



# RED ELÉCTRICA DE ESPAÑA

## CONSOLIDATED PROFIT FOR THE FIRST HALF OF 2004

The consolidated profit after tax for the Red Eléctrica Group for the first half of 2004 was Euros 61.9 million, 14.2% up on the Euros 54.1 million earned in the same period in 2003.

The gross operating profit (EBITDA) increased by 10.6% and the net operating profit (EBIT) rose by 13.6%.

The consolidated cash-flow after tax amounted to Euros 163.5 million, 7.0% up on the first half of 2003, and representing 45.2% of the adjusted consolidated turnover (net of energy purchases).

Investments in the extension and improvement of the transmission network totalled Euros 101 million, 68.4% higher than the same period in 2003.

## KEY FIGURES

### Consolidated Profits

Thousands of Euros	1st Half 2004	1st Half 2003	Var. (%)
Adjusted turnover (Net of Energy Purchases)	361,844	336,819	7.4
Gross Operating Profit (EBITDA)	228,741	206,848	10.6
Net Operating Profit (EBIT)	128,448	113,027	13.6
Profit on Ordinary Activities	92,582	81,055	14.2
Profit after tax	61,851	54,149	14.2
Profit per share	0.46	0.40	14.2

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## CONSOLIDATED PROFIT FOR THE FIRST HALF OF 2004

The **adjusted consolidated turnover** (net of energy purchases) is Euros 361.8 million in the first half of 2004, up 7.4% on the same period in the prior year, mainly for the following reasons:

- 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 income on the operation of the system, 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 3.5% on the same period in the prior year to Euros 138.9 million, compared to Euros 134.2 million for the first half of 2003.

Consolidated operating expenses include:

- expenses associated with engineering and construction work carried out by third parties, which are lower than for the same period in the prior year, in line with the abovementioned reduction in income.
- personnel expenses totalling Euros 40.9 million, a rise of 21.7% compared to the first half of 2003. The second quarter of 2004 includes non-recurring expenses reflecting departures from senior management; otherwise the increase would have been of 9.1%.

At 30 June 2004 the Group's average headcount has grown by 9.8% to 1,307 employees. This increase is mainly due to the incorporation of personnel in the Parent Company for the integration of transmission assets acquired in 2002 and new services rendered for the operation of systems on the peninsula and the islands. The total headcount for the Group amounts to 1,349 employees (1,280 at 31 December 2003) and for the Parent Company, 1,091 employees (1,031 at 31 December 2003).

**Gross consolidated operating profit (EBITDA)** is Euros 228.7 million, up 10.6% on the same period in 2003.

**Net consolidated operating profit (EBIT)** totalled Euros 128.4 million, representing an increase of 13.6% compared to the first half of 2003.

Amortisation and depreciation charges amount to Euros 99.8 million compared to Euros 94.3 million for the same period in the prior year, representing an increase of 5.8%. This increase reflects the entry into service during 2003 of 533km of new line circuits and 69 positions.



Consolidated losses on financial operations total Euros -35.0 million, compared to Euros -30.1 million in the first half of 2003. This increase is due to interest rates on the substitution of the bridging loan, for acquisition of transmission assets, for long-term financing during the third quarter of 2003. At 30 June 2004 exposure to interest rate fluctuations has been limited to approximately 30% of the debt.

Equity-accounted companies have contributed Euros 0.1 million to profits, mainly from the shareholding in Redesur.

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

**Consolidated profit on ordinary activities** totals Euros 92.6 million, up 14.2% on the same period in 2003.

Extraordinary consolidated profit is Euros 1.7 million, compared to Euros 2.1 million in the same period in 2003. This profit essentially comprises investments taken to income.

**Consolidated profit after tax** totals Euros 61.9 million, compared to Euros 54.1 million in the first half of 2003, representing an increase of 14.2%. The 34.4% tax rate is slightly lower than the first half of the prior year.

**Consolidated cash-flow after tax** is up 7.0% on the same period in 2003 at Euros 163.5 million. This figure represents 45.2% of adjusted consolidated turnover (net of energy purchases).

**Consolidated investments** made in the first half of 2004 amount to Euros 114.1 million, representing an increase of Euros 46.1 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 101.0 million have been allocated to the extension and improvement of the transmission network and Euros 13.1 million to other investments.

At 30 June 2004 **net financial debt** totals Euros 1,955.1 million, representing a decrease of Euros 21.2 million compared to 31 March 2004.

