



RED ELÉCTRICA DE ESPAÑA

CONSOLIDATED PROFIT FOR THE FIRST QUARTER OF 2005 IN ACCORDANCE WITH THE SPANISH GENERAL CHART OF ACCOUNTS (SGCA)

- In the first quarter of 2005, the Red Eléctrica Group has consolidated its position as the Transmission and System Operator (TSO) in Spain after exercising in advance the option to purchase 75% of Redalta, holder of the transmission assets previously owned by Iberdrola. This transaction follows acquisition of the assets of Viesgo and the agreement with Unión Fenosa to reorganize electricity assets, which were subscribed during the last quarter of 2004. The impact of these transactions will be recorded in the financial statements for the year, once the corresponding administrative authorisations are obtained, and therefore do not affect the profits for the first quarter of 2005.
- The consolidated profit after tax for the Red Eléctrica Group for the first quarter of 2005 totalled Euros 38.8 million, 10% up on the Euros 35.3 million earned in the same period in 2004.
- The gross operating profit (EBITDA) has increased by 8% and the net operating profit (EBIT) has risen by 5%.
- The consolidated cash-flow after tax amounted to Euros 96.2 million, 11.3% up on the prior year.

PRINCIPAL INDICATORS

Consolidated Profits

Thousands of Euros	1Q 2005	1Q 2004	Var. (%)
Adjusted turnover (net of energy purchases)	194,974	181,787	7.3
Gross Operating Profit (EBITDA)	131,313	121,534	8.0
Net Operating Profit (EBIT)	74,942	71,399	5.0
Profit on Ordinary Activities	58,021	53,145	9.2
Profit after tax	38,796	35,272	10.0

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 THE FIRST QUARTER OF 2005

The **adjusted consolidated turnover** (net of energy purchases) is Euros 195.0 million in the first quarter of 2005, up 7.3% 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 commissioned by Red Eléctrica in 2004 and
- the increase in telecommunications services rendered.

Income generated on engineering and construction work carried out for third parties has decreased compared to the same period in the prior year.

Consolidated operating expenses (net of energy purchases) total Euros 66.1 million, up 4.5% on the Euros 63.2 million recorded for the first quarter of 2004.

Consolidated operating expenses include personnel costs of Euros 19.7 million, up 8.8% on the same period in 2004. The Group's average headcount has risen by 10.4% to 1,424 employees at 31 March 2005. This increase is mainly due to the incorporation of personnel in the Parent Company for:

- the integration of the transmission assets acquired and
- the system operation for the off-mainland and island systems.

The total headcount for the Group amounts to 1,426 employees (1,415 at 31 December 2004).

Gross consolidated operating profit (EBITDA) is Euros 131.3 million, up 8% on the same period in 2004.

Net consolidated operating profit (EBIT) totalled Euros 74.9 million, representing an increase of 5.0% compared to the first quarter of 2004.

Amortisation and depreciation charges amount to Euros 56.3 million compared to Euros 49.8 million for the same period in 2004. This increase is primarily due the regularization in useful lives of certain installations, mainly power machines. Most of this increase will not be recurrent in the following quarters of this year.

Consolidated losses on financial operations total Euros -17.0 million, compared to Euros -17.6 million in the first quarter of 2004, as the cost of debt is lower in the first quarter of 2005 compared to the same period in 2004.

Equity-accounted companies have contributed Euros 0.6 million to profits, mainly from the shareholding in 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 58.0 million, up 9.2% on the same period in 2004.



Extraordinary consolidated profit totals Euros 1.0 million, compared to Euros 0.3 million for the same period in 2004.

Consolidated profit after tax totals Euros 38.8 million, compared to Euros 35.3 million in 2004, representing an increase of 10%. The effective tax rate is 34.2%.

Consolidated cash-flow after tax is up 11.3% on the same period in 2004 to Euros 96.2 million. This figure represents 49.3% of adjusted consolidated turnover (net of energy purchases).

Consolidated investments made in the first quarter of 2005 amount to Euros 51.5 million, of which Euros 46.9 million has been allocated to the extension and improvement of the transmission network and Euros 4.6 million to other investments.

At 31 March 2005, **net financial debt** totals Euros 2,048.0 million, up Euros 125.5 million compared to 31 December 2004. This increase is due mainly to the advance payment deriving from the contract with EdF and the dividend payment, settled in the first quarter of each year, as well as investments in the transmission network.

