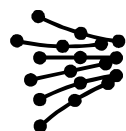


The release of the financial results for the first half of 2005 has been changed in accordance with the significant event of march 6th, 2006. This change has not impacted the Profit attributable to the parent company.



RED ELÉCTRICA DE ESPAÑA

28 July 2005

CONSOLIDATED PROFIT FOR THE FIRST HALF OF 2005 IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The following events had an impact on the profit for the first half of the year:

- The integration of the accounts of Inalta, the company controlling the assets belonging to Iberdrola, into the financial statements of the Red Eléctrica Group as of 15 February 2005. This integration followed the acquisition of the remaining 75% of Redalta, owner of 100% of the shares of Inalta, once the corresponding administrative authorisations were obtained, on 30 June.
- The sale of 100% of the shares of Red Eléctrica Telecomunicaciones, S.A.U. (albura) to T-Online Internacional, A.G.

The gross operating profit (EBITDA) has increased by 27.0% and the net operating profit (EBIT) has risen by 26.4%, mainly due to the incorporation of Inalta.

The consolidated cash flow after tax amounted to Euros 199.3 million, 21.9% up on the prior year.

The profit after tax for the year from continuing activities has been Euros 80.9 million, 12.4% up on the Euros 72.0 million in the prior year.

The profit after tax for the Red Eléctrica Group for the first half of 2005 totalled Euros 67.1 million, 6.4% up on the Euros 63.1 million earned in the same period in 2004. This figure includes the losses of albura in the first six months of the year, as well as a Euros 5.2 million loss after tax derived from the sale of this subsidiary.

KEY FIGURES

thousands of euros	1H 2005	1H 2004	Var. (%)
Turnover	420,423	348,624	20.6
Gross operating profit (EBITDA)	301,160	237,152	27.0
Net operating profit (EBIT)	182,547	144,379	26.4
Profit before tax on continuing activities	123,588	109,838	12.5
Profit for the year on continuing activities	80,896	71,973	12.4
Profit attributable to parent company	67,113	63,055	6.4
Cash-flow after tax	199,304	163,542	21.9

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CONSOLIDATED PROFIT FOR THE FIRST HALF OF 2005

Turnover amounted to Euros 420.4 million in the first half of 2005, up 20.6% on the same period in the prior year, mainly for the following reasons:

- the incorporation of income derived from the transmission assets of Inalta for four and a half months, which amounted to 45.6 million euros and
- the increase in transmission income, primarily as a result of installations brought into service by Red Eléctrica in 2004.

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 totalled Euros 120.8 million, up 6.4% on the Euros 113.5 million recorded for the first half of 2004.

Consolidated operating expenses include the following captions:

- Other operating expenses and materials consumed, which have amounted to Euros 86.1 million, up 14.8% on the prior year. This increase is mainly due to the incorporation of maintenance costs associated with Inalta assets.
- Personnel costs totalled Euros 34.8¹ million, down 9.9% compared to the same period in 2004. This reduction is mainly because costs associated with changes to the Company's senior management were included in 2004.

The average headcount for the Group has risen by 7.6% to 1,323² employees at 30 June 2005. This increase is due to the hiring of personnel in the parent company for the integration of the transmission assets acquired and new services rendered for the system operation of on the Spanish peninsula and the islands.

The total headcount for the Group amounts to 1,360 employees compared to the 1,286² employees at 31 December 2004.

Gross consolidated operating profit (EBITDA) is Euros 301.2 million, up 27.0% on the same period in 2004.

Amortisation and depreciation charges amount to Euros 118.6 million compared to Euros 92.8 million for the same period in 2004, mainly because of the following:

- Increase due to the incorporation of the amortisation and depreciation charges associated with assets from the Inalta transmission network. This includes the amortisation relating to the difference between the underlying net book value and the price paid for the shares of Redalta which has been assigned to Inalta property, plant and equipment and depreciated at the same rate as the installations acquired and

¹ Under IFRS, personnel expenses attributable to investment projects are assigned to investments and therefore are lower than those recorded under the Spanish General Chart of Accounts, by Euros 3.6 million in the first half of 2005 and Euros 3.5 million in the same period in 2004.

² Under IFRS, as the telecommunications business is considered a discontinued activity, albura personnel are eliminated from the Group's average and total headcount.



- Increase due to assets commissioned in the last twelve months and the change in the useful life made at the beginning of the year, already explained in the results for the first quarter 2005, which have been partially offset by the expiry of the accounting useful lives of some installations.

