RED ELÉCTRICA CORPORACIÓN

Financial results

January - June 2013

The results for the first half of 2013 include the effects of the measures in Royal Decree-Law 9/2013, reducing remuneration of electricity transmission business by €75 million in 2013.

The company also availed itself of Law 16/2012 of 27 December (revaluation of balance sheets), reducing the outlay on profits tax by €33.9 million.

Recurring profit increased by 6.2% in homogenous terms with respect to the first six months of 2012.

Group investments stood at €230 million, of which €219 million were accounted for by the domestic transmission network.

31 July 2013

Index

The Consolidated Condensed Interim Financial Statements forming part of the financial information presented in this document were subjected to a limited review by the auditors. This information was drawn up in accordance with the International Financial Reporting Standards (IFRS).

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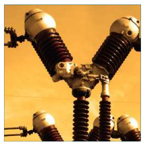


1. Red Eléctrica: Financial highlights

Income statement

(in millions of euros)	January - June (real)			January - June (pro-forma)		
	2013	2012	Δ %	2013	2012	Δ %
Net revenue	856.4	849.6	0.8	893.9	839.4	6.5
Gross operating result (EBITDA)	645.2	655.2	(1.5)	682.7	648.3	5.3
Net operating result (EBIT)	445.0	413.7	7.6	482.5	453.8	6.3
Profit before taxes	362.3	320.8	12.9	396.6	374.5	5.9
Profit for the period	272.0	225.1	20.8	277.6	261.4	6.2

Balance sheet

(in thousands of euros)	June 2013	December 2012	Δ %
Total non-current assets	8,571,889	8,487,685	1.0
Equity	2,054,918	1,991,545	3.2
Net financial debt*	4,625,831	4,872,546	(5.1)

(*) Includes exchange rate derivatives.

Other financial figures

(in thousands of euros)	January - June		
	2013	2012	Δ %
Operating cash flow after taxes	529,244	497,591	6.4
Investments	229,680	284,975	(19.4)
Dividends paid	91,216	90,932	0.3

EXPLANATORY NOTE TO THE FINANCIAL STATEMENTS

For a proper understanding of trends in company results, the following effects arising from exceptional events in 2012 and 2013 must be taken into consideration:

- Application of Royal Decree-Law 9/2013 and a proposal for an order to establish remuneration in the second period of 2013 for electricity transmission and distribution, the effect of which is to reduce earnings from electricity transmission by €37.5 million in the first half of 2013.

- Application of Law 16/2012 for the revaluation of corporate balance sheets, reducing the outlay on 2013 profits tax by €33.9 million as a balancing entry against accounts receivable arising from the future deductibility of amortisations of revalued assets.

- Changes to the Group's scope of consolidation during the two years following the expropriation in 2012 of the Bolivian company Transportadora de Electricidad, S.A. (TDE), the increased stake in

Red Eléctrica del Sur, S.A. (REDESUR) in 2013 and modification of the consideration of portfolio losses from foreign subsidiaries by the Spanish tax authorities in 2013.

- Impairment of Property, Plant and Equipment during the first six months of 2012 in the amount of €46.4 million.

The impact of these effects on Group results is set out below:

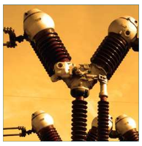
(in millions of euros)	2012	Recurring	Change to consolidation scope	Revaluation of balance sheets	Impairment of assets	Regulatory adjustment	2013
Net revenue	849.6	54.5	(10.3)	-	-	(37.5)	856.4
Gross operating result (EBITDA)	655.2	34.5	(7.0)	-	-	(37.5)	645.2
Net operating result (EBIT)	413.7	28.7	(6.3)	-	46.4	(37.5)	445.0
Profit before taxes	320.8	22.0	10.5	-	46.4	(37.5)	362.3
Profit tax	(95.8)	(5.7)	(19.9)	33.9	(13.9)	11.3	(90.2)
Profit for the period	225.1	16.1	(9.4)	33.9	32.5	(26.3)	272.0

Applying each of the effects described in this table to the year concerned produces the following pro-forma income statements for the first half of the years 2012 and 2013:

(in millions of euros)	Pro-forma		Δ
	2013	2012	%
Net revenue	893.9	839.4	6.5
Gross operating result (EBITDA)	682.7	648.3	5.3
Net operating result (EBIT)	482.5	453.8	6.3
Profit before taxes	396.6	374.5	5.9
Profit for the period	277.6	261.4	6.2

The **increase in recurring profit** was therefore 6.2% in homogenous terms with respect to the first six months of 2012. Considering the regulatory adjustment stemming from RDL 9/2013 to this profit in homogenous terms, the result for the year falls by 3.9% against the same period in 2012.