The leverage ratio (net financial debt as a percentage of shareholders' equity plus net financial debt) is 68.7%. The structure of financial debt is as follows:

Thousands of Euros	Euros	Foreign Currency	Total
Short-term Investments	-2,473	-8,982	-11,455
Cash in hand and at banks	-3,208	-1,427	-4,635
Long-term debentures	850,000	-	850,000
Short-term debentures	45,076	-	45,076
Long-term loans	731,845	68,726	800,571
Promissory notes and short-term loans	364,213	4,204	368,417
Total Net Financial Debt	1,985,453	62,521	2,047,974



INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

As required by Circular 1 of 1 April 2005 of the National Stock Exchange Commission, modifying the periodic public information models to be used by entities issuing shares traded on Spanish stock exchanges, we set out below the following indicators under international financial reporting standards at 31 March 2005, compared with those at 31 March 2004.

Consolidated Profits Thousands of Euros	SGCA			IFRS		
	1Q 2005	1Q 2004	Var. (%)	1Q 2005	1Q 2004	Var. (%)
Turnover	243,129	230,243	5.6	183,314	175,400	6,2
Profit before tax on continuing activities	59,000	53,493	10.3	66,806	62,284	7,3
Profit for the year on continuing activities	-	-	-	43,935	41,055	7,0
Profit for the year	38,798	35,274	10.0	39,265	35,916	9,3
Profit attributable to minority interests	-2	-2	-	-2	-2	-
Profit attributable to the parent company	38,796	35,272	10.0	39,263	35,914	9,3

Application of IFRS has not had a significant impact on the accounts.

The criteria for recognising the profits of the telecommunications subsidiary, foreseen by IFRS 5 "*Non-current assets held for sale and discontinued operations*", has led to variations in Turnover and between the Profits on continuing activities and Profits for the year, compared to the Spanish General Chart of Accounts.

The difference in turnover under IFRS compared to the SGCA is mainly because the difference between the sales and purchases of energy (Euros 1,427 thousand in 2005 and Euros 1,589 thousand in 2004) has been recorded instead of the amount of energy sales (Euros 49,582 thousand in 2005 and Euros 50,045 thousand in 2004).

Red Eléctrica will present its financial statements for 2004 under IFRS prior to publication of the profits for the first half of 2005.

SIGNIFICANT EVENTS

ELECTRICITY BUSINESS IN SPAIN

Red Eléctrica acquires 75% of Redalta

Red Eléctrica de España, S.A., and Grid Industries, S.A., (a subsidiary of CVC Capital Partners) reached an agreement for the acquisition by Red Eléctrica de España, S.A., of the shares of Red de Alta Tensión, S.A. held by Grid Industries S.A. (representing 75% of the share capital of the former company), and of the interest of Grid Industries S.A. in a participating loan extended to Red de Alta Tensión, S.A., on 27 December 2002. The transmission assets of Iberdrola were purchased through Red de Alta Tensión, S.A.

The price of this transaction, as of 15 February 2005, is Euros 247 million and the global valuation of the operation by the RED ELÉCTRICA Group at that date totals Euros 739 million. This agreement remains subject to the corresponding administrative authorisations and will be effective as of 15 February 2005.



Moody's maintains the Red Eléctrica credit rating

For the third consecutive year, Moody's has maintained the credit rating for Red Eléctrica as A2, after analysing the company's new strategic plan for 2005-2009, which includes bringing forward option to purchase 75% of Redalta and increasing the plan for investments in the transmission network to Euros 1,900 million.

Moody's has also attributed a stable outlook to the Company, reflected by the low-risk profile and solidity of its core business as well as the stability and predictability of its income. A stable regulatory framework is also a contributory factor.

Dividend

As a result of agreements reached in the meetings held on 11 March and 21 April 2005, the Board of Directors of Red Eléctrica de España, S.A. have agreed to propose to the shareholders at their general meeting, payment of a gross amount of Euros 0.6138 per share on all shares with dividend rights, representing an increase of 12.0% compared to the prior year.

The dividend will be settled on 1 July 2005, through banks and financial entities to be announced in due course, deducting the gross amount of Euros 0.2375, paid as an interim dividend on 3 January 2005, by virtue of the agreement of the Board of Directors on 25 November 2004.

Ordinary General Meeting of Shareholders

On 21 April 2005, the Board of Directors of Red Eléctrica de España agreed to convene the general meeting of shareholders in the first instance on 25 May 2005, at 12:30 p.m. at the Teatro Auditorio Ciudad de Alcobendas, Calle Blas de Otero 4, Alcobendas, Madrid, and in the second instance, if necessary, on 26 May 2005 at the same place and time.

The agenda and the text of the proposals to be submitted by the Board of Directors to the Shareholders at the General Meeting is available on the Company's web page (www.ree.es).

