing to the facilities started up in 2009 and the development of inflation and, to a lesser extent, the increase in revenues from engineering and construction work for third parties.

EBITDA amounts to €472.3 million, up 14.8% on the same period in 2009 due to the growth in revenue and development of operating expenses which have increased by 3.1%:

- **Supply costs and other operating expenses** are up 0.5% on the previous year, excluding claims expenses that are recovered through insurance policies.
- **Staff costs** have risen by 9.7% compared with the same period in the previous year and by 6.4% if we exclude the delivery of a non-recurring share bonus as a result of the Company's 25th anniversary. The increase is largely attributable to an increase of 4.6% in the average number of employees which at 30 June 2010 stood at 1,689 people. The final number of employees stands at 1,700, up 1.3% on December 2009.

Operating Expenses

(in thousands of euros)	January - June			April - June		
	2010	2009	Δ %	2010	2009	Δ %
Supply cost and other operating expenses (*)	129,776	129,077	0.5	71,319	78,105	(8.7)
Staff costs	56,088	51,130	9.7	27,234	25,615	6.3
Operating expenses	185,864	180,207	3.1	98,553	103,720	(5.0)

(*) Excluding claims expenses that are recovered through insurance policies

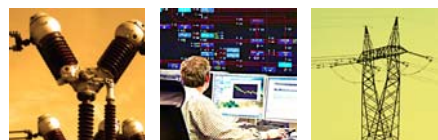
Depreciation for the period rose by 4.7% largely due to the start-up of facilities relating to 2009.

As a result, **EBIT** is up by 19.4% on the same period in 2009.

Financial losses amount to €66.4 million compared with €43.8 million in the first half of 2009. Financial income has amounted to €4.6 million and includes €4.5 million in dividends distributed by REN. Financial expenses amount to €42.8 million compared with €48.2 million in the first half of the previous year largely as a result of the fall in interest rates. Additionally, in the first half of 2010 impairment has been recorded in respect of the interest held by Red Eléctrica in Redes Energéticas Nacionais, SGPS (REN), amounting to €27.8 million, this being the difference between the acquisition price and share price. In previous years impairment was reflected under value adjustments in equity.

The effective tax rate has stood at 29.2%, in line with that obtained in the first half of the previous year.

Lastly, **Profit for the period** is up 13.6% on the same period in 2009.



3. Cash flow and balance sheet

Cash flow

(in thousands of euros)	January - June			April - June		
	2010	2009	Δ %	2010	2009	Δ %
Profit before taxes	274,571	241,625	13.6	125,897	110,320	14.1
Income taxes paid	(31,364)	(32,403)	(3.2)	(31,364)	(32,403)	(3.2)
Amortization & depreciation of non-current assets	136,918	130,753	4.7	68,588	65,503	4.7
Other adjustments	23,310	(8,256)	-	26,539	(3,718)	-
Cash flow from operations after tax	403,435	331,719	21.6	189,660	139,702	35.8
Changes in working capital and other long-term assets and liabilities	59,215	(62,836)	-	267,604	206,147	29.8
Capital expenditures	(325,714)	(270,310)	20.5	(218,001)	(163,307)	33.5
Free cash flow	136,936	(1,427)	-	239,263	182,542	31.1
Dividends paid	(69,016)	(60,403)	14.3	-	-	-
Change in net financial debt	(67,920)	61,830	-	(239,263)	(182,542)	31.1

(*) 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 and the good performance of working capital have been sufficient to finance investments for the period, pay the dividend and reduce the net financial debt by €67.9 million.

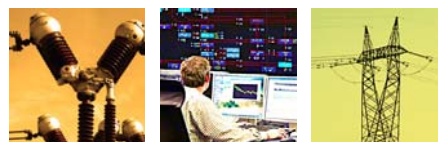
Investments carried out by the Group in the first half of 2010 amounted to €325.7 million, up 20.5% on those made in the same period in 2009. Investments for the six month period mostly relate to the development of the national transmission grid and have amounted to €318.3 million.

Dividends paid at 30 June 2010 amount to €69.0 million, up 14.3% on the interim dividend paid in the same period in 2010.

The Red Eléctrica Group's **Net financial debt** at 30 June 2010 amounts to €3,064,1 million, down 1.9% on the figure at the 2009 year end.

Net financial debt

(in thousands of euros)	National currency	Foreign currency	Total
Cash and cash equivalents	(131,358)	(2,151)	(133,509)
Long-term debenture loans	1,209,510	-	1,209,510
Long-term credits	1,801,371	50,740	1,852,111
Promissory notes and short-term credits	127,874	8,114	135,988
Total net financial debt	3,007,397	56,703	3,064,100



The debt structure has not varied significantly in this period, the long-term debt representing 98% of the total. On the basis of interest rates, 75% of the Group's net debt is at a fixed rate while the remaining 25% is at a variable rate.

