



# RED ELÉCTRICA DE ESPAÑA

## CONSOLIDATED PROFIT FOR THE FIRST NINE MONTHS OF 2003

Gross consolidated operating profit (EBITDA) of the Red Eléctrica Group for the first nine months of 2003 amounts to Euros 327.1 million compared to Euros 206.8 million for the same period in 2002. This growth reflects the incorporation of the transmission assets of Endesa and Unión Fenosa, which has led to a qualitative and quantitative increase in the Red Eléctrica Group's principal indicators compared to 2002.

Red Eléctrica has obtained consolidated profit after tax of Euros 88.5 million, compared to Euros 76.7 million in the same period of 2002, representing growth of 15.4%.

Cash-flow after tax has risen 45.7% to Euros 237.8 million compared to Euros 163.2 million for the same period in 2002.

## PRINCIPAL INDICATORS

### Consolidated Results

Thousands of Euros	9M 2003 <sup>(1)</sup>	9M 2002	Var. (%)
Adjusted turnover (Net of energy purchases)	515,613	329,828	56.3
Gross operating profit (EBITDA)	327,050	206,804	58.1
Net operating profit (EBIT)	185,418	121,248	52.9
Profit on ordinary activities	132,702	109,058	21.7
Profit after tax	88,489	76,686	15.4

<sup>(1)</sup> Includes results for the first nine months of 2003 of the Bolivian company, Transportadora de Electricidad, S.A. (TDE), which has been fully consolidated since 30 June 2002.

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## CONSOLIDATED RESULTS FOR THE FIRST NINE MONTHS OF 2003

Results by Business	First Nine Months of 2003			
	Electricity <sup>(2)</sup>	Albura	Adjustments on Consolidation	Consolidated
Thousands of Euros				
Gross operating profit (EBITDA)	339,502	(12,452)	-	327,050
Net operating profit (EBIT)	207,039	(21,621)	-	185,418
Profit on ordinary activities	155,692	(22,990)	-	132,702
Profit after tax	86,756	(14,565)	16,298	88,489

<sup>(2)</sup> Includes results from the international electricity business and the amortisation of goodwill on consolidation.

Adjusted consolidated turnover (net of energy purchases) during the first nine months of 2003 is Euros 515.6 million, up 56.3% on the same period in the prior year. This rise is mainly due to the following:

- (i) the incorporation of income generated on the assets acquired from Endesa and Unión Fenosa, which has led to 37% growth in adjusted consolidated turnover compared to the same period in the prior year
- (ii) the increase in electricity transmission income, as a result of installations commissioned by Red Eléctrica in 2002 and the application of new regulatory parameters
- (iii) income generated by the Bolivian company, TDE, which was not consolidated in the first half of 2002
- (iv) higher income generated on engineering and construction work carried out for third parties and the telecommunications activity.

**Consolidated operating expenses** (net of energy purchases) total Euros 194.3 million, compared to Euros 128.3 million in the same period in 2002. This increase is mainly due to the following parent company expenses which were not incurred during the first nine months of 2002:

- (i) Expenses incurred on the assets acquired, including operation and maintenance contracts entered into with Endesa and Unión Fenosa.
- (ii) Expenses incurred on engineering and construction work for third parties.

Consolidated operating expenses also include those incurred by TDE during the first nine months of the year compared to three months in 2002, and an increase in expenses incurred by Albura, as a result of growth in its activity compared to the same period in the prior year.

Consolidated personnel expenses amount to Euros 50.0 million, up 8.6% on the same period in 2002. At 30 September 2003 the total headcount is 1,201 employees, representing an 11.8% rise compared to the first nine months of the prior year, as a result of the incorporation of TDE personnel as of 1 July 2002 and Red Eléctrica de España incorporations in 2003. The total headcount of the Group amounts to 1,235, compared to 1,168 at 31 December 2002.



**Gross consolidated operating profit (EBITDA)** is Euros 327.1 million, up 58.1% on the same period in 2002.

**Net consolidated operating profit (EBIT)** totalled Euros 185.4 million, representing an increase of 52.9% compared to same period in the prior year.

