



RED ELÉCTRICA DE ESPAÑA

CONSOLIDATED PROFIT FOR THE FIRST NINE MONTHS OF 2004

The consolidated profit after tax of the Red Eléctrica Group for the first nine months of 2004 totalled Euros 101.1 million, 14.2% up on the Euros 88.5 million earned in the same period in 2003.

The gross operating profit (EBITDA) increased by 8.3% and the net operating profit (EBIT) rose by 9.6%.

The consolidated cash-flow after tax amounted to Euros 256.7 million, 8.0% up on the first nine months of 2003, representing 47.0% of the adjusted consolidated turnover (net of energy purchases).

Investments in the extension and improvement of the transmission network totalled Euros 155.4 million, 32.0% higher than the same period in 2003.

PRINCIPAL INDICATORS

Consolidated Profits

Thousands of Euros	3Q 2004	3Q 2003	Var. (%)
Adjusted turnover (Net of Energy Purchases)	545,895	515,613	5.9
Gross Operating Profit (EBITDA)	354,082	327,050	8.3
Net Operating Profit (EBIT)	203,131	185,418	9.6
Profit on Ordinary Activities	149,574	132,702	12.7
Profit after tax	101,076	88,489	14.2
Profit per share	0.747	0.654	14.2



CONSOLIDATED PROFIT FOR THE FIRST NINE MONTHS OF 2004

The **adjusted consolidated turnover** (net of energy purchases) is Euros 545.9 million in the first nine months of 2004, up 5.9% on the same period in the prior year, mainly for the following reasons:

- the increase in electricity transmission income, primarily as a result of installations brought into service by Red Eléctrica in 2003.
- 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.
- 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 has finished in 2004.

Consolidated operating expenses (net of energy purchases) are up 2.9% on the same period in the prior year to Euros 200.4 million, compared to Euros 194.7 million for the first nine months 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 58.8 million, a rise of 17.5% compared to the first nine months of 2003. The second quarter of 2004 included non-recurring expenses reflecting departures from senior management; otherwise the increase would have been of 9.1%.

At 30 September 2004 the Group's average headcount has grown by 10.3% to 1,325 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 1,371 employees (1,280 at 31 December 2003) and for the Parent Company, 1,104 employees (1,031 at 31 December 2003).

Gross consolidated operating profit (EBITDA) is Euros 354.1 million, up 8.3% on the same period in 2003.

Net consolidated operating profit (EBIT) totalled Euros 203.1 million, representing an increase of 9.6% compared to the first nine months of 2003.

Amortisation and depreciation charges amount to Euros 150.3 million compared to Euros 142.0 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 –52.1 million, compared to Euros –49.5 million in the first nine months 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. The financial expenses of 2003 included banking fees for the issue of the syndicated loan and also the issue of Eurobonds.

Equity-accounted companies have contributed Euros 0.2 million to profits, mainly from the shareholding in Redesur.

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

Consolidated profit on ordinary activities totals Euros 149.6 million, up 12.7% on the same period in 2003.

Extraordinary consolidated profit is Euros 3.5 million, in line with the figure obtained in the same period in 2003. This profit essentially comprises investments taken to income

Consolidated profit after tax totals Euros 101.1 million, compared to Euros 88.5 million in the first nine months of 2003, representing an increase of 14.2%. The 34.0% tax rate is slightly lower than that of the first nine months of the prior year.

Consolidated cash-flow after tax is up 8.0% on the same period in 2003 at Euros 256.7 million. This figure represents 47% of adjusted consolidated turnover (net of energy purchases).

Consolidated investments made in the first nine months of 2004 amount to Euros 178.8 million, representing an increase of Euros 47 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 155.4 million have been allocated to the extension and improvement of the transmission network and Euros 23.4 million to other investments.

At 30 September 2004 **net financial debt** totals Euros 1,954.1 million compared to 1,955.1 million as of 30 June 2004.



The leverage ratio (net financial debt as a percentage of shareholders' equity plus net financial debt) is 68.4%. The structure of financial debt is as follows:

Thousands of Euros	Euros	Foreign currency	Total
Short-term Investments	-2,898	-9,945	-12,843
Cash in hand and at banks	-5,900	-2,720	-8,620
Long-term debentures	850,000	-	850,000
Short-term debentures	45,076	-	45,076
Long-term loans	717,628	74,487	792,115
Promissory notes and short-term loans	284,099	4,267	288,366
Total Net Financial Debt	1,888,005	66,089	1,954,094

SIGNIFICANT EVENTS

ELECTRICITY BUSINESS IN SPAIN

Restructuring of the management team

The process of restructuring the Company's management team was completed in the third quarter of 2004. This reorganisation involved the separation of transmission and operation functions, grouped under a single General Management as of two years ago, and the creation of three General Managements: Transmission, Operation and Administration and Finances.

