

RED ELECTRICA DE ESPAÑA, S.A.
RESULTS FOR THE THIRD QUARTER OF 2000
1. Key Figures

	30.09.00		30.09.99		2000/99
	Millions of Pesetas	Millions of Euros	Millions of Pesetas	Millions of Euros	% variation
Adjusted Net sales	44,007	264.49	42,778	257.10	2.9
Net Operating Profit	19,084	114.70	17,614	105.86	8.3
Profit on ordinary activities	16,996	102.15	15,009	90.21	13.2
Net profit	11,106	66.75	10,136	60.92	9.6

Red Eléctrica has recorded **profit after tax** of Ptas. 11,106 million for the third quarter of 2000, compared to Ptas. 10,136 million for the same period in the prior year, which represents an 9.6% increase due mainly to the increase in profit on ordinary activities which has risen to Ptas. 16,996 million, representing growth of 13.2% compared to the prior year.

Net operating profit amounts to Ptas. 19,084 million, 8.3% up on the same period in the prior year.

Net sales (net purchases of energy) were Ptas. 44,007 million, up 2.9% compared to the prior year

2. Financial Performance

Net operating profit for the third quarter of 2000 amounts to Ptas. 19,084 million, 8.3% up on the same period in the prior year.

Net sales amount to Ptas. 69,874 million. This figure includes energy sales for international agreements which have their balancing entry in expenses. Net sales, after discounting expenses for energy purchases, amount to Ptas. 44,007 million, representing an increase of 2.9% compared to the prior year. This increase is mainly due to higher transport revenues and an increment in income from diversification activities.

Operating expenses for the period amount to Ptas. 51,946 million, which is 1.4% down on the same period in the prior year. This is a continuation of the cost savings observed in prior periods.

External services and other management expenses have been reduced by 8.9%, since in the same period in 1999 these included expenses for the public offer of sale of shares. If the effect of such expenses were not taken into consideration, the reduction would be 0.1%.

Personnel expenses amount to Ptas. 6,711 million, which included the compensation for dismissal and accruals on length-of-service bonuses, which had been approved in the collective labour agreement issued at the end of 1999. The decrease as compared to the prior year, net of the effect of the compensation described above, has been 0.5%. The workforce at 30 September 2000 was 987, a reduction of 5% over the year.

The net financial expense incurred has been Ptas. 2,088 million, representing an improvement of 19.8% over the same period in the prior year due to a decrease in financial charges and a reduction in borrowings.

Net extraordinary loss amounts to Ptas. 156 million, representing a reduction of 128.2% compared to the same period in the prior year. This decrease is mainly due to provisions for the restructuring plan presented by the Company and approved by the labour authorities. These amount were not accrued for at 30 September 1999 and provision was made at the year end.

Profit after tax for the third quarter of 2000 is Ptas. 11,106 million, compared to Ptas. 10,136 million for the same period in the prior year, representing an increase of Ptas. 970 million.

Cash-flow before tax is Ptas. 30,191 million. This amount exceeds that generated in the prior year by 6.7% and represents 41.7% of total revenues and 64.8% if energy purchases were excluded.

Investments of Ptas. 7,482 million have been made in September 2000, in conjunction with Red Eléctrica's investment plan to extend and improve the distribution network.

At 30 September 2000 the financial debt totals Ptas. 57,466 million and comprises the following:

	Domestic currency (millions of Pesetas)	Foreign currency (millions of Pesetas)	Total
Debenture loans	21,018	-	21,018
Long-term loans	30,135	1,474	31,609
Promissory notes and short-term loans	4,628	211	4,839
Total financial debt at 30.09.00	55,781	1,685	57,466

3. Significant Events

RED ELÉCTRICA HAS BEEN GRANTED A LICENCE TO PROVIDE TELECOMMUNICATIONS SERVICES

The Spanish telecommunications authorities, CMT, have granted Red Eléctrica de España an individual C1 licence, allowing the Company to establish and operate a public telecommunications network. This is a domestic licence and permits Red Eléctrica to rent fibre optics to third parties and render telecommunications services.

With this licence the Company now comply with all of the requirements established by the Spanish telecommunications authorities to implement its telecommunications strategy, which will enable REE to offer the market high capacity and quality broadband circuits.

APPOINTMENT OF THE MANAGEMENT TEAM OF THE TELECOMMUNICATIONS SUBSIDIARY

Red Eléctrica de España has appointed Francisco Cecilia Aguado to head the launch of the Company's telecommunications subsidiary. Mr. Cecilia has spent a large part of his career in the telecommunications sector within the Telfónica Group and has occupied, among others, the posts of international services manager and manager of the international communications marketing department, president of Telefónica y Sistemas de Satélites, S.A., assistant operating and maintenance manager and head of Telefónica Media's corporate development.

A general operating manager, a network planning and development manager and a marketing manager have also been appointed.

CONVENTION FOR TECHNICAL CO-OPERATION BETWEEN REE AND ONE

Red Eléctrica de España, S.A. and Office National De L'électricité (ONE) have signed an agreement to investigate the possibilities of strengthening the connection between Spain and Morocco.

