

RED
ELÉCTRICA
DE ESPAÑA

Financial results

January - September 2007

Profit for the first nine months of the year amounted to €191.3 million, up 19.8% on the same period in 2006.

Investment in the mainland grid amounts to €346.5 million.

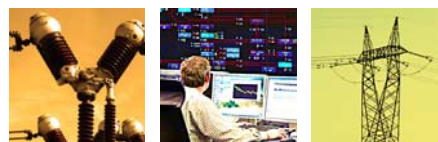
Growth forecasts for 2007 have been confirmed by the performance of the main indicators.

October, 26th of 2007

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The financial information presented in this document has not been audited and is therefore subject to potential changes. This information has been prepared in accordance with International Financial Reporting Standards (IFRS).



1. Red Eléctrica: Financial Highlights

Income Statement

(in thousands of Euros)	January - September			July - September		
	2007	2006	Δ %	2007	2006	Δ %
Net Sales	761,445	708,338	7.5	256,104	236,372	8.3
Gross operating profit (EBITDA)	545,876	495,914	10.1	183,340	165,469	10.8
Net operating profit (EBIT)	361,715	310,997	16.3	121,727	106,379	14.4
Profit before income tax on continuing activities	286,246	242,815	17.9	96,343	82,547	16.7
Profit attributed to the parent company	191,308	159,690	19.8	65,534	54,464	20.3

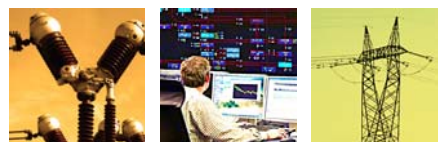
Balance Sheet

(in thousands of Euros)	June 2007	December 2006	Δ %
Total non-current assets	4,724,082	4,501,399	4.9
Equity	1,198,787	1,022,031	17.3
Net financial debt*	2,775,445	2,644,381	5.0

* Includes exchange rate derivatives.

Other financial figures

(in thousands of Euros)	January - September			July - September		
	2007	2006	Δ %	2007	2006	Δ %
Cash flow from operations	468,848	423,341	10.7	156,902	141,485	10.9
Capital expenditures	410,177	348,239	17.8	134,643	192,529	(30.1)
Dividends paid	120,991	98,631	22.7	77,563	62,043	25.0



2. Evolution of accumulated and quarterly results

The growth in **turnover** in cumulative terms amounted to 7.5%, largely driven by the increase in the revenue-generating asset base thanks to the facilities started up in 2006. Turnover for the third quarter of 2007 was up 8.3% on the same period in 2006.

EBITDA in the first nine months of 2007 grew by 10.1% as compared with the same period in 2006, driven by the increase in business and by:

- **Supply costs and other operating expenses**, which remained consistent with respect to the same period in the previous year. Nonetheless, renewal and improvement costs are expected to rise in the last quarter of the year.

It should also be noted that the number of incidents in the grid rose in the third quarter of the year. However, this has not had a major impact on the income statement as they are largely covered by the insurance policies arranged by Red Eléctrica. Part of this effect has been reflected in this quarter while the remainder will be reflected at the year end.

- The increase in **staff costs** of 11.5% which, following the elimination of the effect of capitalisation, amounts to 6.3%, largely as a result of the indemnities reflected in the first half of the year. In the third quarter of 2007 staff costs were up 4.3% on the previous year.

The **average headcount** of the Red Eléctrica group at 30 September 2007 stood at 1,448 employees. This represents an increase of 1.8% compared with the same period in 2006. The **final headcount** stood at 1,460 employees, up 1.6% on 30 September 2006.

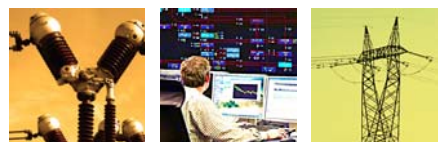
Operating expenses

(in thousands of Euros)	January - June			April - June		
	2007	2006	Δ %	2007	2006	Δ %
Materials consumed and other operating expenses	155,963	156,314	(0.2)	56,261	51,937	8.3
Staff costs	66,413	59,576	11.5	20,823	19,969	4.3
Operating expenses	222,376	215,890	3.0	77,084	71,906	7.2

In the first nine months of 2007 depreciation/ amortisation amounted to €184.2 million. Therefore accumulated **EBIT** at 30 September 2007 has risen by 16.3%, as compared with the same period in 2006, and by 14.4% in quarterly terms.

Despite the negative performance of the finance expense because of the jump in market rates, **Profits before tax** grew by 17.9% in the first nine months of 2007 and 16.7% in the third quarter.

