

RED ELECTRICA

RESULTS FOR THE FIRST *SIX MONTHS* OF 2000

1. Key Figures

	30.06.2000		30.06.1999		2000/99 (%)
	(Millions of Pesetas)	(Millions of Euros)	(Millions of Pesetas)	(Millions of Euros)	
Net sales	46,571	279.90	45,484	273.36	2.4
Profit on ordinary activities	10,887	65.43	9,454	56.82	15.2
Net profit	7,017	42.17	6,411	38.53	9.5

Net profit for the first half of 2000 amounts to Ptas. 7,017 million, 9.5% up on the Ptas. 6,411 million generated during the same period the previous year. This is due mainly to the 15.2% rise in profit on ordinary activities to Ptas. 10,887 million.

Net sales have increased by 2.4% to Ptas. 46,571 million.

2. Financial Performance

Operating profit for the first half of 2000 amounts to Ptas. 12,322 million, which is 8.3% higher than the same period the prior year.

Net sales are Ptas. 46,571 million, including energy sales under international supply agreements, which have also given rise to costs. Adjusted net sales after discounting energy purchase costs total Ptas. 29,479 million, which is 5.7% up on the previous year. This growth is due to higher transport revenues and a 42% increase in income from diversification activities.

Operating expenses total Ptas. 35,082 million, 0.6% up on figures for the same period the previous year. This is in line with the cost cutting policies introduced in prior periods. Personnel expenses amount to Ptas. 4,553 million and include indemnities, net of deferred income recognised on the recovery of future seniority bonuses, as approved in the collective labour agreement of 19 September 1999. If these amounts are not considered, as they were not included under wages and salaries at 30 September 1999, the average increase in salaries is 4%.

The net financial expense has been Ptas. 1,435 million, representing an improvement of 25.4% over the same period the previous year due to a reduction in financial charges as a result of lower borrowings.

The net extraordinary expense of Ptas. 118 million is 131.6% down on the extraordinary results for the previous period the prior year. This decrease is mainly due to provision for the personnel restructuring project which has been approved by the

local authorities. This provision was made at the end of 1999 and had not been accrued at 30 June 1999.

Profit after tax for the six-month period ended 30 June 2000 is Ptas. 7,017 million, compared to Ptas. 6,411 million in the first half of 1999, which represents an increase of Ptas. 606 million.

Cash flow before tax is Ptas. 19,795 million, 8.2% up on the prior year. This amount represents 40.9% of total income, which would be 63.3%, if energy purchases were excluded.

In June 2000 **investments** of Ptas. 3,679 million were made in accordance with the investment plan to extend and improve the distribution network.

At 30 June 2000 **loans** amount to Ptas. 63,058 million. Details are as follows:

	Millions of Pesetas	Foreign currency (Millions of Pesetas)	Total
Debenture loan	21,017		21,017
Long-term loans	32,335	1,443	33,778
Promissory notes and short-term loans	8,057	206	8,263
Total loans at 30.06.00	61,409	1,649	63,058

3. Significant Events

Telecommunications strategy

On 2 June 2000 RED ELECTRICA announced its strategy to add value to its telecommunications network through two main business lines:

- Carrier services: The REE fibre optic network will offer a portfolio of services ranging from dark fibre to added value services using multi-coloured fibre optics (wave lengths) structured band-width (SDH, synchronous digital hierarchy) and Internet Protocol.
- Internet Infrastructure: The carrier service will be used as a platform to develop an integral internet infrastructure service including server and web site housing and application services.

The development plan foresees investment of Euros 700 million by 2004 and over Euros 864 million by 2009.

Income is forecast to exceed Euros 300 million in 2004, reaching over Euros 640 million in 2009. Carrier services represent virtually 100% of income forecast from the activity in 2001, and falling to 70% in 2004 and to approximately 50% in 2009.

Actions carried out

March 2000

- Agreement between RED ELECTRICA, NETCO REDES and RETROVISION to modify the contract for the use of capacity of the fibre optic network owned by the Company, eliminating the exclusivity and no competition conditions, thereby enabling RED ELECTRICA to render telecommunication services.
- Determination of the telecommunications strategy and submission to the board of directors.

April

- Preparation of the telecommunications business plan
- Contact with potential clients

May

- Presentation of the business plan to the board of directors.
- Preparation of the necessary documentation for the CI licence and A and C authorisations.

June

- Submission of the C1 licence application to the Telecommunication Market Commission
- Presentation of the telecommunications strategy to analysts, institutional investors and the media.
- Preparation of all the administrative and legal documentation for the incorporation of the telecommunications subsidiary.

RED ELECTRICA LISTING ON THE IBEX 35 INDEX

On 7 June 2000 it was announced that RED ELECTRICA would be included on the IBEX 35 index, having ranked 31st in volume of trading on the spanish continuous market during the period from November to May. 60% of RED ELECTRICA's stock market capitalisation has been weighted as the current free float is 31.5%

ANNUAL GENERAL MEETING OF THE SHAREHOLDERS OF REE

The shareholders at their annual general meeting held on 26 May 2000 agreed, inter-alia, the following:

Distribution of RED ELECTRICA DE ESPAÑA profits:

	Pesetas
To voluntary reserves	4,285,613,815
To dividends	
Interim dividends	3,376,055,133
Supplementary dividends	4,839,012,357
Total	12,500,681,305

Dividends (Euros 0.365 per share) have been distributed as follows:

Interim dividends of Euros 0.15 per share paid on 22 November 1999

Supplementary dividend of Euros 0.215 per share paid on 3 July 2000.

