



RED ELÉCTRICA DE ESPAÑA

CONSOLIDATED PROFIT FOR 2004

The consolidated profit after tax for the Red Eléctrica Group for 2004 totalled Euros 132.4 million, 14.3% up on the Euros 115.8 million earned in 2003.

The gross operating profit (EBITDA) increased by 8.9% and the net operating profit (EBIT) rose by 10.7%.

The consolidated cash-flow after tax amounted to Euros 348.8 million, 8.7% up on 2003, and representing 45.5% of the adjusted consolidated turnover (net of energy purchases).

Investments in the extension and improvement of the transmission network totalled Euros 243.4 million, 13.0% higher than in 2003. Red Eléctrica de España has commissioned 272 km of lines and 124 positions in 2004.

FINANCIAL HIGHLIGHTS

Consolidated Profits

Thousands of Euros	2004	2003	Var. (%)
Adjusted turnover (Net of Energy Purchases)	766,211	686,732	11.6
Gross Operating Profit (EBITDA)	478,949	439,832	8.9
Net Operating Profit (EBIT)	272,670	246,392	10.7
Profit on Ordinary Activities	199,111	174,975	13.8
Profit after tax	132,381	115,784	14.3
Profit per share	0.979	0.856	14.3

Investor Relations
Paseo Conde de los Gaitanes, 177
28109 Alcobendas - Madrid

Irene Gómez
igomez@ree.es
91 453 33 57

Amanda Cedeño
acedeno@ree.es
91 659 91 11



CONSOLIDATED PROFIT FOR 2004

The **adjusted consolidated turnover** (net of energy purchases) is Euros 766.2 million in 2004, up 11.6% on 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 system operation, which includes remuneration on the operation services for the off-mainland and island systems,
- the increase in telecommunications services rendered, and
- the increase in income generated on engineering works and construction, mainly as a result of the work carried out in the last quarter of 2004.

Consolidated operating expenses (net of energy purchases) are up 14.3% on the prior year to Euros 299.8 million, compared to Euros 262.2 million for 2003.

Consolidated operating expenses include,

- higher expenses associated with engineering and construction work carried out by third parties compared to 2003.
- personnel expenses totalling Euros 77.6 million, a rise of 16.0% compared to 2003. The second quarter of 2004 included non-recurring expenses reflecting departures from senior management; otherwise the increase would have been 9.7%.

At 31 December 2004 the Group's average headcount has grown by 10.8% to 1,346 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 the systems operation for the off-mainland and island systems. The total headcount for the Group amounts to 1,415 employees (1,280 at 31 December 2003) and for the Parent Company, 1,145 employees (1,031 at 31 December 2003).

Gross consolidated operating profit (EBITDA) is Euros 478.9 million, up 8.9% on 2003.

Net consolidated operating profit (EBIT) totalled Euros 272.7 million, representing an increase of 10.7% compared to 2003.

Consolidated losses on financial operations total Euros -72.2 million, compared to Euros -67.7 million in 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, partially offset by lower average balances.

Financial expenses also include banking commissions of Euros 0.8 million in 2004 compared to Euros 4.8 million in the prior year.

Equity-accounted companies have contributed Euros 0.7 million to profits, mainly from the shareholding in Redesur.

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



Consolidated profit on ordinary activities totals Euros 199.1 million, up 13.8% on 2003.

The extraordinary consolidated loss has been Euros -0.9 million and mainly includes provisions for fixed assets and risks related to the telecommunications business, partially offset by grants taken to income.

Consolidated profit after tax totals Euros 132.4 million, compared to Euros 115.8 million in 2003, representing an increase of 14.3%. The 33.2% tax rate is slightly lower than that of 2003 mainly due to credits for investments made for operation of the system in the Canary Islands.

Consolidated cash-flow after tax is up 8.7% on 2003 at Euros 348.8 million. This figure represents 45.5% of adjusted consolidated turnover (net of energy purchases).

Consolidated investments made in 2004 amount to Euros 281.2 million, representing an increase of Euros 38.1 million compared to the prior year, excluding Euros 535.2 million assigned for the remaining payment on the acquisition of the transmission assets of Endesa and Unión Fenosa.

