



RED ELÉCTRICA DE ESPAÑA

CONSOLIDATED RESULTS FOR 2002

Consolidated profit after tax for 2002 amounted to Euros 99.8 million, compared to Euros 91.1 million in 2001, representing growth of 9.6%.

The improvement in consolidated profit after tax is due to the 20.7% increase in **adjusted consolidated turnover** (net of energy purchases), mainly as a result of the rise in domestic and international transmission income generated on the incorporation of the Bolivian company, Transportadora de Electricidad (TDE), and growth in income on engineering and construction work.

The abovementioned increases have permitted the absorption of expenses deriving from subsidiaries entering operation, with 8.7% growth in **gross operating profit (EBITDA)**.

KEY INDICATORS

Consolidated Results

Thousands of Euros	2002*	2001	Var. (%)
Adjusted Net Sales (Net of energy purchases)	459,931	380,987	20.7
Gross Operating profit (EBITDA)	276,372	254,234	8.7
Net Operating Profit (EBIT)	156,950	147,384	6.5
Profit on Ordinary Activities	138,572	133,131	4.1
Profit after Tax	99,858	91,071	9.6
Earnings per share	0.74	0.67	9.6

() Including the results for the second half of 2002 of Transportadora de Electricidad de Bolivia (TDE), which has been fully consolidated.*

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CONSOLIDATED RESULTS FOR 2002

Results per Business				2002
Thousands of Euros	Electricity*	Albura	Consolidation Adjustments	Consolidated
Gross Operating Profit (EBITDA)	298,507	-21,865	- 270	276,372
Net Operating Profit (EBIT)	186,518	-29,298	- 270	156,950
Profit on Ordinary Activities	169,151	-30,287	- 292	138,572
Profit after tax	101,015	-20,117	18,960	99,858

* Includes international electricity business results and goodwill amortisation.

Adjusted consolidated turnover in 2002 (net of energy purchases) amounted to Euros 459.9 million, representing an increase of 20.7% compared to the prior year, mainly due to the rise in income generated on domestic and international transmission services, deriving from the integration of TDE, and income on the progress made on engineering and construction projects carried out to third parties for laying the San Sebastián de los Reyes-Morata-Loeches line affected by the Barajas Plan. Growth in adjusted turnover is also a result of the rise in income generated on telecommunications and system operation services rendered to third parties.

Consolidated operating expenses (net of energy purchases) amounted to Euros 195.3 million, representing a 44.9% increase compared to 2001, mainly due to the rise in expenses deriving from Group companies entering operation, the stage of completion of the aforementioned laying project, and expenses incurred during the second half of the year on the integration of TDE.

Consolidated personnel expenses were Euros 61.6 million, up 7.8% on 2001. At 31 December 2002 the total headcount was 1,168, representing a 15.8% increase on the prior year, principally due to the incorporation of TDE personnel, numbering 106 personnel at that date. The average staff of Red Eléctrica de España is 931 employees, down 1.0% on 2001.

Gross consolidated operating profit (EBITDA) of Euros 276.4 million has been obtained, representing growth of 8.7% compared to 2001. The increase in the EBITDA of Red Eléctrica de España, S.A. has amounted to 10.2%.

Net consolidated operating profit (EBIT) is Euros 156.9 million, up 6.5% on 2001.

Amortisation and depreciation charges have risen by 11.6% as a result of the entry into service at the end of 2001 of 245 km of high-voltage lines, 37 400kV positions and 11 220kV positions, the entry into service of certain electrical and telecommunications installations during the current year, and the integration of TDE amortisation and depreciation. Amortisation and depreciation of information technology software and hardware have decreased, due to outsourcing of the information technology services of Red Eléctrica de España.



Consolidated profit on financial operations is Euros -17.5 million, representing a 17.2% increase compared to 2001. This increase is due to higher financial leverage, as a result of the investment made in the transmission network and abroad.

Amortisation of goodwill on consolidation generated on the acquisition of TDE amounted to Euros 1,047 thousand. Goodwill is amortised over a period of 10 years.

Consolidated profit on ordinary activities is Euros 138.6 million, up 4.1% on 2001.

