

## RESULTS FOR THE FIRST QUARTER OF 2000

### 1 KEY FIGURES

	31.03.2000		31.03.1999		2000/99 (%)
	(Millions of Pesetas)	(Millions of Euros)	(Millions of Pesetas)	(Millions of Euros)	
Net sales	22,827	137.19	22,086	132.74	3.4
Profit on ordinary activities	5,458	32.80	4,763	28.63	14.6
Net profit	3,496	21.01	3,227	19.39	8.3

Red Eléctrica has recorded **profit after tax** of Ptas. 3,496 million for the first quarter, up 8.3% from Ptas. 3,227 million in the prior quarter. This is mainly a result of increased profit on ordinary activities amounting to Ptas. 5,458 million, which is 14.6% higher than the prior year.

Net sales rose 3.4% compared to the prior quarter to Ptas. 22,827 million.

### 2 FINANCIAL PERFORMANCE

**Operating profit** in the first quarter of 2000 was Ptas. 10,412 million.

**Net sales** were Ptas. 22,827 million, up 3.4% compared to the same period in 1999, mainly reflecting increased income from electricity transportation. Red Eléctrica is the only company in the sector to be granted state incentives in 2000 for the availability of its installations. Income from diversification activities has increased by 46% compared to the first quarter in the prior year.

**Operating expenses** amounted to Ptas. 16,986 million, which is 1.7% higher than the same quarter the prior year. External services have evolved favourably, and if breakdown expenses (which are offset by income from insurance claims) are excluded, this balance has fallen by 0.5%. Personnel expenses totalled Ptas. 2,278 million and included compensation for termination of services and accrual of length of service bonuses which have been approved in the collective labour agreement issued on 19 September 1999. If these two items, which were not recorded under wages and salaries at 31 March 1999, are excluded, average salaries rose by 3.7%.

**The net financial expense** incurred has been Ptas. 759 million, representing an improvement of 16.5% on the same quarter the previous year due to a decline in financial charges resulting from lower interest rates on debt and a reduction in borrowings.

**Extraordinary losses** totalled Ptas. 96 million and included the transfer of deferred income to results and provisions made mainly for the personnel restructuring plan which has been approved by the labour authorities.

**Profit after tax** for the first quarter 2000 amounted to Ptas. 3,496 million, an increase of Ptas. 269 million compared to the Ptas. 3,227 million generated during the same quarter in the prior year.

**Cash flow before tax** amounted to Ptas. 9,938 million, 8.2% up on the prior year. This represents 42% of total revenues and 66.3% of adjusted income (total income less energy purchases).

**Financial debt** at 31 March 2000 was Ptas. 68,120 million, and was distributed as follows:

	Domestic currency (Millions of Pesetas)	Foreign currency (Millions of Pesetas)	Total
Debenture loans	21,017	-	21,017
Long-term loans	33,229	2,611	35,840
Promissory notes and short-term loans	10,911	352	11,263
Total financial debt at 31.03.2000	65,157	2,963	68,120

### 3 SIGNIFICANT EVENTS

#### **Elimination of the restrictions on Red Eléctrica's optic fibre network**

Red Eléctrica, Netco Redes and Retevisión signed an agreement on 13 March 2000 which modifies the June 1997 agreement concerning the use of the optic fibre network owned by Red Eléctrica.

Significant points in the agreement include:

- Eliminating exclusivity and non-competition conditions currently in effect, thereby enabling Red Eléctrica to offer telecommunications services using two fibres which have been reserved in the network until now for electrical service support.
- The possibility of expanding existing links which require a greater number of fibres than those currently available while giving Red Eléctrica access to 75% of new lines and reserving 25% for Netco and Retevisión.
- Red Eléctrica will be able to cede this contract to a subsidiary.

#### **Restructuring plan**

Red Eléctrica presented a restructuring plan to the Spanish labour and social services authorities to adapt its structure to the new operating conditions in the electricity market. This plan includes termination of work contracts, relocation of personnel and voluntary redundancies.

