

RED ELÉCTRICA

RESULTS FOR THE THIRD QUARTER OF 2001

1. KEY FIGURES

Consolidated figures	30.09.2001		30.09.2000*		2001/2000 (%)
	(Thousands of Euros)	(Millions of Pesetas)	(Thousands of Euros)	(Millions of Pesetas)	
Adjusted net sales	284.57	47,349	264.48	44,007	7.6
Gross operating profit (EBITDA)	197.28	32,826	190.46	31,690	3.6
Net operating profit (EBIT)	118.65	19,743	114.69	19,084	3.5
Profit on ordinary activities	107.29	17,852	102.14	16,996	5.0
Profit after tax	72.639	12,086	66.748	11,106	8.8

* Individual figures for Red Eléctrica de España, S.A. At 30 June 2000 the group companies Red Eléctrica Telecomunicaciones, S.A. and Red Eléctrica Internacional, S.A. had not been incorporated.

In the third quarter of 2001 the Red Eléctrica Group has recorded profit after tax of Euros 72.6 million, compared with Euros 66.7 million for the same period in the prior year, representing an increase of 8.8%.

The higher **profit on ordinary activities** compared with the same period in the prior year derives from growth of 7.6% in adjusted sales (net of energy purchases), which amount to Euros 284.6 million, and from continuous improvements in applied internal efficiency in recent years, which has contained operating expenses and permitted the absorption of expenses incurred on the start-up of subsidiaries.

2. ECONOMIC-FINANCIAL PERFORMANCE

In the first three quarters of 2001 **group gross operating profit (EBITDA)** amounts to Euros 197.3 million, 3.6% up on the same period in the prior year. The EBITDA for Red Eléctrica de España, S.A. has risen to 6.5%.

Adjusted net sales (net of energy purchases) total Euros 284.6 million, 7.6% higher than the same period of the prior year. This mainly reflects greater income from transport and income generated from telecommunications services rendered to third parties.

Operating expenses (net of energy purchases) have been Euros 91.8 million. This 13.2% increase compared to the same period in 2000 is due to higher operating expenses incurred on the start-up of group companies. Operating expenses related to the electricity business have remained stable, which illustrates the efforts made by the Company to control costs.

Personnel expenses have amounted to Euros 43.3 million. The average number of employees at consolidated level is 1,005 compared to 1,014 in the prior year. At an individual company level, Red Eléctrica España's average headcount is 949.

Net operating profit (EBIT) for the group is Euros 118.7 million, up 3.5% compared to the same period in the prior year.

The financial loss incurred by the Group amounts to Euros 11.4 million, an improvement of 9.5% compared to the same period in the prior year.

Group profit on ordinary activities is Euros 107.3 million, up 5.0% from the prior year.

Extraordinary profit for the group is Euros 4.4 million, which mainly reflects the recognition of deferred income.

In 2000 extraordinary expenses included an allowance to the provision required to cover the redundancy plan approved by the labour authorities. In 2000, full provision was made for this restructuring plan.

Group profit after tax is Euros 72.6 million compared to Euros 66.7 for the same period in the prior year, an improvement of 8.8%.

The results per business during the first three quarters of 2001 have been as follows:

Thousands of Euros	Electricity business *	Telecommunications business	Red Eléctrica Group
Gross operating profit/(loss) (EBITDA)	202,392	(5,106)	197,286
Net operating profit/(loss) (EBIT)	125,442	(6,783)	118,659
Profit/(loss) on ordinary activities	113,899	(6,604)	107,295
Profit after tax	79,241	(6,602)	72,639

* Includes the results of the international electricity business

Group cash-flow before tax amounts to Euros 184 million, representing 41% of total income and 59% of adjusted income (total income net of energy purchases).

Group investments made in the first three quarters of 2001 amount to Euros 158,455 million, compared with Euros 45.0 million in the same period of the prior year. Of these investments, 50% are to expand and improve the distribution network, 48% relate to the new telecommunications activity and the other 2% to other investments.

