



# RED ELÉCTRICA DE ESPAÑA

## CONSOLIDATED PROFIT FOR THE FIRST QUARTER OF 2004

The key figures of the Red Eléctrica Group reflect the high investments in the transmission network in recent years as well as the synergies derived from the integration of the transmission assets acquired in 2002.

Consolidated profit after tax for the first quarter of 2004 is Euros 35.3 million, compared to Euros 31.2 million for the same period in 2003, representing an increase of 13.1%.

Gross consolidated operating profit (EBITDA) has risen 12.3% and net consolidated operating profit (EBIT) is up by 14.7%.

Consolidated cash-flow after tax is up 8.1% on the same period in the prior year at Euros 86.4 million.

## KEY FIGURES

### Consolidated Profits

Thousands of Euros	Q1 2004	Q1 2003	Var. (%)
Adjusted turnover (Net of energy purchases)	181,787	165,252	10.0
Gross operating profit (EBITDA)	121,534	108,214	12.3
Net operating profit (EBIT)	71,399	62,237	14.7
Profit on ordinary activities	53,145	46,790	13.6
Profit after tax	35,272	31,194	13.1



## CONSOLIDATED PROFIT FOR THE FIRST QUARTER OF 2004

**Adjusted consolidated turnover** (net of energy purchases) during the first quarter of 2004 is Euros 181.8 million, up 10.0% on the same period in the prior year. This rise is mainly due to the following:

- i. the increase in electricity transmission income, primarily as a result of installations brought into service by Red Eléctrica in 2003.
- ii. the growth in system operation income, which includes remuneration on the new operation services for the off-mainland and island systems.
- iii. the increase in telecommunications services rendered.

Income generated on engineering and construction work for third parties has fallen compared to the same period in the prior year, as the project to lay lines associated to the Barajas plan is at the final stages.

**Consolidated operating expenses** (net of energy purchases) are up 7.7% on the same period in the prior year to Euros 63.2 million, compared to Euros 58.7 million for the first quarter in 2003.

Personnel expenses total Euros 18.1 million, up 5.6% on the same period in 2003. The Group's average headcount has grown by 9.0% to 1,290 employees at 31 March 2004. This increase is mainly due to the incorporation of personnel in the Parent company for the following:

- i. the integration of the transmission assets acquired in 2002 and
- ii. the new services rendered for the operation of off-mainland and island systems.

The total headcount of the Group amounts to 1,295 employees, compared to 1,280 employees at 31 December 2003.

**Gross consolidated operating profit (EBITDA)** is Euros 121.5 million, up 12.3% on the same period in 2003.

**Net consolidated operating profit (EBIT)** totalled Euros 71.4 million, representing an increase of 14.7% compared to the first quarter of 2003.

Amortisation and depreciation charges amount to Euros 49.8 million compared to Euros 46.7 million for the same period in the prior year, representing an increase of 6.5%. This increase reflects the entry into service during 2003 of 533km of new line circuits and 69 positions.

Consolidated results on financial operations total Euros -17.6 million, compared to Euros -14.6 million in the first quarter of 2003, as a result of the higher average balance of debt in the first quarter of 2004 compared to the same period in 2003 because the final payment of Euros 535.2 million for the acquisition of the transmission assets of Endesa and Unión Fenosa was made in March 2003. This is also due to interest rates on the substitution of the bridge loan for long-term financing. Subsequent to the refinancing of this bridge loan, exposure to interest rate fluctuations has been reduced as a result of the increase in fixed interest debt, which accounted for approximately 70% of debt at 31 March 2004.



The contribution to results made by equity-accounted companies is Euros -0.2 million, Euros 0.1 million of which corresponds to Redesur and Euros -0.3 million of which relates to Redalta.

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

**Consolidated profit on ordinary activities** totals Euros 53.1 million, up 13.6% on the same period in 2003.

Extraordinary consolidated profit is Euros 0.3 million, compared to Euros 1.0 million in the same period in 2003.

