



RED ELÉCTRICA DE ESPAÑA

CONSOLIDATED RESULTS FOR THE FIRST QUARTER OF 2006

- The following main aspects should be noted in relation to the financial highlights for the first quarter of 2006 and growth with respect to the same period of 2005:
 - Inclusion of Inalta's accounts. Inalta was not fully consolidated in the first quarter of 2005 since the corresponding administrative authorisations had not been obtained.
 - Effect of the adjustments to the useful lives of certain electricity facilities in the first quarter of 2005, particularly power machines, which was mainly non-recurring.
 - Sale of albura, completed on 30 June 2005, causing the elimination of the losses recognised in the first quarter of 2005.
- The profit attributed to the Parent company amounted to €55.8 million as compared with €39.3 million in the first quarter of 2005, entailing 42.2% growth. That decreases to 21.3% setting aside the non-recurring effect on depreciation charged.

FINANCIAL HIGHLIGHTS

Consolidated results IFRS (thousand euro)	1Q 2006	1Q 2005	Δ (%)
Net sales	233,504	186,314	25.3
Gross operating profit (EBITDA)	165,278	135,043	22.4
Net operating profit (EBIT)	106,377	82,560	28.8
Profit before tax on continuing activities	85,006	66,806	27.2
Profit for the year on continuing activities	55,818	43,935	27.0
Profit/(loss) after tax on discontinued activities	-	(4,670)	-
Profit attributable to the Parent company	55,816	39,263	42.2



CONSOLIDATED RESULTS FOR THE FIRST QUARTER OF 2006

In the first quarter of 2006 **net sales** totalled €233.5 million, having grown by 25.3% on the same period of the previous year. This is explained by:

- remuneration for Inalta's transmission assets, amounting to €32.8 million; and
- increase in transmission remuneration related to the facilities commissioned in 2005.

Consolidated operating expenses amounted to €69.0 million as compared with €51.9 million in the first quarter of 2005, representing an increase of 33.1%. This is explained by:

- inclusion of costs arising from the integration of the assets acquired from the electricity companies and Inalta's asset maintenance costs; and
- higher staff costs due to the 7.2% growth in the Group's average workforce to reach 1,396 employees at 31 March 2006. This increase in the workforce is related to the integration of the transmission assets acquired and to the provision of the new system operator services.

The Group's workforce stands at 1,403 employees as compared with 1,401 employees at 31 December 2005.

Consolidated gross operating profit (EBITDA) amounted to €165.3 million, 22.4% up on the first quarter of 2005. Most of this rise is attributable to the inclusion of Inalta's accounts.

Consolidated net operating profit (EBIT) totalled €106.4 million, 28.8% up on the first quarter of 2005.

Depreciation and amortisation charges amounted to €58.9 million as compared with €52.5 million in the same period of 2005. This €6.4 million increase is explained basically by the integration of Inalta's assets and has been partially offset by the impact of the adjustments to the useful lives of certain electricity facilities, which amounted to €10.4 million in the first quarter of 2005.

The Group recognised a consolidated loss from financial operations of €-25.2 million as compared with €-17.7 million for the first quarter of 2005. This increase is due mainly to financial expenses arising from the acquisition of a 75% interest in Redalta.

Profit before tax on continuing activities totalled €85.0 million, having risen by 27.2% on the same period of the previous year.

Profit after tax on continuing activities amounted to €55.8 million, representing a rise of 27.0% on the first quarter of 2005. The tax rate stands at 34.3%.

There are no **results from discontinued activities**, as compared with a loss of €-4.7 million in the first quarter of 2005, as albura was sold on 30 June 2005.

Profit after tax amounted to €55.8 million, representing an increase of 42.2% on the figure of €39.3 million posted in the first quarter of 2005.



Cash flows from operating activities before tax amounted to €140.7 million, entailing 21.0% growth on the €116.3 million achieved in the first quarter of 2005.

Consolidated investments in the first quarter of 2006 totalled €53.9 million, of which €49.9 million related to the extension and improvement of the transmission network and €4.0 million to other investments.

The main projects in progress in the domestic transmission network are as follows:

- strengthening of the transmission network in mainland Spain
- development of the Northern Axis to increase transmission capacity
- development of infrastructures to support the development of the high-speed train
- increase in the transmission capacity of the Morocco interconnection.