Of these investments, Euros 243.4 million have been allocated to the extension and improvement of the transmission network, Euros 7.3 million to the transport business in Bolivia, Euros 6.6 million to the telecommunications business and Euros 23.9 million to other investments, which include investments for the system operation for the off-mainland and island systems.

At 31 December 2004 net financial debt totals Euros 1,922.5 million, compared to Euros 1,954.1 million at 30 September 2004.

The leverage ratio (net financial debt as a percentage of shareholders' equity plus net financial debt) is 68.2%. The structure of financial debt is as follows:

Thousands of Euros	Euros	Foreign Currency	Total
Short-term Investments	-1,901	-8,365	-10,266
Cash in hand and at banks	-3,365	-1,104	-4,469
Long-term debentures	850,000	-	850,000
Short-term debentures	45,076	-	45,076
Long-term loans	739,341	66,384	805,725
Promissory notes and short-term loans	232,392	4,066	236,458
Total Net Financial Debt	1,861,543	60,981	1,922,524

SIGNIFICANT EVENTS

ELECTRICITY BUSINESS IN SPAIN

Regulated income for 2005

In accordance with Royal Decree 2392 of 30 December 2004, the income recognised by Red Eléctrica de España for transmission activity for 2005 totals Euros 677.8 million. This amount includes:



- income on transmission assets which entered into service in 2004. For the first time, income on these installations is recognised from when they are entered into service, totalling Euros 7.8 million. Red Eléctrica de España has commissioned 272 km of lines and 124 positions in 2004.
- The incentive for availability of installations which amounted to Euros 9.5 million.

Income recognised by Red Eléctrica de España on the system operation for 2005 totals Euros 34.0 million, which includes remuneration on the system operation for the off-mainland and island systems, in accordance with Royal Decree 1747 of 19 December 2003 governing electricity systems on the peninsular and the islands.

Investments in the Transmission Network in 2004

Investments in the transmission network totalled Euros 243.4 million in 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 with Morocco.

Acquisition of transmission assets from Viesgo

In November 2004 Red Eléctrica de España, S.A. and Electra de Viesgo Distribución, S.L. reached an agreement for the acquisition by Red Eléctrica of the transmission assets currently in the service of Viesgo, for Euros 45.6 million.

The operation and maintenance of the transmission network transferred will be performed by Viesgo for a period of three years for a total of Euros 1.8 million.

This agreement is subject to the corresponding administrative authorisations.

Interim Dividend

On 25 November 2004 the Board of Directors agreed to distribute dividends on account of profit for 2004, as follows:

Gross amount.....	Euros 0.237500 per share
Withholding.....	Euros 0.035625 per share
Net amount.....	Euros 0.201875 per share

The dividend agreed represents an increase of 12.0% on the dividend distributed on account of profit for 2003. Payment of the dividend was made to all shares with dividend rights on 3 January 2005.



INTERNATIONAL BUSINESS

The contribution made by TDE to the principal indicators of the consolidated statement of profit and loss for 2004 is turnover of Euros 17.9 million, EBITDA of Euros 11.8 million, Euros 6.7 million EBIT and profit after tax of Euros 4.6 million. These indicators have been affected by the fall of the dollar against the Euro, for which the average exchange rate was 8.4% lower than in the prior year.

In 2004 investments made by TDE totalled Euros 7.3 million.

TELECOMMUNICATIONS BUSINESS

Turnover generated by Albura totals Euros 45.7 million compared to Euros 36.1 million for the prior year. EBITDA totals Euros –15.9 million, EBIT amounts to Euros –31.2 million and loss after tax is Euros –25.9 million. The profits for the year have been affected by provisions for fixed assets and risks.

Investments made by Albura in 2004 total Euros 6.6 million related primarily in local loop unbundling (ULL).