Amortisation and depreciation charges amount to Euros 142.0 million, up 67.1% on the same period in the prior year, mainly as a result of the following:

- (i) Transmission assets required, leading to an increase of 52% compared to the same period in the prior year.
- (ii) The entry into service at the end of 2002 of 710 km of new line circuits and 88 positions.
- (iii) The integration of TDE amortisation and depreciation.

Consolidated results on financial operations total Euros -49.5 million, as compared to Euros -11.8 million during the same period of 2002, mainly as a result of higher financial leverage following the acquisition of the transmission assets of Endesa and Unión Fenosa. Financial expenses at 30 September 2003 include bank commissions incurred on subscription of a syndicated loan and the issue of Eurobonds.

The contribution to results made by equity-accounted companies is Euros -1.7 million, mainly as a result of the interest in Redalta.

Amortisation of goodwill generated on the acquisition of TDE amounts to Euros 1.6 million. Goodwill is amortised over a period of 10 years.

**Consolidated profit on ordinary activities** totals Euros 132.7 million, up 21.7% on the same period in the prior year.

Extraordinary consolidated profit, mainly including deferred income taken to profit and loss, is Euros 3.5 million, compared to Euros 4.7 million during the same period in 2002.

**Consolidated profit after tax** amounts to Euros 88.5 million, compared to Euros 76.7 million in the first nine months of 2002, representing growth of 15.4%. The 35.0% rate of tax is 2.4% above the first nine months of 2002, as the deduction deriving from the acquisition of the Bolivian company, TDE, was included in the prior year.

**Consolidated cash-flow after tax** is up 45.7% on the same period in 2002 at Euros 237.8 million. This figure represents 34.9% of consolidated turnover and 46.1% of adjusted consolidated turnover (net of energy purchases).

**Consolidated investments** made during the first nine months of 2003 amount to Euros 666.9 million compared to Euros 265.9 million in the same period in 2002. Euros 535.1 million of these investments has been allocated to the acquisition of the transmission assets of Endesa and Unión Fenosa, Euros 117.8 million to the extension and improvement of the transmission network, Euros 6.2 million to the telecommunications activity and Euros 7.8 million to other investments.

At 30 September 2003 **net financial debt** totals Euros 2,013.2 million, down Euros 139.8 million on 30 June 2003, with a leverage ratio (net financial debt / shareholders' equity) of 2.36. The structure of financial debt is as follows:



Thousands of Euros	Euros	Foreign currency	Total
Short-term investments	-17,934	-8,664	-26,598
Cash in hand and at banks	-1,079	-4,111	-5,190
Long-term debentures	845,076	-	845,076
Short-term debentures	50,890	-	50,890
Long-term loans	914,819	83,589	998,408
Promissory notes and short-term loans	147,172	3,448	150,620
<b>Total net financial debt</b>	<b>1,938,944</b>	<b>74,262</b>	<b>2,013,206</b>

During the third quarter of the year, the Company has refinanced the bridging loan obtained to finance the assets acquired in 2002 through a five-year syndicated loan of Euros 700 million and the issue of 10-year Eurobonds for Euros 800 million.

## SIGNIFICANT EVENTS

### ELECTRICITY BUSINESS IN SPAIN

#### 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%.

#### Euro Medium Term Notes (EMTN) Programme

In September Red Eléctrica made a first issue of ten-year Euro notes through its subsidiary Red Eléctrica de España Finance BV as part of the Euro medium term notes programme registered on 31 July 2003. Bonds amounting to Euros 800 million were issued, at a price of 99.591% of par value, with an interest coupon of 4.75%.

More than 150 investors made orders in excess of Euros 2,000 million on the placement, which was managed by Citigroup, Deutsche Bank, JP Morgan and Merrill Lynch, representing a demand of two and a half times the offer. Investors have valued the Company's strong financial position, demonstrated by the credit ratings of Standard & Poor's (AA-) and Moody's (A2), which were reviewed at the beginning of this year.