Net consolidated operating profit (EBIT) totalled Euros 182.5 million, representing an increase of 26.4% compared to the first half of 2004.

Consolidated losses on financial operations total Euros -62 million, compared to Euros -37.5 million in the first half of 2004. This increase is due mainly to the integration of financial expenses for four and a half months associated with financing of the purchase of Redalta. Expenses for the following events have been recorded in the first half of 2005:

- Red Eléctrica has settled the debt contracted by Redalta in order to proceed with its refinancing, which has involved recording an expense of Euros 6.9 million relating to the loan arrangement costs. At present, Red Eléctrica is in receipt of a bridging loan to finance this acquisition, which will be replaced by more long-term financing.
- Under IFRS, the valuation at 30 June of derivatives associated with the Inalta debt has generated expenses for the year of Euros 4.4 million.

Equity-accounted companies have contributed Euros 0.3 million to profits, mainly from the shareholding in Redesur.

Other income amounted to 2.6 million euros, mainly from accrued income associated with capital grants.

The **profit before tax on continuing activities** amounts to Euros 123.6 million, representing an increase of 12.5% compared to the same period in 2004.

The **profit after tax on continuing activities** has totalled Euros 80.9 million, up 12.4% on the same period in 2004. The tax rate is 34.5%, the same to the one of the prior year.

The loss after tax on discontinued activities amounted to Euros -13.8 million, compared to Euros -8.9 million in the first half of 2004, representing an increase of 54.6%. The loss for the period includes that from the sale of 100% of the shares of albura.

Consolidated cash-flow after tax is up 21.9% on the same period in 2004 to Euros 199.3 million. This figure represents 47.4% of turnover.

Consolidated investments made in the first half of 2005 amount to Euros 114.0 million, excluding the acquisition of 75% of the shares and the participating loan, which amounted Euros 247 million. Of these investments, Euros 104.8 million has been allocated to the extension and improvement of the transmission network and Euros 9.2 million to other investments.

The main projects in progress in the Spanish transmission network are the following:

- strengthening of the transmission infrastructure in Andalusia and the south-east of Spain,
- development of the Northern Axis enabling growth in transmission capacity,
- strengthening of the infrastructure in the centre, north-east and northwest of Spain,



- development of infrastructures to support the Barcelona-Lleida section of the high-speed train line, and
- the increase in the transmissions interconnections capacity of Morocco.

At 30 June 2005, **net financial debt** totals Euros 2,822.3 million, up Euros 976.4 million compared to the Euros 1,845.9 million at 31 December 2004³. This increase is due mainly to the acquisition of the transmission network from Inalta, 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 75.9%. The structure of financial debt is as follows:

Thousands of Euros	Euros	Foreign currency	Total
Current investments	-2,332	-7,835	-10,167
Cash and cash equivalents	-16,752	-1,021	-17,773
Long-term debentures	849,593	-	849,593
Short-term debentures	45,076	-	45,076
Long-term loans	707,690	69,374	777,064
Promissory notes and short-term loans	1,175,221	3,243	1,178,464
Total Net Financial Debt	2,758,496	63,761	2,822,257

INTERNATIONAL BUSINESS

TDE contributes turnover of Euros 8.9 million to the principal indicators of the consolidated statement of profit and loss at 30 June 2005, together with EBITDA of Euros 6.0 million, Euros 3.6 million EBIT and profit after tax of Euros 2.7 million.

International business dividends

In the first half of 2005 the Boards of Directors of TDE (Bolivia) and Redesur (Peru) have approved distribution of dividends of Dollars 2.7 million and 0.8 million, respectively, which have already been settled.

³ Under IFRS, the 31 December 2004 debt does not include that associated with albura, as its assets and liabilities are considered as available for sale.



SIGNIFICANT EVENTS

SALE OF ALBURA TO T-ONLINE INTERNATIONAL

On 30 June 2005, Red Eléctrica de España, S.A. sold 100% of its telecommunications subsidiary, Red Eléctrica Telecomunicaciones, S.A.U (albura), to T-Online International A.G. for a company value of Euros 61.5 million. The price for 100% of the shares was 35.0 million euros, with T-Online International A.G assuming the net financial debt of albura, of Euros 26.5 million at that date.

The transaction generated capital losses after taxes of Euros 5.2 million for the Red Eléctrica Group, after applying the provisions already realised.