**Consolidated profit after tax** totals Euros 35.3 million, compared to Euros 31.2 million in the first quarter of 2003, representing an increase of 13.1%. The 34.0% tax rate is slightly lower than the first quarter of the prior year.

**Consolidated cash-flow after tax** is up 8.1% on the same period in 2003 at Euros 86.4 million. This figure represents 47.5% of adjusted consolidated turnover (net of energy purchases).

**Consolidated investments** made in the first quarter of 2004 amount to Euros 54.5 million, representing an increase of Euros 20.3 million compared to the same period in the prior year, excluding Euros 535.2 million earmarked for the final payment on the acquisition of the transmission assets of Endesa and Unión Fenosa.

Of these investments, Euros 48.8 million have been allocated to the extension and improvement of the transmission network and Euros 5.7 million to other investments.

At 31 March 2004 **net financial debt** totals Euros 1,976.3 million, representing an increase of Euros 62.0 million compared to 31 December 2003. This increase is mainly due to the payment in advance of the contract with EdF and the payment of the interim dividend, which are made during the first quarter of each year, as well as the investments made in the transmissions network.

The leverage ratio (net financial debt as a percentage of shareholders' equity plus net financial debt) is 69.1%. The structure of financial debt is as follows:

Thousands of Euros	Euros	Foreign currency	Total
Short-term investments	-4,766	-9,504	-14,270
Cash in hand and at banks	-3,261	-1,333	-4,594
Long-term debentures	895,076	-	895,076
Short-term debentures	50,890	-	50,890
Long-term loans	758,560	77,095	835,655
Promissory notes and short-term loans	209,724	3,811	213,535
<b>Total net financial debt</b>	<b>1,906,223</b>	<b>70,069</b>	<b>1,976,292</b>

During the first quarter of 2004, the Company has issued eurobonds for Euros 50 million as part of the EMTN recorded in 2003.



## **SIGNIFICANT EVENTS**

### **ELECTRICITY BUSINESS IN SPAIN**

#### **Standard & Poor's improves the Outlook for Red Eléctrica**

The credit rating agency Standard & Poor's has improved Red Eléctrica's outlook from negative to stable, confirming its credit rating to be AA-/A-1+.

This rating reflects the Company's positive evolution during 2003, the improvement in the structure of financial debt subsequent to refinancing of the bridge loan and the increase in income on the transmission activities for 2004 due to the entry into service of new assets and the improvement in income from system operation.

#### **Dividend**

At its meeting held on 25 March 2004, the Board of Directors of Red Eléctrica de España, S.A. agreed to propose to the shareholders at their annual general meeting the distribution of Euros 0.548 gross per share with rights to dividends, representing an increase of 14.2% on the prior year.

This dividend will be paid on 1 July 2004, less a gross amount of Euros 0.212 per share, which was paid on account on 2 January 2004 by virtue of the board of directors' agreement of 27 November 2003.

#### **General Shareholders' Meeting**

During its meeting on 25 March 2004, the Board of Directors of this company agreed to convene a General Shareholders' Meeting to be held, at the first notification, on 5 May 2004 at 12.30 at the Teatro Auditorio Ciudad de Alcobendas, Calle Blas de Otero 4, Alcobendas, Madrid and, if necessary, on 6 May 2004 at the same place and at the same time, at the second notification.

The agenda and the complete text of the agreements to be proposed by the Board of Directors to the General Shareholders' Meeting is available on the Company's webpage ([www.ree.es](http://www.ree.es)).

#### **Investments in the Transmission Network**

During the first quarter of 2003, investments in the transmission network have totalled Euros 48.8 million. The main projects underway are as follows:

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



### **Strengthening of the Spain-Portugal Electric Interconnection**

Red Eléctrica has brought the second Cartelle-Lindoso 400Kw line circuit into service, which is one of the most important axes of the Spain-Portugal electric interconnection. This line forms part of the programme to strengthen the interconnection with Portugal which, together with projects in the area of the Tajo and the new Alqueva-Balboa line, will practically double the interconnection capacity with Portugal at the end of 2005.