Similarly, in the first half of 2010, the average cost of the Group's financial debt stood at 3.29%, while its average balance amounted to €3,266.7 million. In the same period in 2009 the average cost of the debt amounted to 3.62% while the average balance amounted to €3,138.8 million.

At 30 June 2010 the Red Electrica Group's **Equity** amounts to €1,485.4 million, up 3.2% on the 2009 year end. This increase results mainly from profits for the period, offset in part by the increase in treasury shares and the fall in the valuation of hedging operations. The valuation of the interest in REN has entailed a decrease in equity of €6 million, net of taxes, in addition to the €13 million reflected at the previous year end.

4. Relevant events during the period

- **Purchase of transmission assets from Endesa:** On 1st July the agreement was signed whereby Endesa Distribución sold all its transmission assets to Red Eléctrica. This agreement was made in accordance with Transitional Provision Nine of Law 17/2007 (4 July).

This transaction includes the assets in operation entitled to remuneration in 2010 and assets under construction, which are expected to be brought into service in 2010 and will be remunerated in 2011. The price agreed for the assets in operation and assets under construction amounted to €1,270 million and €142 million, respectively.

Red Eléctrica will consolidate the assets as from the effective transaction date, at the end of July, following its approval by the Ministry of Industry and the corresponding Autonomous Regions.

- **Purchase of transmission assets from Unión Fenosa:** On 23rd July Red Eléctrica and Unión Fenosa reached an agreement regarding the acquisition of certain assets comprising the electricity transport network currently owned by Unión Fenosa Distribución, S.A.U.

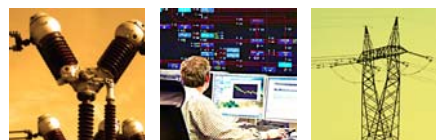
This agreement has been formalised for a total amount of €46.9 million.

- **Purchase of transmission assets from Hidrocantábrico:** On 29th July Red Eléctrica and Hidrocantábrico Distribución reached an agreement regarding the acquisition of the assets comprising the electricity transport network currently owned by Hidrocantábrico Distribución, S.A.U. This agreement has been formalised for a total amount of €57.8 million.

- **Rating:** Following the purchase of Endesa's assets, the rating agencies Moody's and Standard & Poor's have maintained their credit ratings of Red Eléctrica de España at A2 and AA-, respectively, in their annual review. Moody's highlights the company's excellent track-record in integrating assets acquired previously, its strategic position within the Spanish electricity system and its robust liquidity. Standard & Poor's also highlights the company's role in the in the Spanish electricity sector, its significant profitability and the predictability of its cash flows.

Both agencies have decided to change the company's outlook to negative owing to the uncertainty generated following the announcement of the review of the costs of the electricity system.

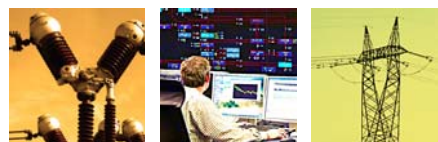
- **General Shareholders' Meeting:** The General Shareholders' Meeting was held on 20 May during which the annual accounts of Red Eléctrica were approved together with the management of the Board of Directors and the payment of a dividend of 1,4781 euro per share.
- **Payment of dividends:** On 1 July an amount of 0.9666 euro was paid per share by way of a gross complementary dividend for 2009.



Red Eléctrica Group

Consolidated Income Statement

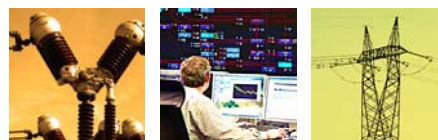
(in thousands of euros)	30/06/2010	30/06/2009	2010/2009
Net Sales	650,096	583,270	11.5%
Self constructed assets	7,197	6,957	3.4%
Supply costs	(20,664)	(16,977)	21.7%
Other operating income	2,890	8,722	(66.9%)
Staff costs	(56,088)	(51,130)	9.7%
Other operating expenses	(111,089)	(119,539)	(7.1%)
Gross operating profit	472,342	411,303	14.8%
Amortisation/depreciation of non-current assets	(136,918)	(130,753)	4.7%
Charges from subsidies on non-financial fixed assets	4,991	4,463	11.8%
Impairments and the effect of disposal of fixed assets	36	4	-
Net operating profit	340,451	285,017	19.4%
Financial income	4,646	5,001	(7.1%)
Financial expenses	(42,830)	(48,238)	(11.2%)
Exchange differences	(405)	(599)	(32.4%)
Net asset impairment profit/(loss)	(27,799)	0	-
Financial results	(66,388)	(43,836)	51.4%
Share of profit of associates accounted for using the equity method	508	444	14.4%
Profit before tax	274,571	241,625	13.6%
Income tax expense	(80,083)	(70,419)	13.7%
Consolidated results for the period	194,488	171,206	13.6%
A) Consolidated results attributable to the dominant company	194,487	171,207	13.6%
B) Consolidated results attributable to the minority interests	1	(1)	-



