



# RED ELÉCTRICA DE ESPAÑA

## CONSOLIDATED PROFIT FOR THE FIRST HALF OF 2002

During the first half of 2002, consolidated profits after tax reached Euros 47.1 million, an increase of 2.8% from the Euros 45.8 million reported during the first half of 2001.

The growth in consolidated profit after tax is mainly driven by the 8.3% growth in adjusted consolidated net sales (net of energy purchases).

### KEY INDICATORS

#### Consolidated Results

| Thousands of Euros                              | 1H02    | 1H01    | Var. (%) |
|---|---------|---------|----------|
| Adjusted Net Sales<br>(Net of energy purchases) | 204,913 | 189,175 | 8.3      |
| Gross Operating profit (EBITDA)                 | 130,134 | 129,533 | 0.5      |
| Net Operating Profit (EBIT)                     | 74,423  | 77,233  | -3.6     |
| Profit on Ordinary Activities                   | 66,458  | 69,130  | -3.9     |
| Profit after Tax                                | 47,117  | 45,834  | 2.8      |

**Relaciones con Inversores**  
Paseo Conde de los Gaitanes, 177  
28109 Alcobendas - Madrid

**Irene Gómez**  
igomez@ree.es  
91 453 33 57

**Amanda Cedeño**  
acedeno@ree.es  
91 650 20 12



## CONSOLIDATED RESULTS FOR THE FIRST HALF OF 2002

| Results per Business            | First Half 2002 |         |                           |              |
|---------------------------------|-----------------|---------|---------------------------|--------------|
|                                 | Electricity*    | Albura  | Consolidation Adjustments | Consolidated |
| Thousands of Euros              |                 |         |                           |              |
| Gross Operating Profit (EBITDA) | 139,834         | -9,761  | 61                        | 130,134      |
| Net Operating Profit (EBIT)     | 87,191          | -12,829 | 61                        | 74,423       |
| Profit on Ordinary Activities   | 79,577          | -13,180 | 61                        | 66,458       |
| Profit after tax                | 47,943          | -8,567  | 7,741                     | 47,117       |

\* Includes international electricity business results

During the first half of 2002, **consolidated adjusted net sales** (net of energy purchases) amounted to Euros 204.9 million, representing an increase of 8.3% over the first half of 2001. This increase is mainly due to the rise in income from transmission and system operation and the growth in income from telecommunication services to third parties.

**Consolidated operating expenses** (net of energy purchases) reached Euros 78.3 million, an increased of 25.9% over the first half of 2001. This result was mainly attributable to higher expenses associated with the start up of the Company's subsidiaries and the outsourcing of corporate IT activities. The expenses incur on outsourcing will be primarily offset by the decrease in amortisation expenses of information technology systems and software.

Consolidated personnel expenses amounted Euros 30.4 million, an increased of 3.2% compared to the first half of 2001. At 30 June 2002, the total headcount was 1,063 employees, a growth of 3.8% from 1,024 employees at 30 June 2001. The headcount of Red Eléctrica de España was 941 employees, a 1.4% decreased as compared to 30 June of 2001.

**Consolidated operating profit (EBITDA)** totalled Euros 130.1 million, an increased of 0.5% over the first half of 2001. Red Eléctrica de España, S.A. has recorded a growth of 6.8% in EBITDA.

**Consolidated net operating profit (EBIT)** reached Euros 74.4 million, a decreased of 3.6% relative to the same period in 2001. This decrease is mainly due to a 5.5% increase in amortisation and depreciation on a consolidated level, as a result of new electrical and telecommunications installations commissioned.

Consolidated financial losses, excluding capitalised financial expenses, amounted to Euros 10.5 millions, representing an increase of 7.1% over the first half of 2001. This increase is due to higher leverage, resulting from the investments made mainly in the transmission grid.

**Consolidated profit on ordinary activities** reached Euros 66.5 million, a decrease of 3.9% as compared to the first half of 2001.