### **INTERNATIONAL BUSINESS**

The contribution made by TDE to the principal indicators of the consolidated statement of profit and loss at 31 March 2004 is turnover of Euros 4.6 million, EBITDA of Euros 3.1 million, Euros 1.8 million EBIT and profit after tax of Euros 1.2 million.

In the first quarter of 2004 management of TDE approved the distribution of a dividend of US Dollars 2.5 million, which has already been paid. Management of Redesur approved the distribution of a dividend of US Dollars 1.5 million, which will be paid in the coming months.

### **TELECOMMUNICATIONS BUSINESS**

Turnover generated by Albura totals Euros 10.9 million compared to Euros 7.3 million for the same period in the prior year. EBITDA totals Euros -4.0 million, EBIT amounts to Euros -7.3 million and loss after tax is Euros -5.1 million.

Investments made by Albura in the first quarter of 2004 total Euros 0.9 million.



## GRUPO RED ELÉCTRICA

### Consolidated Statement of Profit and Loss

	Thousands of Euros		%
	31.03.2004	31.03.2003	
Net sales	230,243	216,955	6.1
Other income	2,991	1,669	79.2
Change in stocks of finished goods and work in progress	-	-	-
<b>Total Value of Production</b>	<b>233,234</b>	<b>218,624</b>	<b>6.7</b>
Net purchases	-59,224	-68,355	-13.4
Changes in stocks of goods for resale, raw materials and other supplies	5,352	14,267	-62.5
External and operating expenses	-39,721	-39,174	1.4
<b>Adjusted Added Value</b>	<b>139,641</b>	<b>125,362</b>	<b>11.4</b>
Other expenses and income	-	-	-
Personnel expenses	-18,107	-17,148	5.6
<b>Gross Operating Profit</b>	<b>121,534</b>	<b>108,214</b>	<b>12.3</b>
Amortisation and depreciation	-49,779	-46,736	6.5
Reversion fund	-	-	-
Change in provisions for current assets	-356	759	-
<b>Net Operating Profit</b>	<b>71,399</b>	<b>62,237</b>	<b>14.7</b>
Financial income	1,006	648	55.2
Financial expense	-19,525	-16,163	20.8
Interest and exchange gains capitalised	964	955	0.9
Amortisation and financial provisions	-	-	-
Conversion gains (losses)	-	-	-
Share of profits in equity accounted companies	-174	-363	-52.1
Amortisation of goodwill on consolidation	-525	-524	0.2
Reversal of negative consolidation differences	-	-	-
<b>Profit on Ordinary Activities</b>	<b>53,145</b>	<b>46,790</b>	<b>13.6</b>
Profit (Loss) on tangible and intangible assets and treasury stock	-61	-22	177.3
Changes in provisions for tangible and intangible assets and treasury stock	-430	-114	277.2
Return on own shares and bonds	400	669	-40.2
Prior year's results	24	265	-90.9
Other extraordinary profit	415	236	75.8
<b>Profit Before Tax</b>	<b>53,493</b>	<b>47,824</b>	<b>11.9</b>
Income tax and other taxes	-18,219	-16,628	9.6
<b>Profit for the Period</b>	<b>35,274</b>	<b>31,196</b>	<b>13.1</b>
Profit attributable to minority interests	-2	-2	-
<b>Profit attributable to parent company</b>	<b>35,272</b>	<b>31,194</b>	<b>13.1</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