Investments in the Transmission Network in 2005

Investments in the transmission network totalled Euros 46.9 million in the first quarter of 2005. 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, northeast 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 31 March 2005 is turnover of Euros 4.2 million, EBITDA of Euros 2.9 million, Euros 1.7 million EBIT and profit after tax of Euros 1.2 million.

In the first quarter of 2005, the board of directors of TDE have approved distribution of a dividend of Euros 2.5 million which has already been settled.

TELECOMMUNICATIONS BUSINESS

Turnover generated by Albura totals Euros 13.5 million compared to Euros 10.9 million for the same period in the prior year. EBITDA totals Euros -3.2 million, EBIT amounts to Euros -6.7 million and loss after tax is Euros -4.7 million.

Investments made by Albura in the first quarter of 2005 total Euros 1.1 million.



GRUPO RED ELÉCTRICA

Consolidated Statement of Profit and Loss

	Thousands of Euros		%
	31.03.2005	31.03.2004	2005/2004
Net sales	243,129	230,243	5.6
Other income	2,439	2,991	-18.5
Change in stocks of finished goods and work in progress	-	-	-
Total Value of Production	245,568	233,234	5.3
Net purchases	-53,492	-59,224	-9.7
Changes in stocks of goods for resale, raw materials and other supplies	2,160	5,352	-59.6
External and operating expenses	-43,223	-39,721	8.8
Adjusted Added Value	151,013	139,641	8.1
Other expenses and income	-	-	-
Personnel expenses	-19,700	-18,107	8.8
Gross Operating Profit	131,313	121,534	8.0
Amortisation and depreciation	-56,324	-49,779	13.1
Reversion fund	-	-	-
Change in provisions for current assets	-47	-356	-86.8
Net Operating Profit	74,942	71,399	5.0
Financial income	1,432	1,006	42.3
Financial expense	-19,335	-19,525	-1.0
Interest and exchange gains capitalised	877	964	-9.0
Amortisation and financial provisions	-	-	-
Conversion gains (losses)	-	-	-
Share of profits in equity accounted companies	630	-174	-462.1
Amortisation of goodwill on consolidation	-525	-525	-
Reversal of negative consolidation differences	-	-	-
Profit on Ordinary Activities	58,021	53,145	9.2
Profit (Loss) on tangible and intangible assets and treasury stock	27	-61	-144.3
Changes in provisions for tangible and intangible assets and treasury stock	-758	-430	76.3
Return on own shares and bonds	408	400	2.0
Prior year's results	10	24	-58.3
Other extraordinary profit	1,292	415	211.3
Profit Before Tax	59,000	53,493	10.3
Income tax and other taxes	-20,202	-18,219	10.9
Profit for the Period	38,798	35,274	10.0
Profit attributable to minority interests	-2	-2	-
Profit attributable to parent company	38,796	35,272	10.0

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		%
	31.03.2005	31.12.2004	2005/2004
Uncalled share capital contributions	-	-	-
Start-up costs	-	-	-
Intangible assets	11,600	12,287	-5.6
Rights over leased assets	-	-	-
Other intangible assets	11,600	12,287	-5.6
Tangible assets	3,083,881	3,084,243	0.0
Investments	47,383	46,401	2.1
Long-term own shares	3,345	1,218	174.6
Long-term trade debtors	4,296	4,198	2.3
Total fixed assets	3,150,505	3,148,347	0.1
Goodwill on consolidation	15,187	15,712	-3.3
Deferred expenses	40,966	43,106	-5.0
Unpaid calls on share capital	-	-	-
Stocks	30,027	28,037	7.1
Debtors	294,131	243,957	20.6
Short-term investments	11,455	9,079	26.2
Short-term own shares	-	-	-
Cash and banks	4,635	5,656	-18.1
Prepaid expenses	69,329	4,080	-
Total Current Assets	409,577	290,809	40.8
Total Assets	3,616,235	3,497,974	3.4

Shareholders' Equity and Liabilities

Share capital	270,540	270,540	-
Parent company reserves	736,514	584,216	26.1
Consolidated companies reserves	-72,165	-48,199	49.7
Conversion Difference	-8,858	-11,020	-19.6
Profit (loss) attributable to parent company	38,796	132,381	-70.7
Interim dividends	-32,093	-32,093	-
Total shareholders' equity	932,734	895,825	4.1
Minority interests	58	55	5.5
Negative consolidation difference	-	-	-
Deferred income	255,399	255,225	0.1
Provisions for liabilities and charges	54,519	53,925	1.1
Bond issued and other marketable securities	850,000	850,000	-
Loans	800,571	805,725	-0.6
Long-term trade creditors	-	-	-
Other long-term creditors	48,856	48,295	1.2
Long-term creditors	1,699,427	1,704,020	-0.3
Bond issued and other marketable securities	66,185	58,018	14.1
Loans	374,825	243,414	54.0
Trade creditors	77,060	81,138	-5.0
Other short-term creditors	134,807	181,706	-25.8
Accruals	21,221	24,648	-13.9
Current liabilities	674,098	588,924	14.5
Provisions for current liabilities and charges	-	-	-
Shareholders' equity and liabilities	3,616,235	3,497,974	3.4

NOTE:

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RED ELÉCTRICA DE ESPAÑA, S.A.

