



RED ELÉCTRICA DE ESPAÑA

CONSOLIDATED RESULTS FOR THE FIRST QUARTER OF 2003

The results for the first quarter of 2003 was affected by the incorporation of the transmission assets acquired during the prior year from Endesa and Unión Fenosa, which have led to significant differences in the principal indicators of the Red Eléctrica Group. This acquisition was completed on 27 March 2003, having obtained the relevant administrative authorisations.

During the first quarter of 2003, Red Eléctrica Group has obtained consolidated profit after tax of Euros 31.2 million, compared to Euros 27.5 million in the same period of 2002, representing growth of 13.6%, which has been strengthened by this acquisition.

The increase in consolidated profit after tax is supported by 61.9% growth in adjusted consolidated turnover (net of energy purchases), mainly as a result of the rise in domestic transmission income due to the acquisition of the transmission assets, and international transmission income generated on the incorporation of the Bolivian company, Transportadora de Electricidad (TDE), which was not consolidated in 2002. The increase in consolidated profit after tax also derives from growth in income on engineering and construction work for third parties.

Gross operating profit (EBITDA) is up 50.4% and **net operating profit** (EBIT) has risen by 41.4%.

PRINCIPAL INDICATORS

Consolidated Results

Thousands of Euros	Q1 2003 (*)	Q1 2002	Var. (%)
Adjusted turnover (Net of energy purchases)	165,252	102,049	61.9
Gross operating profit (EBITDA)	108,214	71,940	50.4
Net operating profit (EBIT)	62,237	44,010	41.4
Profit on ordinary activities	46,790	40,381	15.9
Profit after tax	31,194	27,451	13.6

(*) Includes results for the first quarter of 2003 of the Bolivian company, Transportadora de Electricidad, S.A. (TDE), which is fully consolidated.

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
91 659 91 11



CONSOLIDATED RESULTS FOR THE FIRST QUARTER OF 2003

Results by Business	First Quarter of 2003			
	Electricity ^(*)	Albura	Adjustments on Consolidation	Consolidated
Thousands of Euros				
Gross operating profit (EBITDA)	113,981	- 5,767	-	108,214
Net operating profit (EBIT)	70,820	-8,583	-	62,237
Profit on ordinary activities	55,739	-8,949	-	46,790
Profit after tax	30,650	-5,837	6,381	31,194

(*) Includes results from the international electricity business and the amortisation of goodwill on consolidation.

Consolidated adjusted turnover (net of energy purchases) during the first quarter of 2003 is Euros 165.2 million, up 61.9% on the first quarter of 2002. This rise is due to the increase in energy transmission income, as a result of installations commissioned by Red Eléctrica in 2002, and to the incorporation of income generated on the assets acquired from Endesa and Unión Fenosa, which have led to 40% growth in adjusted turnover compared to the same period in the prior year.

The growth in consolidated adjusted turnover is also a result of the income generated by the Bolivian company, TDE, which was not consolidated in the first quarter of the prior year, and on engineering and construction work carried out for third parties, mainly in relation to laying work for the San Sebastián de los Reyes-Morata-Loeches line affected by the Barajas Plan.

Consolidated operating expenses (net of energy purchases) total Euros 57.9 million, compared to Euros 32.0 million in the first quarter of 2002. This increase is due to the following parent company expenses that were not incurred during the first quarter of the prior year:

- Expenses incurred on the assets acquired, including operation and maintenance contracts entered into with the sellers.
- Higher maintenance and renewal of REE's transmission network, to implement the annual maintenance programme for installations and make sufficient resources available during the rest of the year to integrate the assets acquired.
- Expenses associated with the Barajas Plan.

Consolidated operating expenses also include those incurred by TDE, which were not included during the first quarter of 2002, and an increase in expenses incurred by Albura as a result of growth in its activity.