In order to set out developments at the company in the most transparent fashion possible, it will be analysed the pro-forma income statement, and subsequently analyse the balance sheet and cash flow statements along with all the adjustments.



2. Homogenous earnings performance

Revenue for the first half of 2013 in homogenous terms amounted to €893.9 million, up by 6.5% against last year, demonstrating the effect of a larger asset base producing remuneration, following the commissioning of facilities in 2012.

The pro-forma **gross operating result (EBITDA)** stood at €682.7 million, an increase of 5.3% against the first half of 2012. EBITDA was also affected by developments with regard to operating costs:

- **Cost of supplies and other operating expenses** were up by 16.3% with respect to the previous year, mainly due to more upgrades and improvements on assets bought in 2010, mainly for non-mainland systems.
- **Personnel expenses** fell by 1.2% against the same period the previous year. This was mainly due to the indemnities paid out by the company during the first six months of 2012.
- The **final headcount** was 1,717 employees at 30 June 2013.

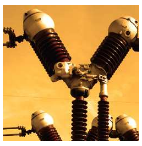
Operating expenses

	January - June		
(in thousands of euros)	2013	2012	Δ %
Supplies and other operating expenses	163,789	140,811	16.3
Personnel expenses	62,411	63,171	(1.2)
Operating expenses	**226,200**	**203,982**	**10.9**

The **net operating result (EBIT)** increased by 6.3% in homogenous terms in comparison to the same period in 2012. The increase does not consider the effect of impairment of property, plant and equipment in 2012 in the amount of €46.4 million and the effects of changes to the Group's scope of consolidation.

The **net financial result** in homogenous terms stood at -€86.4 million, as against the -€79.9 million during the same period the previous year. Greater finance expense was due to higher average interest rates, from 3.74% in 2012 to 3.94% in 2013, and to a larger portion of gross financial debt. In 2012 the effect of expropriation of the Bolivian company TDE in 2012 was added in, in the amount of -€13.3 million. Profit of €3.2 million was recognised in 2013 from revaluation of the interests already held in REDESUR.

As a result, pro-forma **profit for the period** stood at €277.6 million, up by 6.2% against the previous year. This adjusted figure does not take account of the balance sheet revaluation adopted by the company pursuant to Law 16/2012, reducing the total tax percentage for the first half of the year to 24.9%.



3. Cash flow and balance sheet performance

As already mentioned, in a bid to make this communication of results as clear as possible, we have presented the balance sheet and cash flow statement in due consideration of all recurring and non-recurring effects.

Cash flows

	January - June		
(in thousands of euros)	**2013**	**2012**	**Δ %**
Profit before tax	362,274	320,837	12.9
Taxes paid on earnings	(48,706)	(25,744)	-
Provision for amortisation/depreciation of non-current assets	207,022	201,382	2.8
Other adjustments	(8,426)	50,937	-
Changes to working capital	17,080	(49,821)	-
After-tax cash flows from operations	**529,244**	**497,591**	**6.4**
Changes to other non-current assets and liabilities and others (1)	136,191	29,264	-
Changes to suppliers of PP&E	(89,893)	(72,826)	23.4
Investment	(229,680)	(284,975)	(19.4)
Free cash flow	**345,861**	**169,054**	**-**
Dividends paid	(91,216)	(90,932)	0.3
Variation in net financial debt (2)	**(254,645)**	**(78,122)**	**-**

(1) In 2013 this includes temporary financial investment with maturities of more than 3 months at the time contracts were drawn up, in the amount of €124.8 million.
(2) 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.