The leverage ratio (net financial debt as a percentage of shareholders' equity plus net financial debt) is 69.3%. The structure of financial debt is as follows:

Thousands of Euros	Euros	Foreign currency	Total
Short-term Investments	-3,194	-8,951	-12,145
Cash in hand and at banks	-3,736	-2,267	-6,003
Long-term debentures	895,076	-	895,076
Short-term debentures	50,890	-	50,890
Long-term loans	718,830	76,040	794,870
Promissory notes and short-term loans	228,093	4,354	232,447
<b>Total Net Financial Debt</b>	<b>1,885,959</b>	<b>69,176</b>	<b>1,955,135</b>



## **SIGNIFICANT EVENTS**

### **ELECTRICITY BUSINESS IN SPAIN**

#### **New Chairman for Red Eléctrica de España, S.A.**

At its meeting held on 24 June 2004, the board of directors of Red Eléctrica de España, S.A. agreed to the appointment of Mr. Luis Atienza Serna as chairman of the board, replacing Mr. Pedro Mielgo Álvarez. This change came into effect on the 8th of July 2004.

#### **Supplementary Dividend Payment**

On 1 July 2004 a gross supplementary dividend was paid, charged to the profit for 2003 and amounting to Euros 0.336 per share. The total dividend distributed on account of 2003 is Euros 0.548 per share, compared to Euros 0.48 per share for 2002, representing an increase of 14.2%.

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

Investments in the transmission network totalled Euros 101.0 million in the first half of 2004. 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.

## **INTERNATIONAL BUSINESS**

The contribution made by TDE to the principal indicators of the consolidated statement of profit and loss at 30 June 2004 is turnover of Euros 9.1 million, EBITDA of Euros 6.1 million, Euros 3.5 million EBIT and profit after tax of Euros 2.4 million.

In the first half of 2004 management of TDE and Redesur approved the distribution of dividends of US Dollars 2.5 million and US Dollars 1.5 million, respectively, which have already been paid.

On 12 July 2004 Mr. Luis Atienza Serna and Mr Fernando Aranguren González-Tarrío were appointed joint directors of Red Eléctrica Internacional, S.A.

## **TELECOMMUNICATIONS BUSINESS**

Turnover generated by Albura totals Euros 22.1 million compared to Euros 16.6 million for the same period in the prior year. EBITDA totals Euros -7.8 million, EBIT amounts to Euros -14.6 million and loss after tax is Euros -9.9 million.

Investments made by Albura in the first half of 2004 reached Euros 2.6 million.

The first long-term financing was obtained by means of a credit facility in June 2004, amounting to Euros 15 million over five years.



Furthermore, in June the 20% interest held by Albura in NAP de las Américas-Madrid, S.A. was sold, generating extraordinary profit of approximately Euros 0.1 million in 2004.

After the appointment of Mr. Luis Atienza Serna as a director of Albura, the Board of Directors of this company appointed him Chairman of the Board at a meeting held on 29 July.