Net financial debt at 31 March 2006 stands at €2,801.5 million, in line with financial debt at 31 December 2005. The leverage ratio (net financial debt divided by equity plus net financial debt) is 73.5%. The Group's net financial debt structure is analysed below:

Thousand euro	National currency	Foreign currencies	Total
Cash and cash equivalents	-3,045	-12,233	-15,278
Non-current debt securities	1,252,833	-	1,252,833
Non-current borrowings	1,204,021	68,665	1,272,686
Non-current promissory notes and credit facilities	286,733	4,534	291,267
Total net financial debt	2,740,542	60,966	2,801,508

RELEVANT EVENTS

Dividend

On 23 March 2006 the Board of Directors of Red Eléctrica de España, S.A. resolved to propose to the Annual General Meeting of Shareholders a gross dividend of 0.7304 euros per share, which is 19.0% higher than the previous year's dividend.

The dividend will be paid on 3 July 2006 through the banks and financial institutions to be announced at an appropriate date. The gross amount of 0.2708 euros per share paid as an interim dividend on 2 January 2006, as agreed by the Board of Directors on 24 November 2005, will be deducted from the sum to be paid.

Annual General Meeting of Shareholders

On 23 March 2006 the Board of Directors of Red Eléctrica de España, S.A. resolved to convene the Annual General Meeting of Shareholders, which will be held on first call on 25 May 2006 at 12:30 at Teatro Auditorio Ciudad de Alcobendas, Calle Blas de Otero 4, Alcobendas, Madrid and, if applicable, on second call on 26 May 2006 at the same time and place.



The agenda and the full text of the resolutions proposed by the Board of Directors to the Annual General Meeting of Shareholders are available on the company's website (www.ree.es).

INTERNATIONAL BUSINESS

TDE's contribution to the main consolidated income statement figures at 31 March 2006 is as follows: net sales of €5.3 million, EBITDA of €3.7 million, EBIT of €2.3 million and profit after tax of €1.8 million.

In the first quarter of 2006, TDE's Board agreed to distribute a dividend of US\$6.6 million, which has already been paid.



RED ELÉCTRICA GROUP
CONSOLIDATED INCOME STATEMENT
(THOUSAND EURO)
(TRANSLATION FROM THE ORIGINAL IN SPANISH)

INCOME STATEMENT	31/03/2006	31/03/2005	2006/2005
Net sales	233,504	186,314	25.3%
Other operating income	823	596	38.1%
Materials consumed	(5,065)	(3,075)	64.7%
Staff costs	(19,205)	(16,817)	14.2%
Other operating expenses	(44,779)	(31,975)	40.0%
Net operating profit	165,278	135,043	22.4%
Amortisation/depreciation of non-current assets	(58,901)	(52,483)	12.2%
Net operating profit	106,377	82,560	28.8%
Financial income	349	1,372	(74.6%)
Financial expense	(25,591)	(18,521)	38.2%
Exchange differences	58	(534)	-
Net profit/(loss) on changes in fair value of financial instruments	2,169	-	-
Net asset impairment loss	1	(176)	-
Share of profit of associates accounted for using the equity method	263	811	(67.6%)
Net proceeds from sale of non-current assets	5	2	150.0%
Other gains or losses	1,375	1,292	6.4%
Profit before tax on continuing activities	85,006	66,806	27.2%
Income tax expense	(29,188)	(22,871)	27.6%
Profit for the year on continuing activities	55,818	43,935	27.0%
Loss after tax from discontinued activities	-	(4,670)	(100.0%)
Profit for the year	55,818	39,265	42.2%
Minority interests	(2)	(2)	-
Profit attributable to the equity holders	55,816	39,263	42.2%



RED ELÉCTRICA GROUP
CONSOLIDATED BALANCE SHEET
(THOUSAND EURO)
(TRANSLATION FROM THE ORIGINAL IN SPANISH)