Lastly, **Profit** for the period was up 19.8% on the same period in 2006 and 20.3% on the third quarter of 2006. This increase is explained by the fall in the effective tax rate from 34.2% in 2006 to 33.2% in 2007, largely due to the cut in the corporate income tax rate.



3. Cash flow and balance sheet

Cash flow

(in thousands of Euros)	January - September			July - September		
	2007	2006	Δ %	2007	2006	Δ %
Profit before tax	286,246	242,815	17.9	96,343	82,547	16.7
Income taxes paid	(55,729)	(45,233)	23.2	(29,146)	(22,807)	27.8
Amortization & depreciation of non-current assets	184,161	184,917	(0.4)	61,613	59,090	4.3
Other adjustments	(1,559)	(4,391)	(64.5)	(1,054)	(152)	-
Cash flows from operations after tax	413,119	378,108	9.3	127,756	118,678	7.6
Change in working capital and other long-term assets and liabilities	(12,002)	78,643	-	(70,230)	48,025	-
Capital expenditures	(410,177)	(348,239)	17.8	(134,643)	(192,529)	(30.1)
Free cash flow	(9,060)	108,512	-	(77,117)	(25,826)	-
Dividends paid	(120,991)	(98,631)	22.7	(77,563)	(62,043)	-
Change in net financial debt*	130,051	(9,881)	-	154,680	87,869	76.0

*The difference with the change in Net Financial Debt from page 2 relates to non-cash captions.

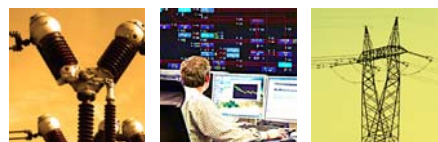
Cash flow from operating activities after tax grew by 9.3% as compared with the first nine months of 2006. This growth derives mainly from accumulated results at 30 September, as explained above.

The negative performance of working capital in 2007 compared with the previous year is due to the collection early 2006 of the settlement for December 2005.

Investments by the Group amounted to €410,2 million at 30 September 2007. This major investment effort focused on:

- **Investments for the development of the national grid network:** Investments in the national grid amounted to €346.5 million compared with €334.1 million in the same period in 2006.
- **Financial investments:** In the first few months of 2007 a 5% interest was acquired in the Portuguese company Redes Energeticas Nacionais, SGPS, S.A. (REN), for which a payment on account was made amounting to €53.4 million.
- **Other investments in PPE and intangible assets:** Other investments on both a national international level amounted to €10.3 million.

At 30 September 2007 **Dividends paid** amount to €121.0 million, equivalent to 0.8984 €/per share and are virtually 23% up on the payments made in the same period in 2006. This amount relates to the payment of both the previous year's interim dividend and the complementary dividend.



The Red Electrica Group's **Net Financial Debt** at 30 September 2007, including the effect of exchange rate derivatives, amounts to €2,775.4 million, 5% up on the end of 2006. The debt structure has shown no major variations during this period. Long-term debt accounts for 94%, compared with 96% at 31 December 2006.

Net financial debt

(in thousands of Euros)	National currency	Foreign currency	Total
Cash and other liquid means	(3,662)	(9,218)	(12,880)
Long-term debenture loans	1,257,661	-	1,257,661
Long-term credits	1,362,266	61,484	1,423,750
Promissory notes and short-term credits	100,543	6,371	106,914
Total net financial debt	2,716,808	58,637	2,775,445

According to interest rates, 71% of the Group's debt is subject to a fixed rate while the remaining 29% is subject to a variable rate.

Similarly, in the first nine months of 2007, the average cost of the Group's financial debt amounted to 4.18%, with the balance averaging €2,752.6 million. In the same period in 2006, the average cost of borrowings stood at 3.81% while the average balance amounted to €2,776.4 million.

At 30 September 2007, the Red Electrica group's equity amounted to €1,198.8 million, up 17.3% year to date. This growth results from profits for the period and the positive performance of financial hedges and the decrease in the treasury share position.

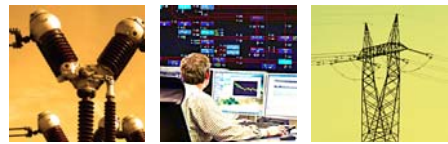
4. International business

International business through the subsidiary Red Eléctrica Internacional (REI) generated revenues of €16.2 million in the first nine months of 2007, EBITDA of €9.8 million, EBIT of €6.2 million and profits after tax of €0.3 million.