Extraordinary consolidated profit, mainly including the transfer to results of deferred income, amounted to Euros 6.9 million, compared to Euros 6.0 million in 2001.

Consolidated profit after tax is Euros 99.8 million, compared to Euros 91.1 million in 2001, representing growth of 9.6%. The reduction in the tax rate to 31.4% in 2002 is mainly due to deductions for foreign investments and the integration of TDE.

Consolidated cash-flow after tax of Euros 224.7 million is 15.2% higher than in 2001. This figure represents 32.3% of consolidated turnover and 48.8% of adjusted consolidated turnover (net of energy purchases).

Consolidated investments made in 2002 amount to Euros 1,158.7 million, up Euros 913.9 million on the prior year. Euros 815.9 million of these investments has been allocated to advances for the acquisition of the transmission networks of Unión Fenosa Distribución and Endesa Distribución and the interest in Redalta, Euros 203.4 million has been assigned to the expansion and improvement of the transmission network, Euros 91.7 million to the acquisition of TDE, Euros 39.7 million to the telecommunications activity and the remaining Euros 8.0 million to other investments.

Net financial debt at 31 December 2001 amounts to Euros 1,507.7 million, up Euros 796.7 million compared to 30 September 2002, with the leverage ratio (financial debt to shareholders' equity) is 1.86. This increase is mainly due to advances for the acquisition of the transmission networks of Unión Fenosa Distribución and Endesa Distribución and the higher level of investment in the transmission network. The structure of the financial debt is as follows:

Thousands of Euros	Domestic Currency	Foreign Currency	Total
Short term investments	-25,291	-4,042	-29,333
Cash in hand and at banks	-1,865	-378	-2,243
Long term debenture loans	95,966	-	95,966
Short term debenture loans	30,352	-	30,352
Long term loans	178,850	66,130	244,980
Promissory notes and short term loans	1,165,608	32,682	1,167,938
Total net financial debt	1,443,620	94,392	1,507,660



SIGNIFICANT EVENTS

ELECTRICITY BUSINESS

Purchase of the transmission assets from Endesa and Unión Fenosa

In November 2002 Red Eléctrica de España entered into an agreement with Endesa Distribución Eléctrica, S.L. and Unión Fenosa Distribución, S.A, for the acquisition of their respective transmission networks.

100% of the operating assets of Endesa were purchased for Euros 920 million. This operation also included a further Euros 30 million for work in progress that is estimated to enter into service in 2003 and 2004.

100% of the transmission assets of Unión Fenosa currently in operation were purchased for Euros 395 million.

The assets were purchased without the transfer of personnel and a 4-year maintenance and operation contract has been entered into with Endesa and Unión Fenosa. This operation has not generated goodwill.

The operation consisted of the acquisition of approximately 7,000 km of transmission lines, (97% of which have a capacity of 220 kV), 927 positions (which more than double those owned by REE), and approximately 4,500 MVA of the transformation capacity.

CVC – Iberdrola Agreement

In November 2002 Red Eléctrica entered into an agreement with Grid Industries, Red de Alta Tensión (Redalta) and Infraestructuras de Alta Tensión (Inalta) for the acquisition of a 25% interest in Redalta, for Euros 14.9 million.

Iberdrola also sold 100% of its transmission network to Inalta, a solely owned subsidiary of Redalta, for Euros 764 million.

Maintenance and operation services will be rendered by Iberdrola for a minimum period of 3 years, with the option to change as of the third year.

This transaction took effect on 31 December 2002 and was equity-accounted in the consolidated financial statements of the Red Eléctrica Group. Consequently, no liabilities of the aforementioned companies were integrated into the financial statements.

Red Eléctrica has the option to purchase the shares of Redalta after between 5 and 7 years.

Red Eléctrica Obtains A Euros 1,560 Million Bridge Loan

On 20 December 2002, Red Eléctrica de España obtained a one-year Euros 1,560 million-bridge loan to finance the acquisition of the assets of Endesa and Unión Fenosa.

This club deal loan was subscribed by domestic and foreign entities, as follows: J.P. Morgan, Royal Bank of Scotland, BBVA, Banesto, and Ahorro Corporación Financiera, representing different financial institutions.