Consolidated personnel expenses amount to Euros 17.1 million, up 19.0% on the same period in 2002. At 31 March 2003 the total headcount is 1,184 employees, representing a 15.4% rise compared to the first quarter of the prior year, mainly as a result of the incorporation of TDE personnel, who numbered 107 at that date. The total headcount of the Group amounts to 1,194, compared to 1,168 at 31 December 2002.

Gross consolidated operating profit (EBITDA) is Euros 108.2 million, up 50.4% on the same period in 2002.



EBITDA increased by 41% compared to the first quarter of 2002 as a result of the acquisition of assets.

Net consolidated operating profit (EBIT) amounts to Euros 62.2 million, up 41.4% on the same period of 2002.

Amortisation and depreciation charges are up 69.9% on the same period in the prior year as a result of the following:

- Assets recently acquired, the incorporation of which has led to growth of 53% compared to the first quarter of 2002.
- The entry into service at the end of 2002 of 710 km of new line circuits and 88 positions.
- The integration of TDE depreciation.
- The entry into service of telecommunications installations.

Consolidated profit on financial operations reached Euros -14.6 million, compared to Euros -3.7 million during the same period of 2002, as a result of higher financial leverage following the acquisition of the transmission assets of Endesa and Unión Fenosa.

The contribution to results made by equity-accounted companies is Euros -0.4 million, mainly as a result of the interest in Redalta.

Amortisation of goodwill generated on the acquisition of TDE amounts to Euros 0.5 million. Goodwill is amortised over a period of 10 years.

Consolidated profit on ordinary activities was Euros 46.8 million, up 15.9% on the first quarter of 2002.

Extraordinary consolidated profit, mainly including deferred income taken to profit and loss, is Euros 1.0 million, compared to Euros 1.5 million during the same period in 2002.

Consolidated profit after tax has risen to Euros 31.2 million, compared to Euros 27.5 million on the first quarter of 2002, representing growth of 13.6%. The 34.8% effective tax rate is in line with the first quarter of the prior year.

Consolidated cash-flow after tax is up 44.8% on the first quarter of 2002 at Euros 79.9 million. This figure represents 36.8% of consolidated turnover and 48.4% of adjusted consolidated turnover (net of energy purchases).

Consolidated investments made during the first quarter of 2003 amount to Euros 569.2 million, up by Euros 521.6 million on the same period in the period year. Euros 535.0 million of these investments has been allocated to the acquisition of the transmission networks of Unión Fenosa Distribución and Endesa Distribución, Euros 27.9 million to the extension and improvement of the transmission network, Euros 5.6 million to the telecommunications activity and Euros 0.7 million to other investments.

At 31 March 2003 **net financial debt** totals Euros 2,209.6 million, up Euros 701.9 million on 31 December 2002, with a leverage ratio (net financial debt as a percentage of shareholders'



equity) of 2.64. This increase is mainly due to the abovementioned investments in the transmission networks of Unión Fenosa Distribución and Endesa Distribución, investments in the transmission network and payment of the dividend on account. The structure of financial debt is as follows:

Thousands of Euros	Euros	Foreign currency	Total
Short-term investments	-36,370	-5,084	-41,454
Cash in hand and at banks	-1,441	-3,163	-4,604
Long-term debentures	95,966	-	95,966
Short-term debentures	30,352	-	30,352
Long-term loans	223,256	62,915	286,171
Promissory notes and short-term loans	1,812,056	31,151	1,843,207
Total net financial debt	2,123,819	85,819	2,209,638

During the first quarter of 2003 different long-term financing alternatives for the assets acquired have been analysed. Over the coming months, the current bridging loan will be refinanced in the long term.

SIGNIFICANT EVENTS

ELECTRICITY BUSINESS IN SPAIN

Purchase of Endesa and Unión Fenosa assets

Having obtained the relevant administrative authorisation, on 27 March 2003 Red Eléctrica de España has closed the acquisition of the electricity transmission network owned by Endesa and Unión Fenosa.