At 30 September 2001 financial debt amounts to approximately Euros 441.1 million, as follows:

Thousands of Euros	Pesetas	Foreign currency	Red Eléctrica Group
Debenture loans	126,318	0	126,318
Long-term loans	127,798	7,841	135,639
Promissary notes and short-term loans	177,660	1,484	179,144
Total financial debt at 30.09.2001	431,776	9,325	441,101

3. SIGNIFICANT EVENTS

- **ELECTRICITY BUSINESS**

Investment in the distribution network

Investments in the distribution network during the first nine months of the year have amounted to Euros 78.4 million, up 81.5% compared to investments in distribution installations during the same period in the prior year.

Investments over the last three years have grown significantly from Euros 18.0 million, to Euros 34.5 million and finally to Euros 78.3 million respectively with much higher prospects for the close of 2001 than existed for the close of the prior year.

The following projects in progress are of particular note:

- The new Madrid-Aragón transmission link which will strengthen electrical energy transmissions between central and north-eastern Spain and which will also serve a number of high-speed train traction substations linking Madrid to Barcelona.
- Investments mainly for the development of the northern transmission link and to extend the transport network in Navarra.
- The strengthening of the infrastructure in the areas of Albacete, Andalucia and Galicia to incorporate the new supply.

The Pinilla and Lubian substations and the new bays added to the Rocamora and Tajo substations entered service prior to 30 September.

Restructuring of Control Centres

At 30 September, the restructuring process of Red Eléctrica's control centres has been completed by the transfer of functions from the North-Eastern Centre (La Coruña).

• TELECOMMUNICATIONS BUSINESS

Key indicators

The key indicators at 30 September 2001 have been as follows:

RED ELECTRICA	Thousands of Euros
	30.09.0
Net sales	16,107
Gross operating loss (EBITDA)	(5,106)
Net operating loss (EBIT)	(6,783)
Loss on ordinary activities	(6,604)
Loss after tax	(6,602)

Investments

Investments in the first three quarters of the year total Euros 75.6 million. Details are as follows:

- The fibre-optic network, laying new fibres, adaptation of the existing infrastructure and acquisition of fibre for trunk lines for access to Points of Presence and to customers.

- DWDM network: the four major rings that make up the national network structure are almost finished. Work is on schedule and they are due to be completed and in service in November.
- POP (Points of presence) network: Red Eléctrica Telecomunicaciones has reached an agreement with 3G Office and Telefonica for the subrogation of leasing contracts held with the company Interoute. As a consequence of this development, the establishment of POP's has increased significantly and there are currently 50 urban POP's situated in every provincial capital in Spain. The contract also includes an agreement for the interconnection of the POP's and the Telefonica network, which involves completing the development of the access infrastructure before the end of the current year, which was planned to be carried out during the 2001-2003 period.
- Data centres: Work has commenced on adapting buildings in Madrid and Valencia to accommodate the data centres. The first will be ready before the end of the current year.

The investments are in line with the business plan forecasts for this year.

Strategic agreements

The most significant of the strategic agreements reached is that with Cable & Wireless, with whom the construction of the Data Centre of San Sebastian de los Reyes, the establishment of broadband optical circuits for the use of the centres of Red Eléctrica Telecomunicaciones in Bilbao, Barcelona, Valencia and Seville and other agreements concerning product manufacturing and commercialisation of services, have already been initiated.

Significant events

Work to commence the first phase of the ConeXalia service has been completed. From 1 October this will be marketed to internet service providers (ISP's) and operators.

