RED ELÉCTRICA DE ESPAÑA

CONSOLIDATED PROFIT FOR THE FIRST HALF OF 2003

Profit after tax for the first half of 2003 continued to be 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 compared to 2002.

During the first half of 2003, Red Eléctrica has obtained consolidated profit after tax of Euros 54.1 million, compared to Euros 47.1 million in the same period of 2002, representing growth of 14.9%. This growth is supported by the 64.4% rise in adjusted consolidated turnover (net of energy purchases).

Gross operating profit (EBITDA) is up 59.0% and net operating profit (EBIT) has risen by 51.9%.

PRINCIPALS INDICATORS

Consolidated Results

Thousands of Euros	**1H 2003 (*)**	**1H 2002**	**Var. (%)**
Adjusted turnover (Net of energy purchases)	336,819	204,913	64.4
Gross operating profit (EBITDA)	206,848	130,134	59.0
Net operating profit (EBIT)	113,027	74,423	51.9
Profit on ordinary activities	81,055	66,458	22.0
Profit after tax	54,149	47,117	14.9

(*) Includes results for the first half 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 HALF OF 2003

Results by Business				**First Half of 2003**
Thousands of Euros	**Electricity (*)**	**Albura**	**Adjustments on Consolidation**	**Consolidated**
Gross operating profit (EBITDA)	216,399	(9,551)	-	206,848
Net operating profit (EBIT)	128,607	(15,580)	-	113,027
Profit on ordinary activities	97,214	(16,159)	-	81,055
Profit after tax	53,060	(10,656)	11,745	54,149

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

Adjusted consolidated turnover (net of energy purchases) during the first half of 2003 is Euros 336.8 million, up 64.4% on the same period in the prior year. This rise is due to (i) the increase in energy transmission revenues, as a result of installations commissioned by Red Eléctrica in 2002 and the application of new regulatory parameters, (ii) the incorporation of regulated revenues related to the assets acquired from Endesa and Unión Fenosa, which have led to 40% growth in adjusted consolidated turnover compared to the same period in the prior year, (iii) income generated by the Bolivian company, TDE, which was not consolidated in the first half of 2002, and (iv) income generated on engineering and construction work carried out for third parties.

Consolidated operating expenses (net of energy purchases) total Euros 134.2 million, compared to Euros 77.8 million in the first half of 2002. This increase is due to the following parent company expenses which were not incurred during the first half of 2002:

- Expenses incurred on the assets acquired, including operation and maintenance contracts entered into with Endesa and Unión Fenosa.
- A growth in maintenance and renewal of the transmission network, to implement the annual maintenance programme for installations and make sufficient resources available during the year to integrate the assets acquired.
- Expenses incurred on engineering and construction work for third parties.

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

Consolidated personnel expenses amount to Euros 33.6 million, up 10.6% on the same period in 2002. At 30 June 2003 the total headcount is 1,190 employees, representing a 14.5% rise compared to the first half 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 1,232, compared to 1,168 at 31 December 2002.

Gross consolidated operating profit (EBITDA) is Euros 206.8 million, up 59.0% on the same period in 2002.

Net consolidated operating profit (EBIT) totalled Euros 113.0 million, representing an increase of 51.9% compared to same period in the prior year.

Amortisation and depreciation charges amount to Euros 94.3 million, up 70.9% on the same period in the prior year as a result of the following:

- Assets acquired, the incorporation of which has led to growth of 53% compared to the prior year.

- The entry into service at the end of 2002 of 710 km of new line circuits and 88 positions.

- The integration of TDE amortisation and depreciation.

- The entry into service of telecommunications installations.

Consolidated profit on financial operations totals Euros -30.1 million, compared to Euros -7.8 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 -0.8 million, mainly as a result of the interest in Redalta.

Amortisation of goodwill generated on the acquisition of TDE amounts to Euros 1.0 million. Goodwill is amortised over a period of 10 years.

Consolidated profit on ordinary activities totals Euros 81.1 million, up 22.0% on 2002.

Extraordinary consolidated profit, mainly including deferred income taken to profit and loss, is Euros 2.1 million, compared to Euros 3.5 million during the same period in 2002.

Consolidated profit after tax amounts to Euros 54.1 million, compared to Euros 47.1 million in the first half of 2002, representing growth of 14.9%. The 34.9% rate of tax is 2.2 percentage points above the first half of the prior year, due to the deduction in June 2002 deriving from the acquisition of the Bolivian company, TDE.

Consolidated cash-flow after tax is up 48.3% on 2002 at Euros 152.9 million. This figure represents 34.4% of consolidated turnover and 45.4% of adjusted consolidated turnover (net of energy purchases).