ASSETS	31/03/2006	31/12/2005	2006/2005
Property, plant and equipment	4,166,858	4,174,430	(0.2%)
Investment property	3,646	3,666	(0.5%)
Goodwill	14,674	15,056	(2.5%)
Intangible assets	8,075	8,686	(7.0%)
Non-current financial assets	9,574	4,355	119.8%
Investments accounted for using the equity method	7,941	7,142	11.2%
Deferred tax assets	30,722	33,973	(9.6%)
Other non-current assets	271	688	(60.6%)
Total non-current assets	4,241,761	4,247,996	(0.1%)
Inventories	43,695	35,640	22.6%
Trade and other receivables	350,237	347,642	0.7%
Current financial assets	140	31	351.6%
Current tax assets	1,222	1,481	(17.5%)
Other current assets	93	5,791	(98.4%)
Cash and cash equivalents	15,278	18,768	(18.6%)
Held-for-sale assets	-	-	-
Total current assets	410,665	409,353	0.3%
Total assets	4,652,426	4,657,349	(0.1%)
LIABILITIES	31/03/2006	31/12/2005	2006/2005
Share capital	270,540	270,540	-
Other reserves	264,546	264,546	-
Retained earnings	521,328	464,907	12.1%
Treasury shares (-)	(10,233)	(3,823)	167.7%
Exchange differences	1,674	2,635	(36.5%)
Other measurement adjustments	415	562	(26.2%)
Interim dividend	(36,588)	(36,588)	-
Minority interests	60	74	(18.9%)
Equity	1,011,742	962,853	5.1%
Issues of bonds and other marketable securities	1,252,833	1,252,696	0.0%
Bank borrowings	1,272,686	1,284,828	(0.9%)
Other financial liabilities	2,512	-	-
Deferred tax liabilities	152,983	156,776	(2.4%)
Provisions	23,714	34,618	(31.5%)
Other non-current liabilities	320,104	311,669	2.7%
Total non-current liabilities	3,024,832	3,040,587	(0.5%)
Issues of bonds and other marketable securities	29,985	16,894	77.5%
Bank borrowings	298,307	282,974	5.4%
Trade and other payables	110,044	117,177	(6.1%)
Other current financial liabilities	508	2,854	(82.2%)
Provisions	975	1,505	(35.2%)
Current tax liabilities	64,738	31,026	108.7%
Other current liabilities	111,295	201,479	(44.8%)
Liabilities related to held-for-sale assets	-	-	-
Current liabilities	615,852	653,909	(5.8%)
Total liabilities	4,652,426	4,657,349	(0.1%)



RED ELÉCTRICA GROUP
CONSOLIDATED CASH FLOW STATEMENT
(THOUSAND EURO)
(TRANSLATION FROM THE ORIGINAL IN SPANISH)

CASH FLOW STATEMENT	31/03/2006	31/03/2005
CASH FLOWS FROM OPERATING ACTIVITIES	112,888	(7,392)
Cash flows from operations	140,688	116,300
Profit before tax on continuing activities	85,006	66,806
Amortisation and depreciation of non-current assets	58,901	52,483
Other results involving no movement of funds	(824)	(496)
Capital grants and other deferred income released to the income statement	(2,390)	(2,491)
Net proceeds from sale of non-current assets	(5)	(2)
Income taxes paid	-	-
Changes in current working capital	(16,517)	(123,531)
Increase in inventories, receivables, current advance payments and other current assets	2,661	(111,356)
Reduction in trade payables, current advance collections and other liabilities	(19,178)	(12,175)
Payment of provisions recognised for contingencies and expenses	(11,283)	(161)
CASH FLOWS FROM INVESTING ACTIVITIES	(81,324)	(70,902)
Acquisition and sale of PPE and intangible assets	(83,875)	(71,501)
Acquisition and sale of other assets	176	159
Acquisition and sale of subsidiaries and joint ventures	(700)	(2,980)
Capital grants and other advance collections	3,075	3,420
CASH FLOWS FROM FINANCING ACTIVITIES	(34,909)	78,528
Changes in equity	(6,134)	(5,785)
Utilisation of long-term financing	-	-
Repayment of long-term financing	(8,363)	(6,501)
Utilisation of short-term financing	107,708	161,107
Repayment of short-term financing	(91,532)	(38,200)
Dividends paid	(36,588)	(32,093)
NET CASH FLOW	(3,345)	234
Effect of foreign exchange fluctuations on cash and cash equivalents	(145)	371
CHANGES IN CASH AND CASH EQUIVALENTS DURING THE PERIOD	(3,490)	605
Cash and cash equivalents at beginning of the year	18,768	12,958
Cash and cash equivalents at end of the year	15,278	13,563