## GRUPO RED ELÉCTRICA

### Consolidated Statement of Profit and Loss

	Thousands of Euros		%
	30.06.2004	30.06.2003	
Net sales	458,567	444,197	3.2
Other income	5,748	4,210	36.5
Change in stocks of finished goods and work in progress	-	-	-
<b>Total Value of Production</b>	<b>464,315</b>	<b>448,407</b>	<b>3.5</b>
Net purchases	-116,327	-131,673	-11.7
Changes in stocks of goods for resale, raw materials and other supplies	8,290	16,974	-51.2
External and operating expenses	-86,686	-93,286	-7.1
<b>Adjusted Added Value</b>	<b>269,592</b>	<b>240,422</b>	<b>12.1</b>
Other expenses and income	-	-	-
Personnel expenses	-40,851	-33,574	21.7
<b>Gross Operating Profit</b>	<b>228,741</b>	<b>206,848</b>	<b>10.6</b>
Amortisation and depreciation	-99,782	-94,324	5.8
Reversion fund	-	-	-
Change in provisions for current assets	-511	503	-
<b>Net Operating Profit</b>	<b>128,448</b>	<b>113,027</b>	<b>13.6</b>
Financial income	1,680	1,434	17.2
Financial expense	-38,824	-33,449	16.1
Interest and exchange gains capitalised	2,187	1,877	16.5
Amortisation and financial provisions	-	-	-
Conversion gains (losses)	-	-	-
Share of profits in equity accounted companies	138	-787	-117.5
Amortisation of goodwill on consolidation	-1,047	-1,047	-
Reversal of negative consolidation differences	-	-	-
<b>Profit on Ordinary Activities</b>	<b>92,582</b>	<b>81,055</b>	<b>14.2</b>
Profit (Loss) on tangible and intangible assets and treasury stock	-91	79	-215.2
Changes in provisions for tangible and intangible assets and treasury stock	-756	-1,005	-24.8
Return on own shares and bonds	606	993	-39.0
Prior year's results	-5	595	-100.8
Other extraordinary profit	1,936	1,439	34.5
<b>Profit Before Tax</b>	<b>94,272</b>	<b>83,156</b>	<b>13.4</b>
Income tax and other taxes	-32,416	-29,004	11.8
<b>Profit for the Period</b>	<b>61,856</b>	<b>54,152</b>	<b>14.2</b>
Profit attributable to minority interests	-5	-3	66.7
<b>Profit attributable to parent company</b>	<b>61,851</b>	<b>54,149</b>	<b>14.2</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>30.06.2004</b>	<b>31.12.2003</b>	<b>2004/2003</b>
<b>Uncalled share capital contributions</b>	-	-	-
Start-up costs	867	1,152	-24.7
Intangible assets	11,578	10,780	7.4
Rights over leased assets	-	-	-
Other intangible assets	11,578	10,780	7.4
Tangible assets	3,035,434	3,018,615	0.6
Investments	42,950	43,809	-2.0
Long-term own shares	1,622	1,551	4.6
Long-term trade debtors	7,631	4,292	77.8
<b>Total fixed assets</b>	<b>3,100,082</b>	<b>3,080,199</b>	<b>0.6</b>
<b>Goodwill on consolidation</b>	<b>16,760</b>	<b>17,807</b>	<b>-5.9</b>
<b>Deferred expenses</b>	<b>47,305</b>	<b>54,286</b>	<b>-12.9</b>
Unpaid calls on share capital	-	-	-
Stocks	26,447	18,459	43.3
Debtors	259,625	210,229	23.5
Short-term investments	12,145	11,891	2.1
Short-term own shares	-	-	-
Cash and banks	6,003	4,174	43.8
Prepaid expenses	47,747	2,890	-
<b>Total Current Assets</b>	<b>351,967</b>	<b>247,643</b>	<b>42.1</b>
<b>Total Assets</b>	<b>3,516,114</b>	<b>3,399,935</b>	<b>3.4</b>

### Shareholders' Equity and Liabilities

Share capital	270,540	270,540	-
Parent company reserves	588,660	526,866	11.7
Consolidated companies reserves	-48,222	-27,474	75.5
Conversion Difference	-7,138	-7,996	-10.7
Profit (loss) attributable to parent company	61,851	115,784	-46.6
Interim dividends	-	-28,621	-
<b>Total shareholders' equity</b>	<b>865,691</b>	<b>849,099</b>	<b>2.0</b>
<b>Minority interests</b>	<b>58</b>	<b>55</b>	<b>5.5</b>
<b>Negative consolidation difference</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Deferred income</b>	<b>249,669</b>	<b>236,566</b>	<b>5.5</b>
<b>Provisions for liabilities and charges</b>	<b>51,542</b>	<b>43,419</b>	<b>18.7</b>
Bond issued and other marketable securities	895,076	845,076	5.9
Loans	794,870	939,788	-15.4
Long-term trade creditors	-	-	-
Other long-term creditors	41,841	43,064	-2.8
<b>Long-term creditors</b>	<b>1,731,787</b>	<b>1,827,928</b>	<b>-5.3</b>
Bond issued and other marketable securities	83,428	62,670	33.1
Loans	239,377	101,884	135.0
Trade creditors	85,119	69,273	22.9
Other short-term creditors	194,745	173,730	12.1
Accruals	14,698	35,311	-58.4
<b>Current liabilities</b>	<b>617,367</b>	<b>442,868</b>	<b>39.4</b>
<b>Provisions for current liabilities and charges</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Shareholders' equity and liabilities</b>	<b>3,516,114</b>	<b>3,399,935</b>	<b>3.4</b>

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## RED ELÉCTRICA DE ESPAÑA, S.A.