Repayments are to be made in 2003, and on maturity will be replaced by a further long-term financing instrument.

Moody's Assigns Red Eléctrica an A2 Credit Rating

The credit rating agency, Moody's, has assigned Red Eléctrica an A2 credit rating subsequent to the acquisition of the transmission assets of Endesa and Unión Fenosa and the contract entered into with CVC. The rating assigned to the Company in November 2000 was Aa3.

In addition, Moody's has considered the possibility that REE will exercise its purchase option on the Iberdrola transmission network between 2008 and 2010 when assigning this rating.

Moody's has classified the outlook of Red Eléctrica as stable, reflecting the low-risk profile of the Company, the robustness of its principal business and the stability and reliability of its income, assisted by a stable regulatory framework.

Law 53 of 30 December 2002: Shareholders' Body of Red Eléctrica

Law 53/2002 has modified Article 34 of Law 54/97, ruling that no person or company may hold an interest exceeding 3% of share capital or voting rights of the Company.

Voting rights will be suspended until the shareholding or voting rights are modified, which should be carried out over a maximum period of 12 months from the date the law takes effect.

La Sociedad Estatal de Participaciones Industriales will retain an interest of at least 25% of the share capital of REE until 31 December 2003, and, in any case, will subsequently maintain a 10% interest.

The modification to Law 54/97 means that Electricity Companies currently holding an interest of 10% each must reduce their interest to 3%.

The extension of the free-float will increase the liquidity of shares and raise the number of shareholders.

Investments in the transmission network

Investment in the transmission network during 2002 has amounted to Euros 203.4 million, which is 56.6% up on the prior year.

In 2002, the Company has commissioned 710 km of new circuits, 90 km of capacity increase in the existing circuits, 88 positions, 4 transformers and 4 capacitor batteries.

The following projects are particularly significant:

- Investment earmarked for the development of the Northern Axis and the expansion of the transport network in Navarra.
- Programme to increase the transport capacity of existing lines.
- Reinforcement of the infrastructure to enable the new generation (mainly combined cycles and wind farms) requested in Levante, Castilla-Leon, Galicia, Andalusia and Aragon to be incorporated.



- Start-up of the project for the installations required for the high-speed Lleida-Barcelona train.
- Increase in the interconnection with the Portuguese transmission network.
- Additional projects derived from the acquisition of transmission assets.

INTERNATIONAL BUSINESS

Red Eléctrica Internacional is following the evolution of possible investment opportunities, although it is not expected that in the short term opportunities of particular strategic interest will materialise.

Furthermore, Red Eléctrica Internacional is focusing on providing support to its Bolivian subsidiary, Transportadora de Electricidad, and consolidating its position as leader of the Bolivian energy transmission market. Therefore, network expansion opportunities are being analysed as a natural growing path for this Company.

In December 2002, Red Eléctrica de España made a share capital contribution to Red Eléctrica Internacional of Euros 45 million. Subsequent to this contribution, the share capital of Red Eléctrica Internacional amounted to Euros 60 million, fully paid. This contribution was made to finance the acquisition of TDE in June 2002

The contribution made by TDE to the principal indicators in the consolidated statement of profit and loss at 31 December 2002 is: turnover of Euros 11.3 million, EBITDA of Euros 7.4 million, EBIT of Euros 3.9 million and profit after tax of Euros 2.9 million.

TELECOMMUNICATIONS BUSINESS

The slowdown in the IP solutions market in 2002, as a result of the current situation of the telecommunications sector, has had a direct effect upon Albura's sales and capital expenditures.

The Company's turnover at 31 December 2002 amounts to Euros 26.7 million, up 21% on the prior year. New orders obtained by the Company during the last quarter of 2002 total Euros 13.1 million.

The investments made by Albura during 2002 have amounted to Euros 39.7 million. These investments have been less than initially forecast, as the investment plan scalability has enabled the Company to adapt to the current telecommunications market situation and to renegotiate agreements with suppliers. These investments have mainly been allocated to developing the plan for the installation of the reticulated trunk telecommunications network and corresponding DWDM equipment.



