

RED
ELÉCTRICA
CORPORACIÓN

Financial results

January - December 2010

In 2010 profits totalled €390.2 million, 18.1% higher than in 2009. The Group's EBITDA exceeded €1 billion for the first time.

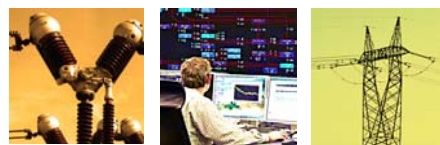
The total investment for the year totals €2,308.8 million, of which 865.4 have been used to the development of the national transmission network and the rest was fundamentally used to acquire transmission assets from electric companies.

The dividend for 2010 proposed to shareholders totals €1.8751 per share, which represents a 65% pay-out.

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25 February 2011



1. Red Eléctrica: Financial Highlights(*)

Income statement

(in thousands of euros)	January - December			October-December		
	2010	2009	Δ %	2010	2009	Δ %
Net sales	1,397,252	1,200,115	16.4	418,078	321,316	30.1
Gross operating profit (EBITDA)	1,001,899	845,587	18.5	310,763	233,020	33.4
Net operating profit (EBIT)	688,541	544,851	26.4	196,440	130,893	50.1
Profit before taxes	560,448	461,116	21.5	160,315	111,874	43.3
Profit attributed to the parent company	390,150	330,402	18.1	107,367	83,301	28.9

Balance sheet

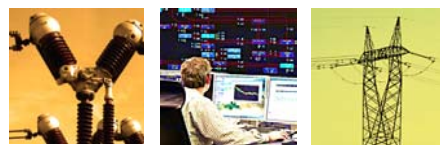
(in thousands of euros)	December 2010	December 2009	Δ %
Total non-current assets	7,808,573	5,777,422	35.2
Equity	1,624,554	1,439,226	12.9
Net financial debt ⁽¹⁾	4,756,601	3,122,207	52.3

⁽¹⁾ Includes exchange rate derivatives.

Other financial figures

(in thousands of euros)	January - December			October-December		
	2010	2009	Δ %	2010	2009	Δ %
Operating cash flow after taxes	871,952	616,069	41.5	278,285	166,750	66.9
Investments	2,308,830	758,569	-	782,224	320,033	-
Dividends paid	198,777	172,202	15.4	-	-	-

(*) The financial statements for 2010 include the effects of the acquisition of the assets of Endesa Distribución, S.L. since 28 July and Unión Fenosa Distribución, S.A.U. since 1 December.



2. Evolution of results

Profits for the year are influenced by the impact of the acquisition of transmission assets that took place during the second half of the year.

In 2010 **revenues** totalled €1,397.3 million and grew by 16.4%. The increase in the asset basis payable for the installations commissioned in 2009 and the revenues associated with the facilities acquired are the main cause of this increase.

Gross profits (EBITDA) totalled €1,001.9 million, 18.5% higher than the preceding year and include operating expenses that increased by 11.8%:

- **The cost of supplies and other operating expenses** have increased by 13.2% compare with last year, mainly due to the sharp 28.7% increase during the last quarter due to the effect of the acquired assets.
- **Staff costs** rose by 8.1% in 2010 and 6.5% if we exclude the delivery of a non-recurring bonus of shares as a result of the Company's 25th anniversary. The increase is mainly due to the 3.3% increase of the average number of employees.

The average **workforce** at Red Eléctrica Group at 31 December 2010 is 1,695 employees. The **final number of employees** was 1,763 a 5.0% more than in December 2009.

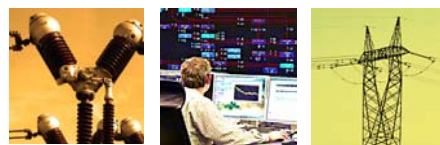
Operating expenses

(in thousands of euros)	January - December			October-December		
	2010	2009	Δ %	2010	2009	Δ %
Supply cost and other operating expenses (*)	304,526	268,934	13.2	87,420	67,946	28.7
Personnel expenses	112,709	104,236	8.1	29,961	27,739	8.0
Operating expenses	417,235	373,170	11.8	117,381	95,685	22.7

(*) Excluding expenses from claims that will be recovered through insurance policies.

Net operating profit (EBIT) totalled €688.5 million, increasing 26.4% compared with 2009. The evolution in this item records the increase in depreciation due to the acquisition of assets, which is offset by the decline in the **impairment of assets** totalling €18.7 million in 2010, compared with €45.3 million in 2009. This impairment is mainly due to the lower valuation of the Group's international investments.

