



RED ELÉCTRICA DE ESPAÑA

27 October 2006

CONSOLIDATED RESULTS FOR THE FIRST NINE MONTHS OF 2006

- Sales totalled €708.3 million, representing an 11.6% increase over the same period last year.
- Gross operating profit totalled €495.9 million, rising by 13.1% compared to the first nine months of 2005.
- The profit attributed to the parent company totalled €159.7 million compared to €127.2 million during the first nine months of 2005, which is an increase of 25.6%.
- At 30 September Group investments totalled €348.2 million, of which 334.1 relate to the development of the mainland transmission network. This figure is 29.5% higher than in 2005.

MAIN FIGURES

Consolidated results – IFRS (thousand euro)	3Q 2006	3Q 2005	Δ (%)
Net sales	708,338	634,622	11.6
Gross operating profit (EBITDA)	495,914	438,459	13.1
Net operating profit (EBIT)	310,997	265,578	17.1
Profit before tax on continuing activities	242,815	209,284	16.0
Profit for the year on continuing activities	159,691	140,942	13.3
Profit/(loss) after tax on discontinued activities		- (13,780)	-
Profit attributable to the Parent company	159,690	127,159	25.6

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CONSOLIDATED RESULTS FOR THE FIRST NINE MONTHS OF 2006

At 30 September **net sales** totalled €708.3 million, which represents 11.6% growth compared to the same period in 2005. This was mainly driven by:

- Assets commissioned in 2005
- The revenues received from Inalta transmission assets, which include 6 weeks more income compared to the same period in the previous year.

Consolidated operating expenses totalled €215.9 million, compared to €199.4 million in the first half of 2005, which represents an 8.3% increase compared to the same period in 2005. This increase is due to:

- maintenance expenses deriving from the larger asset base and renewal and improvement programs involving assets acquired from electric companies. The renewal and improvement programs implemented to increase the quality of the acquired assets are expected to be costly in the coming months.
- higher personnel expenses as a result of the 6.1% growth in the Group's average payroll. The entry of personnel is associated with the larger transmission asset base and the rendering of new system operating services.

At the end of the period the Group has 1,437 employees compared to 1,401 at 31 December 2005.

Consolidated gross operating profit (EBITDA) increased by 13.1% over the same period last year to €495.9 million as a result of the Company's larger asset base, and EBITDA margin (EBITDA/net sales) represents 70% of net sales.

Consolidated net operating profit (EBIT) totalled €311.0 million, which is a 17.1% increase over the first nine months of 2005.

Consolidated net interest totalled -€76.1 million compared to -€80.1 million in the first nine months of 2005. In 2005 financial expense included €6.9 million relating to the repayment of the debt held by Inalta, which was refinanced. Interest in this period totalled €0.7 million compared to €3.6 million in the same period in 2005. The average cost of debt totalled 3.81% up until September 2006 compared to 3.58% in the same period in 2005. The increase in interest rates has had a limited impact on the average cost of the debt of Red Eléctrica, as a result of the interest rate hedging policy in place.

The net result obtained from changes in the value of financial instruments totalled €2.7 million. The financial instruments that gave rise to these changes were eliminated on 28 June 2006.

The net profit obtained on the disposal of non-current assets totalled €0.2 million compared to €19.5 million in the same period last year and fundamentally relates to the agreement for the sale and purchase of transmission assets reached with Union Fenosa in the third quarter of 2005 and taking effect on 1 January 2005.



Profit before tax on continuing activities totalled €159.7 million, which is a 13.3% increase compared to the same period in 2005. This figure coincides with the **profit attributable to the Parent company** since there were no earnings or losses on discontinued activities in 2006, whereas in 2005 there was a €13.8 million loss deriving from the sale of albura. As a result this result grew by 25.6% compared to the first nine months of 2005.

Cash flows from operating activities before tax totalled €423.3 million, which is 15.7% more than the €365.8 million obtained in the first nine months of 2005.

Consolidated investments in the period January-September 2006 totalled €348.2 million, of which €334.1 million related to the extension and improvement of the mainland transmission network, and represents 29.5% growth compared to the same period in the previous year.

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 which was concluded last June.