Consolidated extraordinary income amounted to Euros 3.5 million from Euros 2.3 million in the first half of 2001. This result was mainly attributable to deferred income taken to profit and loss.



**Consolidated profit after tax** increased 2.8% to Euros 47.1 million from Euros 45.8 million in the first half of 2001. The effective tax rate was 32.7% for the first half of 2002. The decrease in tax as compared to the same period in 2001 is mainly due to deductions for investments abroad.

**Consolidated cash-flow after tax** amounted to Euros 103.1 million, an increase of 10.1% relative to the first half of 2001. This result represents a 32.1% of consolidated net sales and a 50.3% of consolidated adjusted net sales (net of energy purchases).

During the first half of 2002, **consolidated investments** totalled Euros 102.8 million, a growth of 13.4% over the first half of 2001. Of these investments, 71.6% was related to strengthen and improve the transmission network, 26.0% to the telecommunications activity and the remaining 2.4% to other investments.

On 30 June 2002, **net financial debt** amounted to Euros 658.9 million, an increase of Euros 139.2 million over 31 March 2002. The leverage ratio (net financial debt over shareholders' equity) of 0.84. This increase is mainly due to the acquisition of the Bolivian company Transportadora de Electricidad (TDE). On 30 June 2002, net financial debt is structured as follows:

| Thousands of Euros                    | Domestic Currency | Foreign Currency | Total          |
|---------------------------------------|-------------------|------------------|----------------|
| Short-term investments                | -11,019           | -                | -11,019        |
| Cash in hand and at banks             | -4,098            | -                | -4,098         |
| Debenture loans                       | 126,318           | -                | 126,318        |
| Long-term loans                       | 170,110           | 70,876           | 240,986        |
| Promissory notes and short-term loans | 225,509           | 81,232           | 306,741        |
| <b>Total net financial debt</b>       | <b>506,820</b>    | <b>152,108</b>   | <b>658,928</b> |

## SIGNIFICANT EVENTS

### ELECTRICITY BUSINESS

#### Investments in the Transmission Network

During the first half of 2002, investments in the Transmission Network amounted to Euros 73.6 million, a growth of 77.5% over the same period in 2001.

During the second quarter of 2002, the Company has finalized the installations of the substation "Pinar".

The following projects are particularly significant:

- The new Madrid-Aragón axis, which will strengthen electric energy transmission among central, north and northeastern areas of Spain and will serve a number of substations for the high-speed train Madrid-Barcelona.



- Investments to develop the Northern Axis and to reinforce the transmission network in Navarra.
- The reinforcement of the infrastructure in Aragón, Murcia, Andalusia, and Galicia to meet new demand for the existing network.

## **NEGOCIO DE TELECOMUNICACIONES**

During the first half of 2002, the deceleration of the growth rate in the IP solutions service market, as a consequence of the current situation of the telecommunications industry, has impacted the sales of Albura. The Company's net sales amounted to Euros 12.9 million for the first half of 2002. Net sales increased 9.4% during the second quarter of 2002 as compared to the first quarter of 2002.

During the first half of 2002, Albura's investments amounted to Euros 34.4 million. Given the scalability of the Company's investment plan, Albura is adapting its investments to the current market situation. These investments were mainly attributable to the development of the telecommunication network and the installation of the corresponding DWDM equipment. In addition, the Company's has continued the development of the IP/MPLS multi-service network.

During the second quarter of 2002, Albura subscribed 20% of the share capital of Nap de las Américas for Euros 1.1 million. At 30 June 2002, 50% of this amount had been paid up. The activity of this company is to act as an Internet connection provider and supply Internet infrastructure and service management through access points to the network.

## **NEGOCIO INTERNACIONAL**

Red Eléctrica Internacional acquired a 99.43% interest in the Bolivian company Transportadora de Electricidad (TDE) at a price of Euros 89.8 million. The former owners of TDE were Red Eléctrica de Bolivia with a 99.43% interest and TDE employees with a 0.57% interest. The capital structure of Red Eléctrica de Bolivia was as follows: 69.1% Unión Fenosa Internacional, 20.9% the Bolivian company Mercurio, and 10.0% SCH Grupo Industrial.