Financial income/(loss) totalled -€129.1 million. The evolution of this heading is explained mainly by financial expense net of capitalisations totalling €104.3 million compared to €91.2 million last year, mainly due to the expenses associated with the increase in debt due to asset acquisitions. In addition, during the year the impairment of the financial stake held by Red Electrica in REN was recognised at the amount of €29.9 million due to the change in the market price of shares.



Finally, the **Profit for the year** increased by 18.1% compared with 2009. The effective tax rate was 30.4% compared with 28.3% last year. The effective rate in 2009 was affected by the favourable decision handed down by the Tax and Treasury Court regarding the Export Activity Deduction, which had an effect totalling €3.3 million.

3. Revenues generated and balance-sheet trends

Cash flows

(in thousands of euros)	January - December			October-December		
	2010	2009	Δ %	2010	2009	Δ %
Result before taxes	560,448	461,116	21.5	160,315	111,874	43.3
Taxes paid on earnings	(48,953)	(144,527)	(66.1)	(12,937)	(50,269)	(74.3)
Non-current asset depreciation	305,064	264,727	15.2	98,343	68,251	44.1
Other adjustments	55,393	34,753	59.4	32,564	36,894	(11.7)
Operating cash flow after taxes	871,952	616,069	41.5	278,285	166,750	66.9
Changes in working capital and other long-term assets and liabilities	(4,224)	121,049	-	47,211	195,325	(75.8)
Investments	(2,308,830)	(758,569)	-	(782,224)	(320,033)	-
Free cash flow	(1,441,102)	(21,451)	-	(456,728)	42,042	-
Dividends paid	(198,777)	(172,202)	15.4	-	-	-
Variation in net financial debt *	1,639,879	193,653	-	456,728	(42,042)	-

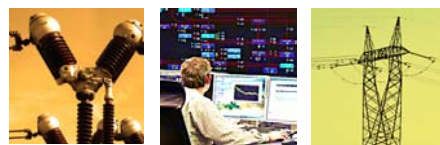
(*) The difference with the variation in the Net financial debt on page 2 relates to items entailing no movements in cash.

The **operating cash flow after taxes** has financed the payment of the dividend and most of the investments to develop the transmission network.

The Group's total **Investments** during 2010 total €2,308.8 million, and this amount includes the transmission assets commissioned acquired from the electricity companies and the investment made to develop the national transmission grid totalling €865.4 million, 17.8% more than in 2009. In 2010 164 new bays and 839 km of lines entered into service and transformation capacity increased by 2,000 MVA.

The dividends paid at 31 December 2010 total €198.8 million and are 15.4% higher than the payment made in 2009.

The net financial debt carried by Red Eléctrica Group totals €4,756.6 million, 52.3% higher than the figure at the end of 2009. The increase is mainly due to the acquisition of transmission assets.

**Net financial debt**

(in thousands of euros)	National currency	Foreign currency	Total
Cash and cash equivalents	(11,161)	(7,125)	(18,286)
Long-term debenture loans	1,705,478	-	1,705,478
Long-term credits	1,985,468	42,010	2,027,478
Promissory notes and short-term credits	1,034,395	7,536	1,041,931
Total net financial debt	4,714,180	42,421	4,756,601

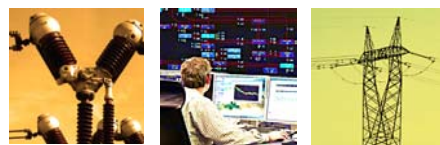
Based on the interest rate, 63% of the Group's net debt bears a fixed rate while the remaining 37% accrues a variable rate. This structure is mainly due to the bridge financing associated with the acquisition of transmission assets. The short-term financing that appears at 31 December 2010 has been refinanced partially in 2011 through a €600 million long-term bond issues in the euromarket.

In 2010 the average cost of the Group's financial debt was 3.24%, and the average balance was €3,885.0 million. In 2009, the average cost of debt was 3.49%.

At 31 December 2010, the Equity of Red Eléctrica was €1,624.6 million, a 12.9% increase compared with the end of 2009. This growth is due to the profits for the period, partially offset by the distribution of 2009 profits, the increase in treasury shares and the interim dividend in 2010.