### Statement of Profit and Loss

	Thousands of Euros		%
	30.06.2004	30.06.2003	
Net sales	446,995	437,920	2.1
Other income	6,065	4,512	34.4
Change in stocks of finished goods and work in progress	-	-	-
<b>Total Value of Production</b>	<b>453,060</b>	<b>442,432</b>	<b>2.4</b>
Net purchases	-115,412	-129,755	-11.1
Changes in stocks of goods for resale, raw materials and other supplies	8,290	16,349	-49.3
External and operating expenses	-79,444	-90,631	-12.3
<b>Adjusted Added Value</b>	<b>266,494</b>	<b>238,395</b>	<b>11.8</b>
Other expenses and income	-	-	-
Personnel expenses	-35,750	-28,635	24.8
<b>Gross Operating Profit</b>	<b>230,744</b>	<b>209,760</b>	<b>10.0</b>
Amortisation and depreciation	-90,422	-85,103	6.3
Reversion fund	-	-	-
Change in provisions for current assets	-507	509	-
<b>Net Operating Profit</b>	<b>139,815</b>	<b>125,166</b>	<b>11.7</b>
Financial income	1,173	1,152	1.8
Financial expense	-36,205	-31,018	16.7
Interest and exchange gains capitalised	2,187	1,877	16.5
Amortisation and financial provisions	-	-	-
<b>Profit on Ordinary Activities</b>	<b>106,970</b>	<b>97,177</b>	<b>10.1</b>
Profit (Loss) on tangible and intangible assets and treasury stock	9	-6	-
Changes in provisions for tangible and intangible assets and treasury stock	-9,620	-12,639	-23.9
Return on own shares and bonds	606	993	-39.0
Prior year's results	-254	504	-
Other extraordinary profit	1,942	1,463	32.7
<b>Profit Before Tax</b>	<b>99,653</b>	<b>87,492</b>	<b>13.9</b>
Income tax and other taxes	-38,175	-34,833	9.6
<b>Profit for the Period</b>	<b>61,478</b>	<b>52,659</b>	<b>16.7</b>

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## RED ELÉCTRICA DE ESPAÑA, S.A.

### Balance Sheet

<b>Assets</b>	<b>Thousands of Euros</b>		<b>%</b>
	<b>30.06.2004</b>	<b>31.12.2003</b>	<b>2004/2003</b>
<b>Uncalled share capital contributions</b>	-	-	-
Start-up costs	-	-	-
Intangible assets	6,851	5,002	37.0
Rights over leased assets	-	-	-
Other intangible assets	6,851	5,002	37.0
Tangible assets	2,874,583	2,857,550	0.6
Investments	185,307	194,236	-4.6
Long-term own shares	1,622	1,551	4.6
Long-term trade debtors	3,062	-	-
<b>Fixed assets</b>	<b>3,071,425</b>	<b>3,058,339</b>	<b>0.4</b>
<b>Deferred expenses</b>	<b>19,097</b>	<b>22,287</b>	<b>-14.3</b>
Unpaid calls on share capital	-	-	-
Stocks	26,379	18,401	43.4
Debtors	248,171	197,928	25.4
Short-term investments	2,577	1,197	115.3
Short-term own shares	-	-	-
Cash and banks	1,008	375	168.8
Prepaid expenses	46,839	2,127	-
<b>Current Assets</b>	<b>324,974</b>	<b>220,028</b>	<b>47.7</b>
<b>Assets</b>	<b>3,415,496</b>	<b>3,300,654</b>	<b>3.5</b>
<b>Shareholders' Equity and Liabilities</b>			
Share Capital	270,540	270,540	-
Reserves	533,602	494,450	7.9
Prior year's results	-	-	-
Profit for the period	61,478	114,051	-46.1
Interim dividends	-	-28,621	-
<b>Shareholders' equity</b>	<b>865,620</b>	<b>850,420</b>	<b>1.8</b>
<b>Deferred income</b>	<b>242,832</b>	<b>229,324</b>	<b>5.9</b>
<b>Provisions for liabilities and charges</b>	<b>49,653</b>	<b>41,668</b>	<b>19.2</b>
Provisions for liabilities and charges	45,076	45,076	-
Bond issued and other marketable securities	708,127	868,763	-18.5
Loans	850,000	800,000	6.3
Long-term trade creditors	-	-	-
Other long-term creditors	41,841	42,664	-1.9
<b>Long-term creditors</b>	<b>1,645,044</b>	<b>1,756,503</b>	<b>-6.3</b>
Bond issued and other marketable securities	53,098	51,769	2.6
Loans	179,077	40,276	344.6
Group and associated companies	55,748	30,920	80.3
Trade creditors	78,162	64,225	21.7
Other short-term creditors	232,436	201,122	15.6
Accruals	13,826	34,427	-59.8
<b>Current liabilities</b>	<b>612,347</b>	<b>422,739</b>	<b>44.9</b>
<b>Provision for current liabilities and charges</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Shareholders' equity and liabilities</b>	<b>3,415,496</b>	<b>3,300,654</b>	<b>3.5</b>

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