Furthermore, TDE holds an interest of 67% in Cybercia, S.A., whose book value at 30 June 2002 amounted to Euros 0.3 million. Cybercia offers technological consulting and advisory services.

TDE is the owner and operator of the national interconnection system in Bolivia and has approximately 2,000 kilometres of lines and 19 substations with a transformation capacity of 433 MVA.

The acquisition of TDE represents a significant advance in the consolidation of the Company's growth strategy through international expansion and strengthens its position in the Andean region, where Red Eléctrica already has a 30% interest in the Peruvian company REDESUR.

The impact on the Consolidated Financial Statements in the first half of 2002 has been solely on a balance sheet level, as the operation was carried out at the close of the first half of 2002. The incorporation of TDE to the Consolidated Balance Sheet of the Red Eléctrica Group meant an increase of Euros 125.0 million in fixed assets and generated Euros 19.2



million in goodwill on consolidation, which is estimated to be amortised over a 10-year period.

At 30 June 2002, the net financial debt of TDE amounted to Euros 55.1 million.

Red Eléctrica Internacional continues to evaluate new opportunities for investment, consultancy and management in the international environment, including various projects for expansion of the Bolivian network, as well as potential agreements with the transmission company in Ecuador, TRANSELECTRIC.



## GRUPO RED ELÉCTRICA

### Consolidated Statement of Profit and Loss

|   | Thousands of Euros |                | %           |
|---|--------------------|----------------|-------------|
|   | 30.06.2002         | 30.06.2001     | 2002/2001   |
| Net sales   | 320,758            | 290,616        | 10.4        |
| Other income  | 3,025              | 2,554          | 18.4        |
| Change in stocks of finished goods and work in progress                     | -                  | -              | -           |
| <b>Total Value of Production</b>  | <b>323,783</b>     | <b>293,170</b> | <b>10.4</b> |
| Net purchases   | -130,919           | -112,166       | 16.7        |
| Changes in stocks of goods for resale, raw materials and other supplies     | 7,007              | 3,505          | 99.9        |
| External and operating expenses   | -39,371            | -25,546        | 54.1        |
| <b>Adjusted Added Value</b>   | <b>160,500</b>     | <b>158,963</b> | <b>1.0</b>  |
| Other expenses and income   | -                  | -              | -           |
| Personnel expenses  | -30,366            | -29,430        | 3.2         |
| <b>Gross Operating Profit</b>   | <b>130,134</b>     | <b>129,533</b> | <b>0.5</b>  |
| Amortisation and depreciation   | -55,181            | -52,300        | 5.5         |
| Reversion fund  | -                  | -              | -           |
| Change in provisions for current assets                                     | -530               | -              | -           |
| <b>Net Operating Profit</b>   | <b>74,423</b>      | <b>77,233</b>  | <b>-3.6</b> |
| Financial income  | 530                | 1,046          | -49.3       |
| Financial expense   | -11,017            | -10,836        | 1.7         |
| Interest and exchange gains capitalised                                     | 2,707              | 1,849          | 46.4        |
| Amortisation and financial provisions                                       | -                  | -              | -           |
| Conversion gains (losses)   | -                  | -              | -           |
| Share of profits in equity accounted companies                              | -185               | -162           | 14.2        |
| Amortisation of goodwill on consolidation                                   | -                  | -              | -           |
| Reversal of negative consolidation differences                              | -                  | -              | -           |
| <b>Profit on Ordinary Activities</b>  | <b>66,458</b>      | <b>69,130</b>  | <b>-3.9</b> |
| Profit (Loss) on tangible and intangible assets and treasury stock          | -15                | 12             | -225.0      |
| Changes in provisions for tangible and intangible assets and treasury stock | -273               | -171           | 59.6        |
| Return on own shares and bonds  | 455                | 45             | 911.1       |
| Prior year's results  | 238                | 261            | -8.8        |
| Other extraordinary profit  | 3,134              | 2,109          | 48.6        |
| <b>Profit Before Tax</b>  | <b>69,997</b>      | <b>71,386</b>  | <b>-1.9</b> |
| Income tax and other taxes  | -22,880            | -25,552        | -10.5       |
| <b>Profit for the Period</b>  | <b>47,117</b>      | <b>45,834</b>  | <b>2.8</b>  |

## NOTE:

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.