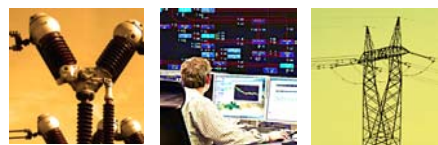
4. Significant events during the quarter

- On 23 September 2010 Red Eléctrica Corporación, S.A. through its subsidiary Red Eléctrica Financiaciones, S.A.U. issued €500 million in 6-year bonds on the euromarket. Subsequently, on 4 February 2011 a new issue totalling €600 million in 7-year bonds was placed on the euromarket. Both issues cover almost 80% of the bridge financing obtained for the acquisition of assets that took place in 2010.
- During the fourth quarter of 2010 and the first months of 2011, a final contract was concluded for the acquisition of transmission assets with Endesa Distribución Eléctrica, S.L., Unión Fenosa Distribución, S.A.U. and Hidrocantábrico Distribución, S.A.U.
- The Board of Directors has called a General Meeting for 13 April. A proposal will be made at that meeting to approve the 2010 financial statements and a dividend for the year totalling €1.8751 per share, of which 0.5882 per share was paid on 3 January.



Consolidated income statement

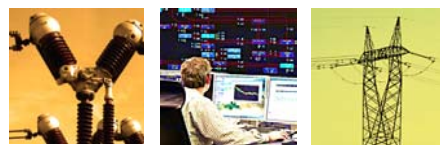
(in thousands of euros)	31/12/2010	31/12/2009	2010/2009
Net sales	1,397,252	1,200,115	16.4%
Self constructed assets	18,044	16,240	11.1%
Supply costs	(45,022)	(47,217)	(4.6%)
Other operating income	15,256	12,818	19.0%
Staff costs	(112,709)	(104,236)	8.1%
Other operating expenses	(270,922)	(232,133)	16.7%
Gross operating profit	1,001,899	845,587	18.5%
Amortisation/depreciation of non-current assets	(305,064)	(264,727)	15.2%
Charges from subsidies on non-financial fixed assets	10,364	9,273	11.8%
Impairments and the effect of disposal of fixed assets	(18,658)	(45,282)	(58.8%)
Net operating profit	688,541	544,851	26.4%
Financial income	5,027	6,526	(23.0%)
Financial expenses	(104,341)	(91,177)	14.4%
Exchange differences	101-	110	(8.2%)-
Net asset impairment profit/(loss)	(29,883)	-	-
Financial results	(129,096)	(84,541)	52.7%
Share of profit of associates accounted for using the equity method	1,003	806	24.4%
Profit before tax	560,448	461,116	21.5%
Income tax expense	(170,300)	(130,707)	30.3%
Consolidated results for the period	390,148	330,409	18.1%
A) Consolidated results attributable to the dominant company	390,150	330,402	18.1%
B) Consolidated results attributable to the minority interests	(2)	7	-



Red Eléctrica Group Consolidated balance sheet

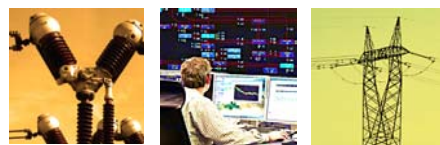
Assets (in thousands of euros)	31/12/2010	31/12/2009
Intangible assets	2,943	1,984
Tangible fixed assets	7,607,912	5,620,188
Property, plant and equipment	2,126	2,158
Investments accounted by the equity method	5,757	5,046
Non-current financial assets	78,969	83,312
Deferred tax assets	61,384	64,734
Other non-current assets	49,482	-
Total non-current assets	7,808,573	5,777,422
Non-current assets available for sale	601	601
Inventories	43,788	43,997
Trade and other receivables	412,464	364,779
Current financial assets	186	766
Cash and cash equivalent	18,286	14,068
Total current assets	475,325	424,211
Total assets	8,283,898	6,201,633

LIABILITIES (in thousands of euros)	31/12/2010	31/12/2009
Equity	1,629,666	1,458,684
Share capital	270,540	270,540
Other reserves	1,071,446	938,547
Treasury shares (-)	(23,297)	(11,789)
Results attributable to the dominant company	390,150	330,402
Advances against dividends	(79,173)	(69,016)
Valuation adjustments	(6,837)	(19,519)
Minority interests	1,725	61
Equity	1,624,554	1,439,226
Subsidies and other non-current advance collections	368,761	321,177
Provisions	75,752	53,272
Other financial liabilities	3,727,980	2,978,948
Deferred tax liabilities	338,426	230,498
Other non-current liabilities	81,601	85,758
Total non-current liabilities	4,592,520	3,669,653
Provisions	1,864	1,738
Current financial liabilities	1,839,677	885,062
Trade and other payables	225,283	205,954
Current liabilities	2,066,824	1,092,754
Total liabilities	8,283,898	6,201,633