4- APPENDICES

CONSOLIDATED PROFIT AND LOSS ACCOUNTS

	Thousands of Euros		%
	30.09.2001	30.09.2000*	
Net sales	440,022	419,951	4.8
Other income	4,447	6,948	-36.0
Change in stocks of finished goods and work in progress	-	-	-
Total value of production	444,469	426,899	4.1
Net purchases	-167,544	-166,408	0.7
Change in stocks of goods for resale, raw materials and other materials consumed	5,235	1,797	192.4
External operating expenses	-41,531	-31,493	31.9
Adjusted added value	240,629	230,795	4.3
Other expenses and income	-	-	-
Personnel expenses	-43,343	-40,334	7.5
Gross operating profit	197,286	190,461	3.6
Amortisation and depreciation	-78,627	-75,764	3.8
Reversion fund	-	-	-
Change in trade provisions	-	-	-
Net operating profit	118,659	114,697	3.5
Financial income	1,399	703	99.0
Financial expenses	-16,099	-15,139	6.3
Interest and exchange gains capitalised	3,096	1,887	64.1
Amortisation and financial provisions	-	-	-
Conversion gains/ (losses)	-	-	-
Share of results in equity accounted companies	240	-	-
Amortisation of goodwill on consolidation	-	-	-
Reversal of negative consolidation differences	-	-	-
Profit on ordinary activities	107,295	102,148	5.0
Profit/ (Loss) on tangible and intangible assets and treasury stock	-69	6	-1250.0
Changes in provisions for tangible and intangible assets and treasury stock	-372	-950	-60.8
Return on own shares and bonds	-103	-	-
Prior years' results	229	150	52.7
Other extraordinary income	4,731	-144	-3385.4
Profit before tax	111,711	101,210	10.4
Income and other taxes	-39,072	-34,462	13.4
Profit for the period	72,639	66,748	8.8

*The profit and loss accounts of Red Eléctrica de España are presented for the purpose of comparison. The group companies Red Eléctrica Telecomunicaciones and Red Eléctrica Internacional had not been incorporated at that date.

Items in this table are grouped in accordance with the reports presented to the Spanish Stock Exchange Authorities and the stock exchanges.

CONSOLIDATED BALANCE SHEETS

Assets	Thousands of Euros		%
	30.09.2001	31.12.2000*	2001/2000
Uncalled share capital contributions	-	-	-
Start-up costs	1,396	1,106	26.2
Intangible assets	5,410	7,200	-24.9
Rights over leased assets	-	-	-
Other intangible assets	5,410	7,200	-24.9
Tangible assets	1,379,692	1,313,800	5.0
Investments	24,094	33,164	-27.3
Own shares, long-term	7,074	6,058	16.8
Trade debtors, long-term	17,384	5,818	198.8
Total fixed assets	1,435,050	1,367,146	5.0
Goodwill on Consolidation	-	-	-
Deferred expenses	24,641	11,161	120.8
Unpaid calls on share capital	-	-	-
Stocks	7,736	2,482	211.7
Debtors	170,088	106,698	59.4
Short-term investments	17,345	24,665	-29.7
Own shares, short-term	-	-	-
Cash and banks	4,779	15,158	-68.5
Prepaid expenses	26,093	1,875	1291.5
Total current assets	226,041	150,878	49.8
Total assets	1,685,732	1,529,185	10.2
Shareholders' Equity and Liabilities			
Share Capital	270,540	270,540	0.0
Parent company reserves	437,131	409,650	6.7
Reserves in consolidated companies	-168	715	-123.5
Diferencia de Conversión	-	-	-
Profit attributable to the parent company	72,639	83,140	-12.6
Interim dividend for the period	-	-22,877	-
Total shareholders' equity	780,142	741,168	5.3
Minority interest	-	-	-
Negative Consolidation Difference	-	-	-
Deferred income	187,879	183,921	2.2
Provisions for liabilities and charges	14,384	21,817	-34.1
Bond issues and other marketable securities	126,318	126,321	0.0
Loans	135,639	149,303	-9.2
Long-term trade creditors	-	-	-
Other long-term creditors	45,631	46,729	-2.3
Total long-term creditors	307,588	322,353	-4.6
Bond issues and other marketable securities	2,794	3,023	-7.6
Loans	176,350	85,067	107.3
Trade creditors	97,542	58,394	67.0
Other short-term creditors	98,426	75,169	30.9
Accruals	20,627	38,273	-46.1
Total current liabilities	395,739	259,926	52.3
PROVISIONES PARA RIESGOS Y GASTOS A CORTO PLAZO	-	-	-
Total shareholders' equity and liabilities	1,685,732	1,529,185	10.2

* Consolidated balance sheet included as an appendix to the annual accounts for 2000 for information purposes.

Items in this table are grouped in accordance with the reports presented to the Spanish Stock Exchange Authorities and the stock exchanges.