The **operating cash flow after taxes** amounted to €529.2 million - this, along with a positive trend in other non-current assets and liabilities enabled the company to finance its capex, pay dividends for the period and reduce its net debt.

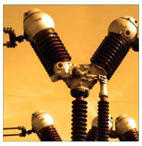
Changes to **working capital** brought in proceeds of €17.1 million. This was due to positive trends in relation to debtors.

Changes to **other non-current assets and liabilities** brought in funds of €136.2 million include the temporary financial investments made by the company.

Group **investment** during the first half of 2013 totalled €229.7 million, down by 19.4% against investment during the same period in 2012, of which €219.0 million were accounted for by investment in the domestic transmission network. Payment on investments stood at €319.6 million.

The **interim dividend paid out** in the first half of 2013 amounted to €91.2 bn, equivalent to the €0.6764 per share on the interim dividend for the year 2012.

The Red Eléctrica Group's **net financial debt** at 30 June 2013 was €4,625.8 million, compared to €4,872.5 million at 31 December 2012.



Net debt

(in thousands of euros)	National currency	Foreign currency	Total
Cash and cash equivalents	(803,517)	(4,768)	(808,285)
Long-term debenture bonds (*)	3,707,948	-	3,707,948
Long-term loans	1,672,561	53,607	1,726,168
Promissory notes and current loans	-	-	-
Total net financial debt	**4,576,992**	**48,839**	**4,625,831**

(*) Includes €800 million falling due in September 2013.

91% of the Group's net debt is fixed rate, and 9% is floating rate.

This meant that in the first half of 2013 the average cost of Group debt was 3.94%. Average gross debt stood at €5,199.2 million (€4,841.7 million in 2012), while average net debt was €4,801.8 million, similar to the same period the previous year. In the same period in 2012, the average cost of debt was 3.74% and the average balance €4,825.5 million.

At 30 June 2013 the Red Eléctrica Group's equity totalled €2,054.9 million, an increase of 3.2% with respect to year-end 2012. This was primarily due to results for the period which were partially offset by recognition of the distribution of results against the previous year, approved at the Ordinary General Shareholders' Meeting.

4. Relevant events during the quarter

- On 12 July, **Royal Decree-Law 9/2013** introduced urgent measures for financial stability in the electricity sector. The RDL establishes a system to calculate earnings associated with transmission business as of July 2013 and, until it actually comes into effect, a new methodology to calculate remuneration for electricity transmission.

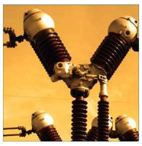
- Pursuant to RDL 9/2013, on 15 July the Ministry of Industry issued a **proposal for an order to establish remuneration for transmission business** for the second half of 2013, entailing a €75 million reduction in transmission earnings.

- Red Eléctrica considers that application of RDL 9/2013 entails a 2014 tariff for remuneration of the company's transmission business of approximately **€1,600 million**.

- Also on 15 July, the Ministry of Industry sent the National Energy Commission its **proposal for a Royal Decree** to establish future remuneration of transmission business, to be reviewed every 6 years. The main features of the proposal are: unification of all methodologies for remuneration of assets, valuation of assets in operation for the first regulatory period in consideration of the replacement value, and establishment of financial remuneration on the basis of a ten-year Spanish treasury bond plus 200 basis points.

  A **comments period** has been initiated to enable the agents of the market to clearly express their contributions to the regulation that has been published and to submit alternatives to enhance the regulation. Red Eléctrica welcomes this open dialogue, and intends to submit proposals to clarify certain specific issues, such as the factor for updating assets, the establishment of the residual life of assets and suitable incentives for the availability of facilities and construction and maintenance processes.

- On 16 July the credit rating agency **Fitch** confirmed the **Red Eléctrica rating** as **'A-'** with negative outlook, following the announcement of the reform of the electricity sector with a view to solving the



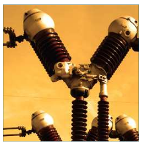
tariff deficit. Fitch also remarked that the company rating was constricted by the sovereign rating of the Kingdom of Spain.

