

CONSOLIDATED PROFIT FOR 2003

Year 2003 has implied the consolidation of the Group's core business driven by Red Eléctrica's new size as a result of:

- The incorporation of the transmission assets acquired from Endesa and Unión Fenosa, which has led to a qualitative and quantitative increase in the Red Eléctrica Group's principal indicators as compared to 2002, and
- Investment made by the Parent company in the transmission network in recent years.

Red Eléctrica Group has obtained consolidated profit after tax of Euros 115.8 million, compared to Euros 99.9 million in 2002, representing an increase of 15.9%.

Gross consolidated operating profit (EBITDA) of the Red Eléctrica Group for 2003 amounts to Euros 439.8 million, compared to Euros 276.4 million in 2002.

Consolidated cash-flow after tax totals Euros 320.9 million, compared to Euros 224.7 million in 2002, representing growth of 42.8%.

PRINCIPAL INDICATORS

Consolidated Results

Thousands of Euros	2003	2002 ⁽¹⁾	Var. (%)
Adjusted turnover (Net of energy purchases)	686,732	459,931	49.3
Gross Operating Profit (EBITDA)	439,832	276,372	59.1
Net Operating Profit (EBIT)	246,392	156,950	57.0
Profit on Ordinary Activities	174,975	138,572	26.3
Profit after Tax	115,784	99,858	15.9
Profit per Share	0.86	0.74	15.9

⁽¹⁾ Includes the results of the Bolivian company, Transportadora de Electricidad, S.A. (TDE), which has been fully consolidated since 30 June 2002.



CONSOLIDATED PROFIT FOR 2003

Results by Business	2003			
Thousands of Euros	Electricity ⁽²⁾	Albura	Consolidation Adjustments	Consolidated
Gross Operating Profit (EBITDA)	456,127	(16,295)	-	439,832
Net Operating Profit (EBIT)	275,345	(28,953)	-	246,392
Profit on Ordinary Activities	205,608	(30,633)	-	174,975
Profit after Tax	115,245	(19,843)	20,382	115,784

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

Adjusted consolidated turnover (net of energy purchases) for 2003 amounts to Euros 686.7 million, up 49.3% on 2002. This rise is mainly due to the following:

- (i) The incorporation of income generated on the assets acquired from Endesa and Unión Fenosa.
- (ii) Growth in electricity transmission income, as a result of installations brought into service 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 telecommunications and engineering and construction work carried out for third parties.

Consolidated operating expenses (net of energy purchases) total Euros 260.1 million, compared to Euros 195.3 million in 2002. This increase is mainly due to the following:

- (i) Expenses incurred by the Parent company 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.
- (iii) Expenses incurred by TDE during the twelve-month period in 2003, compared to six months in 2002.
- (iv) An increase in expenses incurred by Albura due to growth in activity compared to the prior year.

Consolidated personnel expenses amount to Euros 66.9 million, up 8.5% on 2002. At 31 December 2003 the average headcount is 1,215 employees, representing a 10.3% rise compared to 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 1,280 employees, compared to 1,168 employees at 31 December 2002.



Gross consolidated operating profit (EBITDA) is Euros 439.8 million, up 59.1% on 2002.

Net consolidated operating profit (EBIT) totalled Euros 246.4 million, representing an increase of 57.0% compared to the prior year.

Amortisation and depreciation charges amount to Euros 195.5 million, up 65.6% on 2002, mainly as a result of the following:

- (i) Transmission assets acquired from Endesa and Unión Fenosa.
- (ii) The entry into service of 710km of new line circuits and 88 positions at the end of 2002.
- (iii) The integration of TDE amortisation and depreciation.
- (iv) Telecommunications assets brought into service.

Consolidated results on financial operations total Euros -67.7 million, compared to Euros -17.5 million in 2002, mainly as a result of higher financial leverage following the acquisition of the transmission assets of Endesa and Unión Fenosa. At 31 December 2003 financial expenses include bank commissions on subscription of a syndicated loan and the issue of Eurobonds.

The contribution to results made by equity-accounted companies is Euros -1.6 million, mainly as a result of the interest in Redalta.

Amortisation of goodwill generated on the acquisition of TDE amounts to Euros 2.1 million. Goodwill is amortised over a period of 10 years.

Consolidated profit on ordinary activities totals Euros 175.0 million, up 26.3% on the prior year.

Extraordinary consolidated profit is Euros 1.2 million, compared to Euros 6.9 million in 2002.