Consolidated investments made during the first half of 2003 amount to Euros 603.2 million, up by Euros 500.4 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 59.9 million to the extension and improvement of the transmission network and Euros 8.3 million to the telecommunications activity and other investments.

At 30 June 2003 **net financial debt** totals Euros 2,153.0 million, down Euros 56.7 million on 31 March 2003, with a leverage ratio (net financial debt / shareholders' equity) of 2.63. The structure of financial debt is as follows:

Thousands of Euros	Euros	Foreign currency	Total
Short-term investments	-4,580	-5,649	-10,229
Cash in hand and at banks	-2,258	-2,018	-4,276
Long-term debentures	95,966	-	95,966
Short-term debentures	30,352	-	30,352
Long-term loans	219,026	85,129	304,155
Promissory notes and short-term loans	1,733,586	3,442	1,737,028
Total net financial debt	**2,072,092**	**80,904**	**2,152,996**

During the first half of the year different long-term financing alternatives for the assets acquired have been analysed. On 7 July 2003 a Euros 700 million loan was obtained to be repaid over five years with an initial Euribor margin of less than 40 basic points. During the coming months the Company will refinance the outstanding portion of the bridge loan over the long term.

SIGNIFICANT EVENTS

ELECTRICITY BUSINESS IN SPAIN

Public sale offer of a 28% interest in Red Eléctrica

Endesa, Hidroeléctrica del Cantábrico, Iberdrola and Unión Fenosa made a 28% interest in Red Eléctrica available for purchase, in accordance with Law 53/2002, which establishes that no entity, other than SEPI, may hold more than 3% of the share capital or voting rights of Red Eléctrica. SEPI can hold at least 25% of the Company's share capital until December 31, 2003 and thereafter to hold at least 10%.

On 18 June 2003 the Global Coordinators of the operation, BBVA Bolsa, Citigroup Global Markets, Santander Central Hispano Investment and UBS placed 37,875,600 shares through an accelerated book-building process. The public sale offer was aimed solely at the institutional tranche comprising institutional resident and non-resident investors in Spain. Demand exceeded the volume of the offer by almost eight times and the placement was made at Euros 11 per share, 3.18% below the closing price of 17 June 2003. 67% of the offer was placed with foreign investors and the remaining 33% with domestic investors.

The public sale offer has led to a significant change in the shareholders of Red Eléctrica, which is as follows:

- SEPI: 28.5%
- Endesa: 3%
- Hidroeléctrica del Cantábrico: 3%
- Iberdrola: 3%
- Unión Fenosa: 3%
- Free-float: 59.5%

The rise in free-float capital from 31.5% to 59.5% has substantially improved the liquidity of shares and will increase the weighting factor of REE on the IBEX-35 from 60% to 100%.

Supplementary Dividend

On 1 July 2003 a gross supplementary dividend of Euros 0.29 per share was distributed with a charge to profit for 2002. The total dividend distributed with a charge to profits for 2002 amounts to Euros 0.48 per share, compared to Euros 0.455 per share in 2001, representing an increase of 5.5%.

Syndicated loan

On 7 July 2003 Red Eléctrica de España, S.A. obtained a Euros 700 million loan to be repaid over a period of five years, with an initial Euribor margin of less than 40 basic points.

The loan will be used to partially refinance the bridge loan obtained in December 2002 to meet payments for the acquisition of the assets of Endesa and Unión Fenosa. The loan was obtained from domestic and foreign financial institutions as a "Club Deal" and is divided into two tranches, a loan and a credit facility.

Extraordinary Shareholders' Meeting

On 17 July 2003 the shareholders of Red Eléctrica held their first extraordinary general meeting as a result of the recent change in the shareholders of the Company and the ongoing concern of the board of directors to implement best corporate practices. At this meeting the shareholders approved the new membership of the board of directors, the modification of the Company's bylaws and those of the General Shareholders' Meeting.

Investments in the transmission network

During the first half of 2003 investment in the transmission network has amounted to Euros 594.9 million, Euros 535.0 million of which corresponds to the remaining portion of the acquisition of the transmission networks of Endesa and Union Fenosa, following the contract for this operation, entered into on 27 March 2003. The remaining investments total Euros 59.9 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.
- Strengthening of the infrastructure in the south-west of Spain.
- 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 necessary 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.

During the first half of 2003 Red Eléctrica Internacional has obtained a USD 30 million long-term loan from IFC (International Financial Corporation), through its Bolivian subsidiary, TDE, to provide long-term financing to this subsidiary.

The contribution made by TDE to the principal indicators of the consolidated statement of profit and loss at 30 June 2003 is turnover of Euros 9.8 million, EBITDA of Euros 7.0 million, Euros 3.8 million EBIT and profit after tax of Euros 1.8 million (including amortisation of goodwill on consolidation).