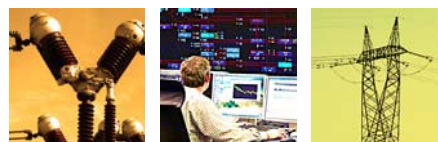
Investments in the international grid amounted to €5.9 million in the period and net financial debt amounted to €57.6 million, mostly relating to foreign currency borrowings at an average rate of 5.65%.

5. Relevant events during the period

- **Power cut in Barcelona:** On 23 July 2007 an incident was triggered by the fall of a 110kV grid cable owned by FECSA – Endesa onto the 220 kV facility of Red Eléctrica at the Collblanc substation. This incident subsequently affected other substations, specifically Urgell and Maragall.
- **Informative proceedings of the CNE and Generalitat de Catalunya:** Both bodies have published their reports on the power cut of 23 July in Barcelona. In view of the conclusions contained in those reports, Red Eléctrica rejects any responsibility for that power cut and declares the following:

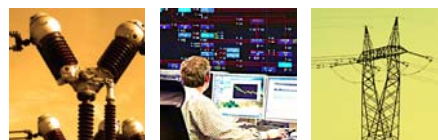


- We are dealing with informative proceedings, which in the case of the Generalitat de Catalunya may give rise to a sanction proceeding.
 - It is verified that Endesa's cable, which triggered the incident, fell on Collblanc owing to a problem of maintenance or deterioration not detected by the owner. It is confirmed that the protection provided by Red Eléctrica operates correctly.
 - The assumption employed in the proceedings, which has not been verified, considers that the fire started at the Maragall substation at the facilities owned by Red Eléctrica in that substation. Red Eléctrica rejects this assumption on the basis of both national and international expert reports which consider that the fire started at Endesa's facilities. Similarly, the replacement delay is due to problems in the configuration of Endesa's network.
- **Publication of the draft planning of the Electricity and Gas Sectors 2007-2016:** On 30 July the Ministry of Industry, Tourism and Trade published the preliminary Planning document of the electricity and gas industries, determining, among things, investment needs in the mainland and off-mainland grid, at €3,666.8 million for the period 2007 to 2016. This figure does not take into account the probability of implementation. For the period 2007-2016 type A actions amount to €6,875.8 million.
 - **Standard & Poor's maintains its credit rating:** In July Standard & Poor's issued a report on the credit rating of Red Eléctrica in which it once again confirmed the company's solid financial standing. The ratings have been maintained: 'AA-', in the long term and 'A-1+', in the short term, which are expected to remain consistent. This decision was taken following the review of the company's financial projections and strategic approach for the period 2007-2011.
 - **Moody's maintains its credit rating:** In September the rating agency Moody's published a report where it maintains a long-term rating of A2 for the debt issued by Red Eléctrica, which is expected to remain consistent.
 - **Exit of Iberdrola as a shareholder of Red Eléctrica:** On 20 July Iberdrola reported the sale of its 3% shareholding in the company's capital.
 - **Reduction of Endesa's shareholding in Red Eléctrica:** On 20 September Endesa reported the sale of 2,705,400 shares in Red Eléctrica, representing 2% of the share capital. Following this sale, Endesa has a 1% shareholding in the company's capital.



Red Eléctrica Group Consolidated Income Statement

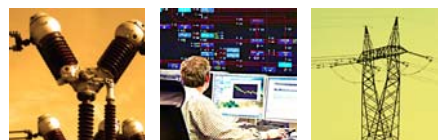
(in thousands of Euros)	30/09/2007	30/09/2006	2007/2006
Net sales	761,445	708,338	7.5%
Other operating income	6,807	3,466	96.4%
Materials consumed	(34,450)	(24,638)	39.8%
Staff costs	(66,413)	(59,576)	11.5%
Other operating expenses	(121,513)	(131,676)	(7.7%)
Gross operating profit	545,876	495,914	10.1%
Amortisation/depreciation of non-current assets	(184,161)	(184,917)	(0.4%)
Net operating profit	361,715	310,997	16.3%
Financial income	841	738	14.0%
Financial expense	(83,394)	(76,812)	8.6%
Exchange differences	198	176	12.5%
Net profit/(loss) on changes in fair value of financial instruments	(6)	2,666	-
Net asset impairment loss	194	(11)	-
Share of profit of associates accounted for using the equity method	499	606	(17.7%)
Net proceeds from sale of non-current assets	774	151	-
Other gains or losses	5,425	4,304	26.0%
Profit before tax on continuing activities	286,246	242,815	17.9%
Income tax expense	(94,935)	(83,124)	14.2%
Profit for the year	191,311	159,691	19.8%
Minority interests	(3)	(1)	-
Profit attributed to the parent company	191,308	159,690	19.8%