<b>Assets</b>	<b>Thousands of Euros</b>		<b>%</b>
	<b>31.03.2004</b>	<b>31.12.2003</b>	<b>2004/2003</b>
<b>Uncalled share capital contributions</b>	-	-	-
Start-up costs	1,010	1,152	-12.3
Intangible assets	11,456	10,780	6.3
Rights over leased assets	-	-	-
Other intangible assets	11,456	10,780	6.3
Tangible assets	3,025,768	3,018,615	0.2
Investments	43,551	43,809	-0.6
Long-term own shares	2,360	1,551	52.2
Long-term trade debtors	4,430	4,292	3.2
<b>Total fixed assets</b>	<b>3,088,575</b>	<b>3,080,199</b>	<b>0.3</b>
<b>Goodwill on consolidation</b>	<b>17,282</b>	<b>17,807</b>	<b>-2.9</b>
<b>Deferred expenses</b>	<b>52,169</b>	<b>54,286</b>	<b>-3.9</b>
Unpaid calls on share capital	-	-	-
Stocks	23,657	18,459	28.2
Debtors	220,341	210,229	4.8
Short-term investments	14,270	11,891	20.0
Short-term own shares	-	-	-
Cash and banks	4,594	4,174	10.1
Prepaid expenses	71,647	2,890	-
<b>Total Current Assets</b>	<b>334,509</b>	<b>247,643</b>	<b>35.1</b>
<b>Total Assets</b>	<b>3,492,535</b>	<b>3,399,935</b>	<b>2.7</b>

### Shareholders' Equity and Liabilities

Share capital	270,540	270,540	-
Parent company reserves	662,340	526,866	25.7
Consolidated companies reserves	-48,222	-27,474	75.5
Conversion Difference	-7,082	-7,996	-11.4
Profit (loss) attributable to parent company	35,272	115,784	-69.5
Interim dividends	-28,621	-28,621	-
<b>Total shareholders' equity</b>	<b>884,227</b>	<b>849,099</b>	<b>4.1</b>
<b>Minority interests</b>	<b>56</b>	<b>55</b>	<b>1.8</b>
<b>Negative consolidation difference</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Deferred income</b>	<b>248,617</b>	<b>236,566</b>	<b>5.1</b>
<b>Provisions for liabilities and charges</b>	<b>44,840</b>	<b>43,419</b>	<b>3.3</b>
Bond issued and other marketable securities	895,076	845,076	5.9
Loans	835,655	939,788	-11.1
Long-term trade creditors	-	-	-
Other long-term creditors	42,673	43,064	-0.9
<b>Long-term creditors</b>	<b>1,773,404</b>	<b>1,827,928</b>	<b>-3.0</b>
Bond issued and other marketable securities	72,836	62,670	16.2
Loans	219,984	101,884	115.9
Trade creditors	76,452	69,273	10.4
Other short-term creditors	153,486	173,730	-11.7
Accruals	18,633	35,311	-47.2
<b>Current liabilities</b>	<b>541,391</b>	<b>442,868</b>	<b>22.2</b>
<b>Provisions for current liabilities and charges</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Shareholders' equity and liabilities</b>	<b>3,492,535</b>	<b>3,399,935</b>	<b>2.7</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.



## RED ELÉCTRICA DE ESPAÑA, S.A.

### Statement of Profit and Loss

	Thousands of Euros		%
	31.03.2004	31.03.2003	
Net sales	224,295	214,134	4.7
Other income	3,127	1,825	71.3
Change in stocks of finished goods and work in progress	-	-	-
<b>Total Value of Production</b>	<b>227,422</b>	<b>215,959</b>	<b>5.3</b>
Net purchases	-58,620	-67,638	-13.3
Changes in stocks of goods for resale, raw materials and other supplies	5,352	14,271	-62.5
External and operating expenses	-36,516	-37,694	-3.1
<b>Adjusted Added Value</b>	<b>137,638</b>	<b>124,898</b>	<b>10.2</b>
Other expenses and income	-	-	-
Personnel expenses	-15,538	-14,688	5.8
<b>Gross Operating Profit</b>	<b>122,100</b>	<b>110,210</b>	<b>10.8</b>
Amortisation and depreciation	-45,159	-42,436	6.4
Reversion fund	-	-	-
Change in provisions for current assets	-329	759	-
<b>Net Operating Profit</b>	<b>76,612</b>	<b>68,533</b>	<b>11.8</b>
Financial income	608	544	11.8
Financial expense	-18,180	-15,031	21.0
Interest and exchange gains capitalised	964	955	0.9
Amortisation and financial provisions	-	-	-
<b>Profit on Ordinary Activities</b>	<b>60,004</b>	<b>55,001</b>	<b>9.1</b>
Profit (Loss) on tangible and intangible assets and treasury stock	-	-24	-
Changes in provisions for tangible and intangible assets and treasury stock	-4,543	-6,464	-29.7
Return on own shares and bonds	400	669	-40.2
Prior year's results	-7	267	-
Other extraordinary profit	421	234	79.9
<b>Profit Before Tax</b>	<b>56,275</b>	<b>49,683</b>	<b>13.3</b>
Income tax and other taxes	-21,372	-19,779	8.1
<b>Profit for the Period</b>	<b>34,903</b>	<b>29,904</b>	<b>16.7</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.