Regulatory Framework

During the first quarter of 2003 the Directorate General for Energy Policy and Mines approved the resolutions establishing the parameters to be applied over the coming years in the calculation of transmission remuneration.

X and Y efficiency factors have been set at 0.60 for the period from 2003 to 2006 (these factors had previously been established at 1%). Consequently, during the current period the remuneration related to installations commissioned prior to 31 December 1997, as well as newly-constructed installations, will be revalued according to CPI -0.60%.

The remuneration rate to be applied to new investments has been established as the annual average for the prior year for Spanish treasury bonds at 10 years, plus 1.5%. The remuneration rate used to calculate electricity rates for 2003 is 6.52%. (The remuneration rate applicable up to and including 2002 was the annual average of Euribor at 3 months for the prior year, plus 1.0%).



Standard&Poor's assigns Red Eléctrica an AA- credit rating

S&P's has maintained REE's credit rating of AA- (long-term) / A-1+ (short-term), reflecting the robustness and strategic importance of the Company's core business, as well as the regulatory framework ensuring cash-flow stability.

S&P's has positively rated REE's low-risk profile and the Company's strategic repositioning following the acquisition of the transmission assets of Endesa and Unión Fenosa and the agreement entered into with CVC.

Dividend

The shareholders at their annual general meeting held on 25 April approved the distribution of a gross dividend of Euros 0.48 per share with profit-sharing rights. This dividend, less the gross amount of Euros 0.19 per share paid on account of the dividend of 3 January 2003, will be distributed as of 1 July 2003.

Direct remuneration of the shareholder in the form of dividends grew by 5.5% in 2002 compared to the prior year. The pay out totalled 67.7%, which is similar to prior years.

Investments in the transmission network

During the first quarter of 2003 investment in the transmission network have amounted to Euros 562.9 million, Euros 535.0 million of which corresponds to the remaining portion of the acquisition of the transmission networks of Endesa and Union Fenosa, having closed this acquisition on 27 March 2003. The remaining investments total Euros 27.9 million.

Investment projects currently underway include the following:

- Development of the Northern Axis and extension of the transmission network in Navarra.
- Enlargement of the transmission capacity on existing lines.
- Reinforcement of the infrastructure to enable the incorporation of the new-generation network (mainly combined cycles and wind farms) required in Levante, Castilla-León, Galicia, Andalusia and Aragón.
- Commencement of the project for installations needed for the Lleida-Barcelona high-speed train.
- Increase in interconnections with the Portuguese transmission network.

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, TDE, to enable it to consolidate its position as leader of the Bolivian energy transmission market, analysing network expansion opportunities to promote the natural growth of TDE.

During the first quarter of 2003 Red Eléctrica Internacional has been involved in completing negotiations with a bank syndicate for the long-term refinancing of the investment in TDE.



The contribution made by TDE to the principal indicators of the consolidated statement of profit and loss at 31 March 2003 is turnover of Euros 5.3 million, EBITDA of Euros 3.8 million, Euros 2.3 million EBIT and profit after tax of Euros 1.4 million (including amortisation of goodwill on consolidation).

TELECOMMUNICATIONS BUSINESS

At 31 March 2003 turnover of albura amounts to Euros 7.3 million, up 19% on the first quarter of 2002. The portfolio of orders won by the Company during the first quarter of 2003 totals Euros 2.6 million.

Investment made by albura during the first quarter of 2003 total Euros 5.6 million, and has mainly been allocated to develop the plan for the installation of the reticulated trunk telecommunications network, and the corresponding DWDM equipment. The company has also made investment in bringing the latest information technology systems into service to support the operation and management of its telecommunications network.



