



RED ELÉCTRICA DE ESPAÑA

21 July 2006

CONSOLIDATED RESULTS FOR THE FIRST HALF OF 2006

- The main figures for the first half of 2006 and their growth compared with the same period in 2005 are fundamentally influenced by the following matters:
 - The entry of the accounts relating to Inalta. The first half of 2005 included the full consolidation of Inalta into the Group's accounts as from 15 February, the date on which the acquisition of 75% of Redalta became effective.
 - The sale of albura, which took effect on 30 June 2005, gave rise to the elimination of the losses that had been recorded in the first half of 2005.
- Gross operating profit (EBITDA) has risen by 9.7% for the first half of 2006.
- The profit attributed to the parent company totalled €105.2 million compared with €67.1 million in the first half of 2005. This represents 56.8% growth.
- During the first half of 2006 the Group has increased its investment ridden at 36.6%, as consolidated investments amounted €155.7 million.

MAIN FIGURES

Consolidated results - IFRS (thousand euro)	1H 2006	1H 2005	Δ (%)
Net sales	471,966	420,423	12.3
Gross operating profit (EBITDA)	330,445	301,160	9.7
Net operating profit (EBIT)	204,618	182,547	12.1
Profit before tax on continuing activities	160,268	123,588	29.7
Profit for the year on continuing activities	105,229	80,896	30.1
Profit/(loss) after tax on discontinued activities		- (13,780)	-
Profit attributable to the Parent company	105,226	67,113	56.8

Relaciones con Inversores
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 RESULTS FOR THE FIRST HALF OF 2006

In the first half of 2006, **net sales** totalled €472.0 million, which represents 12.3% growth compared to the same period in 2005. This growth was driven by:

- The increase in the transmission income associated with service launches in 2005, and
- The revenues from Inalta transmission assets, which include an additional 6 weeks of business compared with the same period the previous year since Inalta entered into the group on 15 February, as well as the revenues relating to service launches in 2005.

Consolidated operating expenses totalled €144.0 million, compared with 120.8 million incurred during the first half of 2005. This represents a 19.1% increase compared to the same period in 2005 and is due to:

- The entry of the expenses associated with the integration of the assets acquired from electric companies.
- Higher personnel expenses as a result of the 6.9% growth in the Group's average payroll, which consists of 1,415 employees at 30 June 2006. The entry of personnel is associated with the integration of the transmission assets acquired and the launch of new system operating services.

At the end of the period the Group has 1,428 employees compared to 1,401 at 31 December 2005.

Consolidated gross operating profit (EBITDA) increased to €330.4 million which is a 9.7% increase over the first half of 2005 as a consequence of a bigger asset base.

Consolidated net operating profit (EBIT) totalled €204.6 million which is a 12.1% increase over the first half of 2005.

Depreciation and amortisation totalled €125.8 million compared to €118.6 million in the same period in 2005. The first half of 2006 includes six additional weeks of depreciation relating to Inalta compared with the preceding year.

Consolidated net interest totalled -€50.6 million compared with -€57.4 million in the first half of 2005. During the first half of 2005 net interest expense included €6.9 million relating to the repayment of the loan recorded by Inalta, which was refinanced.

The net result obtained from changes in the value of financial instruments totalled €2.7 million compared to -€4.4 million in the first half of 2005. These changes are fundamentally due to a collar contracted by Inalta, which was eliminated on 28 June 2006.

Profit before tax on continuing activities totalled €160.3 million, which is a 29.7% increase compared to the same period in 2005.

Profit after tax on continuing activities totalled €105.2 million, which is a 30.1% increase compared to the first half of 2005. The tax rate applied was 34.3%.



No earnings or losses were record with respect to interrupted activities, compared with -€13.8 million in the first half of 2005 that arose due to the sale of albura on 30 June 2005.

Profit after tax totalled €105.2 million compared to €67.1 million in the same period in 2005, which is a 56.8% increase.

Cash flows from operating activities before tax totalled €281.9 million, which represents 11.4% growth compared to the €252.9 million recorded in the first half of 2005.

Consolidated investments made in the first half of 2006 totalled €155.7 million compared to €114.0 million, excluding the investment in 75% of Redalta, in the first half of 2005. Of these investments, €145.6 million was used to extend and improve the transmission network and €10.1 million was dedicated to other investments.