INDIVIDUAL PROFIT AND LOSS ACCOUNTS OF RED ELÉCTRICA DE ESPAÑA, S.A

	Thousands of Euros		%
	30.09.2001	30.09.2000	
Net sales	450,006	419,951	7.2
Other income	4,574	6,948	-34.2
Change in stocks of finished goods and work in progress	-	-	-
Total value of production	454,580	426,899	6.5
Net purchases	-167,050	-166,408	0.4
Change in stocks of goods for resale, raw materials and other materials consumed	5,254	1,797	192.4
External operating expenses	-49,170	-31,493	56.1
Adjusted added value	243,614	230,795	5.6
Other expenses and income	-	-	-
Personnel expenses	-40,763	-40,334	1.1
Gross Operating Income	202,851	190,461	6.5
Amortisation and depreciation	-76,889	-75,764	1.5
Reversion fund	-	-	-
Change in trade provisions	-	-	-
Net operating profit	125,962	114,697	9.8
Financial income	915	703	30.2
Financial expenses	-16,067	-15,139	6.1
Interest and exchange gains capitalised	3,096	1,887	64.1
Amortisation and financial provisions	-	-	-
Conversion gains/ (losses)	-	-	-
Share of results in equity accounted companies	-	-	-
Amortisation of goodwill on consolidation	-	-	-
Reversal of negative consolidation differences	-	-	-
Profit on ordinary activities	113,906	102,148	11.5
Profit/ (Loss) on tangible and intangible assets and treasury stock	-69	6	-1250.0
Changes in provisions for tangible and intangible assets and treasury stock	-7,122	-950	649.7
Return on own shares and bonds	-103	-	-
Prior years' results	229	150	52.7
Other extraordinary income	4,730	-144	-3384.7
Profit before tax	111,571	101,210	10.2
Income and other taxes	-39,072	-34,462	13.4
Profit for the period	72,499	66,748	8.6

Items in this table are grouped in accordance with the reports presented to the Spanish Stock Exchange Authorities and the stock exchanges.

INDIVIDUAL BALANCE SHEET OF RED ELECTRICA DE ESPANA, S.A.

Assets	Thousands of Euros		%
	30.09.2001	31.12.2000	2001/2000
Uncalled share capital	-	-	-
Start-up costs	-	-	-
Intangible assets	5,357	7,198	-25.6
Rights over leased assets	-	-	-
Other intangible assets	5,357	7,198	-25.6
Tangible assets	1,330,478	1,308,175	1.7
Investments	130,168	91,631	42.1
Own shares, long-term	7,074	6,058	16.8
Trade debtors, long-term	112,450	5,815	1833.8
Total fixed assets	1,585,527	1,418,877	11.7
Deferred expenses	9,522	11,162	-14.7
Unpaid calls on share capital	-	-	-
Stocks	7,736	2,482	211.7
Debtors	196,583	106,900	83.9
Short-term investments	8,990	24,665	-63.6
Own shares, short-term	-	-	-
Cash and banks	440	769	-42.8
Prepaid expenses	26,085	1,873	1292.7
Total current assets	239,834	136,689	75.5
Total assets	1,834,883	1,566,728	17.1
Shareholders' Equity and Liabilities			
Share capital	270,540	270,540	0.0
Reserves	436,416	409,646	6.5
Reservas Sociedades Consolidadas	-	-	-
Diferencia de Conversión	-	-	-
Profit for the period	72,499	83,130	-12.8
Interim dividends	-	-22,875	-
Total shareholders' equity	779,455	740,441	5.3
Deferred income	306,345	183,921	66.6
Provisions for liabilities and charges	14,384	21,818	-34.1
Bond issues and other marketable securities	126,318	126,318	0.0
Loans	135,639	149,303	-9.2
Long-term trade creditors	-	-	-
Other long-term creditors	90,630	91,730	-1.2
Total long-term creditors	352,587	367,351	-4.0
Bond issues and other marketable securities	2,794	3,023	-7.6
Loans	172,759	85,068	103.1
Group and associated companies	-	-	-
Trade creditors	64,660	51,743	25.0
Other short-term creditors	121,851	75,090	62.3
Accruals	20,048	38,273	-47.6
Total current liabilities	382,112	253,197	50.9
Provision for current liabilities and charges	-	-	-
Total shareholders' equity and liabilities	1,834,883	1,566,728	17.1

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