Red Eléctrica Group Consolidated Balance Sheet

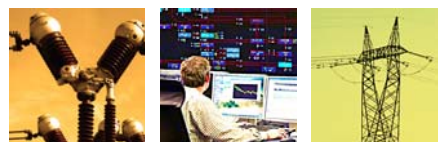
Assets (in thousands of euros)	30/06/2010	31/12/2009
Intangible assets	3,453	1,984
Tangible fixed assets	5,815,865	5,620,188
Property, plant and equipment	2,143	2,158
Investments accounted by the equity method	6,095	5,046
Non-current financial assets	113,872	83,312
Deferred tax assets	47,976	64,734
Total non-current assets	5,989,404	5,777,422
Non-current assets available for sale	601	601
Inventories	49,972	43,997
Trade and other receivables	327,510	364,779
Current financial assets	346	766
Cash and cash equivalent	133,509	14,068
Total current assets	511,938	424,211
Total assets	6,501,342	6,201,633

Liabilities (in thousands of euros)	30/06/2010	31/12/2009
Equity	1,499,451	1,458,684
Share capital	270,540	270,540
Other reserves	1,069,544	938,547
Treasury shares (-)	(35,120)	(11,789)
Results attributable to the dominant company	194,487	330,402
Advances against dividends	-	(69,016)
Valuation adjustments	(14,063)	(19,519)
Minority interests	45	61
Equity	1,485,433	1,439,226
Subsidies and other non-current advance collections	324,594	321,177
Provisions	56,339	53,272
Other financial liabilities	3,110,010	2,978,948
Deferred tax liabilities	225,129	230,498
Other non-current liabilities	83,665	85,758
Total non-current liabilities	3,799,737	3,669,653
Provisions	1,796	1,738
Current financial liabilities	930,832	885,062
Trade and other payables	283,544	205,954
Current liabilities	1,216,172	1,092,754
Total liabilities	6,501,342	6,201,633



Consolidated Cash Flow Statement

(in thousands of euros)	30/06/2010	30/06/2009
CASH FLOW FROM OPERATING ACTIVITIES	621,223	364,222
Profits before tax	274,571	241,625
Adjustment to the results-	198,515	167,726
Amortisation & depretiation of non-current assets	136,918	130,753
Other adjustments to the results (net)	61,597	36,973
Changes in current capital	198,861	11,107
Other cash flows from operations	(50,724)	(56,236)
Interest payments	(23,903)	(26,842)
Collection of dividends	4,891	4,603
Collection of interest	187	595
Collections/(payments) of income taxes	(31,364)	(32,403)
Other collections/(payments) from operations	(535)	(2,189)
CASH FLOWS FROM INVESTMENT ACTIVITIES	(462,915)	(363,717)
Payments for investments	(471,822)	(386,559)
Collections from divestments	416	189
Other collections/(payments) from investment activities	8,491	22,653
CASH FLOWS FROM FINANCING ACTIVITIES	(40,070)	51,819
Changes in equity	(22,575)	(1,804)
Acquisition	(75,002)	(34,928)
Disposal	52,427	28,238
Collections/(payments) from financial liability instruments	51,521	114,026
Issue and disposal	708,389	312,470
Return and amortisation	(656,868)	(68,098)
Dividends paid	(69,016)	(60,403)
Effect of foreing exchange fluctuation on cash and cash equivalents	1,203	(128)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENT DURING THE PERIOD	119,441	52,196
Cash and equivalent at the beginning of the period	14,068	15,865
Cash and equivalent at the close of the period	133,509	68,061



Financial calendar Upcoming events

Estimated dates

9M2010 results

October 2010

For further information:

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



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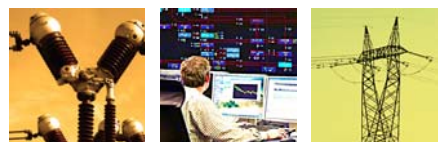
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ANNEX I

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.



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



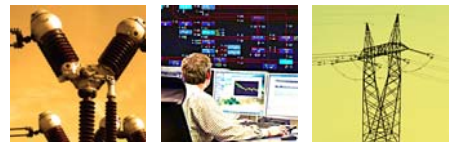
Inclusion on the ECPI Ethical Index Global and ECPI Ethical Index EMU for its responsible practices in relation to environmental, social, and corporate governance issues.



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 in terms of returns on capital in 2009.



Corporate Responsibility certifications



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



The follow-up audit under SA8000 was successfully completed, evidencing that REE has an efficient and active corporate social responsibility model.



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



Following its inclusion for the fifth year in a row in the ranking of the first 100 companies with the best reputation and ranked 45 in mercoEMPRESAS and 43 in mercoLÍDERES. REE is ranked 29th in mercoPERSONAS, as one of the best places to work.