GRUPO RED ELÉCTRICA

Consolidated Statement of Profit and Loss

	Thousands of Euros		%
	31.03.2003	31.03.2002	2003/2002
Net sales	216,955	161,119	34.7
Other income	1,669	1,424	17.2
Change in stocks of finished goods and work in progress	-	-	-
Total Value of Production	218,624	162,543	34.5
Net purchases	-68,355	-67,776	0.9
Changes in stocks of goods for resale, raw materials and other supplies	14,267	6,458	120.9
External and operating expenses	-39,174	-14,872	163.4
Adjusted Added Value	125,362	86,353	45.2
Other expenses and income	-	-	-
Personnel expenses	-17,148	-14,413	19.0
Gross Operating Profit	108,214	71,940	50.4
Amortisation and depreciation	-46,736	-27,505	69.9
Reversion fund	-	-	-
Change in provisions for current assets	759	-425	-
Net Operating Profit	62,237	44,010	41.4
Financial income	648	246	163.4
Financial expense	-16,163	-5,191	-
Interest and exchange gains capitalised	955	1,246	-23.4
Amortisation and financial provisions	-	-	-
Conversion gains (losses)	-	-	-
Share of profits in equity accounted companies	-363	70	-
Amortisation of goodwill on consolidation	-524	-	-
Reversal of negative consolidation differences	-	-	-
Profit on Ordinary Activities	46,790	40,381	15.9
Profit (Loss) on tangible and intangible assets and treasury stock	-22	-20	10.0
Changes in provisions for tangible and intangible assets and treasury stock	-114	-86	32.6
Return on own shares and bonds	669	236	183.5
Prior year's results	265	134	97.8
Other extraordinary profit	236	1,281	-81.6
Profit Before Tax	47,824	41,926	14.1
Income tax and other taxes	-16,630	-14,475	14.9
Profit for the Period	31,194	27,451	13.6

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		%
	31.03.2003	31.12.2002	2003/2002
Uncalled share capital contributions	-	-	-
Start-up costs	1,581	1,723	-8.2
Intangible assets	8,204	9,396	-12.7
Rights over leased assets	-	-	-
Other intangible assets	8,204	9,396	-12.7
Tangible assets	2,978,680	2,463,568	20.9
Investments	38,659	40,517	-4.6
Long-term own shares	5,649	9,029	-37.4
Long-term trade debtors	8,341	8,392	-0.6
Total fixed assets	3,041,114	2,532,625	20.1
Goodwill on consolidation	19,378	19,902	-2.6
Deferred expenses	52,858	52,995	-0.3
Unpaid calls on share capital	-	-	-
Stocks	21,057	6,790	-
Debtors	327,984	288,630	13.6
Short-term investments	41,454	29,333	41.3
Short-term own shares	-	-	-
Cash and banks	4,604	2,243	105.3
Prepaid expenses	105,861	17,638	-
Total Current Assets	500,960	344,634	45.4
Total Assets	3,614,310	2,950,156	22.5
Shareholders' Equity and Liabilities			
Share capital	270,540	270,540	-
Parent company reserves	593,213	478,456	24.0
Consolidated companies reserves	-27,289	-12,233	123.1
Conversion Difference	-3,842	-1,810	112.3
Profit (loss) attributable to parent company	31,194	99,858	-68.8
Interim dividends	-25,511	-25,511	-
Total shareholders' equity	838,305	809,300	3.6
Minority interests	62	62	-
Negative consolidation difference	-	-	-
Deferred income	217,128	218,843	-0.8
Provisions for liabilities and charges	26,772	25,427	5.3
Bond issued and other marketable securities	95,966	95,966	-
Loans	286,171	244,980	16.8
Long-term trade creditors	-	-	-
Other long-term creditors	43,591	47,774	-8.8
Long-term creditors	425,728	388,720	9.5
Bond issued and other marketable securities	34,622	33,041	4.8
Loans	1,848,495	1,172,903	57.6
Trade creditors	78,507	93,845	-16.3
Other short-term creditors	124,919	186,882	-33.2
Accruals	19,772	21,133	-6.4
Current liabilities	2,106,315	1,507,804	39.7
Provisions for current liabilities and charges	-	-	-
Shareholders' equity and liabilities	3,614,310	2,950,156	22.5

NOTE:

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RED ELÉCTRICA DE ESPAÑA, S.A.