## RED ELÉCTRICA DE ESPAÑA, S.A.

### Balance Sheet

<b>Assets</b>	<b>Thousands of Euros</b>		<b>%</b>
	<b>31.03.2004</b>	<b>31.12.2003</b>	<b>2004/2003</b>
<b>Uncalled share capital contributions</b>	-	-	-
Start-up costs	-	-	-
Intangible assets	6,174	5,002	23.4
Rights over leased assets	-	-	-
Other intangible assets	6,174	5,002	23.4
Tangible assets	2,864,161	2,857,550	0.2
Investments	189,695	194,236	-2.3
Long-term own shares	2,360	1,551	52.2
Long-term trade debtors	-	-	-
<b>Fixed assets</b>	<b>3,062,390</b>	<b>3,058,339</b>	<b>0.1</b>
<b>Deferred expenses</b>	<b>20,762</b>	<b>22,287</b>	<b>-6.8</b>
Unpaid calls on share capital	-	-	-
Stocks	23,598	18,401	28.2
Debtors	213,986	197,928	8.1
Short-term investments	1,749	1,197	46.1
Short-term own shares	-	-	-
Cash and banks	507	375	35.2
Prepaid expenses	70,807	2,127	-
<b>Current Assets</b>	<b>310,647</b>	<b>220,028</b>	<b>41.2</b>
<b>Assets</b>	<b>3,393,799</b>	<b>3,300,654</b>	<b>2.8</b>
			-
<b>Shareholders' Equity and Liabilities</b>			
Share Capital	270,540	270,540	-
Reserves	607,282	494,450	22.8
Prior year's results	-	-	-
Profit for the period	34,903	114,051	-69.4
Interim dividends	-28,621	-28,621	-
<b>Shareholders' equity</b>	<b>884,104</b>	<b>850,420</b>	<b>4.0</b>
<b>Deferred income</b>	<b>241,533</b>	<b>229,324</b>	<b>5.3</b>
<b>Provisions for liabilities and charges</b>	<b>43,024</b>	<b>41,668</b>	<b>3.3</b>
Provisions for liabilities and charges	45,076	45,076	-
Bond issued and other marketable securities	762,271	868,763	-12.3
Loans	850,000	800,000	6.3
Long-term trade creditors	-	-	-
Other long-term creditors	42,273	42,664	-0.9
<b>Long-term creditors</b>	<b>1,699,620</b>	<b>1,756,503</b>	<b>-3.2</b>
Bond issued and other marketable securities	52,434	51,769	1.3
Loans	149,092	40,276	270.2
Group and associated companies	48,635	30,920	57.3
Trade creditors	72,120	64,225	12.3
Other short-term creditors	185,565	201,122	-7.7
Accruals	17,672	34,427	-48.7
<b>Current liabilities</b>	<b>525,518</b>	<b>422,739</b>	<b>24.3</b>
<b>Provision for current liabilities and charges</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Shareholders' equity and liabilities</b>	<b>3,393,799</b>	<b>3,300,654</b>	<b>2.8</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.