Statement of Profit and Loss

	Thousands of Euros		%
	31.03.2005	31.03.2004	
Net sales	235,012	224,295	4.8
Other income	2,509	3,127	-19.8
Change in stocks of finished goods and work in progress	-	-	-
Total Value of Production	237,521	227,422	4.4
Net purchases	-53,198	-58,620	-9.2
Changes in stocks of goods for resale, raw materials and other supplies	2,161	5,352	-59.6
External and operating expenses	-37,830	-36,516	3.6
Adjusted Added Value	148,654	137,638	8.0
Other expenses and income	-	-	-
Personnel expenses	-17,087	-15,538	10.0
Gross Operating Profit	131,567	122,100	7.8
Amortisation and depreciation	-51,514	-45,159	14.1
Reversion fund	-	-	-
Change in provisions for current assets	-176	-329	-46.5
Net Operating Profit	79,877	76,612	4.3
Financial income	1,874	608	208.2
Financial expense	-18,109	-18,180	-0.4
Interest and exchange gains capitalised	877	964	-9.0
Amortisation and financial provisions	-	-	-
Profit on Ordinary Activities	64,519	60,004	7.5
Profit (Loss) on tangible and intangible assets and treasury stock	-	-	-
Changes in provisions for tangible and intangible assets and treasury stock	-2,413	-4,543	-46.9
Return on own shares and bonds	408	400	2.0
Prior year's results	2	-7	-
Other extraordinary profit	1,292	421	206.9
Profit Before Tax	63,808	56,275	13.4
Income tax and other taxes	-22,875	-21,372	7.0
Profit for the Period	40,933	34,903	17.3

NOTE:

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RED ELÉCTRICA DE ESPAÑA, S.A.

Balance Sheet

Assets	Thousands of Euros		%
	31.03.2005	31.12.2004	2005/2004
Uncalled share capital contributions	-	-	-
Start-up costs	-	-	-
Intangible assets	8,104	8,369	-3.2
Rights over leased assets	-	-	-
Other intangible assets	8,104	8,369	-3.2
Tangible assets	2,932,542	2,935,695	-0.1
Investments	168,663	170,326	-1.0
Long-term own shares	3,345	1,218	174.6
Long-term trade debtors	-	-	-
Fixed assets	3,112,654	3,115,608	-0.1
Deferred expenses	14,347	15,972	-10.2
Unpaid calls on share capital	-	-	-
Stocks	29,962	27,978	7.1
Debtors	279,497	225,419	24.0
Short-term investments	1,922	1,224	57.0
Short-term own shares	-	-	-
Cash and banks	499	307	62.5
Prepaid expenses	67,038	2,322	-
Current Assets	378,918	257,250	47.3
Assets	3,505,919	3,388,830	3.5

Shareholders' Equity and Liabilities

Share Capital	270,540	270,540	-
Reserves	652,741	529,457	23.3
Prior year's results	-	-	-
Profit for the period	40,933	127,235	-67.8
Interim dividends	-32,093	-32,093	0.0
Shareholders' equity	932,121	895,139	4.1
Deferred income	247,769	247,036	0.3
Provisions for liabilities and charges	52,714	52,221	0.9
Provisions for liabilities and charges	-	-	-
Bond issued and other marketable securities	714,285	722,667	-1.2
Loans	850,000	850,000	0.0
Long-term trade creditors	-	-	-
Other long-term creditors	48,856	48,295	1.2
Long-term creditors	1,613,141	1,620,962	-0.5
Bond issued and other marketable securities	45,860	45,583	0.6
Loans	309,648	186,360	66.2
Group and associated companies	47,287	31,219	51.5
Trade creditors	67,371	75,107	-10.3
Other short-term creditors	169,712	211,574	-19.8
Accruals	20,296	23,629	-14.1
Current liabilities	660,174	573,472	15.1
Provision for current liabilities and charges	-	-	-
Shareholders' equity and liabilities	3,505,919	3,388,830	3.5

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