Consolidated profit after tax totals Euros 115.8 million, compared to Euros 99.9 million in 2002, representing an increase of 15.9%. The 34.3% tax rate is 2.9% higher, 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 42.8% on 2002 at Euros 320.9 million. This figure represents 46.7% of adjusted consolidated turnover (net of energy purchases).

Consolidated investments made in 2003 amount to Euros 778.3 million compared to Euros 1,158.7 million in 2002. Euros 535.2 million of these investments has been allocated to the acquisition of the transmission assets of Endesa and Unión Fenosa (Euros 801.0 million in 2002), Euros 215.3 million to the extension and improvement of the transmission network, Euros 10.8 million to the telecommunications activity and Euros 17.0 million to other investments.

At 31 December 2003 **net financial debt** totals Euros 1,914.3 million, compared to Euros 1,507.7 million at 31 December 2002. This rise is mainly due to balances payable for the acquisition of the transmission networks of Endesa and Unión Fenosa. Net debt is down Euros 98.9 million on 30 September 2003 as consequence of the Group's highly cash generative capacity.



The leverage ratio (net financial debt as a percentage of shareholders' equity) is 2.25, compared to the maximum of 2.64 reached at 31 March 2003.

The structure of the Group's net financial debt at 31 December 2003 is as follows:

Thousands of Euros	Euros	Foreign currency	Total
Short-term investments	-3,054	-8,837	-11,891
Cash in hand and at banks	-3,031	-1,143	-4,174
Long-term debentures	845,076	-	845,076
Short-term debentures	50,890	-	50,890
Long-term loans	864,218	75,570	939,788
Promissory notes and short-term loans	90,837	3,729	94,566
Total net financial debt	1,844,936	69,319	1,914,255

SIGNIFICANT EVENTS

ELECTRICITY BUSINESS IN SPAIN

Payment of Dividend on Account

The board of directors of Red Eléctrica de España, S.A., at their meeting on 27 November 2003, agreed to distribute the following dividend on account of profit for 2003:

Total amount.....Euros 0.2120 per share
 Withholding.....Euros 0.0318 per share
 Net amount.....Euros 0.1802 per share

The dividend agreed is 11.6% higher than that paid on account of profit for 2002 and was distributed on 2 January 2004 to all shares with profit-sharing rights.

Regulated income for 2004

In accordance with Royal Decree 1802/2003, of 26 December 2003, income generated on the energy transmission activity in 2004 and allocated to Red Eléctrica de España totals Euros 625.7 million. This amount includes the income on new investments made by the Company which have entered service in 2003 as well as income on the installation-availability incentive. Red Eléctrica de España has brought into service 533km. of lines and 69 new positions in 2003.

Income generated on operation of the system for 2004 and allocated to Red Eléctrica de España amounts to Euros 33.1 million. This amount includes income on new system operation services that the Company will render off mainland Spain, in accordance with Royal Decree 1747/2003, of 19 December 2003, which regulates electrical energy systems within and outside of the Spanish mainland.



Investments in the transmission network

In 2003 investment made by the Red Eléctrica Group in the transmission network has amounted to Euros 778.3 million, allocated as follows:

- Euros 535.2 million to acquisition of the transmission networks of Endesa and Unión Fenosa, which was payable at the end of 2002.
- Euros 215.3 million to extension and improvement of the energy transmission network within the Spanish mainland, representing growth of 5.9% compared to 2002.
- Euros 10.8 million to the telecommunications activity.
- Euros 17.0 million to other investments, of which Euros 2.0 million has been assigned to TDE.

In addition to the installations brought into service, the main projects currently underway are as follows:

- Strengthening of the transmission infrastructure in Andalusia and the south-west of Spain to incorporate new forecast energy generation.
- Development of the Northern Axis enabling growth in transmission capacity.
- Strengthening of the infrastructure in the north-east of Spain.
- An increase in interconnections with the Portuguese transmission network.

INTERNATIONAL BUSINESS

The contribution made by TDE to the principal indicators of the consolidated statement of profit and loss at 31 December 2003 is turnover of Euros 19.1 million, EBITDA of Euros 13.3 million, Euros 7.4 million EBIT and profit after tax of Euros 2.7 million (including amortisation of goodwill on consolidation).

In 2003 the subsidiary REDESUR has distributed dividends totalling Euros 0.4 million to Red Eléctrica Internacional on account of accumulated profit at 31 December 2002.

