



RED ELÉCTRICA DE ESPAÑA

CONSOLIDATED RESULTS FOR 2001

Consolidated profit after tax in 2001 reached Euros 91.1 million, as compared to Euros 83.1 million in the prior year, representing an increase of 9.5%.

The increase in **consolidated profit after tax** is due to a 7.9% growth in adjusted consolidated turnover (net of energy purchases), amounting to Euros 381.0 million, and the continuous improvement of internal efficiency applied in recent years, which has contained operating expenses and permitted the absorption of expenses incurred on the start-up of the Company's subsidiaries.

KEY FIGURES

Consolidated Results

Thousands of Euros	2001	2000	Var. (%)
Adjusted turnover (Net of energy purchases)	380,987	353,141	7.9
Gross operating profit (EBITDA)	254,234	249,168	2.0
Net operating profit (EBIT)	147,384	147,482	-0.1
Profit on ordinary activities	133,131	131,393	1.3
Profit after tax	91,071	83,140	9.5
Earnings per share	0.67	0.61	9.5

Results by Business

2001

Thousand of Euros	Electricity *	Albura	Consolidated
Gross operating profit (EBITDA)	263,903	-9,669	254,234
Net operating profit (EBIT)	159,847	-12,463	147,384
Profit on ordinary activities	145,366	-12,235	133,131
Profit after tax	103,304	-12,233	91,071

* Including the results of International Electricity Business.

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CONSOLIDATED RESULTS

CONSOLIDATED GROSS OPERATING PROFIT (EBITDA) reached Euros 254.2 million in 2001, representing an increase of 2.0% as compared to 2000. EBITDA for Red Eléctrica de España, S.A. grew 6.2%.

CONSOLIDATED ADJUSTED TURNOVER (net of energy purchases) amounted to Euros 381.0 million, representing an increase of 7.9% over the prior year. This increase is mainly due to the rise in income from transmission and from telecommunication services to third parties.

CONSOLIDATED OPERATING EXPENSES (net of energy purchases) reached Euros 133.7 million. This increase of 18.7% as compared to 2000 is due to higher operating expenses derived from the start-up of the Company's subsidiaries.

CONSOLIDATED PERSONNEL EXPENSES reached Euros 57.2 million. The average headcount at consolidated level was 1,004 as compared to 1,007 in the prior year. At individual company level, the average headcount of RED ELÉCTRICA DE ESPAÑA was 941 employees.

CONSOLIDATED NET OPERATING PROFIT (EBIT) amounted to Euros 147.4 million, which is similar to the result of the prior year, due to a 4.2% increase in amortization charges at consolidated level resulting from the entry in service of certain electricity and telecommunications installations.

CONSOLIDATED PROFIT ON FINANCIAL OPERATIONS was Euros -19.2 million, representing a 0.8% increase over 2000, as a consequence of the rise in debt due to the investments made by the Company. The cost of the debt has not changed significantly compared to the prior year.

CONSOLIDATED PROFIT ON ORDINARY ACTIVITIES reached Euros 133.1 million, representing a 1.3% growth over 2000.

EXTRAORDINARY CONSOLIDATED PROFIT reached Euros 6.7 million. This result mainly includes the transfer to results of deferred income.

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

CONSOLIDATED PROFIT AFTER TAX amounted to Euros 91.1 million in 2001, as compared to Euros 83.1 million in 2000. This represented a 9.5% increase over 2000.

CONSOLIDATED CASH-FLOW AFTER TAX reached Euros 195.0 million, resulting in a 6.1% increase over 2000. This figure represents 33.0% of consolidated turnover and 51.2% of adjusted consolidated turnover (net of energy purchases).

CONSOLIDATED INVESTMENTS amount to Euros 244.8 million in 2001, as compared to Euros 89.8 million in 2000. Of these investments, 53.1% are related to expand and improve the distribution network, 42.9% to the telecommunications activity and the remaining 4.0% to other investments.