## GRUPO RED ELÉCTRICA

### Consolidated Balance Sheet

| <b>Assets</b>   | <b>Thousands of Euros</b> |                   | <b>%</b>         |
|---|---------------------------|-------------------|------------------|
|   | <b>30.06.2002</b>         | <b>31.12.2001</b> | <b>2002/2001</b> |
| <b>Uncalled share capital contributions</b>           | -                         | -                 | -                |
| Start-up costs  | 1,103                     | 1,299             | -15.1            |
| Intangible assets                                     | 6,970                     | 4,976             | 40.1             |
| Rights over leased assets                             | -                         | -                 | -                |
| Other intangible assets                               | 6,970                     | 4,976             | 40.1             |
| Tangible assets                                       | 1,601,801                 | 1,431,250         | 11.9             |
| Investments   | 25,189                    | 26,239            | -4.0             |
| Long-term own shares                                  | 4,706                     | 2,764             | 70.3             |
| Long-term trade debtors                               | 17,803                    | 17,524            | 1.6              |
| <b>Total fixed assets</b>                             | <b>1,657,572</b>          | <b>1,484,052</b>  | <b>11.7</b>      |
| <b>Goodwill on consolidation</b>                      | <b>19,216</b>             | -                 | -                |
| <b>Deferred expenses</b>                              | <b>32,188</b>             | <b>31,741</b>     | <b>1.4</b>       |
| Unpaid calls on share capital                         | -                         | -                 | -                |
| Stocks  | 11,971                    | 4,903             | 144.2            |
| Debtors   | 205,414                   | 136,516           | 50.5             |
| Short-term investments                                | 11,019                    | 22,683            | -51.4            |
| Short-term own shares                                 | -                         | -                 | -                |
| Cash and banks  | 4,098                     | 542               | 656.1            |
| Prepaid expenses                                      | 55,492                    | 11,420            | 385.9            |
| <b>Total Current Assets</b>                           | <b>287,994</b>            | <b>176,064</b>    | <b>63.6</b>      |
| <b>Total Assets</b>                                   | <b>1,996,970</b>          | <b>1,691,857</b>  | <b>18.0</b>      |
| <b>Shareholders' Equity and Liabilities</b>           |                           |                   |                  |
| Share capital   | 270,540                   | 270,540           | 0.0              |
| Parent company reserves                               | 478,684                   | 436,978           | 9.5              |
| Consolidated companies reserves                       | -12,233                   | 218               | -                |
| Conversion Difference                                 | 496                       | 1,579             | -68.6            |
| Profit (loss) attributable to parent company          | 47,117                    | 91,071            | -48.3            |
| Interim dividends                                     | -                         | -24,299           | -                |
| <b>Total shareholders' equity</b>                     | <b>784,604</b>            | <b>776,087</b>    | <b>1.1</b>       |
| <b>Minority interests</b>                             | <b>412</b>                | -                 | -                |
| <b>Negative consolidation difference</b>              | -                         | -                 | -                |
| <b>Deferred income</b>                                | <b>202,417</b>            | <b>191,762</b>    | <b>5.6</b>       |
| <b>Provisions for liabilities and charges</b>         | <b>21,212</b>             | <b>19,698</b>     | <b>7.7</b>       |
| Bond issued and other marketable securities           | 126,318                   | 126,318           | 0.0              |
| Loans   | 240,986                   | 124,921           | 92.9             |
| Long-term trade creditors                             | -                         | -                 | -                |
| Other long-term creditors                             | 45,077                    | 45,358            | -0.6             |
| <b>Long-term creditors</b>                            | <b>412,381</b>            | <b>296,597</b>    | <b>39.0</b>      |
| Bond issued and other marketable securities           | 6,358                     | 2,846             | 123.4            |
| Loans   | 312,095                   | 168,266           | 85.5             |
| Trade creditors                                       | 66,563                    | 104,504           | -36.3            |
| Other short-term creditors                            | 172,644                   | 101,204           | 70.6             |
| Accruals  | 18,284                    | 30,893            | -40.8            |
| <b>Current liabilities</b>                            | <b>575,944</b>            | <b>407,713</b>    | <b>41.3</b>      |
| <b>Provisions for current liabilities and charges</b> | -                         | -                 | -                |
| <b>Shareholders' equity and liabilities</b>           | <b>1,996,970</b>          | <b>1,691,857</b>  | <b>18.0</b>      |