GRUPO RED ELÉCTRICA

Consolidated Statement of Profit and Loss

	Thousands of Euros		%
	31.12.2004	31.12.2003	
Net sales	961,192	907,316	5.9
Other income	12,494	15,281	-18.2
Change in stocks of finished goods and work in progress	-	-	-
Total Value of Production	973,686	922,597	5.5
Net purchases	-226,264	-249,554	-9.3
Changes in stocks of goods for resale, raw materials and other supplies	11,337	10,516	7.8
External and operating expenses	-202,244	-176,873	14.3
Adjusted Added Value	556,515	506,686	9.8
Other expenses and income	-	-	-
Personnel expenses	-77,566	-66,854	16.0
Gross Operating Profit	478,949	439,832	8.9
Amortisation and depreciation	-204,546	-195,497	4.6
Reversion fund	-	-	-
Change in provisions for current assets	-1,733	2,057	-
Net Operating Profit	272,670	246,392	10.7
Financial income	3,341	3,686	-9.4
Financial expense	-80,940	-75,014	7.9
Interest and exchange gains capitalised	5,410	3,609	49.9
Amortisation and financial provisions	-	-	-
Conversion gains (losses)	-	-	-
Share of profits in equity accounted companies	725	-1,603	-145.2
Amortisation of goodwill on consolidation	-2,095	-2,095	-
Reversal of negative consolidation differences	-	-	-
Profit on Ordinary Activities	199,111	174,975	13.8
Profit (Loss) on tangible and intangible assets and treasury stock	199	-262	-
Changes in provisions for tangible and intangible assets and treasury stock	-4,691	-2,973	57.8
Return on own shares and bonds	1,158	1,447	-20.0
Prior year's results	-1,855	319	-
Other extraordinary profit	4,332	2,620	65.3
Profit Before Tax	198,254	176,126	12.6
Income tax and other taxes	-65,866	-60,337	9.2
Profit for the Period	132,388	115,789	14.3
Profit attributable to minority interests	-7	-5	40.0
Profit attributable to parent company	132,381	115,784	14.3

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		%
	31.12.2004	31.12.2003	2004/2003
Uncalled share capital contributions	-	-	-
Start-up costs		1,152	-100.0
Intangible assets	12,287	10,780	14.0
Rights over leased assets	-	-	-
Other intangible assets	12,287	10,780	14.0
Tangible assets	3,084,243	3,018,615	2.2
Investments	46,401	43,809	5.9
Long-term own shares	1,218	1,551	-21.5
Long-term trade debtors	4,198	4,292	-2.2
Total fixed assets	3,148,347	3,080,199	2.2
Goodwill on consolidation	15,712	17,807	-11.8
Deferred expenses	43,106	54,286	-20.6
Unpaid calls on share capital	-	-	-
Stocks	28,037	18,459	51.9
Debtors	243,957	210,229	16.0
Short-term investments	9,079	11,891	-23.6
Short-term own shares	-	-	-
Cash and banks	5,656	4,174	35.5
Prepaid expenses	4,080	2,890	41.2
Total Current Assets	290,809	247,643	17.4
Total Assets	3,497,974	3,399,935	2.9

Shareholders' Equity and Liabilities

Share capital	270,540	270,540	-
Parent company reserves	584,216	526,866	10.9
Consolidated companies reserves	-48,199	-27,474	75.4
Conversion Difference	-11,020	-7,996	37.8
Profit (loss) attributable to parent company	132,381	115,784	14.3
Interim dividends	-32,093	-28,621	12.1
Total shareholders' equity	895,825	849,099	5.5
Minority interests	55	55	0.0
Negative consolidation difference	-	-	-
Deferred income	255,225	236,566	7.9
Provisions for liabilities and charges	53,925	43,419	24.2
Bond issued and other marketable securities	850,000	845,076	0.6
Loans	805,725	939,788	-14.3
Long-term trade creditors	-	-	-
Other long-term creditors	48,295	43,064	12.1
Long-term creditors	1,704,020	1,827,928	-6.8
Bond issued and other marketable securities	58,018	62,670	-7.4
Loans	243,414	101,884	138.9
Trade creditors	81,138	69,273	17.1
Other short-term creditors	181,706	173,730	4.6
Accruals	24,648	35,311	-30.2
Current liabilities	588,924	442,868	33.0
Provisions for current liabilities and charges	-	-	-
Shareholders' equity and liabilities	3,497,974	3,399,935	2.9

NOTE:

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RED ELÉCTRICA DE ESPAÑA, S.A.