At 31 December 2001, **NET FINANCIAL DEBT** reached Euros 390.7 million, representing a 24.3% increase and a leverage ratio of the financial debt to shareholders' equity of 0.50. The structure of the financial debt is as follows:



Thousands of Euros	Euros	Foreign currency	Consolidated
Short-term investments	-22,683	0	-22,683
Cash in hand and at banks	-542	0	-542
Debentures loans	126,318	0	126,318
Long-term loans	117,540	7,381	124,921
Promissory notes and short-term loans	161,360	1,301	162,661
Total net financial debt	381,993	8,682	390,675

SIGNIFICANT EVENTS

▪ ELECTRICITY BUSINESS

Investment in the distribution network

Investment in the distribution network during 2001 amounted to Euros 129.9 million, representing an increase of 65.9% over the prior year.

The following projects in progress are particularly noteworthy:

- The new Madrid-Aragon Axis will strengthen electrical energy transmissions among central, northern, and north-eastern Spain and serve a number of high-speed train substations connecting Madrid to Barcelona.
- Investments mainly for the development of the Northern Axis and the expansion of the transmission network in Navarra.
- The reinforcement of the infrastructure in the areas of Albacete, Andalusia and Galicia to meet further demand.

▪ TELECOMMUNICATIONS BUSINESS

2001 closed with losses of Euros 12.2 million derived from the start-up of the telecommunications activity, resulting in a improvement over the losses forecasted for this year. The turnover of RED ELÉCTRICA TELECOMUNICACIONES reached Euros 22.1 million.

EBITDA amounted to Euros -9.7 million, in line with the target to break even during 2002-2003. EBIT reached Euros -12.4 million, representing an improvement on Company's forecasts, due to lower amortization as less investment has been made. This reduction in investment of approximately 35% during the period 2001-2005 is due to the use of DWDM technology, which led to an increase in network capacity without the need to invest in fibre optics, except on routes with high traffic levels. The cost of investments in points of presence and access has also fallen due to the subrogation of rental contracts with Interoute. This subrogation allowed to anticipate putting into operation the PoPs.

Investments in telecommunications totaled Euros 105.2 million for 2001:

- The Intelligent Optic Network (DWDM network) is operational and the national grid forecasted in the business plan will be completed during second quarter 2002.



- Progress has been made on the development of the multi-service IP/MPLS network, which is expected to be completed during second quarter 2002.
- The development of access points located in cities has been completed in an unusually short time. Currently, the Company has access points in all Spanish provincial capitals, as well as connections with all the carrier's houses in Spain.

Transmission and Capacity Services and Development of Internet Infrastructure Solutions

- In October, the Company started to render a flexible capacity sale service, ConeXalia.
- The development of Internet infrastructure solutions has continued. In particular, the data centre of San Sebastian de los Reyes entered operation in the second half of December. The remaining data centres will enter operation during 2002.

LAUNCH OF albura

On 26 November 2001, "albura" was launched. This is the trademark under which Red Eléctrica Telecomunicaciones will render services.





RED ELÉCTRICA, S.A. Consolidated Statement of Profit and Loss

	Thousands of Euros		%
	31.12.2001	31.12.2000	
Net sales	591,467	562,036	5.2
Other income	6,982	8,698	-19.7
Change in stocks of finished goods and work in progress	-	-	-
Total Value of Production	598,449	570,734	4.9
Net purchases	-225,396	-219,924	2.5
Change in stocks of goods for resale, raw materials and other materials consumed	3,093	-601	-614.6
External operating expenses	-64,740	-46,645	38.8
Adjusted Added Value	311,406	303,564	2.6
Other expenses and income	-	-	-
Personnel expenses	-57,172	-54,396	5.1
Gross Operating Profit	254,234	249,168	2.0
Amortisation and depreciation	-105,817	-101,582	4.2
Reversion fund	-	-	-
Change in trade provisions	-1,033	-104	-
Net Operating Profit	147,384	147,482	-0.1
Financial income	1,904	1,027	85.4
Financial expenses	-21,148	-20,120	5.1
Interest and exchange gains capitalised	4,344	2,901	49.7
Amortisation and financial provisions	-	-	-
Conversion gains (losses)	-	-	-
Share of results in equity accounted companies	647	103	528.2
Amortisation of goodwill on consolidation	-	-	-
Reversal of negative consolidation differences	-	-	-
Profit on Ordinary Activities	133,131	131,393	1.3
Profit (Loss) on tangible and intangible assets and treasury stock	-485	-125	288.0
Changes in provisions for tangible and intangible assets and treasury stock	-263	-1,570	-83.2
Return on own shares and bonds	62	11	-
Prior years' results	9	516	-98.3
Other extraordinary income	6,682	-4,180	-259.9
Profit Before Tax	139,136	126,045	10.4
Income and other taxes	-48,065	-42,905	12.0
Profit for the Period	91,071	83,140	9.5