In relation to the sale and purchase, Red Eléctrica de España, S.A. and T-Online International A.G., signed an agreement for 11 years to assign the use and maintenance of fibre optics and related infrastructures, by virtue of which Red Eléctrica de España, S.A., will receive 5 million euros the first year, an amount that will be adjusted according to the Consumer Price Index.

With the sale of Red Eléctrica Telecomunicaciones, S.A.U., Red Eléctrica de España, S.A., in accordance with its strategic plan, will focus its activity on carrying out its main business as carrier and operator of the electricity system, with its telecommunications activity being limited to the cession of dark fibre.

FORMALISATION OF THE ACQUISITION OF 75% OF REDALTA

On 30 June 2005, having obtained the administrative authorisations regarding the agreement for the acquisition by Red Eléctrica de España, S.A. of the shares of Grid Industries, S.A. (a company in which CVC Capital Partners holds a stake) in Red de Alta Tensión, S.A. and of Grid Industries, S.A.'s stake in a participation loan granted to Red de Alta Tensión, S.A. on 27 December 2002, the parties have complied with the corresponding formalities in order to conclude of the operation.

SUPPLEMENTARY DIVIDEND PAYMENT

On 1 July 2005 a supplementary gross dividend for Euros 0.3763 per share was paid with a charge to 2004. The total gross dividend distributed with a charge to 2004 amounted to Euros 0.6138 per share, 12% up on the Euros 0.5480 per share for 2003.



RED ELECTRICA GROUP

Income Statement

	Thousands of Euros		%
	30/06/2005	30/06/2004	2005/2004
Net turnover	420,423	348,624	20.6
Other operating income	1,580	2,074	-23.8
Materials consumed	(9,247)	(10,766)	-14.1
Personnel expenses	(34,754)	(38,574)	-9.9
Other operating expenses	(76,842)	(64,206)	19.7
Gross operating profit (EBITDA)	301,160	237,152	27.0
Depreciation and amortisation of non-current assets	(118,613)	(92,773)	27.9
Net operating profit (EBIT)	182,547	144,379	26.4
Financial income	1,112	418	166.0
Financial expenses	(58,485)	(37,998)	53.9
Exchange difference	(252)	98	-357.1
Net profit/(loss) on variations in value of financial instruments	(4,366)	(29)	14955.2
Net profit/(loss) due to impairment of assets	4	(87)	-104.6
Profits from equity-accounted companies	272	589	-53.8
Profit/(loss) on disposal of non-current assets	126	(91)	-238.5
Other income or expenses	2,630	2,559	2.8
Profit before tax on continuing activities	123,588	109,838	12.5
Income tax expense	(42,692)	(37,865)	12.7
Profit for the year on continuing activities	80,896	71,973	12.4
Profit after tax on discontinued activities	(13,780)	(8,913)	54.6
Profit for the year	67,116	63,060	6.4
Minority interests	(3)	(5)	-40.0
Profit attributable to parent company	67,113	63,055	6.4



RED ELECTRICA GROUP

Balance Sheet

Assets	Thousands of Euros		%
	30/06/2005	31/12/2004	2005/2004
Property, plant and equipment	4,043,597	3,022,049	33.8
Investment properties	3,754	1,216	208.7
Goodwill	14,689	13,040	12.6
Intangible assets	8,417	8,844	-4.8
Non-current investments	2,305	17,453	-86.8
Equity-accounted investments	6,768	4,003	69.1
Deferred tax assets	34,926	25,878	35.0
Other non-current assets	4,679	7,360	-36.4
Non-current assets	4,119,135	3,099,843	32.9
Inventories	33,746	28,037	20.4
Trade and other receivables	350,708	230,638	52.1
Current investments	1,885	1,234	52.8
Current tax assets	632	930	-32.0
Other current assets	33	19	73.7
Cash and cash equivalents	26,055	12,958	101.1
Assets classified as held for sale	-	103,471	-
Current assets	413,059	377,287	9.5
Total Assets	4,532,194	3,477,130	30.3