#### Investments in the Transmission Network

During the first nine months of 2003 investment in the transmission network has amounted to Euros 652.9 million, Euros 535.1 million of which corresponds to the remaining portion of the acquisition of the transmission networks of Endesa and Union Fenosa, following formalisation of this operation on 27 March 2003. The remaining investments total Euros 117.8 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 central and 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.

The contribution made by TDE to the principal indicators of the consolidated statement of profit and loss at 30 September 2003 is turnover of Euros 14.8 million, EBITDA of Euros 10.4 million, Euros 5.8 million EBIT and profit after tax of Euros 2.7 million (including amortisation of goodwill on consolidation).

## **TELECOMMUNICATIONS BUSINESS**

Accumulated turnover generated by Albura at 30 September 2003 amounts to Euros 26.1 million, up 32.4% on the first nine months of the prior year. The Company's new order portfolio totals Euros 0.4 million in the third quarter of 2003.

Investments made by Albura in the first nine months of 2003 total Euros 6.2 million reflecting the contention of investments which have been brought into line with the actual contracting rate and the operational requirements of the network.



## GRUPO RED ELÉCTRICA

### Consolidated Statement of Profit and Loss

	Thousands of Euros		%
	30.09.2003	30.09.2002	2003/2002
Net sales	681,849	505,572	34.9
Other income	6,178	4,747	30.1
Change in stocks of finished goods and work in progress	-	-	-
<b>Total Value of Production</b>	<b>688,027</b>	<b>510,319</b>	<b>34.8</b>
Net purchases	-194,365	-203,505	-4.5
Changes in stocks of goods for resale, raw materials and other supplies	15,406	4,632	232.6
External and operating expenses	-131,988	-58,572	125.3
<b>Adjusted Added Value</b>	<b>377,080</b>	<b>252,874</b>	<b>49.1</b>
Other expenses and income	-	-	-
Personnel expenses	-50,030	-46,070	8.6
<b>Gross Operating Profit</b>	<b>327,050</b>	<b>206,804</b>	<b>58.1</b>
Amortisation and depreciation	-142,043	-85,000	67.1
Reversion fund	-	-	-
Change in provisions for current assets	411	-556	-
<b>Net Operating Profit</b>	<b>185,418</b>	<b>121,248</b>	<b>52.9</b>
Financial income	2,756	888	210.4
Financial expense	-54,925	-16,779	227.3
Interest and exchange gains capitalised	2,692	4,097	-34.3
Amortisation and financial provisions	-	-	-
Conversion gains (losses)	-	-	-
Share of profits in equity accounted companies	-1,668	88	-
Amortisation of goodwill on consolidation	-1,571	-484	224.6
Reversal of negative consolidation differences	-	-	-
<b>Profit on Ordinary Activities</b>	<b>132,702</b>	<b>109,058</b>	<b>21.7</b>
Profit (Loss) on tangible and intangible assets and treasury stock	141	-240	-
Changes in provisions for tangible and intangible assets and treasury stock	-1,448	-565	156.3
Return on own shares and bonds	993	-371	-
Prior year's results	989	1,135	-12.9
Other extraordinary profit	2,809	4,758	-41.0
<b>Profit Before Tax</b>	<b>136,186</b>	<b>113,775</b>	<b>19.7</b>
Income tax and other taxes	-47,694	-37,086	28.6
<b>Profit for the Period</b>	<b>88,492</b>	<b>76,689</b>	<b>15.4</b>
Profit attributable to minority interests	-3	-3	-
<b>Profit attributable to parent company</b>	<b>88,489</b>	<b>76,686</b>	<b>15.4</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