TELECOMMUNICATIONS BUSINESS

Turnover generated by Albura in 2003 amounts to Euros 36.1 million, up 34.8% on the prior year.

In 2003 investments made by Albura total Euros 10.8 million, reflecting the decrease in this company's investments as a result of the actual contracting rate and the operational requirements of the network.



GRUPO RED ELÉCTRICA

Consolidated Statement of Profit and Loss

	Thousands of Euros		%
	31.12.2003	31.12.2002	2003/2002
Net sales	907,316	695,507	30.5
Other income	15,281	10,356	47.6
Change in stocks of finished goods and work in progress	-	-	-
Total Value of Production	922,597	705,863	30.7
Net purchases	-249,554	-275,143	-9.3
Changes in stocks of goods for resale, raw materials and other supplies	10,516	-2,327	-
External and operating expenses	-176,873	-90,380	95.7
Adjusted Added Value	506,686	338,013	49.9
Other expenses and income	-	-	-
Personnel expenses	-66,854	-61,641	8.5
Gross Operating Profit	439,832	276,372	59.1
Amortisation and depreciation	-195,497	-118,040	65.6
Reversion fund	-	-	-
Change in provisions for current assets	2,057	-1,382	-
Net Operating Profit	246,392	156,950	57.0
Financial income	3,686	3,248	13.5
Financial expense	-75,014	-26,002	188.5
Interest and exchange gains capitalised	3,609	5,292	-31.8
Amortisation and financial provisions	-	-	-
Conversion gains (losses)	-	-	-
Share of profits in equity accounted companies	-1,603	131	-
Amortisation of goodwill on consolidation	-2,095	-1,047	100.1
Reversal of negative consolidation differences	-	-	-
Profit on Ordinary Activities	174,975	138,572	26.3
Profit (Loss) on tangible and intangible assets and treasury stock	-262	-370	-29.2
Changes in provisions for tangible and intangible assets and treasury stock	-2,973	-1,969	51.0
Return on own shares and bonds	1,447	51	-
Prior year's results	319	1,204	-73.5
Other extraordinary profit	2,620	8,027	-67.4
Profit Before Tax	176,126	145,515	21.0
Income tax and other taxes	-60,337	-45,654	32.2
Profit for the Period	115,789	99,861	16.0
Profit attributable to minority interests	-5	-3	66.7
Profit attributable to parent company	115,784	99,858	15.9

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		%
	31.12.2003	31.12.2002	2003/2002
Uncalled share capital contributions	-	-	-
Start-up costs	1,152	1,723	-33.1
Intangible assets	10,780	9,396	14.7
Rights over leased assets	-	-	-
Other intangible assets	10,780	9,396	14.7
Tangible assets	3,018,615	2,463,568	22.5
Investments	43,809	40,517	8.1
Long-term own shares	1,551	9,029	-82.8
Long-term trade debtors	4,292	8,392	-48.9
Total fixed assets	3,080,199	2,532,625	21.6
Goodwill on consolidation	17,807	19,902	-10.5
Deferred expenses	54,286	52,995	2.4
Unpaid calls on share capital	-	-	-
Stocks	18,459	6,790	171.9
Debtors	210,229	288,630	-27.2
Short-term investments	11,891	29,333	-59.5
Short-term own shares	-	-	-
Cash and banks	4,174	2,243	86.1
Prepaid expenses	2,890	17,638	-83.6
Total Current Assets	247,643	344,634	-28.1
Total Assets	3,399,935	2,950,156	15.2

Shareholders' Equity and Liabilities

Share capital	270,540	270,540	-
Parent company reserves	526,866	478,456	10.1
Consolidated companies reserves	-27,474	-12,233	124.6
Conversion Difference	-7,996	-1,810	-
Profit (loss) attributable to parent company	115,784	99,858	15.9
Interim dividends	-28,621	-25,511	12.2
Total shareholders' equity	849,099	809,300	4.9
Minority interests	55	62	-11.3
Negative consolidation difference	-	-	-
Deferred income	236,566	218,843	8.1
Provisions for liabilities and charges	43,419	25,427	70.8
Bond issued and other marketable securities	845,076	95,966	-
Loans	939,788	244,980	283.6
Long-term trade creditors	-	-	-
Other long-term creditors	43,064	47,774	-9.9
Long-term creditors	1,827,928	388,720	370.2
Bond issued and other marketable securities	62,670	33,041	89.7
Loans	101,884	1,172,903	-91.3
Trade creditors	69,273	93,845	-26.2
Other short-term creditors	173,730	186,882	-7.0
Accruals	35,311	21,133	67.1
Current liabilities	442,868	1,507,804	-70.6
Provisions for current liabilities and charges	-	-	-
Shareholders' equity and liabilities	3,399,935	2,950,156	15.2

NOTE:

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RED ELÉCTRICA DE ESPAÑA, S.A.