NOTE:

The Consolidated Statement of Profit and Loss for 2000 shown in Appendix IV of Annual Accounts for 2000 is included for information purposes.

Items in this statement are classified according to the reports submitted to the National Securities Market Commission (CNMV) and the Barcelona, Bilbao, Madrid and Valencia Stock Exchanges.



RED ELÉCTRICA, S.A. Consolidated Balance Sheet

Assets	Thousands of Euros		%
	31.12.2001	31.12.2000	
Uncalled share capital contributions	-	-	-
Start-up costs	1,299	1,108	17.2
Intangible assets	4,976	7,198	-30.9
Rights over leased assets	-	-	-
Other intangible assets	4,976	7,198	-30.9
Tangible assets	1,431,250	1,313,797	8.9
Investments	26,239	33,168	-20.9
Own shares, long-term	2,764	6,057	-54.4
Trade debtors, long-term	17,524	5,815	201.4
Total Fixed Assets	1,484,052	1,367,143	8.6
Goodwill on Consolidation	-	-	-
Deferred expenses	31,741	11,162	184.4
Unpaid calls on share capital	-	-	-
Stocks	4,903	2,480	97.7
Debtors	136,516	106,696	27.9
Short-term investments	22,683	24,664	-8.0
Own shares, short-term	-	-	-
Cash and banks	542	15,166	-96.4
Prepaid expenses	11,420	1,873	509.7
Total Current Assets	176,064	150,879	16.7
Total Assets	1,691,857	1,529,184	10.6

Shareholders' Equity and Liabilities

Share Capital	270,540	270,540	0.0
Parent company reserves	436,978	409,648	6.7
Reserves in consolidated companies	218	-246	-188.6
Conversion Differences	1,579	962	64.1
Profit attributable to the parent company	91,071	83,140	9.5
Interim dividend for the period	-24,299	-22,877	6.2
Total shareholders' equity	776,087	741,167	4.7
Minority interest	-	-	-
Negative Consolidation Difference	-	-	-
Deferred income	191,762	183,921	4.3
Provisions for liabilities and charges	19,698	21,818	-9.7
Bond issues and other marketable securities	126,318	126,318	0.0
Loans	124,921	149,301	-16.3
Long-term trade creditors	-	-	-
Other long-term creditors	45,358	46,733	-2.9
Total long-term creditors	296,597	322,352	-8.0
Bond issues and other marketable securities	2,846	3,024	-5.9
Loans	168,266	85,068	97.8
Trade creditors	104,504	58,397	79.0
Other short-term creditors	101,204	75,164	34.6
Accruals	30,893	38,273	-19.3
Total current liabilities	407,713	259,926	56.9
Provision for current liabilities and charges	-	-	-
Total shareholders' equity and liabilities	1,691,857	1,529,184	10.6

NOTE:

The Consolidated Balance Sheet for 2000 shown in Appendix III of Annual Accounts for 2000 is included for information purposes. Items in this statement are classified according to the reports submitted to the National Securities Market Commission (CNMV) and the Barcelona, Bilbao, Madrid and Valencia Stock Exchanges.



RED ELÉCTRICA, S.A.