GRUPO RED ELÉCTRICA

Consolidated Statement of Profit and Loss

	Thousands of Euros		%
	31.12.2002	31.12.2001	2002/2001
Net sales	695,507	591,467	17.6
Other income	10,356	6,982	48.3
Change in stocks of finished goods and work in progress	-	-	-
Total Value of Production	705,863	598,449	17.9
Net purchases	-275,143	-225,396	22.1
Changes in stocks of goods for resale, raw materials and other supplies	-2,327	3,093	-
External and operating expenses	-90,380	-64,740	39.6
Adjusted Added Value	338,013	311,406	8.5
Other expenses and income	-	-	-
Personnel expenses	-61,641	-57,172	7.8
Gross Operating Profit	276,372	254,234	8.7
Amortisation and depreciation	-118,040	-105,817	11.6
Reversion fund	-	-	-
Change in provisions for current assets	-1,382	-1,033	33.8
Net Operating Profit	156,950	147,384	6.5
Financial income	3,248	1,904	70.6
Financial expense	-26,002	-21,148	23.0
Interest and exchange gains capitalised	5,292	4,344	21.8
Amortisation and financial provisions	-	-	-
Conversion gains (losses)	-	-	-
Share of profits in equity accounted companies	131	647	-79.8
Amortisation of goodwill on consolidation	-1,047	-	-
Reversal of negative consolidation differences	-	-	-
Profit on Ordinary Activities	138,572	133,131	4.1
Profit (Loss) on tangible and intangible assets and treasury stock	-370	-485	-23.7
Changes in provisions for tangible and intangible assets and treasury stock	-1,969	-263	-
Return on own shares and bonds	51	62	-17.7
Prior year's results	1,204	9	-
Other extraordinary profit	8,027	6,682	20.1
Profit Before Tax	145,515	139,136	4.6
Income tax and other taxes	-45,657	-48,065	-5.0
Profit for the Period	99,858	91,071	9.6

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

Assets	Thousands of Euros		%
	31.12.2002	31.12.2001	2002/2001
Uncalled share capital contributions	-	-	-
Start-up costs	1,723	1,299	32.6
Intangible assets	9,396	4,976	88.8
Rights over leased assets	-	-	-
Other intangible assets	9,396	4,976	88.8
Tangible assets	2,463,568	1,431,250	72.1
Investments	40,517	26,239	54.4
Long-term own shares	9,029	2,764	226.7
Long-term trade debtors	8,392	17,524	-52.1
Total fixed assets	2,532,625	1,484,052	70.7
Goodwill on consolidation	19,902	-	-
Deferred expenses	52,995	31,741	67.0
Unpaid calls on share capital	-	-	-
Stocks	6,790	4,903	38.5
Debtors	288,630	136,516	111.4
Short-term investments	29,333	22,683	29.3
Short-term own shares	-	-	-
Cash and banks	2,243	542	-
Prepaid expenses	17,638	11,420	54.4
Total Current Assets	344,634	176,064	95.7
Total Assets	2,950,156	1,691,857	74.4
Shareholders' Equity and Liabilities			
Share capital	270,540	270,540	0.0
Parent company reserves	478,456	436,978	9.5
Consolidated companies reserves	-12,233	218	-
Conversion Difference	-1,810	1,579	-
Profit (loss) attributable to parent company	99,858	91,071	9.6
Interim dividends	-25,511	-24,299	5.0
Total shareholders' equity	809,300	776,087	4.3
Minority interests	62	-	-
Negative consolidation difference	-	-	-
Deferred income	218,843	191,762	14.1
Provisions for liabilities and charges	25,427	19,698	29.1
Bond issued and other marketable securities	95,966	126,318	-24.0
Loans	244,980	124,921	96.1
Long-term trade creditors	-	-	-
Other long-term creditors	47,774	45,358	5.3
Long-term creditors	388,720	296,597	31.1
Bond issued and other marketable securities	33,041	2,846	-
Loans	1,172,903	168,266	-
Trade creditors	93,845	104,504	-10.2
Other short-term creditors	186,882	101,204	84.7
Accruals	21,133	30,893	-31.6
Current liabilities	1,507,804	407,713	269.8
Provisions for current liabilities and charges	-	-	-
Shareholders' equity and liabilities	2,950,156	1,691,857	74.4

NOTE:

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RED ELÉCTRICA DE ESPAÑA, S.A.