- **Payment of dividends:** On 1 July, €1.6887 per share was paid out as an additional gross dividend against the year 2012. In 2013 the company is maintaining a dividend policy of paying out 65% of its consolidated accounting profit to shareholders.

- At a meeting on 28 May, the Red Eléctrica Corporación Board agreed to appoint **Carmen Gómez de Barreda Tous de Monsalve** as **Lead Independent Director (LID)** of the Company. Creation of the post comes in response to the recommendations of the Unified Good Governance Code and best international practices in relation to corporate governance, and the main function is to organise common positions among independent directors and serve as a channel of dialogue for these positions with the Chairman of the Board, the Board itself and its Committees. The term of the post is three years, and directors may be re-elected.

- On 16 May Red Eléctrica brought out a €300 million **issue of bonds** maturing in 2019. The bonds will have a yield of 2.464%. This operation enables the company to cover its financial needs in the years ahead.

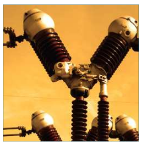
- On 10 May, through Red Eléctrica Internacional, the Red Eléctrica Group increased its stake in the equity of the Peruvian company **Red Eléctrica del Sur, S.A. (Redesur)** from 33.75% to 55%, in an operation valued at $6.9 million. The operation consolidates the Red Eléctrica Group in Peru, where the company is also the owner of 55% of Transmisora Eléctrica del Sur (Tesur) and 100% of Red Eléctrica Andina (REA), and is also instrumental in creating a corporate group that will secure operating synergies.



Red Eléctrica Group

Consolidated income statement

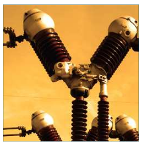
(in thousands of euros)	30/06/2013	30/06/2012	2013/2012
Revenue	856,363	849,635	0.8%
Own work capitalised	8,295	7,378	12.4%
Supply costs	(26,049)	(18,728)	39.1%
Other operating income	6,783	5,647	-
Personnel expenses	(62,411)	(64,687)	(3.5%)
Other operating expenses	(137,740)	(124,023)	11.1%
EBITDA	**645,241**	**655,222**	**(1.5%)**
Amortisation/depreciation of non-current assets	(207,022)	(201,382)	2.8%
Release of grants related to non-financial assets	6,589	6,208	6.1%
Impairment of and gains/losses on disposals of fixed assets	212	(46,338)	-
Net Operating result (EBIT)	**445,020**	**413,710**	**7.6%**
Finance income	9,551	5,536	72.5%
Finance costs	(95,602)	(83,940)	13.9%
Exchange differences	(325)	(1,174)	-
Impairment and gains/losses on disposal of financial instruments	3,219	(13,916)	-
Net finance expense	**(83,157)**	**(93,494)**	**(11.1%)**
Results of companies accounted for using the equity method	411	621	(33.8%)
Profit before tax	**362,274**	**320,837**	**12.9%**
Income tax expense	(90,224)	(95,822)	(5.8%)
Consolidated profit for the period	**272,050**	**225,015**	**20.9%**
A) Consolidated profit attributable to the parent company	**271,975**	**225,075**	**20.8%**
B) Consolidated profit attributable to non-controlling interests	**75**	**(60)**	**-**



Red Eléctrica Group
Consolidated balance sheet

ASSETS (in thousands of euros)	30/06/2013	31/12/2012
Intangible assets	78,438	23,359
Property, plant and equipment	8,282,372	8,265,640
Investment properties	2,583	2,604
Investments accounted for using the equity method	-	4,774
Non-current financial assets	62,593	58,919
Deferred tax assets	137,614	115,466
Other non-current assets	8,289	16,923
Non-current assets	**8,571,889**	**8,487,685**
Inventories	56,476	52,747
Trade and other receivables	415,486	633,315
Current financial assets	126,126	1,130
Cash and cash equivalents	683,510	40,314
Current assets	**1,281,598**	**727,506**
Total assets	**9,853,487**	**9,215,191**