Carlos Collantes Pérez-Ardá is the new General Manager for Transmission, Alberto Carbajo is in charge of General Management of Operation and Esther Rituerto Martínez is responsible for Management of Administration and Finances.

Renegotiation of the syndicated loan

Red Eléctrica de España has renegotiated the syndicated loan for Euros 700 million over five years, extended in July of the prior year. The operation does not require signature of a new contract, just modification of certain conditions of the existing contract, including extension of the term of the loan, lowering of the cost, reduction of certain contractual obligations and the increase in flexibility of its use.

The operation has been entered into by 15 domestic and foreign entities.

Investments in the Transmission Network

Investments in the transmission network totalled Euros 155.4 million in the first nine months 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 September 2004 is turnover of Euros 13.7 million, EBITDA of Euros 9.2 million, Euros 5.3 million EBIT and profit after tax of Euros 3.6 million.

In the first nine months of 2004 investments made by TDE totalled Euros 3.3 million.

TELECOMMUNICATIONS BUSINESS

Turnover generated by Albura totals Euros 33.9 million compared to Euros 26.0 million for the same period in the prior year. EBITDA totals Euros –11.7 million, EBIT amounts to Euros –21.9 million and loss after tax is Euros –15 million.

Investments made by Albura in the first nine months of 2004 total Euros 4.4 million.



GRUPO RED ELÉCTRICA

Consolidated Statement of Profit and Loss

	Thousands of Euros		%
	30.09.2004	30.09.2003	
Net sales	691,103	681,849	1.4
Other income	8,545	6,178	38.3
Change in stocks of finished goods and work in progress	-	-	-
Total Value of Production	699,648	688,027	1.7
Net purchases	-170,853	-194,365	-12.1
Changes in stocks of goods for resale, raw materials and other supplies	9,415	15,406	-38.9
External and operating expenses	-125,334	-131,988	-5.0
Adjusted Added Value	412,876	377,080	9.5
Other expenses and income	-	-	-
Personnel expenses	-58,794	-50,030	17.5
Gross Operating Profit	354,082	327,050	8.3
Amortisation and depreciation	-150,338	-142,043	5.8
Reversion fund	-	-	-
Change in provisions for current assets	-613	411	-
Net Operating Profit	203,131	185,418	9.6
Financial income	2,347	2,756	-14.8
Financial expense	-58,232	-54,925	6.0
Interest and exchange gains capitalised	3,744	2,692	39.1
Amortisation and financial provisions	-	-	-
Conversion gains (losses)	-	-	-
Share of profits in equity accounted companies	155	-1,668	-109.3
Amortisation of goodwill on consolidation	-1,571	-1,571	-
Reversal of negative consolidation differences	-	-	-
Profit on Ordinary Activities	149,574	132,702	12.7
Profit (Loss) on tangible and intangible assets and treasury stock	153	141	8.5
Changes in provisions for tangible and intangible assets and treasury stock	-1,194	-1,448	-17.5
Return on own shares and bonds	725	993	-27.0
Prior year's results	178	989	-
Other extraordinary profit	3,622	2,809	28.9
Profit Before Tax	153,058	136,186	12.4
Income tax and other taxes	-51,977	-47,694	9.0
Profit for the Period	101,081	88,492	14.2
Profit attributable to minority interests	-5	-3	66.7
Profit attributable to parent company	101,076	88,489	14.2

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		%
	30.09.2004	31.12.2003	2004/2003
Uncalled share capital contributions	-	-	-
Start-up costs	724	1,152	-37.2
Intangible assets	11,429	10,780	6.0
Rights over leased assets	-	-	-
Other intangible assets	11,429	10,780	6.0
Tangible assets	3,047,326	3,018,615	1.0
Investments	44,680	43,809	2.0
Long-term own shares	1,544	1,551	-0.5
Long-term trade debtors	7,769	4,292	81.0
Total fixed assets	3,113,472	3,080,199	1.1
Goodwill on consolidation	16,236	17,807	-8.8
Deferred expenses	45,180	54,286	-16.8
Unpaid calls on share capital	-	-	-
Stocks	27,357	18,459	48.2
Debtors	203,133	210,229	-3.4
Short-term investments	12,843	11,891	8.0
Short-term own shares	-	-	-
Cash and banks	8,620	4,174	106.5
Prepaid expenses	27,360	2,890	-
Total Current Assets	279,313	247,643	12.8
Total Assets	3,454,201	3,399,935	1.6