Statement of Profit and Loss

	Thousands of Euros		%
	31.12.2002	31.12.2001	2002/2001
Net sales	694,064	603,982	14.9
Other income	11,084	7,364	50.5
Change in stocks of finished goods and work in progress	-	-	-
Total Value of Production	705,148	611,346	15.3
Net purchases	-272,387	-224,012	21.6
Changes in stocks of goods for resale, raw materials and other supplies	-2,327	3,093	-
External and operating expenses	-84,517	-71,588	18.1
Adjusted Added Value	345,917	318,839	8.5
Other expenses and income	-	-	-
Personnel expenses	-53,350	-53,436	-0.2
Gross Operating Profit	292,567	265,403	10.2
Amortisation and depreciation	-107,029	-102,931	4.0
Reversion fund	-	-	-
Change in provisions for current assets	-1,380	-1,033	33.6
Net Operating Profit	184,158	161,439	14.1
Financial income	801	1,227	-34.7
Financial expense	-21,138	-21,065	0.3
Interest and exchange gains capitalised	5,292	4,344	21.8
Amortisation and financial provisions	-	-	-
Profit on Ordinary Activities	169,113	145,945	15.9
Profit (Loss) on tangible and intangible assets and treasury stock	-243	-485	-49.9
Changes in provisions for tangible and intangible assets and treasury stock	-21,050	-13,361	57.5
Return on own shares and bonds	51	62	-17.7
Prior year's results	714	9	-
Other extraordinary profit	8,043	6,680	20.4
Profit Before Tax	156,628	138,850	12.8
Income tax and other taxes	-60,675	-48,065	26.2
Profit for the Period	95,953	90,785	5.7

NOTE:

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RED ELÉCTRICA DE ESPAÑA, S.A.

Balance Sheet

Assets	Thousands of Euros		%
	31.12.2002	31.12.2001	2002/2001
Uncalled share capital contributions	-	-	-
Start-up costs	-	-	-
Intangible assets	3,143	4,885	-35.7
Rights over leased assets	-	-	-
Other intangible assets	3,143	4,885	-35.7
Tangible assets	2,273,146	1,370,565	65.9
Investments	208,756	123,723	68.7
Long-term own shares	9,029	2,764	226.7
Long-term trade debtors	-	5,815	-100.0
Fixed assets	2,494,074	1,507,752	65.4
Goodwill on consolidation	20,283	8,972	126.1
Unpaid calls on share capital	-	-	-
Stocks	6,711	4,903	36.9
Debtors	280,900	145,507	93.0
Short-term investments	22,679	14,269	58.9
Short-term own shares	-	-	-
Cash and banks	307	279	10.0
Prepaid expenses	16,952	10,884	55.8
Current Assets	327,549	175,842	86.3
Assets	2,841,906	1,692,566	67.9

Shareholders' Equity and Liabilities

Share Capital	270,540	270,540	0.0
Reserves	464,999	436,258	6.6
Prior year's results	-	-	-
Profit for the period	95,953	90,785	5.7
Interim dividends	-25,511	-24,299	5.0
Shareholders' equity	805,981	773,284	4.2
Deferred income	213,945	190,785	12.1
Provisions for liabilities and charges	23,531	19,698	19.5
Bond issued and other marketable securities	95,966	126,318	-24.0
Loans	185,048	124,921	48.1
Long-term trade creditors	-	-	-
Other long-term creditors	97,999	90,358	8.5
Long-term creditors	379,013	341,597	11.0
Bond issued and other marketable securities	33,041	2,846	-
Loans	1,111,606	167,098	-
Group and associated companies	14,633	5,056	189.4
Trade creditors	86,433	50,333	71.7
Other short-term creditors	153,375	111,930	37.0
Accruals	20,348	29,939	-32.0
Current liabilities	1,419,436	367,202	286.6
Provision for current liabilities and charges	-	-	-
Shareholders' equity and liabilities	2,841,906	1,692,566	67.9

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