TELECOMMUNICATIONS BUSINESS

Turnover generated by Albura at 30 June 2003 amounts to Euros 16.6 million, up 28.8% on the prior year. The Company's new order portfolio totals Euros 7.8 million in the first half of 2003.

Investments made by Albura in the first half of 2003 have not been significant, given the decrease in the investments of the Company as a result of financing requirements deriving from the actual contracting rate and the operational requirements of the network.

GRUPO RED ELÉCTRICA
Consolidated Statement of Profit and Loss

	Thousands of Euros		%
	30.06.2003	30.06.2002	2003/2002
Net sales	444,197	320,758	38.5
Other income	4,210	3,025	39.2
Change in stocks of finished goods and work in progress	-	-	-
Total Value of Production	**448,407**	**323,783**	**38.5**
Net purchases	-131,673	-130,919	0.6
Changes in stocks of goods for resale, raw materials and other supplies	16,974	7,007	142.2
External and operating expenses	-93,286	-39,371	136.9
Adjusted Added Value	**240,422**	**160,500**	**49.8**
Other expenses and income	-	-	-
Personnel expenses	-33,574	-30,366	10.6
Gross Operating Profit	**206,848**	**130,134**	**59.0**
Amortisation and depreciation	-94,324	-55,181	70.9
Reversion fund	-	-	-
Change in provisions for current assets	503	-530	-194.9
Net Operating Profit	**113,027**	**74,423**	**51.9**
Financial income	1,434	530	170.6
Financial expense	-33,449	-11,017	203.6
Interest and exchange gains capitalised	1,877	2,707	-30.7
Amortisation and financial provisions	-	-	-
Conversion gains (losses)	-	-	-
Share of profits in equity accounted companies	-787	-185	325.4
Amortisation of goodwill on consolidation	-1,047	-	-
Reversal of negative consolidation differences	-	-	-
Profit on Ordinary Activities	**81,055**	**66,458**	**22.0**
Profit (Loss) on tangible and intangible assets and treasury stock	79	-15	-626.7
Changes in provisions for tangible and intangible assets and treasury stock	-1,005	-273	268.1
Return on own shares and bonds	993	455	118.2
Prior year's results	595	238	150.0
Other extraordinary profit	1,439	3,134	-54.1
Profit Before Tax	**83,156**	**69,997**	**18.8**
Income tax an other taxes	-29,007	-22,880	26.8
Profit for the Period	**54,149**	**47,117**	**14.9**

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 30.06.2003	31.12.2002	% 2003/2002
Uncalled share capital contributions	**-**	**-**	-
Start-up costs	1,437	1,723	-16.6
Intangible assets	7,597	9,396	-19.1
Rights over leased assets	-	-	-
Other intangible assets	7,597	9,396	-19.1
Tangible assets	2,961,477	2,463,568	20.2
Investments	37,653	40,517	-7.1
Long-term own shares	4,234	9,029	-53.1
Long-term trade debtors	8,341	8,392	-0.6
Total fixed assets	**3,020,739**	**2,532,625**	**19.3**
Goodwill on consolidation	**18,855**	**19,902**	**-5.3**
Deferred expenses	**50,724**	**52,995**	**-4.3**
Unpaid calls on share capital	-	-	-
Stocks	23,444	6,790	245.3
Debtors	357,546	288,630	23.9
Short-term investments	10,229	29,333	-65.1
Short-term own shares	-	-	-
Cash and banks	4,276	2,243	90.6
Prepaid expenses	71,158	17,638	-
Total Current Assets	**466,653**	**344,634**	**35.4**
Total Assets	**3,556,971**	**2,950,156**	**20.6**

Shareholders' Equity and Liabilities			
Share capital	270,540	270,540	-
Parent company reserves	528,314	478,456	10.4
Consolidated companies reserves	-27,289	-12,233	123.1
Conversion Difference	-5,590	-1,810	208.8
Profit (loss) attributable to parent company	54,149	99,858	-45.8
Interim dividends	-	-25,511	-
Total shareholders' equity	**820,124**	**809,300**	**1.3**
Minority interests	**58**	**62**	**-**
Negative consolidation difference	**-**	**-**	**-**
Deferred income	**216,900**	**218,843**	**-0.9**
Provisions for liabilities and charges	**27,733**	**25,427**	**9.1**
Bond issued and other marketable securities	95,966	95,966	-
Loans	304,155	244,980	24.2
Long-term trade creditors	-	-	-
Other long-term creditors	43,156	47,774	-9.7
Long-term creditors	**443,277**	**388,720**	**14.0**
Bond issued and other marketable securities	36,220	33,041	9.6
Loans	1,743,860	1,172,903	48.7
Trade creditors	104,888	93,845	11.8
Other short-term creditors	148,119	186,882	-20.7
Accruals	15,792	21,133	-25.3
Current liabilities	**2,048,879**	**1,507,804**	**35.9**
Provisions for current liabilities and charges	**-**	**-**	**-**
Shareholders' equity and liabilities	**3,556,971**	**2,950,156**	**20.6**