Authorisation for the acquisition of own shares

In accordance with article 75 and related articles of the Spanish Companies Act, the board of directors was authorised to acquire, either directly or indirectly, RED ELECTIRCA DE ESPAÑA, S.A. own shares.

4. APPENDICES

STATEMENT OF PROFIT AND LOSS

	Millions of Pesetas		% Variation 2000/99	Millions of Euros	
	30.06.00	30.06.99		30.06.00	30.06.99
Net sales	46,571	45,484	2.4	279.90	273.36
Other income	833	752	10.8	5.01	4.52
Change in stocks of finished goods and work in progress					
Total value of production	47,404	46,236	2.5	284.90	277.88
Net purchases	-18,971	-18,555	2.2	-114.02	-111.52
Change in stocks of goods for resale, raw materials and other materials consumed	485	146	232.2	2.91	0.88
External operating expenses	-3,648	-3,855	-5.4	-21.92	-23.17
Adjusted value added	25,270	23,972	5.4	151.88	144.07
Other expenses and income					
Personnel expenses	-4,553	-4,263	6.8	-27.36	-25.62
Gross operating profit	20,717	19,709	5.1	124.51	118.45
Amortisation and depreciation	-8,395	-8,331	0.8	-50.45	-50.07
Reversion fund					
Change in trade provisions					
Net operating profit	12,322	11,378	8.3	74.06	68.38
Financial income	68	162	-58.0	0.41	0.97
Financial expenses	-1,694	-2,215	-23.5	-10.18	-13.31
Interest and capitalised exchange differences	191	129	48.1	1.15	0.78
Amortisation and financial provisions					
Profit on ordinary activities	10,887	9,454	15.2	65.43	56.82
Profit on disposal of intangible assets, tangible assets and investments	-1	7		-0.01	0.04
Change in provisions for intangible assets, tangible assets and investments	-149	-102	46.1	-0.90	-0.61
Profit on operations with own shares and bonds					
Prior years' results	25	45	-44.4	0.15	0.27
Other extraordinary income	7	424	-98.3	0.04	2.55
Profit before tax	10,769	9,828	9.6	64.72	59.07
Income and other taxes	-3,752	-3,417	9.8	-22.55	-20.54
Profit for the period	7,017	6,411	9.5	42.17	38.53

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

BALANCE SHEET

Assets	Millions of Pesetas		% Variation 2000/99	Millions of Euros	
	30.06.00	31.12.99		30.06.00	31.12.99
Uncalled share capital					
Start-up costs					
Intangible assets	1,374	1,590	-13.6	8.26	9.56
Rights over leased assets					
Other intangible assets	1,374	1,590	-13.6	8.26	9.56
Tangible assets	215,754	220,360	-2.1	1296.71	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
Total fixed assets	221,836	226,718	-2.2	1333.26	1362.60
Deferred expenses	2,041	2,222	-8.1	12.27	13.35
Unpaid calls on share capital					
Stocks	1,053	568	85.4	6.33	3.41
Debtors	19,389	17,508	10.7	116.53	105.23
Short-term investments	6,706	2,985	124.7	40.30	17.94
Own shares, short-term					
Cash in hand and at banks	123	87	41.4	0.74	0.52
Prepayments	7,727	152	4983.6	46.44	0.91
Total current assets	34,998	21,300	64.3	210.34	128.02
Total assets	258,875	250,240	3.5	1555.87	1503.97
Shareholders' Equity and Liabilities					
Share capital	45,014	45,014	0.0	270.54	270.54
Reserves	68,213	63,980	6.6	409.97	384.53
Prior years' losses					
Profit for the period	7,017	12,501	-43.9	42.17	75.13
Interim dividends		-3,376			
Total shareholders' equity	120,244	118,119	1.8	722.68	709.91
Deferred income	31,337	31,622	-0.9	188.34	190.05
Provisions for liabilities and charges	4,522	4,041	11.9	27.18	24.29
Bond issues and other marketable securities	21,018	21,018	0.0	126.32	126.32
Loans	33,778	36,617	-7.8	203.01	220.07
Group and associated companies					
Long-term trade creditors					
Other long-term creditors	7,669	7,624	0.6	46.09	45.82
Total long-term creditors	62,465	65,259	-4.3	375.42	392.21
Bond issues and other marketable securities	940	430	118.6	5.65	2.58
Loans	9,048	9,349	-3.2	54.38	56.19
Group and associated companies					
Trade creditors	8,647	7,240	19.4	51.97	43.51
Other short-term creditors	15,796	7,558	109.0	94.94	45.42
Accruals	5,876	6,622	-11.3	35.32	39.80
Total current liabilities	40,307	31,199	29.2	242.25	187.51
Provision for current liabilities and charges					
Total shareholders' equity and liabilities	258,875	250,240	3.5	1555.87	1503.97

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