

**RED**  
**ELÉCTRICA**  
DE ESPAÑA

# Financial results

## January - March 2008

**Profit for the first quarter of 2008 amounted to €1.1 million, 15.7% higher than the same period in 2007.**

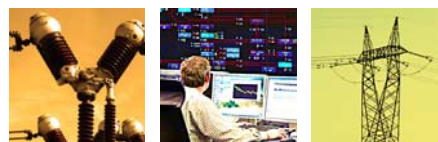
**Investments in the transmission grid amounted to €104.1 million, 48.3% higher than in the first quarter of 2007.**

April, 22nd of 2008

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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 - March		
	2008	2007	Δ %
Net Sales	277,595	251,961	10.2
Gross operating profit (EBITDA)	204,833	189,769	7.9
Net operating profit (EBIT)	144,117	130,250	10.6
Profit before tax	115,347	103,261	11.7
Profit attributed to the parent company	81,134	70,116	15.7

### Balance Sheet

(in thousands of euros)	March 2008	December 2007	Δ %
Total non-current assets	5,010,959	4,959,363	1.0
Equity	1,271,768	1,202,828	5.7
Net financial debt*	2,947,667	2,697,044	9.3

\* Includes exchange rate derivatives.

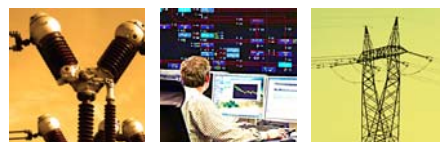
### Other financial figures

(in thousands of euros)	January - March		
	2008	2007	Δ %
Operating cash flow after tax	177,036	164,628	7.5
Capital expenditures	105,324	124,750	(15.6)
Dividends paid	52,208	43,428	20.2

#### Explanatory note to the financial statements:

The financial statements for the first quarter of 2008 have been drawn up in accordance with the formats laid down in Circular Letter 1/2008 of the National Securities Market Commission (CNMV). These formats include some changes with regard to those used previously. The changes made, among others, in the income statement include in Net operating profit, the items "Capital grants taken to income" (previously in "Other earnings") and "Net asset impairment/disposal result."

For comparative purposes, the relevant changes have been made to the figures reported in the first quarter of 2007.



## 2. Evolution of results

**Turnover** in the first quarter of 2008 amounted to €277.6 million, a growth of 10.2% due mainly to increased revenues from the facilities entering service in 2007.

**Gross operating profit (EBITDA)** totals €204,8 million, 7.9% up on the same period in 2007 due to the rise in turnover and to:

- The rise in **supply costs and other operating expenses** which have increased by 28.7% compared with the first quarter in 2007, as a result of the greater volume of renewal, improvement and maintenance work in the network during this period.
- The decrease in **personnel expenses**, by 4.5% compared with the same period in 2007. This decrease is mainly due to the impact of severance payments in the first quarter of 2007; once this impact is eliminated, personnel expenses have grown by 2.8%.

The **average headcount** of the Red Eléctrica Group at 31 March 2008 was 1,467 employees, 1.5% higher than the first quarter of 2007. The final headcount stands at 1,479 employees, which is 0.7% higher than at 31 December 2007.

### Operating expenses

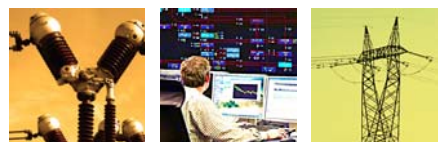
(in thousands of euros)	January - March		
	2008	2007	Δ %
Supply costs and other operating expenses	51,345	39,893	28.7
Staff costs	23,535	24,655	(4.5)
<b>Operating expenses</b>	<b>74,880</b>	<b>64,548</b>	<b>16.0</b>

Depreciation for the quarter has been in line with the previous year, with 2.6% growth due basically to the facilities commissioned in 2007.

For this reason, **Net Operating Profit (EBIT)** has risen by 10.6% compared with the same period in 2007.

Net financial charges stands at €-28,892 million compared with €-27,156 million in the first quarter of 2007, due mainly to the increase in market interest rates and average drawdown on loans during the quarter.

Finally, **Profit for the period** has increased by 15.7% compared with the same period in 2007. The effective tax rate has been 29.7% compared with 32.1% in the first quarter of 2007 due to the 2.5% reduction in the corporate income tax rate in Spain.