NOTE:

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RED ELÉCTRICA DE ESPAÑA, S.A.
Statement of Profit and Loss

	Thousands of Euros		**%**
	30.06.2003	**30.06.2002**	**2003/2002**
Net sales	437,920	325,959	34.3
Other income	4,512	3,365	34.1
Change in stocks of finished goods and work in progress	-	-	-
Total Value of Production	**442,432**	**329,324**	**34.3**
Net purchases	-129,755	-129,998	-0.2
Changes in stocks of goods for resale, raw materials and other supplies	16,349	7,007	133.3
External and operating expenses	-90,631	-38,278	136.8
Adjusted Added Value	**238,395**	**168,055**	**41.9**
Other expenses and income	-	-	-
Personnel expenses	-28,635	-27,054	5.8
Gross Operating Profit	**209,760**	**141,001**	**48.8**
Amortisation and depreciation	-85,103	-52,057	63.5
Reversion fund	-	-	-
Change in provisions for current assets	509	-530	-
Net Operating Profit	**125,166**	**88,414**	**41.6**
Financial income	1,152	386	198.4
Financial expense	-31,018	-10,505	195.3
Interest and exchange gains capitalised	1,877	2,707	-30.7
Amortisation and financial provisions	-	-	-
Profit on Ordinary Activities	**97,177**	**81,002**	**20.0**
Profit (Loss) on tangible and intangible assets and treasury stock	-6	-15	-60.0
Changes in provisions for tangible and intangible assets and treasury stock	-12,639	-8,014	57.7
Return on own shares and bonds	993	455	118.2
Prior year's results	504	-227	-322.0
Other extraordinary profit	1,463	3,134	-53.3
Profit Before Tax	**87,492**	**76,335**	**14.6**
Income tax an other taxes	-34,833	-29,094	19.7
Profit for the Period	**52,659**	**47,241**	**11.5**

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RED ELÉCTRICA DE ESPAÑA,S.A.
Balance Sheet

Assets	Thousands of Euros 30.06.2003	31.12.2002	% 2003/2002
Uncalled share capital contributions	-	-	-
Start-up costs	-	-	-
Intangible assets	2,605	3,143	-17.1
Rights over leased assets	-	-	-
Other intangible assets	2,605	3,143	-17.1
Tangible assets	2,784,975	2,273,146	22.5
Investments	195,340	208,756	-6.4
Long-term own shares	4,234	9,029	-53.1
Long-term trade debtors	-	-	-
Fixed assets	**2,987,154**	**2,494,074**	**19.8**
Goodwill on consolidation	**18,067**	**20,283**	**-10.9**
Unpaid calls on share capital	-	-	-
Stocks	23,373	6,711	248.3
Debtors	348,391	280,900	24.0
Short-term investments	2,593	22,679	-88.6
Short-term own shares	-	-	-
Cash and banks	753	307	145.3
Prepaid expenses	70,081	16,952	-
Current Assets	**445,191**	**327,549**	**35.9**
Assets	**3,450,412**	**2,841,906**	**21.4**

Shareholders' Equity and Liabilities			
Share Capital	270,540	270,540	-
Reserves	495,897	464,999	6.6
Prior year's results	-	-	-
Profit for the period	52,659	95,953	-45.1
Interim dividends	-	-25,511	-
Shareholders' equity	**819,096**	**805,981**	**1.6**
Deferred income	**211,570**	**213,945**	**-1.1**
Provisions for liabilities and charges	**25,859**	**23,531**	**9.9**
Bond issued and other marketable securities	95,966	95,966	-
Loans	223,990	185,048	21.0
Long-term trade creditors	-	-	-
Other long-term creditors	93,382	97,999	-4.7
Long-term creditors	**413,338**	**379,013**	**9.1**
Bond issued and other marketable securities	36,220	33,041	9.6
Loans	1,693,716	1,111,606	52.4
Group and associated companies	23,478	14,633	60.4
Trade creditors	90,743	86,433	5.0
Other short-term creditors	121,433	153,375	-20.8
Accruals	14,959	20,348	-26.5
Current liabilities	**1,980,549**	**1,419,436**	**39.5**
Provision for current liabilities and charges	**-**	**-**	**-**
Shareholders' equity and liabilities	**3,450,412**	**2,841,906**	**21.4**

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