Through the restructuring plan, Red Eléctrica intends to reduce the number of control centres for systems operations to two twin centres, thereby improving efficiency, end-product quality and safety through centralised management of the whole peninsula, as well as maintaining a position of leadership in the sector.

The Spanish labour and social services authorities approved this plan on 12 April 2000.

### **Complementary dividend**

At the board meeting held on 7 March 2000, the directors agreed to propose to the shareholders at their annual general meeting the distribution of a complementary dividend of Euros 0.215 on account of 1999 profits.

Proposed total dividends on 1999 profits therefore amount to Euros 0.365, representing a total pay-out of 65.7% and an 18.7% increase on prior year dividends.

After approval at the shareholders' annual general meeting, payment of the dividend would be effective from 3 July 2000.

### **New project in South America**

Red Eléctrica de España, S.A. has entered into an agreement with the European Union Commission to carry out a consultancy project called "Study for the Implementation of an Organisation to Co-ordinate Future Regional Electricity Markets in South America".

Red Eléctrica will lead a consortium with Vattenfall from Sweden and Cier, the Commission for the Regional Electric Integration, an association which represents the electricity sector in ten South American countries.

This project will enable Red Eléctrica to transfer its experience in European market integration to South American countries and to analyse in detail regulatory developments, extension of the transmission grid domestically as well as to determine which potential international connections are most profitable..

#### 4. APPENDIX

##### STATEMENT OF PROFIT AND LOSS

	Millions of Pesetas		% Variation 2000/99	Millions of Euros	
	31.03.00	31.03.99		31.03.00	31.03.99
Net sales	22,827	22,086	3.4	137.19	132.74
Other income	376	284	32.4	2.26	1.71
Change in stocks of finished goods and work in progress					
<b>Total value of production</b>	<b>23,203</b>	<b>22,370</b>	<b>3.7</b>	<b>139.45</b>	<b>134.45</b>
Net purchases	-9,159	-9,109	0.5	-55.05	-54.75
Change in stocks of goods for resale, raw materials and other materials consumed	182	55	230.9	1.09	0.33
External operating expenses	-1,536	-1,372	12.0	-9.23	-8.25
<b>Adjusted value added</b>	<b>12,690</b>	<b>11,944</b>	<b>6.2</b>	<b>76.27</b>	<b>71.78</b>
Other expenses and income					
Personnel expenses	-2,278	-2,111	7.9	-13.69	-12.69
<b>Gross operating profit</b>	<b>10,412</b>	<b>9,833</b>	<b>5.9</b>	<b>62.58</b>	<b>59.10</b>
Amortisation and depreciation	-4,195	-4,161	0.8	-25.21	-25.01
Reversion fund					
Change in trade provisions					
<b>Net operating profit</b>	<b>6,217</b>	<b>5,672</b>	<b>9.6</b>	<b>37.36</b>	<b>34.09</b>
Financial income	39	93	-58.1	0.23	0.56
Financial expenses	-886	-1,069	-17.1	-5.32	-6.42
Interest and capitalised exchange differences	88	67	31.3	0.53	0.40
Amortisation and financial provisions					
<b>Profit on ordinary activities</b>	<b>5,458</b>	<b>4,763</b>	<b>14.6</b>	<b>32.80</b>	<b>28.63</b>
Profit on disposal of intangible assets, tangible assets and investments	0	4		0.00	0.02
Change in provisions for intangible assets, tangible assets and investments	-97	-51	90.2	-0.58	-0.31
Profit on operations with own shares and bonds					
Prior years' results	-8	21	-138.1	-0.05	0.13
Other extraordinary income	9	214	-95.8	0.05	1.29
<b>Profit before tax</b>	<b>5,362</b>	<b>4,951</b>	<b>8.3</b>	<b>32.23</b>	<b>29.76</b>
Income and other taxes	-1,866	-1,724	8.2	-11.21	-10.36
<b>Profit for the period</b>	<b>3,496</b>	<b>3,227</b>	<b>8.3</b>	<b>21.01</b>	<b>19.39</b>