Net financial debt at 30 June 2006 totalled €2,762.9 million, compared to €2,791.1 million and 31 December 2005. The leverage ratio (borrowings divided by equity plus net financial debt) is 72.4% and borrowings are structured as follows:

Thousand euro	National currency	Foreign currencies	Total
Cash and cash equivalents	-4,424	-6,047	-10,471
Non-current debt securities	1,236,179	-	1,236,179
Non-current borrowings	1,308,906	64,058	1,372,964
Non-current promissory notes and credit facilities	163,034	1,216	164,250
Total net financial debt	2,703,695	59,227	2,762,922

Financial management implemented during first nine months of 2006 has continued with the policy of maintaining a high percentage of non-current debt. On 29 September, a €50 million loan was obtained from Instituto de Credito Oficial (ICO). The average life of non-current borrowings exceeds eight years.



INTERNATIONAL BUSINESS

TDE's contribution to the main figures in a consolidated income statement at 30 September 2006 was €15.5 million in sales, €10.7 million in EBITDA, €6.8 million in EBIT and €5.2 million in profit after tax.

In the first quarter of 2006, TDE's Board approves the distribution of a dividend totalling \$6.6 million, which has already been paid.



SIGNIFICANT EVENTS

Merger of Red de Alta Tensión, S.A. and Infraestructuras de Alta Tensión, S.A.

On 26 July the public document was executed formalising the merger of Red de Alta Tensión, S.A. (Redalta) and Infraestructuras de Alta Tensión, S.A. (Inalta) into Red Eléctrica de España, S.A. , which ended the legal merger procedure.

Red Eléctrica de España thus became the owner of all the merged companies rights and obligations.

The merger took effect for accounting purposes on 1 January 2006.

Executive share acquisition plan

On 10 August 2006 the first application of the executives share acquisition plan took place for members of the management of Red Electrica, consisting of the payment of part of their ordinary remuneration through shares in the Company. The process involved 9,779 shares totalling €289,165.03. The share price was established at €29.57 per share, coinciding with the market close on 10 August

Red Eléctrica has joined the World Sustainability Development Indexes (World DJSI)

For the second year in a row , Red Eléctrica has not only retained its position in the Dow Jones Stoxx Sustainability Indexes (DJSI), but it has been selected by Dow Jones, too, for listing in the World Sustainability Development Indexes (World DJSI).

As regards the social area, within the utilities sector, a maximum score was achieved by Red Eléctrica for its commitment to stakeholders groups (95 points) and social communication processes (98). Red Eléctrica role as a corporate citizen and its human resources management approach are also highlighted.

New Member access to each sustainability indexes became effective last September 18th



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

INCOME STATEMENT	30/09/2006	30/09/2005	2006/2005
Net sales	708,338	634,622	11.6%
Other operating income	3,466	3,205	8.1%
Materials consumed	(24,638)	(17,684)	39.3%
Staff costs	(59,576)	(54,544)	9.2%
Other operating expenses	(131,676)	(127,140)	3.6%
Gross operating profit	495,914	438,459	13.1%
Amortisation/depreciation of non-current assets	(184,917)	(172,881)	7.0%
Net operating profit	310,997	265,578	17.1%
Financial income	738	3,638	(79.7%)
Financial expense	(76,812)	(83,704)	(8.2%)
Exchange differences	176	(241)	-
Net profit/(loss) on changes in fair value of financial instruments	2,666	36	-
Net asset impairment loss	(11)	7	-
Share of profit of associates accounted for using the equity method	606	441	37.4%
Net proceeds from sale of non-current assets	151	19,527	(99.2%)
Other gains or losses	4,304	4,002	7.5%
Profit before tax on continuing activities	242,815	209,284	16.0%
Income tax expense	(83,124)	(68,342)	21.6%
Profit for the year on continuing activities	159,691	140,942	13.3%
Loss after tax from discontinued activities	-	(13,780)	-
Profit for the year	159,691	127,162	25.6%
Minority interests	(1)	(3)	(66.7%)
Profit attributable to the equity holders	159,690	127,159	25.6%