Statement of Profit and Loss

	Thousands of Euros		%
	31.03.2003	31.03.2002	2003/2002
Net sales	214,134	163,841	30.7
Other income	1,825	1,627	12.2
Change in stocks of finished goods and work in progress	-	-	-
Total Value of Production	215,959	165,468	30.5
Net purchases	-67,638	-67,284	0.5
Changes in stocks of goods for resale, raw materials and other supplies	14,271	6,458	121.0
External and operating expenses	-37,694	-15,593	141.7
Adjusted Added Value	124,898	89,049	40.3
Other expenses and income	-	-	-
Personnel expenses	-14,688	-12,968	13.3
Gross Operating Profit	110,210	76,081	44.9
Amortisation and depreciation	-42,436	-26,006	63.2
Reversion fund	-	-	-
Change in provisions for current assets	759	-425	-
Net Operating Profit	68,533	49,650	38.0
Financial income	544	169	-
Financial expense	-15,031	-5,157	191.5
Interest and exchange gains capitalised	955	1,246	-23.4
Amortisation and financial provisions	-	-	-
Profit on Ordinary Activities	55,001	45,908	19.8
Profit (Loss) on tangible and intangible assets and treasury stock	-24	-20	20.0
Changes in provisions for tangible and intangible assets and treasury stock	-6,464	-3,764	71.7
Return on own shares and bonds	669	236	183.5
Prior year's results	267	134	99.3
Other extraordinary profit	234	1,281	-81.7
Profit Before Tax	49,683	43,775	13.5
Income tax and other taxes	-19,779	-16,455	20.2
Profit for the Period	29,904	27,320	9.5

NOTE:

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RED ELÉCTRICA DE ESPAÑA, S.A.

Balance Sheet

Assets	Thousands of Euros		%
	31.03.2003	31.12.2002	2003/2002
Uncalled share capital contributions	-	-	-
Start-up costs	-	-	-
Intangible assets	2,824	3,143	-10.1
Rights over leased assets	-	-	-
Other intangible assets	2,824	3,143	-10.1
Tangible assets	2,793,921	2,273,146	22.9
Investments	201,199	208,756	-3.6
Long-term own shares	5,649	9,029	-37.4
Long-term trade debtors	-	-	-
Fixed assets	3,003,593	2,494,074	20.4
Goodwill on consolidation	18,614	20,283	-8.2
Unpaid calls on share capital	-	-	-
Stocks	20,983	6,711	-
Debtors	326,784	280,900	16.3
Short-term investments	33,871	22,679	49.3
Short-term own shares	-	-	-
Cash and banks	521	307	69.7
Prepaid expenses	104,675	16,952	-
Current Assets	486,834	327,549	48.6
Assets	3,509,041	2,841,906	23.5

Shareholders' Equity and Liabilities

Share Capital	270,540	270,540	-
Reserves	560,794	464,999	20.6
Prior year's results	-	-	-
Profit for the period	29,904	95,953	-68.8
Interim dividends	-25,511	-25,511	-
Shareholders' equity	835,727	805,981	3.7
Deferred income	212,120	213,945	-0.9
Provisions for liabilities and charges	24,895	23,531	5.8
Bond issued and other marketable securities	95,966	95,966	-
Loans	228,483	185,048	23.5
Long-term trade creditors	-	-	-
Other long-term creditors	93,816	97,999	-4.3
Long-term creditors	418,265	379,013	10.4
Bond issued and other marketable securities	34,622	33,041	4.8
Loans	1,776,960	1,111,606	59.9
Group and associated companies	23,169	14,633	58.3
Trade creditors	71,827	86,433	-16.9
Other short-term creditors	92,459	153,375	-39.7
Accruals	18,997	20,348	-6.6
Current liabilities	2,018,034	1,419,436	42.2
Provision for current liabilities and charges	-	-	-
Shareholders' equity and liabilities	3,509,041	2,841,906	23.5

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