The classification shown above is that used for the reports presented to the Spanish Stock Exchange Authorities and the Stock Exchange

## BALANCE SHEET

<b>Assets</b>	Millions of Pesetas		% Variation 2000/99	Millions of Euros	
	31.03.00	31.03.99		31.03.00	31.03.99
<b>Uncalled share capital</b>					
Start-up costs					
Intangible assets	1,483	1,590	-6.7	8.91	9.56
Tangible assets	217,557	220,360	-1.3	1307.54	1324.39
Investments	3,740	3,800	-1.6	22.48	22.84
Own shares, long-term					
Trade debtors, long-term	968	968	0.0	5.82	5.82
<b>Total fixed assets</b>	<b>223,748</b>	<b>226,718</b>	<b>-1.3</b>	<b>1344.75</b>	<b>1362.60</b>
<b>Deferred expenses</b>	<b>2,131</b>	<b>2,222</b>	<b>-4.1</b>	<b>12.81</b>	<b>13.35</b>
Unpaid calls on share capital					
Stocks	750	568	32.0	4.51	3.41
Debtors	18,211	17,508	4.0	109.45	105.23
Short-term investments	443	2,985	-85.2	2.66	17.94
Own shares, short-term					
Cash in hand and at banks	97	87	11.5	0.58	0.52
Prepayments	11,627	152	7549.3	69.88	0.91
<b>Total current assets</b>	<b>31,128</b>	<b>21,300</b>	<b>46.1</b>	<b>187.08</b>	<b>128.02</b>
<b>Total assets</b>	<b>257,007</b>	<b>250,240</b>	<b>2.7</b>	<b>1544.64</b>	<b>1503.97</b>
<b>Shareholders' Equity and Liabilities</b>					
Share capital	45,014	45,014	0.0	270.54	270.54
Reserves	63,953	63,980	0.0	384.37	384.53
Prior years' losses					
Profit for the period	15,997	12,501	28.0	96.14	75.13
Interim dividends	-3,376	-3,376			
<b>Total shareholders' equity</b>	<b>121,588</b>	<b>118,119</b>	<b>2.9</b>	<b>730.76</b>	<b>709.91</b>
<b>Deferred income</b>	<b>31,369</b>	<b>31,622</b>	<b>-0.8</b>	<b>188.53</b>	<b>190.05</b>
<b>Provisions for liabilities and charges</b>	<b>4,325</b>	<b>4,041</b>	<b>7.0</b>	<b>25.99</b>	<b>24.29</b>
Bond issues and other marketable securities	21,017	21,018	0.0	126.31	126.32
Loans	35,840	36,617	-2.1	215.40	220.07
Group and associated companies					
Long-term trade creditors					
Other long-term creditors	7,634	7,624	0.1	45.88	45.82
<b>Total long-term creditors</b>	<b>64,491</b>	<b>65,259</b>	<b>-1.2</b>	<b>387.60</b>	<b>392.21</b>
Bond issues and other marketable securities	685	430	59.3	4.12	2.58
Loans	12,303	9,349	31.6	73.94	56.19
Group and associated companies					
Trade creditors	6,316	7,240	-12.8	37.96	43.51
Other short-term creditors	9,617	7,558	27.2	57.80	45.42
Accruals	6,313	6,622	-4.7	37.94	39.80
<b>Total current liabilities</b>	<b>35,234</b>	<b>31,199</b>	<b>12.9</b>	<b>211.76</b>	<b>187.51</b>
<b>Provision for current liabilities and charges</b>					
<b>Total shareholders' equity and liabilities</b>	<b>257,007</b>	<b>250,240</b>	<b>2.7</b>	<b>1544.64</b>	<b>1503.97</b>

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