### 3. Cash flow and balance sheet

#### Cash flow

(in thousands of euros)	January - March		
	2008	2007	Δ %
Profit before tax	115,347	103,261	11.7
Income taxes paid	(42)	(34)	23.5
Amortization & depreciation of non-current assets	62,926	61,353	2.6
Other adjustments	(1,195)	48	-
<b>Operating cash flow after tax</b>	<b>177,036</b>	<b>164,628</b>	<b>7.5</b>
Change in working capital and other long-term assets and liabilities	(271,213)	(121,429)	-
Capital expenditures	(105,324)	(124,750)	(15.6)
<b>Free cash flow</b>	<b>(199,501)</b>	<b>(81,551)</b>	<b>-</b>
Dividends paid	(52,208)	(43,428)	20.2
<b>Change in net financial debt*</b>	<b>251,709</b>	<b>124,979</b>	<b>-</b>

\*The difference with the change in Net financial debt from page 2 relates to non-cash captions.

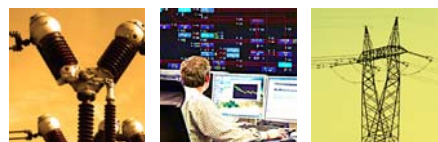
**Cash flow from operations after tax** has risen by 7.5% with respect to the same period in 2007 mainly as a result of operating results for the year. This cash flow has been sufficient to finance the investments made during the quarter and the payment of dividends.

**Investments** made by the Group during the first quarter of 2008 have amounted to €105.3 million, 47.6% up on the same period in 2007, without taking into consideration the payment on account for the acquisition of 5% of REN carried out in the first quarter of the previous year. Investments in the quarter mainly relate to the development of the national transmission grid, and have totalled €104.1 million.

The **interim Dividend** paid during the first quarter of 2008 has amounted to €52.2 million, equivalent to €0.3868 per share, and is 20% higher than the interim dividend paid in the same period in 2007.

Working capital has been reduced by €271.2 million during the first quarter of 2008 mainly owing to payments to the electricity system and the payment of the fixed annual cost of the energy import contract concluded with EDF. It has been mostly covered by short term debt, which implied the increase of the net financial debt by €251.7 million during the first quarter.

The **Net financial debt** of the Red Eléctrica Group at 31 March 2008 amounted to €2,947.7 million, which is 9.3% higher than the figure at the 2007 year end. The debt structure has not varied significantly during this period: long-term debt stands at 92%, compared with 99% at 31 December 2007.



## Net financial debt

(in thousands of euros)	National currency	Foreign currency	Total
Cash and cash equivalents	(3,015)	(7,194)	(10,209)
Long-term debenture loans	1,259,838	-	1,259,838
Long-term credits	1,391,730	52,850	1,444,580
Promissory notes and short-term credits	247,935	5,523	253,458
<b>Total net financial debt</b>	<b>2,896,488</b>	<b>51,179</b>	<b>2,947,667</b>

With regard to interest rates, 70% of the Group's debt is at a fixed rate, while 30% is at variable rates.

During the first quarter of 2008 the average cost of the Group's financial debt has been 4.34%, with an average balance of €2,853.8 million. During the same period in 2007, the average cost of the debt was 4.15% and the average balance was €2,720.0 million.

Moreover, at 31 March 2008 the Red Eléctrica Group's equity stood at €1,271.8 million, 5.7% higher than at end-2007. This growth is due to the profits for the period.

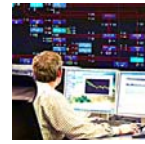
## 4. International business

International activities carried out during the first quarter of 2008 through the subsidiary Red Eléctrica International (REI) have generated turnover of €5.6 million, EBITDA of €3.7 million, EBIT of €2.5 million and after-tax profits of €1.5 million.

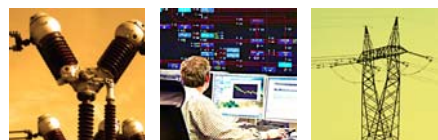
Net financial debt stands at €37.6 million, mainly in foreign currencies.

## 5. Relevant events during the period

- **Convening of the Annual General Meeting:** At a meeting held on 17 April 2008, the Board of Directors agreed to convene the Annual General Shareholders' Meeting which will be held on first call on 21 May 2008 and, if necessary, on second call on 22 May 2008. The main resolutions proposed are as follows:
  - Approval of Red Eléctrica's annual accounts
  - Payment out of 2007 profits of a gross dividend of €1.0871 per share, 21% higher than in the previous year.
  - Proposal to transfer the activity of system operator, transmission grid manager and transmission operator to a subsidiary, in accordance with the mandate envisaged in Law 27/2007.
  
- **New remuneration for electricity transmission:** On 29 February 2008 the Cabinet Meeting approved Royal Decree 325/2008 which establishes the remuneration for electricity transmission activities for facilities entering service as from 1 January 2008. This remuneration scheme is in line with common regulatory practice and profitability levels for similar activities in the Member States of the European Union. The new scheme also responds to the need to make major investments in the transmission infrastructure over the next ten years.