Shareholders' Equity and Liabilities

Share capital	270,540	270,540	-
Parent company reserves	588,458	526,866	11.7
Consolidated companies reserves	-48,204	-27,474	75.5
Conversion Difference	-8,006	-7,996	0.1
Profit (loss) attributable to parent company	101,076	115,784	-12.7
Interim dividends	-	-28,621	-
Total shareholders' equity	903,864	849,099	6.4
Minority interests	57	55	3.6
Negative consolidation difference	-	-	-
Deferred income	251,715	236,566	6.4
Provisions for liabilities and charges	53,569	43,419	23.4
Bond issued and other marketable securities	850,000	845,076	0.6
Loans	792,115	939,788	-15.7
Long-term trade creditors	-	-	-
Other long-term creditors	42,906	43,064	-0.4
Long-term creditors	1,685,021	1,827,928	-7.8
Bond issued and other marketable securities	47,668	62,670	-23.9
Loans	296,506	101,884	191.0
Trade creditors	79,042	69,273	14.1
Other short-term creditors	127,105	173,730	-26.8
Accruals	9,654	35,311	-72.7
Current liabilities	559,975	442,868	26.4
Provisions for current liabilities and charges	-	-	-
Shareholders' equity and liabilities	3,454,201	3,399,935	1.6

NOTE:

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RED ELÉCTRICA DE ESPAÑA, S.A.

Statement of Profit and Loss

	Thousands of Euros		%
	30.09.2004	30.09.2003	2004/2003
Net sales	673,163	670,862	0.3
Other income	8,950	6,136	45.9
Change in stocks of finished goods and work in progress	-	-	-
Total Value of Production	682,113	676,998	0.8
Net purchases	-169,592	-192,729	-12.0
Changes in stocks of goods for resale, raw materials and other supplies	9,417	15,408	-38.9
External and operating expenses	-113,950	-127,506	-10.6
Adjusted Added Value	407,988	372,171	9.6
Other expenses and income	-	-	-
Personnel expenses	-51,096	-42,644	19.8
Gross Operating Profit	356,892	329,527	8.3
Amortisation and depreciation	-136,226	-128,212	6.3
Reversion fund	-	-	-
Change in provisions for current assets	-609	419	-
Net Operating Profit	220,057	201,734	9.1
Financial income	1,729	2,297	-24.7
Financial expense	-54,314	-50,692	7.1
Interest and exchange gains capitalised	3,744	2,692	39.1
Amortisation and financial provisions	-	-	-
Profit on Ordinary Activities	171,216	156,031	9.7
Profit (Loss) on tangible and intangible assets and treasury stock	9	-6	-
Changes in provisions for tangible and intangible assets and treasury stock	-15,322	-17,575	-12.8
Return on own shares and bonds	725	993	-27.0
Prior year's results	-103	458	-
Other extraordinary profit	3,761	2,827	33.0
Profit Before Tax	160,286	142,728	12.3
Income tax and other taxes	-60,570	-55,753	8.6
Profit for the Period	99,716	86,975	14.6

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RED ELÉCTRICA DE ESPAÑA, S.A.

Balance Sheet

Assets	Thousands of Euros		%
	30.09.2004	31.12.2003	2004/2003
Uncalled share capital contributions	-	-	-
Start-up costs	-	-	-
Intangible assets	7,119	5,002	42.3
Rights over leased assets	-	-	-
Other intangible assets	7,119	5,002	42.3
Tangible assets	2,888,940	2,857,550	1.1
Investments	181,951	194,236	-6.3
Long-term own shares	1,544	1,551	-0.5
Long-term trade debtors	3,062	-	-
Fixed assets	3,082,616	3,058,339	0.8
Deferred expenses	17,431	22,287	-21.8
Unpaid calls on share capital	-	-	-
Stocks	27,288	18,401	48.3
Debtors	188,234	197,928	-4.9
Short-term investments	2,341	1,197	95.6
Short-term own shares	-	-	-
Cash and banks	502	375	33.9
Prepaid expenses	26,459	2,127	-
Current Assets	244,824	220,028	11.3
Assets	3,344,871	3,300,654	1.3
Shareholders' Equity and Liabilities			
Share Capital	270,540	270,540	-
Reserves	533,699	494,450	7.9
Prior year's results	-	-	-
Profit for the period	99,716	114,051	-12.6
Interim dividends	-	-28,621	-
Shareholders' equity	903,955	850,420	6.3
Deferred income	244,981	229,324	6.8
Provisions for liabilities and charges	51,727	41,668	24.1
Provisions for liabilities and charges	-	45,076	-
Bond issued and other marketable securities	706,856	868,763	-18.6
Loans	850,000	800,000	6.3
Long-term trade creditors	-	-	-
Other long-term creditors	42,906	42,664	0.6
Long-term creditors	1,599,762	1,756,503	-8.9
Bond issued and other marketable securities	45,300	51,769	-12.5
Loans	234,568	40,276	482.4
Group and associated companies	20,788	30,920	-32.8
Trade creditors	72,063	64,225	12.2
Other short-term creditors	162,946	201,122	-19.0
Accruals	8,781	34,427	-74.5
Current liabilities	544,446	422,739	28.8
Provision for current liabilities and charges	-	-	-
Shareholders' equity and liabilities	3,344,871	3,300,654	1.3

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