Statement of Profit and Loss

	Thousands of Euros		%
	31.12.2001	31.12.2000	2001/2000
Net sales	603,982	562,134	7.4
Other income	7,364	9,858	-25.3
Change in stock of finished goods and work in progress	-	-	-
Total Value of Production	611,346	571,992	6.9
Net purchases	-224,012	-219,948	1.8
Change in stocks of goods for resale, raw materials and other materials consumed	3,093	-601	-614.6
External operating expenses	-71,588	-47,283	51.4
Adjusted Added Value	318,839	304,160	4.8
Other expenses and income	-	-	-
Personnel expenses	-53,436	-54,366	-1.7
Gross Operating Profit	265,403	249,794	6.2
Amortisation and depreciation	-102,931	-101,305	1.6
Reversion fund	-	-	-
Change in trade provisions	-1,033	-104	-
Net Operating Profit	161,439	148,385	8.8
Financial income	1,227	1,024	19.8
Financial expenses	-21,065	-20,120	4.7
Interest and exchange gains capitalised	4,344	2,901	49.7
Amortisation and financial provisions	-	-	-
Profit on Ordinary Activities	145,945	132,190	10.4
Profit (Loss) on tangible and intangible assets and treasury stock	-485	-125	288.0
Changes in provisions for tangible and intangible assets and treasury stock	-13,361	-2,383	460.7
Return on own shares and bonds	62	11	463.6
Prior years' results	9	516	-98.3
Other extraordinary income	6,680	-4,174	-260.0
Profit Before Tax	138,850	126,035	10.2
Income and other taxes	-48,065	-42,905	12.0
Profit for the Period	90,785	83,130	9.2

NOTE:

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RED ELÉCTRICA, S.A.

Balance Sheet

Assets	Thousands of Euros		%
	31.12.2001	31.12.2000	
Uncalled share capital contributions	-	-	-
Start-up costs	-	-	-
Intangible assets	4,885	7,198	-32.1
Rights over leased assets	-	-	-
Other intangible assets	4,885	7,198	-32.1
Tangible assets	1,370,565	1,308,175	4.8
Investments	123,723	91,632	35.0
Own shares, long-term	2,764	6,057	-54.4
Trade debtors, long-term	5,815	5,815	0.0
Total Fixed Assets	1,507,752	1,418,877	6.3
Goodwill on Consolidation	8,972	11,162	-19.6
Unpaid calls on share capital	-	-	-
Stocks	4,903	2,480	97.7
Debtors	145,507	106,903	36.1
Short-term investments	14,269	24,664	-42.1
Own shares, short-term	-	-	-
Cash and banks	279	769	-63.7
Prepaid expenses	10,884	1,873	481.1
Total Current Assets	175,842	136,689	28.6
Total Assets	1,692,566	1,566,728	8.0
Shareholders' Equity and Liabilities			
Share Capital	270,540	270,540	0.0
Parent company reserves	436,258	409,648	6.5
Reserves in consolidated companies	-	-	-
Conversion Differences	-	-	-
Profit for the year	90,785	83,130	9.2
Interim dividend for the period	-24,299	-22,877	6.2
Total shareholders' equity	773,284	740,441	4.4
Deferred income	190,785	183,921	3.7
Provisions for liabilities and charges	19,698	21,818	-9.7
Bond issues and other marketable securities	126,318	126,318	0.0
Loans	124,921	149,301	-16.3
Long-term trade creditors	-	-	-
Other long-term creditors	90,358	91,733	-1.5
Total long-term creditors	341,597	367,352	-7.0
Bond issues and other marketable securities	2,846	3,024	-5.9
Loans	167,098	85,068	96.4
Group and associated companies	5,056	-	-
Trade creditors	50,333	51,743	-2.7
Other short-term creditors	111,930	75,088	49.1
Accruals	29,939	38,273	-21.8
Total current liabilities	367,202	253,196	45.0
Provision for current liabilities and charges	-	-	-
Total shareholders' equity and liabilities	1,692,566	1,566,728	8.0

NOTE:

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