Assets	Thousands of Euros		%
	30.09.2003	31.12.2002	2003/2002
<b>Uncalled share capital contributions</b>	-	-	-
Start-up costs	1,295	1,723	-24.8
Intangible assets	7,501	9,396	-20.2
Rights over leased assets	-	-	-
Other intangible assets	7,501	9,396	-20.2
Tangible assets	2,975,013	2,463,568	20.8
Investments	36,612	40,517	-9.6
Long-term own shares	2,549	9,029	-71.8
Long-term trade debtors	5,665	8,392	-32.5
<b>Total fixed assets</b>	<b>3,028,635</b>	<b>2,532,625</b>	<b>19.6</b>
<b>Goodwill on consolidation</b>	<b>18,331</b>	<b>19,902</b>	<b>-7.9</b>
<b>Deferred expenses</b>	<b>52,770</b>	<b>52,995</b>	<b>-0.4</b>
Unpaid calls on share capital	-	-	-
Stocks	21,727	6,790	220.0
Debtors	250,370	288,630	-13.3
Short-term investments	26,598	29,333	-9.3
Short-term own shares	-	-	-
Cash and banks	5,190	2,243	131.4
Prepaid expenses	34,472	17,638	95.4
<b>Total Current Assets</b>	<b>338,357</b>	<b>344,634</b>	<b>-1.8</b>
<b>Total Assets</b>	<b>3,438,093</b>	<b>2,950,156</b>	<b>16.5</b>

### Shareholders' Equity and Liabilities

Share capital	270,540	270,540	-
Parent company reserves	527,333	478,456	10.2
Consolidated companies reserves	-27,289	-12,233	123.1
Conversion Difference	-6,397	-1,810	253.4
Profit (loss) attributable to parent company	88,489	99,858	-11.4
Interim dividends	-	-25,511	-
<b>Total shareholders' equity</b>	<b>852,676</b>	<b>809,300</b>	<b>5.4</b>
<b>Minority interests</b>	<b>58</b>	<b>62</b>	<b>-6.5</b>
<b>Negative consolidation difference</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Deferred income</b>	<b>234,134</b>	<b>218,843</b>	<b>7.0</b>
<b>Provisions for liabilities and charges</b>	<b>28,742</b>	<b>25,427</b>	<b>13.0</b>
Bond issued and other marketable securities	845,076	95,966	-
Loans	998,408	244,980	-
Long-term trade creditors	-	-	-
Other long-term creditors	42,703	47,774	-10.6
<b>Long-term creditors</b>	<b>1,886,187</b>	<b>388,720</b>	<b>-</b>
Bond issued and other marketable securities	52,447	33,041	58.7
Loans	160,813	1,172,903	-86.3
Trade creditors	94,839	93,845	1.1
Other short-term creditors	118,973	186,882	-36.3
Accruals	9,224	21,133	-56.4
<b>Current liabilities</b>	<b>436,296</b>	<b>1,507,804</b>	<b>-71.1</b>
<b>Provisions for current liabilities and charges</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Shareholders' equity and liabilities</b>	<b>3,438,093</b>	<b>2,950,156</b>	<b>16.5</b>

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## RED ELÉCTRICA DE ESPAÑA, S.A.

### Statement of Profit and Loss

	Thousands of Euros		%
	30.09.2003	30.09.2002	2003/2002
Net sales	670,862	507,538	32.2
Other income	6,136	5,672	8.2
Change in stocks of finished goods and work in progress	-	-	-
<b>Total Value of Production</b>	<b>676,998</b>	<b>513,210</b>	<b>31.9</b>
Net purchases	-192,729	-201,842	-4.5
Changes in stocks of goods for resale, raw materials and other supplies	15,408	4,632	232.6
External and operating expenses	-127,506	-55,014	131.8
<b>Adjusted Added Value</b>	<b>372,171</b>	<b>260,986</b>	<b>42.6</b>
Other expenses and income	-	-	-
Personnel expenses	-42,644	-40,192	6.1
<b>Gross Operating Profit</b>	<b>329,527</b>	<b>220,794</b>	<b>49.2</b>
Amortisation and depreciation	-128,212	-78,281	63.8
Reversion fund	-	-	-
Change in provisions for current assets	419	-556	-
<b>Net Operating Profit</b>	<b>201,734</b>	<b>141,957</b>	<b>42.1</b>
Financial income	2,297	638	260.0
Financial expense	-50,692	-14,684	245.2
Interest and exchange gains capitalised	2,692	4,097	-34.3
Amortisation and financial provisions	-	-	-
<b>Profit on Ordinary Activities</b>	<b>156,031</b>	<b>132,008</b>	<b>18.2</b>
Profit (Loss) on tangible and intangible assets and treasury stock	-6	-240	-97.5
Changes in provisions for tangible and intangible assets and treasury stock	-17,575	-14,640	20.0
Return on own shares and bonds	993	-371	-
Prior year's results	458	670	-31.6
Other extraordinary profit	2,827	4,749	-40.5
<b>Profit Before Tax</b>	<b>142,728</b>	<b>122,176</b>	<b>16.8</b>
Income tax and other taxes	-55,753	-46,735	19.3
<b>Profit for the Period</b>	<b>86,975</b>	<b>75,441</b>	<b>15.3</b>