LIABILITIES (in thousands of euros)	30/06/2013	31/12/2012
Equity	2,073,654	2,027,340
Share capital	270,540	270,540
Reserves	1,545,740	1,370,426
Treasury shares and own equity instruments	(14,601)	(14,698)
Profit attributable to the parent company	271,975	492,288
Interim dividend	-	(91,216)
Adjustments due to changes in value	(36,139)	(40.177)
Non-controlling interests	17,403	4,382
Equity	**2,054,918**	**1,991,545**
Grants and other non-current advances	397,631	403,210
Non-current provisions	71,663	65,434
Non-current financial liabilities	4,640,080	3,990,860
Deferred tax liabilities	674,893	651,102
Other non-current liabilities	73,178	75,268
Non-current liabilities	**5,857,445**	**5,185,874**
Current provisions	10	10
Current financial liabilities	1,652,507	1,763,611
Trade and other payables	288,607	274,151
Current liabilities	**1,941,124**	**2,037,772**
Total equity and liabilities	**9,853,487**	**9,215,191**



Consolidated cash flow statement

(in thousands of euros)	30/06/2013	30/06/2012
CASH FLOWS FROM OPERATING ACTIVITIES	**533,891**	**508,556**
Profit before tax	362,274	320,837
Adjustments to profit	286,809	331,512
Depreciation/amortization	207,022	201,382
Other adjustments to result (net)	79,787	130,130
Changes in working capital	17,080	(49,821)
Other cash flows from operating activities	(132,272)	(93,972)
Interest paid	(90,954)	(72,975)
Collection of dividends	5,310	5,114
Collection of Interest	2,578	1,024
Corporate income tax received/ (paid)	(48,706)	(25,744)
Other collections/(payments) on operating activities	(500)	(1,391)
CASH FLOWS FROM INVESTING ACTIVITIES	**(317,996)**	**(346,441)**
Payments from investments	(319,573)	(357,801)
Proceeds from disposals	561	344
Other cash flows from investing activities	1,016	11,016
CASH FLOWS FROM FINANCING ACTIVITIES	**426,984**	**(31,990)**
Proceeds from/(payments for) equity instruments	3,147	6,816
Acquisitions	(78,449)	(70,662)
Disposals	81,596	77,478
Proceeds from/(payments for) financial liabilities	513,326	50,667
Issue and placements	739,510	941,807
Redemption and write-off	(226,184)	(891,140)
Dividend payments	(91,216)	(90,932)
Other cash flows from financing activities	1,727	1,459
Effect of variations in exchange rates	**317**	**123**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**643,196**	**130,248**
Cash and cash equivalents at beginning of period	**40,314**	**19,343**
Cash and cash equivalents at end of period	**683,510**	**149,591**

Financial calendar
Upcoming events

Estimated dates

9M13 results presentation	October 2013

For more information:

Visit our website: **http://www.ree.es**

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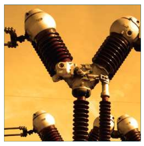
Red Eléctrica has the following credit ratings: A- by Fitch, BBB by S&P and Baa2 by Moody's.



APPENDIX
Corporate Responsibility certifications

Red Eléctrica included in the DJSI World Index for the seventh year running, with a score of 79 points out of a 100.

Awarded the "Bronze Class" award for the fifth consecutive year in the Sustainability Yearbook.

An overall score of 4.5 out of 5, and a relative score of 100 points out of 100 in 2013 (*).

Included in the Ethibel Excellence index since 2008.

Included in the Ethibel Pioneer index in December 2012.

Included in the Aspi Eurozone index since 2011.

Included in the Kempen SNS SRI index since 2004.

Included in the ESG STOXX Leaders index since 2011.

Included in the ECPI Ethical EMU Equity Index since 2011.

Awarded "Best in class" distinction in 2009.

Included since 2008. Chosen in 2011 as one of the four leading European companies in terms of sustainability, securing the maximum score (96 out of 130).

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

(*) FTSE Group confirms that Red Eléctrica Corporación has been independently evaluated in accordance with FTSE4Good criteria and meets the requirements to be ranked in the FTSE4Good indices, the global index established by the FTSE Group. FTSE4Good is a global index designed to encourage investments in companies that meet globally recognised corporate responsibility standards. Companies ranked in the FTSE4Good index adhere to strict environmental, social and corporate governance criteria, and are in a position to benefit from sustainable business practices.