The main projects being executed in the national transmission network were as follows:

- the reinforcement of the mainland transmission infrastructure,
- the development of the North Axis which will enable transmission capacity to be increased,
- the development of infrastructures to feed the development of the high-speed train and
- the increase in the transmission capacity of the connection with Morocco.

Net financial debt at 30 June 2006 totalled €2,668.7 million. The leverage ratio (borrowings divided by equity plus net financial debt) totals 72.7% and borrowings are structured as follows:

Thousand euro	National currency	Foreign currencies	Total
Cash and cash equivalents	-22,925	-5,239	-28,164
Non-current debt securities	1,234,404	-	1,234,404
Non- current borrowings	1,285,121	67,148	1,352,269
Non- current promissory notes and credit facilities	108,953	1,232	110,185
Total net financial debt	2,605,553	63,141	2,668,694



SIGNIFICANT EVENTS

Annual General Meeting

Annual General Meeting was held by Shareholders of Red Eléctrica de España on 26 May 2006. At this meeting the following Resolutions, among others, were adopted:

- approve the 2005 Annual Accounts and the Director's Report for Red Eléctrica de España, S.A.,
- approve the 2005 Annual Accounts and the Director's Report for the Consolidated Group Red Eléctrica de España,
- approve a proposal for applying earnings and the distribution of the dividend relating to 2005,
- approve the merger of Red Eléctrica de España, S.A. (acquiring company), Red de Alta Tensión, S.A. and Infraestructuras de Alta Tensión, S.A. (target companies) and
- appoint Pricewaterhousecoopers Auditores, S.L. as the new auditors.

The full text of the resolutions adopted by shareholders at the Annual General Meeting were sent to the National Stock Market Commission on the same day and are available on the web site maintained by Red Eléctrica: www.ree.es.

Payment of a Supplementary Dividend

On 3 July 2006 a supplementary gross dividend totalling €0.4596 per share was paid against 2005 earnings. The total dividend distributed against 2005 earnings totalled €0.7304 per share, compared with €0.6138 last year which represents a 19% increase.

INTERNATIONAL BUSINESS

TDE's contribution to the main figures in the consolidated Income Statement at 30 June 2006 was: €10.3 million in revenues, €7.2 million for EBITDA, €4.5 million for EBIT and €3.5 million with respect to income after taxes.

TDE's Board approved the distribution of a dividend totalling \$6.6 million in the first half of 2006, which has already been paid.



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

INCOME STATEMENT	30/06/2006	30/06/2005	2006/2005
Net sales	471,966	420,423	12.3%
Other operating income	2,463	1,580	55.9%
Materials consumed	(14,066)	(9,247)	52.1%
Staff costs	(39,607)	(34,754)	14.0%
Other operating expenses	(90,311)	(76,842)	17.5%
Gross operating profit	330,445	301,160	9.7%
Amortisation/depreciation of non-current assets	(125,827)	(118,613)	6.1%
Net operating profit	204,618	182,547	12.1%
Financial income	497	1,112	(55.3%)
Financial expense	(51,107)	(58,485)	(12.6%)
Exchange differences	157	(252)	-
Net profit/(loss) on changes in fair value of financial instruments	2,731	(4,366)	-
Net asset impairment loss	-	4	-
Share of profit of associates accounted for using the equity method	407	272	49.6%
Net proceeds from sale of non-current assets	149	126	18.3%
Other gains or losses	2,816	2,630	7.1%
Profit before tax on continuing activities	160,268	123,588	29.7%
Income tax expense	(55,039)	(42,692)	28.9%
Profit for the year on continuing activities	105,229	80,896	30.1%
Loss after tax from discontinued activities	-	(13,780)	-
Profit for the year	105,229	67,116	56.8%
Minority interests	(3)	(3)	-
Profit attributable to the equity holders	105,226	67,113	56.8%