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## RED ELÉCTRICA DE ESPAÑA, S.A.

### Balance Sheet

<b>Assets</b>	<b>Thousands of Euros</b>		<b>%</b>
	<b>30.09.2003</b>	<b>31.12.2002</b>	<b>2003/2002</b>
<b>Uncalled share capital contributions</b>	-	-	-
Start-up costs	-	-	-
Intangible assets	2,935	3,143	-6.6
Rights over leased assets	-	-	-
Other intangible assets	2,935	3,143	-6.6
Tangible assets	2,802,672	2,273,146	23.3
Investments	192,371	208,756	-7.8
Long-term own shares	2,549	9,029	-71.8
Long-term trade debtors	-	-	-
<b>Fixed assets</b>	<b>3,000,527</b>	<b>2,494,074</b>	<b>20.3</b>
<b>Goodwill on consolidation</b>	<b>20,786</b>	<b>20,283</b>	<b>2.5</b>
Unpaid calls on share capital	-	-	-
Stocks	21,651	6,711	222.6
Debtors	235,816	280,900	-16.0
Short-term investments	15,855	22,679	-30.1
Short-term own shares	-	-	-
Cash and banks	659	307	114.7
Prepaid expenses	33,428	16,952	97.2
<b>Current Assets</b>	<b>307,409</b>	<b>327,549</b>	<b>-6.1</b>
<b>Assets</b>	<b>3,328,722</b>	<b>2,841,906</b>	<b>17.1</b>
<b>Shareholders' Equity and Liabilities</b>			
Share Capital	270,540	270,540	-
Reserves	494,169	464,999	6.3
Prior year's results	-	-	-
Profit for the period	86,975	95,953	-9.4
Interim dividends	-	-25,511	-
<b>Shareholders' equity</b>	<b>851,684</b>	<b>805,981</b>	<b>5.7</b>
<b>Deferred income</b>	<b>227,594</b>	<b>213,945</b>	<b>6.4</b>
<b>Provisions for liabilities and charges</b>	<b>26,853</b>	<b>23,531</b>	<b>14.1</b>
Bond issued and other marketable securities	45,076	95,966	-53.0
Loans	919,828	185,048	-
Long-term trade creditors	-	-	-
Other long-term creditors	842,303	97,999	-
<b>Long-term creditors</b>	<b>1,807,207</b>	<b>379,013</b>	<b>-</b>
Bond issued and other marketable securities	51,097	33,041	54.6
Loans	104,768	1,111,606	-90.6
Group and associated companies	23,402	14,633	59.9
Trade creditors	82,568	86,433	-4.5
Other short-term creditors	145,184	153,375	-5.3
Accruals	8,365	20,348	-58.9
<b>Current liabilities</b>	<b>415,384</b>	<b>1,419,436</b>	<b>-70.7</b>
<b>Provision for current liabilities and charges</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Shareholders' equity and liabilities</b>	<b>3,328,722</b>	<b>2,841,906</b>	<b>17.1</b>

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