Red Eléctrica Group Consolidated Balance Sheet

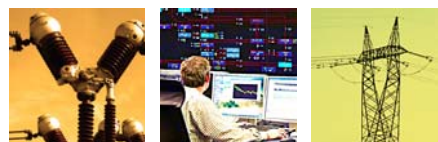
ASSETS (in thousands of Euros)	30/09/2007	31/12/2006
Property, plant and equipment	4,597,691	4,433,642
Investment property	2,706	2,734
Intangible assets	3,550	5,433
Non-current financial assets	70,772	13,029
Investments accounted for using the equity method	7,002	7,204
Deferred tax assets	41,769	38,921
Other non-current assets	592	436
Total non-current assets	4,724,082	4,501,399
Inventories	39,832	28,974
Trade and other receivables	390,383	264,853
Current financial assets	4,044	1,671
Current tax assets	6,131	7,813
Other current assets	262	316
Cash and cash equivalents	12,880	13,374
Total current assets	453,532	317,001
Total assets	5,177,614	4,818,400

LIABILITIES (in thousands of Euros)	30/09/2007	31/12/2006
Share capital	270,540	270,540
Other reserves	264,546	264,546
Retained earnings	646,193	574,064
Treasury shares (-)	(6,124)	(52,986)
Exchange differences	(8,158)	(2,976)
Other measurement adjustments	31,737	12,213
Interim dividend	-	(43,428)
Minority interests	53	58
Equity	1,198,787	1,022,031
Issues of bonds and other marketable securities	1,198,433	1,224,956
Bank borrowings	1,423,750	1,277,270
Other financial liabilities	26,152	20,627
Deferred tax liabilities	151,429	144,024
Provisions	22,182	19,166
Other non-current liabilities	389,871	366,207
Total non-current liabilities	3,211,817	3,052,250
Issues of bonds and other marketable securities	10,592	16,429
Bank borrowings	117,948	129,377
Trade and other payables	143,182	142,333
Other current financial liabilities	504	-
Provisions	1,372	1,477
Current tax liabilities	81,633	34,628
Other current liabilities	411,779	419,875
Current liabilities	767,010	744,119
Total liabilities	5,177,614	4,818,400



Red Eléctrica Group Consolidated Cash Flow Statement

(in thousands of Euros)	30/09/2007	30/09/2006
CASH FLOWS FROM OPERATING ACTIVITIES	276,297	361,523
Cash flows from operations	468,848	423,341
Profit before tax on continuing activities	286,246	242,815
Amortisation and depreciation of non-current assets	184,161	184,917
Other results involving no movement of funds	8,363	5,612
Capital grants and other deferred income released to the income statement	(8,960)	(7,185)
Net proceeds from sale of non-current assets	(962)	(2,818)
Income taxes paid	(55,729)	(45,233)
Changes in current working capital	(134,167)	(526)
Changes in inventories, receivables, current advance payments and other current assets	(132,300)	(8,871)
Changes in trade payables, current advance collections and other liabilities	(1,867)	8,345
Payment of provisions recognised for contingencies and expenses	(2,655)	(16,059)
CASH FLOWS FROM INVESTING ACTIVITIES	(336,298)	(249,070)
Acquisition and sale of PPE and intangible assets	(311,672)	(282,910)
Acquisition and sale of other assets	(53,307)	357
Acquisition and sale of subsidiaries and joint ventures	-	(700)
Capital grants and other advance collections	28,681	34,183
CASH FLOWS FROM FINANCING ACTIVITIES	59,793	(120,572)
Changes in equity	50,941	(3,941)
Utilisation of long-term financing	164,567	110,000
Repayment of long-term financing	(17,989)	(15,417)
Utilisation of short-term financing	509,716	1,001,808
Repayment of short-term financing	(526,451)	(1,114,391)
Dividends paid	(120,991)	(98,631)
NET CASH FLOW	(208)	(8,119)
Effect of foreign exchange fluctuations on cash and cash equivalents	(286)	(178)
CHANGES IN CASH AND CASH EQUIVALENTS DURING THE PERIOD	(494)	(8,297)
Cash and cash equivalents at beginning of the year	13,374	18,768
Cash and cash equivalents at end of the year	12,880	10,471



Financial calendar

Upcoming events

Estimated dates

Interim dividend payment	02 January	2008
Full year 2007 results	28 February	2008

For further information:

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Red Eléctrica has the following credit ratings: AA- from S&P and A2 from Moody's.



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