## NOTE:

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## RED ELÉCTRICA DE ESPAÑA, S.A.

### Statement of Profit and Loss

|   | Thousands of Euros |                | %           |
|---|--------------------|----------------|-------------|
|   | 30.06.2002         | 30.06.2001     | 2002/2001   |
| Net sales   | 325,959            | 298,036        | 9.4         |
| Other income  | 3,365              | 2,752          | 22.3        |
| Change in stocks of finished goods and work in progress                     | -                  | -              | -           |
| <b>Total Value of Production</b>  | <b>329,324</b>     | <b>300,788</b> | <b>9.5</b>  |
| Net purchases   | -129,998           | -112,133       | 15.9        |
| Changes in stocks of goods for resale, raw materials and other supplies     | 7,007              | 3,505          | 99.9        |
| External and operating expenses   | -38,278            | -32,365        | 18.3        |
| <b>Adjusted Added Value</b>   | <b>168,055</b>     | <b>159,795</b> | <b>5.2</b>  |
| Other expenses and income   | -                  | -              | -           |
| Personnel expenses  | -27,054            | -27,793        | -2.7        |
| <b>Gross Operating Profit</b>   | <b>141,001</b>     | <b>132,002</b> | <b>6.8</b>  |
| Amortisation and depreciation   | -52,057            | -51,336        | 1.4         |
| Reversion fund  | -                  | -              | -           |
| Change in provisions for current assets                                     | -530               | -              | -           |
| <b>Net Operating Profit</b>   | <b>88,414</b>      | <b>80,666</b>  | <b>9.6</b>  |
| Financial income  | 386                | 675            | -42.8       |
| Financial expense   | -10,505            | -10,834        | -3.0        |
| Interest and exchange gains capitalised                                     | 2,707              | 1,849          | 46.4        |
| Amortisation and financial provisions                                       | -                  | -              | -           |
| <b>Profit on Ordinary Activities</b>  | <b>81,002</b>      | <b>72,356</b>  | <b>11.9</b> |
| Profit (Loss) on tangible and intangible assets and treasury stock          | -15                | 12             | -225.0      |
| Changes in provisions for tangible and intangible assets and treasury stock | -8,014             | -3,239         | 147.4       |
| Return on own shares and bonds  | 455                | 45             | 911.1       |
| Prior year's results  | -227               | 261            | -187.0      |
| Other extraordinary profit  | 3,134              | 2,109          | 48.6        |
| <b>Profit Before Tax</b>  | <b>76,335</b>      | <b>71,544</b>  | <b>6.7</b>  |
| Income tax and other taxes  | -29,094            | -25,552        | 13.9        |
| <b>Profit for the Period</b>  | <b>47,241</b>      | <b>45,992</b>  | <b>2.7</b>  |

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## RED ELÉCTRICA DE ESPAÑA, S.A.