Statement of Profit and Loss

	Thousands of Euros		%
	31.12.2004	31.12.2003	
Net sales	936,637	890,844	5.1
Other income	12,570	15,236	-17.5
Change in stocks of finished goods and work in progress	-	-	-
Total Value of Production	949,207	906,080	4.8
Net purchases	-224,657	-247,256	-9.1
Changes in stocks of goods for resale, raw materials and other supplies	11,344	10,518	7.9
External and operating expenses	-186,031	-168,011	10.7
Adjusted Added Value	549,863	501,331	9.7
Other expenses and income	-	-	-
Personnel expenses	-67,276	-57,106	17.8
Gross Operating Profit	482,587	444,225	8.6
Amortisation and depreciation	-184,011	-176,887	4.0
Reversion fund	-	-	-
Change in provisions for current assets	-1,582	2,089	-
Net Operating Profit	296,994	269,427	10.2
Financial income	2,367	2,918	-18.9
Financial expense	-75,439	-69,324	8.8
Interest and exchange gains capitalised	5,410	3,609	49.9
Amortisation and financial provisions	-	-	-
Profit on Ordinary Activities	229,332	206,630	11.0
Profit (Loss) on tangible and intangible assets and treasury stock	10	-6	-
Changes in provisions for tangible and intangible assets and treasury stock	-28,758	-24,785	16.0
Return on own shares and bonds	1,158	1,447	-20.0
Prior year's results	170	182	-6.6
Other extraordinary profit	5,783	2,631	119.8
Profit Before Tax	207,695	186,099	11.6
Income tax and other taxes	-80,460	-72,048	11.7
Profit for the Period	127,235	114,051	11.6

NOTE:

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RED ELÉCTRICA DE ESPAÑA, S.A.

Balance Sheet

Assets	Thousands of Euros		%
	31.12.2004	31.12.2003	2004/2003
Uncalled share capital contributions	-	-	-
Start-up costs	-	-	-
Intangible assets	8,369	5,002	67.3
Rights over leased assets	-	-	-
Other intangible assets	8,369	5,002	67.3
Tangible assets	2,935,695	2,857,550	2.7
Investments	170,326	194,236	-12.3
Long-term own shares	1,218	1,551	-21.5
Long-term trade debtors	-	-	-
Fixed assets	3,115,608	3,058,339	1.9
Deferred expenses	15,972	22,287	-28.3
Unpaid calls on share capital	-	-	-
Stocks	27,978	18,401	52.0
Debtors	225,419	197,928	13.9
Short-term investments	1,224	1,197	2.3
Short-term own shares	-	-	-
Cash and banks	307	375	-18.1
Prepaid expenses	2,322	2,127	9.2
Current Assets	257,250	220,028	16.9
Assets	3,388,830	3,300,654	2.7

Shareholders' Equity and Liabilities

Share Capital	270,540	270,540	-
Reserves	529,457	494,450	7.1
Prior year's results	-	-	-
Profit for the period	127,235	114,051	11.6
Interim dividends	-32,093	-28,621	-
Shareholders' equity	895,139	850,420	5.3
Deferred income	247,036	229,324	7.7
Provisions for liabilities and charges	52,221	41,668	25.3
Provisions for liabilities and charges	-	45,076	-
Bond issued and other marketable securities	722,667	868,763	-16.8
Loans	850,000	800,000	6.3
Long-term trade creditors	-	-	-
Other long-term creditors	48,295	42,664	13.2
Long-term creditors	1,620,962	1,756,503	-7.7
Bond issued and other marketable securities	45,583	51,769	-11.9
Loans	186,360	40,276	362.7
Group and associated companies	31,219	30,920	1.0
Trade creditors	75,107	64,225	16.9
Other short-term creditors	211,574	201,122	5.2
Accruals	23,629	34,427	-31.4
Current liabilities	573,472	422,739	35.7
Provision for current liabilities and charges	-	-	-
Shareholders' equity and liabilities	3,388,830	3,300,654	2.7

NOTE:

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