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

ASSETS	30/09/2006	31/12/2005	2006/2005
Property, plant and equipment	4,339,526	4,174,430	4.0%
Investment property	3,635	3,666	(0.8%)
Goodwill	14,030	15,056	(6.8%)
Intangible assets	7,719	8,686	(11.1%)
Non-current financial assets	8,122	4,355	86.5%
Investments accounted for using the equity method	7,932	7,142	11.1%
Deferred tax assets	34,433	33,973	1.4%
Other non-current assets	323	688	(53.1%)
Total non-current assets	4,415,720	4,247,996	3.9%
Inventories	37,906	35,640	6.4%
Trade and other receivables	354,622	347,642	2.0%
Current financial assets	732	31	-
Current tax assets	5,962	1,481	302.6%
Other current assets	234	5,791	(96.0%)
Cash and cash equivalents	10,471	18,768	(44.2%)
Total current assets	409,927	409,353	0.1%
Total assets	4,825,647	4,657,349	3.6%
LIABILITIES			
	30/09/2006	31/12/2005	2006/2005
Share capital	270,540	270,540	-
Other reserves	264,546	264,546	-
Retained earnings	526,214	464,907	13.2%
Treasury shares (-)	(8,394)	(3,823)	119.6%
Exchange differences	(1,665)	2,635	(163.2%)
Other measurement adjustments	4,376	562	678.6%
Interim dividend	-	(36,588)	-
Minority interests	57	74	(23.0%)
Equity	1,055,674	962,853	9.6%
Issues of bonds and other marketable securities	1,236,179	1,252,696	(1.3%)
Bank borrowings	1,372,964	1,284,828	6.9%
Other financial liabilities	13,376	-	-
Deferred tax liabilities	161,598	156,776	3.1%
Provisions	19,766	34,618	(42.9%)
Other non-current liabilities	340,764	311,669	9.3%
Total non-current liabilities	3,144,647	3,040,587	3.4%
Issues of bonds and other marketable securities	11,585	16,894	(31.4%)
Bank borrowings	174,072	282,974	(38.5%)
Trade and other payables	127,705	117,177	9.0%
Other current financial liabilities	-	2,854	-
Provisions	1,321	1,505	(12.2%)
Current tax liabilities	72,828	31,026	134.7%
Other current liabilities	237,815	201,479	18.0%
Current liabilities	625,326	653,909	(4.4%)
Total liabilities	4,825,647	4,657,349	3.6%



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

CASH FLOW STATEMENT	30/09/2006	30/09/2005
CASH FLOWS FROM OPERATING ACTIVITIES	361,523	299,460
Cash flows from operations	423,341	365,840
Profit before tax on continuing activities	242,815	209,284
Amortisation and depreciation of non-current assets	184,917	172,881
Other results involving no movement of funds	2,836	3,763
Accrual of interest expense	2,776	7,524
Capital grants and other deferred income released to the income statement	(7,185)	(8,085)
Net proceeds from sale of non-current assets	(2,818)	(19,527)
Income taxes paid	(45,233)	(33,530)
Changes in current working capital	(526)	(32,843)
Changes in inventories, receivables, current advance payments and other current assets	(8,871)	(41,052)
Changes in trade payables, current advance collections and other liabilities	8,345	8,209
Payment of provisions recognised for contingencies and expenses	(16,059)	(7)
CASH FLOWS FROM INVESTING ACTIVITIES	(249,070)	(404,960)
Acquisition and sale of PPE and intangible assets	(282,910)	(183,051)
Acquisition and sale of other assets	357	(4,429)
Acquisition and sale of subsidiaries and joint ventures	(700)	(234,437)
Capital grants and other advance collections	34,183	16,957
CASH FLOWS FROM FINANCING ACTIVITIES	(120,572)	107,158
Changes in equity	(3,941)	2,208
Utilisation of long-term financing	94,583	(264,660)
Repayment of long-term financing		
Utilisation of short-term financing	(112,583)	452,536
Repayment of short-term financing		
Dividends paid	(98,631)	(82,926)
NET CASH FLOW	(8,119)	1,658
Effect of foreign exchange fluctuations on cash and cash equivalents	(178)	1,194
CHANGES IN CASH AND CASH EQUIVALENTS DURING THE PERIOD	(8,297)	2,852
Cash and cash equivalents at beginning of the year	18,768	12,958
Cash and cash equivalents at end of the year	10,471	15,810