Consolidated cash flow statement

(in thousands of euros)	31/12/2010	31/12/2009
CASH FLOW FROM OPERATING ACTIVITIES	824,678	670,563
Profits before tax	560,448	461,116
Adjustment to the results-	459,757	386,817
Amortisation & deprettiation of non-current assets	305,064	264,727
Other adjustments to the results (net)	154,693	122,090
Changes in current capital	(51,408)	52,250
Other cash flows from operations	(144,119)	(229,620)
Interest payments	(100,207)	(88,934)
Collection of dividends	5,237	4,964
Collection of interest	568	2,120
Collections/(payments) of income taxes	(48,953)	(144,527)
Other collections/(payments) from operations	(764)	(3,243)
CASH FLOWS FROM INVESTMENT ACTIVITIES	(2,249,299)	(705,660)
Payments for investments	(2,308,614)	(755,680)
Property, plant and equipment, intangible assets and investment properties	(2,306,745)	(754,737)
Other financial assets	(1,869)	(943)
Collections from divestments	1,471	342
Other financial assets	1,471	342
Other collections/(payments) from investment activities	57,844	49,678
CASH FLOWS FROM FINANCING ACTIVITIES	1,428,303	33,543
Changes in equity	(9,927)	12,092
Acquisition	(134,623)	(106,523)
Disposal	124,696	118,615
Collections/(payments) from financial liability instruments	1,637,007	193,653
Issue and disposal	3,418,068	1,283,078
Return and amortisation	(1,781,061)	(1,089,425)
Dividends paid	(198,777)	(172,202)
Effect of foreign exchange fluctuation on cash and cash equivalents	536	(243)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENT DURING THE PERIOD	4,218	(1,797)
Cash and equivalent at the beginning of the period	14,068	15,865
Cash and equivalent at the close of the period	18,286	14,068



Financial Calendar

Coming events

Estimated dates

3M2011 results	April 2011
General Meeting	April 2011

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Red Eléctrica has been granted a credit rating of AA- by S&P and A2 by Moody's.



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SCHEDULE

Corporate Responsibility



Sustainability indexes, rating agencies

Renewal, for the fourth consecutive year, membership in the DJSI World Index with a score of 74 out of a possible 100, coming close to the best score of 84 in the sector worldwide.



Renewal, for the fifth consecutive year, membership in the Dow Jones Sustainability World Index with a score of 73 out of a possible 100 points.



FTSE4Good



Membership in the FTSE4Good index, which includes international companies with the highest commitment to corporate responsibility since 2008.



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



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



Included in the Ethibel Excellence index, one of the European index of reference for socially responsible investment.



Included in the ECPI Ethical Index Global and the ECPI Ethical Index EMU for its responsible practices regarding the environment, social issues and corporate governance.

Business banks



Red Eléctrica is in the top position in the analysis carried out of European utilities companies, obtaining the maximum score in the areas of governance and social issues.



The Scandinavian financial services company Storebrand, awarded a "Best in Class" classification to Red Electrica due to its notable efforts in the areas of social issues and the environment.



The investment bank Goldman Sachs places REE among the top seven utilities companies in the world that are notable in terms of return on capital, position, environmental management, social issues and corporate governance.

Corporate responsibility certificates



The first business group to attain certification under the new standard RS 10:2009 on corporate social responsibility management granted by AENOR.



Certification under standard SA8000 on corporate responsibility has been renewed, demonstrating that REE has developed an effective and active corporate responsibility system management system.



The Company has obtained certification as a Family Friendly Company, granted by the MasFamilia Foundation due to the action taken in the area of life reconciliation.

Corporate responsibility observatories



First position for the fifth consecutive year in the study "Corporate Responsibility in IBEX 35 Corporate Annual Reports" prepared by the Corporate Responsibility Observatory.



Most highly rated company, for the third year, in the study "Culture, Policies and Corporate Responsibility Practices at IBEX 35 companies", which was published by the RSE Observatory.

Corporate reputation evaluation monitors



Included for the fourth consecutive year in the ranking of the 100 companies with the best reputation (merco EM-



PRESAS), holding position 45. REE is ranked 29th in the mercado PERSONAS.

Awards and distinctions received



"SAM Bronze: award from the 2010 Sustainability Yearbook, which distinguishes companies that take notable action with respect to corporate responsibility and sustainability.



International Sustainability and Development Award in the large company category due to excellent management of the three areas by the Company.



Finalist in the eighth edition and winner of the seventh edition of the Sustainability Report Award for Spanish companies, granted by the Chartered Accountants Association in Spain (ICJCE) and the Spanish Association of Corporate Accounting and Management (AECA).



AEMEC award for the "Best initiative for retailers" 2009



Mention of Honour for merits in communications clarity and extensiveness of the information made available to shareholders and the market.