The commercial capacity of the interconnection is currently 350mw. The implementation of this agreement brought about the integration of the Maghreb electrical systems with those of the UTCE (Union for the Coordination of Electricity Distribution) in Morocco and Spain.

Economic growth and the demand for electricity in the two countries indicates that these studies be commenced to take advantage of the reductions in the cost of energy made possible by the integration of the systems.

INTERIM DIVIDEM

On 3 July 2000 an interim dividend of Euros 0.2150 per share was paid.

In 1999 the total pay-out was Euros 0.365 per share, a yield of more than 6% based on the 1999 year end quotation.

4. APPENDICES

STATEMENT OF PROFIT AND LOSS

	Millions of Pesetas		% Variation 2000/99	Millions of Euros	
	30.09.00	30.09.99		30.09.00	30.09.99
Net sales	69,874	69,334	0.8	419.95	416.71
Other income	1,156	972	18.9	6.95	5.84
Change in stocks of finished goods and work in progress					
Total value of production	71,030	70,306	1.0	426.90	422.55
Net purchases	-27,688	-28,121	-1.5	-166.41	-169.01
Change in stocks of goods for resale, raw materials and other materials consumed	299	239	25.1	1.80	1.44
External operating expenses	-5,240	-5,754	-8.9	-31.49	-34.58
Adjusted value added	38,401	36,670	4.7	230.79	220.39
Other expenses and income					
Personnel expenses	-6,711	-6,580	2.0	-40.33	-39.55
Gross operating profit	31,690	30,090	5.3	190.46	180.84
Amortisation and depreciation	-12,606	-12,476	1.0	-75.76	-74.98
Reversion fund					
Change in trade provisions					
Net operating profit	19,084	17,614	8.3	114.70	105.86
Financial income	117	207	-43.5	0.70	1.24
Financial expenses	-2,519	-3,008	-16.3	-15.14	-18.08
Interest and capitalised exchange differences	314	196	60.2	1.89	1.18
Amortisation and financial provisions					
Profit on ordinary activities	16,996	15,009	13.2	102.15	90.21
Profit on disposal of intangible assets, tangible assets and investments	1	18		0.01	0.11
Change in provisions for intangible assets, tangible assets and investments	-158	-153	3.3	-0.95	-0.92
Profit on operations with own shares and bonds					
Prior years' results	25	45	-44.4	0.15	0.27
Other extraordinary income	-24	643	-103.7	-0.14	3.86
Profit before tax	16,840	15,562	8.2	101.21	93.53
Income and other taxes	-5,734	-5,426	5.7	-34.46	-32.61
Profit for the period	11,106	10,136	9.6	66.75	60.92

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	
	30.09.00	31.12.99		30.09.00	31.12.99
Uncalled share capital					
Start-up costs					
Intangible assets	1,279	1,590	-19.6	7.69	9.56
Rights over leased assets					
Other intangible assets	1,279	1,590	-19.6	7.69	9.56
Tangible assets	215,389	220,360	-2.3	1294.51	1324.39
Investments	3,896	3,800	2.5	23.42	22.84
Own shares, long-term	325	0	---	1.95	0.00
Trade debtors, long-term	968	968	0.0	5.82	5.82
Total fixed assets	221,857	226,718	-2.1	1333.39	1362.60
Deferred expenses	1,949	2,222	-12.3	11.71	13.35
Unpaid calls on share capital					
Stocks	868	568	52.8	5.22	3.41
Debtors	19,573	17,508	11.8	117.64	105.23
Short-term investments	2,729	2,985	-8.6	16.40	17.94
Own shares, short-term					
Cash in hand and at banks	175	87	101.1	1.05	0.52
Prepayments	4,041	152	2558.6	24.29	0.91
Total current assets	27,386	21,300	28.6	164.59	128.02
Total assets	251,192	250,240	0.4	1509.69	1503.97
Shareholders' Equity and Liabilities					
Share capital	45,014	45,014	0.0	270.54	270.54
Reserves	68,186	63,980	6.6	409.81	384.53
Prior years' losses					
Profit for the period	11,106	12,501	-11.2	66.75	75.13
Interim dividends		-3,376			
Total shareholders' equity	124,306	118,119	5.2	747.09	709.91
Deferred income	30,931	31,622	-2.2	185.90	190.05
Provisions for liabilities and charges	4,628	4,041	14.5	27.81	24.29
Bond issues and other marketable securities	21,018	21,018	0.0	126.32	126.32
Loans	31,610	36,617	-13.7	189.98	220.07
Group and associated companies					
Long-term trade creditors					
Other long-term creditors	7,684	7,624	0.8	46.18	45.82
Total long-term creditors	60,312	65,259	-7.6	362.48	392.21
Bond issues and other marketable securities	477	430	10.9	2.87	2.58
Loans	5,701	9,349	-39.0	34.26	56.19
Group and associated companies					
Trade creditors	9,088	7,240	25.5	54.62	43.51
Other short-term creditors	10,980	7,558	45.3	65.99	45.42
Accruals	4,769	6,622	-28.0	28.66	39.80
Total current liabilities	31,015	31,199	-0.6	186.40	187.51
Provision for current liabilities and charges					
Total shareholders' equity and liabilities	251,192	250,240	0.4	1509.69	1503.97

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