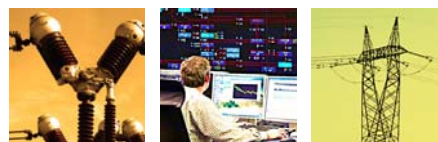


- **Publication of the new Board of Directors Regulations:** On 8 February 2008 the Board of Directors of Red Eléctrica announced its approval of a new body of Board of Directors Regulations, to bring this area into line with the recommendations contained in the Unified Corporate Governance Code, and sent the full text of said Regulations to the CNMV.
- **Payment of interim dividend:** On 2 January 2008 a dividend of €0.3868 per share was paid out of the profits for 2007. The dividend was approved by the Board of Directors on 20 December 2007.



## Red Eléctrica Group Consolidated Income Statement

(in thousands of euros)	31/03/2008	31/03/2007	2008/2007
Net sales	277,595	251,961	10.2%
Self constructed assets	530	1,207	(56.1%)
Supply costs	(7,824)	(7,852)	(0.4%)
Other operating income	1,588	1,149	38.2%
Staff costs	(23,535)	(24,655)	(4.5%)
Other operating expenses	(43,521)	(32,041)	35.8%
<b>Gross operating profit</b>	<b>204,833</b>	<b>189,769</b>	<b>7.9%</b>
Amortisation/depreciation of non-current assets	(62,926)	(61,353)	2.6%
Capital grants taken to income	2,005	1,738	15.4%
Net asset impairment/disposal results	205	96	113.5%
<b>Net operating profit</b>	<b>144,117</b>	<b>130,250</b>	<b>10.6%</b>
Financial income	2,931	1,822	60.9%
Financial expense	(31,767)	(28,961)	9.7%
Exchange differences	(56)	(14)	-
Net profit/(loss) on changes in fair value of financial instruments	-	(3)	-
<b>Net financial results</b>	<b>(28,892)</b>	<b>(27,156)</b>	<b>6.4%</b>
Share of profit of associates accounted for using the equity method	122	167	(26.9%)
<b>Profit before tax</b>	<b>115,347</b>	<b>103,261</b>	<b>11.7%</b>
Income tax expense	(34,214)	(33,144)	3.2%
<b>Profit for the year</b>	<b>81,133</b>	<b>70,117</b>	<b>15.7%</b>
Minority interests	1	(1)	-
<b>Profit attributed to the parent company</b>	<b>81,134</b>	<b>70,116</b>	<b>15.7%</b>

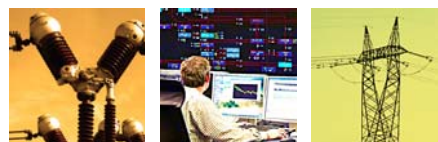


## Red Eléctrica Group Summarised consolidated Balance Sheet

Assets (in thousands of euros)	31/03/2008	31/12/2007
Non-current assets	5,010,959	4,959,363
Current assets	449,944	355,661
<b>Total assets</b>	<b>5,460,903</b>	<b>5,315,024</b>
Liabilities (in thousands of euros)	31/03/2008	31/12/2007
Equity	1,271,768	1,202,828
Non-current liabilities	3,244,199	3,193,999
Current liabilities	944,936	918,197
<b>Total liabilities</b>	<b>5,460,903</b>	<b>5,315,024</b>

## Red Eléctrica Group Summarised consolidated Cash Flow Statement

(in thousands of euros)	31/03/2008	31/03/2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>(22,307)</b>	<b>61,844</b>
Profit before tax	115,347	103,261
Adjustments	92,697	63,245
Changes in current working capital	(199,343)	(102,784)
Other operating cash flows	(31,008)	(1,878)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(162,958)</b>	<b>(167,009)</b>
Acquisition	(168,772)	(176,352)
Sale	(133)	-
Other cash flows from investing activities	5,947	9,343
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>184,523</b>	<b>101,772</b>
Equity instruments	(14,978)	20,221
Financial instruments	251,709	124,979
Dividends paid	(52,208)	(43,428)
Effect of foreign exchange fluctuations on cash and cash equivalents	(386)	(28)
<b>NET CASH FLOW</b>	<b>(1,128)</b>	<b>(3,421)</b>
Cash and cash equivalents at beginning of the year	11,337	13,374
Cash and cash equivalents at end of the year	10,209	9,953



## Financial calendar Upcoming events

### Estimated dates

2008 first half results	July 28-31	2008
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For further information:

Visit our website: <http://www.ree.es>

or contact us: **Investor Relations**

Paseo Conde de los Gaitanes, 177  
28109 Alcobendas · Madrid  
Teléfono: (34) 91 650 20 12

[relacioninversores@ree.es](mailto:relacioninversores@ree.es)

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



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