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

ASSETS	30/06/2006	31/12/2005	2006/2005
Property, plant and equipment	4,195,972	4,174,430	0.5%
Investment property	3,651	3,666	(0.4%)
Goodwill	13,971	15,056	(7.2%)
Intangible assets	8,207	8,686	(5.5%)
Non-current financial assets	12,887	4,355	195.9%
Investments accounted for using the equity method	7,715	7,142	8.0%
Deferred tax assets	34,825	33,973	2.5%
Other non-current assets	217	688	(68.5%)
Total non-current assets	4,277,445	4,247,996	0.7%
Inventories	43,232	35,640	21.3%
Trade and other receivables	301,182	347,642	(13.4%)
Current financial assets	1,220	31	-
Current tax assets	2,157	1,481	45.6%
Other current assets	879	5,791	(84.8%)
Cash and cash equivalents	28,164	18,768	50.1%
Held-for-sale assets	-	-	-
Total current assets	376,834	409,353	(7.9%)
Total assets	4,654,279	4,657,349	(0.1%)

LIABILITIES	30/06/2006	31/12/2005	2006/2005
Share capital	270,540	270,540	-
Other reserves	264,546	264,546	-
Retained earnings	471,984	464,907	1.5%
Treasury shares (-)	(7,445)	(3,823)	94.7%
Exchange differences	(1,488)	2,635	(156.5%)
Other measurement adjustments	4,164	562	640.9%
Interim dividend	-	(36,588)	-
Minority interests	57	74	(23.0%)
Equity	1,002,358	962,853	4.1%
Issues of bonds and other marketable securities	1,234,404	1,252,696	(1.5%)
Bank borrowings	1,323,871	1,284,828	3.0%
Other financial liabilities	22,419	-	-
Deferred tax liabilities	158,029	156,776	0.8%
Provisions	19,230	34,618	(44.5%)
Other non-current liabilities	325,752	311,669	4.5%
Total non-current liabilities	3,083,705	3,040,587	1.4%
Issues of bonds and other marketable securities	34,390	16,894	103.6%
Bank borrowings	145,238	282,974	(48.7%)
Trade and other payables	135,676	117,177	15.8%
Other current financial liabilities	-	2,854	-
Provisions	1,152	1,505	(23.5%)
Current tax liabilities	67,406	31,026	117.3%
Other current liabilities	184,354	201,479	(8.5%)
Liabilities related to held-for-sale assets	-	-	-
Current liabilities	568,216	653,909	(13.1%)
Total liabilities	4,654,279	4,657,349	(0.1%)



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

CASH FLOW STATEMENT	30/06/2006	30/06/2005
CASH FLOWS FROM OPERATING ACTIVITIES	324.835	105.464
Cash flows from operations	281.856	252.903
Profit before tax on continuing activities	160.268	123.588
Amortisation and depreciation of non-current assets	125.827	118.613
Other results involving no movement of funds	1.594	3.335
Accrual of interest expense	2.046	7.277
Capital grants and other deferred income released to the income statement	(4.999)	(4.150)
Net proceeds from sale of non-current assets	(2.880)	4.240
Income taxes paid	(22.426)	(15.536)
Changes in current working capital	81.292	(131.448)
Changes in inventories, receivables, current advance payments and other current assets	44.528	(149.118)
Changes in trade payables, current advance collections and other liabilities	36.764	17.670
Payment of provisions recognised for contingencies and expenses	(15.887)	(455)
CASH FLOWS FROM INVESTING ACTIVITIES	(187.692)	(405.067)
Acquisition and sale of PPE and intangible assets	(202.395)	(170.936)
Acquisition and sale of other assets	355	232
Acquisition and sale of subsidiaries and joint ventures	(700)	(246.323)
Capital grants and other advance collections	15.048	11.960
CASH FLOWS FROM FINANCING ACTIVITIES	(127.618)	311.835
Changes in equity	(2.805)	76
Utilisation of long-term financing	60.000	-
Repayment of long-term financing	(12.628)	(10.735)
Utilisation of short-term financing	828.229	1.725.490
Repayment of short-term financing	(963.826)	(1.370.903)
Dividends paid	(36.588)	(32.093)
NET CASH FLOW	9.525	12.232
Effect of foreign exchange fluctuations on cash and cash equivalents	(129)	865
CHANGES IN CASH AND CASH EQUIVALENTS DURING THE PERIOD	9.396	13.097
Cash and cash equivalents at beginning of the year	18.768	12.958
Cash and cash equivalents at end of the year	28.164	26.055