Shareholders' equity and liabilities	Thousands of Euros		%
	30/06/2005	31/12/2004	2005/2004
Share capital	270,540	270,540	0.0
Reserves	264,546	264,546	0.0
Retained earnings	368,631	383,155	-3.8
Own shares	(3,281)	(2,695)	21.7
Exchange differences	2,087	(4,560)	-145.8
Other valuation adjustments	(5,536)	(2,743)	101.8
Interim dividend settled in the year	-	(32,093)	-
Minority interests	64	55	16.4
Net equity	897,051	876,205	2.4
Issue of liabilities and other marketable securities	849,593	849,565	0.0
Loans	777,064	783,085	-0.8
Deferred tax liabilities	159,646	57,461	177.8
Provisions	32,168	30,329	6.1
Other non-current liabilities	273,982	256,076	7.0
Non-current liabilities	2,092,453	1,976,516	5.9
Issue of liabilities and other marketable securities	76,481	58,020	31.8
Loans	1,185,550	189,246	526.5
Trade and other payables	108,241	100,786	7.4
Other current financial liabilities	19,010	3,010	531.6
Provisions	1,053	1,000	5.3
Current tax liabilities	48,372	25,172	92.2
Other current liabilities	103,983	140,995	-26.3
Liabilities associated with assets classified for sale	-	106,180	-100.0
Current liabilities	1,542,690	624,409	147.1
Total shareholders' equity and liabilities	4,532,194	3,477,130	30.3



APPENDIX

APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) IN THE RED ELÉCTRICA GROUP

The consolidated financial and accounting information included in this report, corresponding to the first half of 2005 and 2004 as well as at 31 December 2004, are presented in accordance with International Financial Reporting Standards (IFRS). Data has been obtained from the financial statements prepared by the Company and adapted with the same standards and criteria for comparative purposes.

The most notable criteria adopted by the Group are the following:

- maintenance of the value of its assets based on the historic cost method,
- non retrospective application of IAS 3 *Business Combinations* for the acquisition of TDE,
- accounting for capital grants (IAS 20) as deferred income and
- conversion differences at the date of first adoption have been considered as first adoption reserves (IAS 1)

Variation in the Income Statement between IFRS and Spanish General Chart of Accounts standards in the Red Eléctrica Group at 31 December 2004

The main differences in the income statement have been:

- **Turnover**

The difference in turnover under IFRS compared to the SGCA in the first half 2004 is mainly because the difference between the sales and purchases of energy (Euros 3,2 million) has been recorded instead of the amount of energy sales (Euros 99,9 million).

- **Goodwill**

Based on Spanish principles, goodwill is subject to systematic amortisation over a period of 10 years. Amortisation of goodwill is not permitted under IFRS and impairment of goodwill must be checked at least once a year in accordance with IAS 36, *Impairment of assets*.

- **Discontinued operations**

The criterion for recognising profits from the telecommunications subsidiary, in accordance with IAS 5 *Non-current assets held for sale and discontinued operations*, has eliminated the effect of albura in each of the captions in the income statement.



Variation in the Balance Sheet between IFRS and Spanish General Chart of Accounts standards in the Red Eléctrica Group at 31 December 2004

The main differences due to the application of IFRS compared to local accounting standards at 31 December 2004 have arisen in the Group's net equity, which has been reduced by Euros 19.6 million, mainly due to the following:

▪ Impairment

IAS 36, *Impairment of assets*, establishes a methodology for calculating the impairment of assets that is stricter than under Spanish principles.

At 31 December 2003, as a result of the differences between both standards in the calculation of the impairment of the assets from the telecommunications business, a provision of Euros 22.3 million for tangible assets is recorded under IFRS, with a deferred tax asset of Euros 7.8 million as the tax effect of this impairment and a reduction in shareholders' equity of Euros 14.5 million. At 31 December 2004 these differences amounted to Euros 19.2 million in the value of assets, Euros 6.7 million in deferred tax asset and, therefore, Euros 12.5 million in shareholders' equity.

At 30 June 2005, no differences in shareholders' equity arise between both standards as 100% of the telecommunications subsidiary has been sold.

▪ Goodwill

According to IAS 21, goodwill is considered in the local currency of the company, from which it originated, leading to exchange differences. Because of these differences, the value of goodwill amounted to Euros 13.0 million and the variation in the conversion difference compared to Spanish principles was Euros 4.8 million at 31 December 2004.

▪ Derivatives

The Group uses certain financial derivatives to hedge against variations in exchange and interest rates. Under IFRS, all these derivatives, whether or not designated for hedging, are accounted for at fair value, this being the market value for unquoted instruments.

On completion of the analysis and valuation of existing hedging instruments, the resulting increase in financial assets and liabilities was recorded. At 31 December 2004, the effect totalled -1.8 million in shareholders' equity.

The telecommunications business was also classified as an activity held for sale and each of the asset and liability captions in the balance sheet were reclassified.