Statement of Profit and Loss

	Thousands of Euros		%
	31.12.2003	31.12.2002	
Net sales	890,844	694,064	28.4
Other income	15,236	11,084	37.5
Change in stocks of finished goods and work in progress	-	-	-
Total Value of Production	906,080	705,148	28.5
Net purchases	-247,256	-272,387	-9.2
Changes in stocks of goods for resale, raw materials and other supplies	10,518	-2,327	-552.0
External and operating expenses	-168,011	-84,517	98.8
Adjusted Added Value	501,331	345,917	44.9
Other expenses and income	-	-	-
Personnel expenses	-57,106	-53,350	7.0
Gross Operating Profit	444,225	292,567	51.8
Amortisation and depreciation	-176,887	-107,029	65.3
Reversion fund	-	-	-
Change in provisions for current assets	2,089	-1,380	-
Net Operating Profit	269,427	184,158	46.3
Financial income	2,918	801	264.3
Financial expense	-69,324	-21,138	228.0
Interest and exchange gains capitalised	3,609	5,292	-31.8
Amortisation and financial provisions	-	-	-
Profit on Ordinary Activities	206,630	169,113	22.2
Profit (Loss) on tangible and intangible assets and treasury stock	-6	-243	-97.5
Changes in provisions for tangible and intangible assets and treasury stock	-24,785	-21,050	17.7
Return on own shares and bonds	1,447	51	-
Prior year's results	182	714	-74.5
Other extraordinary profit	2,631	8,043	-67.3
Profit Before Tax	186,099	156,628	18.8
Income tax and other taxes	-72,048	-60,675	18.7
Profit for the Period	114,051	95,953	18.9

NOTE:

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RED ELÉCTRICA DE ESPAÑA, S.A.

Balance Sheet

Assets	Thousands of Euros		%
	31.12.2003	31.12.2002	2003/2002
Uncalled share capital contributions	-	-	-
Start-up costs	-	-	-
Intangible assets	5,002	3,143	59.1
Rights over leased assets	-	-	-
Other intangible assets	5,002	3,143	59.1
Tangible assets	2,857,550	2,273,146	25.7
Investments	194,236	208,756	-7.0
Long-term own shares	1,551	9,029	-82.8
Long-term trade debtors	-	-	-
Fixed assets	3,058,339	2,494,074	22.6
Deferred expenses	22,287	20,283	9.9
Unpaid calls on share capital	-	-	-
Stocks	18,401	6,711	174.2
Debtors	197,928	280,900	-29.5
Short-term investments	1,197	22,679	-94.7
Short-term own shares	-	-	-
Cash and banks	375	307	22.1
Prepaid expenses	2,127	16,952	-87.5
Current Assets	220,028	327,549	-32.8
Assets	3,300,654	2,841,906	16.1
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Share Capital	270,540	270,540	-
Reserves	494,450	464,999	6.3
Prior year's results	-	-	-
Profit for the period	114,051	95,953	18.9
Interim dividends	-28,621	-25,511	12.2
Shareholders' equity	850,420	805,981	5.5
Deferred income	229,324	213,945	7.2
Provisions for liabilities and charges	41,668	23,531	77.1
Provisions for liabilities and charges	45,076	95,966	-53.0
Bond issued and other marketable securities	868,763	185,048	-
Loans	800,000	54,357	-
Long-term trade creditors	-	-	-
Other long-term creditors	42,664	43,642	-
Long-term creditors	1,756,503	379,013	363.4
Bond issued and other marketable securities	51,769	33,041	56.7
Loans	40,276	1,111,606	-96.4
Group and associated companies	30,920	14,633	111.3
Trade creditors	64,225	86,433	-25.7
Other short-term creditors	201,122	153,375	31.1
Accruals	34,427	20,348	69.2
Current liabilities	422,739	1,419,436	-70.2
Provision for current liabilities and charges	-	-	-
Shareholders' equity and liabilities	3,300,654	2,841,906	16.1

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