### Balance Sheet

| <b>Assets</b>  | <b>Thousands of Euros</b> |                   | <b>%</b>         |
|--|---------------------------|-------------------|------------------|
|  | <b>30.06.2002</b>         | <b>31.12.2001</b> | <b>2002/2001</b> |
| <b>Uncalled share capital contributions</b>          | -                         | -                 | -                |
| Start-up costs                                       | -                         | -                 | -                |
| Intangible assets                                    | 3,935                     | 4,885             | -19.4            |
| Rights over leased assets                            | -                         | -                 | -                |
| Other intangible assets                              | 3,935                     | 4,885             | -19.4            |
| Tangible assets                                      | 1,408,709                 | 1,370,565         | 2.8              |
| Investments  | 204,978                   | 123,723           | 65.7             |
| Long-term own shares                                 | 4,706                     | 2,764             | 70.3             |
| Long-term trade debtors                              | 5,815                     | 5,815             | 0.0              |
| <b>Fixed assets</b>                                  | <b>1,628,143</b>          | <b>1,507,752</b>  | <b>8.0</b>       |
| <b>Goodwill on consolidation</b>                     | <b>7,881</b>              | <b>8,972</b>      | <b>-12.2</b>     |
| Unpaid calls on share capital                        | -                         | -                 | -                |
| Stocks   | 11,822                    | 4,903             | 141.1            |
| Debtors  | 222,000                   | 145,507           | 52.6             |
| Short-term investments                               | 3,685                     | 14,269            | -74.2            |
| Short-term own shares                                | -                         | -                 | -                |
| Cash and banks                                       | 539                       | 279               | 93.2             |
| Prepaid expenses                                     | 55,132                    | 10,884            | 406.5            |
| <b>Current Assets</b>                                | <b>293,178</b>            | <b>175,842</b>    | <b>66.7</b>      |
| <b>Assets</b>  | <b>1,929,202</b>          | <b>1,692,566</b>  | <b>14.0</b>      |
| <b>Shareholders' Equity and Liabilities</b>          |                           |                   |                  |
| Share Capital  | 270,540                   | 270,540           | 0.0              |
| Reserves   | 465,227                   | 436,258           | 6.6              |
| Prior year's results                                 | -                         | -                 | -                |
| Profit for the period                                | 47,241                    | 90,785            | -48.0            |
| Interim dividends                                    | -                         | -24,299           | -                |
| <b>Shareholders' equity</b>                          | <b>783,008</b>            | <b>773,284</b>    | <b>1.3</b>       |
| <b>Deferred income</b>                               | <b>218,587</b>            | <b>190,785</b>    | <b>14.6</b>      |
| <b>Provisions for liabilities and charges</b>        | <b>19,437</b>             | <b>19,698</b>     | <b>-1.3</b>      |
| Bond issued and other marketable securities          | 126,318                   | 126,318           | 0.0              |
| Loans  | 176,662                   | 124,921           | 41.4             |
| Long-term trade creditors                            | -                         | -                 | -                |
| Other long-term creditors                            | 157,022                   | 90,358            | 73.8             |
| <b>Long-term creditors</b>                           | <b>460,002</b>            | <b>341,597</b>    | <b>34.7</b>      |
| Bond issued and other marketable securities          | 6,186                     | 2,846             | 117.4            |
| Loans  | 209,324                   | 167,098           | 25.3             |
| Group and associated companies                       | 19,371                    | 5,056             | 283.1            |
| Trade creditors                                      | 57,137                    | 50,333            | 13.5             |
| Other short-term creditors                           | 138,741                   | 111,930           | 24.0             |
| Accruals   | 17,409                    | 29,939            | -41.9            |
| <b>Current liabilities</b>                           | <b>448,168</b>            | <b>367,202</b>    | <b>22.0</b>      |
| <b>Provision for current liabilities and charges</b> | <b>-</b>                  | <b>-</b>          | <b>-</b>         |
| <b>Shareholders' equity and liabilities</b>          | <b>1,929,202</b>          | <b>1,692,566</b>  | <b>14.0</b>      |

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