

RED
ELÉCTRICA
DE ESPAÑA

Financial results

January - June 2008

Results for the first semester of 2008 were 151.4 million euros, or 20.4% higher than in the same period in 2007.

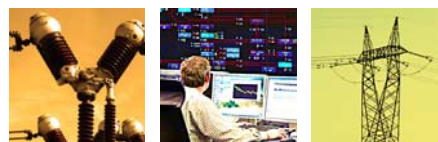
Investments in the transmission network amounted to 252.0 million euros, some 17.3% higher than those for the first six months of 2007.

July, 30th of 2008

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The consolidated condensed interim financial statements presented in this document have been limited reviewed by the auditor. 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 - June | | | April - June | | |
|---------------------------------|----------------|---------|------|--------------|---------|------|
| | 2008 | 2007 | Δ % | 2008 | 2007 | Δ % |
| Net sales | 559,269 | 505,341 | 10.7 | 281.674 | 253.380 | 11.2 |
| Gross operating result (EBITDA) | 389,130 | 362,719 | 7.3 | 184,297 | 172,950 | 6.6 |
| Net operating result (EBIT) | 267,140 | 244,484 | 9.3 | 123,023 | 114,234 | 7.7 |
| Results before taxes | 213,878 | 189,903 | 12.6 | 98,531 | 86,642 | 13.7 |
| Results for the year | 151,417 | 125,774 | 20.4 | 70,283 | 55,658 | 26.3 |

Balance Sheet

| (in thousands of euros) | June 2008 | December 2007 | Δ % |
|--------------------------|-----------|---------------|-----|
| Total non-current assets | 5,109,135 | 4,959,363 | 3.0 |
| Equity | 1,258,283 | 1,202,828 | 4.6 |
| Net financial debt* | 2,841,138 | 2,697,044 | 5.3 |

* Includes exchange rate derivatives.

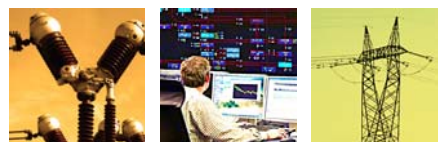
Other financial figures

| (in thousands of euros) | January - June | | | April - June | | |
|---------------------------------|----------------|---------|-------|--------------|---------|------|
| | 2008 | 2007 | Δ % | 2008 | 2007 | Δ % |
| Operating cash flow after taxes | 310,724 | 285,362 | 8.9 | 133,688 | 120,734 | 10.7 |
| Investments | 260,367 | 275,533 | (5.5) | 155,043 | 150,783 | 2.8 |
| Dividends paid | 52,208 | 43,428 | 20.2 | - | - | - |

Explanatory note to the financial statements:

The financial statements for the first half 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 half of 2007.



2. Evolution of results

Net sales in the first semester of 2008 amounted to 559.3 million euros with a growth of 10.7% basically due to the larger asset base to be remunerated because of the installations that came into service in 2007.

Gross Operating Results (EBITDA) amounted to 389.1 million euros, representing a 7.3% increase over the same period in 2007, due to growth in business volume and to changes in operating expenses:

- **The costs of supplies and other operating expenses** grew by 28.4% compared to the same six months of the previous year, due to the higher level of renovation efforts, improvements and maintenance of the network initiated in the first quarter of 2008.
- **Personnel expenses** were held at similar levels to those of the same semester in the previous year. Eliminating the effect of the severance payments paid during the first trimester of 2007, personnel expenses showed a 7.0% increase.
- The **average headcount** of Red Eléctrica Group at 30 June 2008 was 1,480 persons, representing an increase of 2.4% compared to the first semester of 2007. On the other hand, the **final headcount** reached 1,515 personas, showing an increase of 3.2% compared to December 2007.

Operating expenses

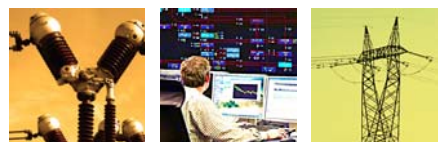
| (in thousands of euros) | January-June | | | April-June | | |
|---|----------------|----------------|-------------|----------------|---------------|-------------|
| | 2008 | 2007 | Δ % | 2008 | 2007 | Δ % |
| Supply costs and other operating expenses | 128,835 | 100,306 | 28.4 | 77,490 | 60,413 | 28.3 |
| Personnel expenses | 47,760 | 47,399 | 0.8 | 24,225 | 22,744 | 6.5 |
| Operating expenses | 176,595 | 147,705 | 19.6 | 101,715 | 83,157 | 22.3 |

Amortisation for the period showed an increase of 3.0% due fundamentally to the facilities commissioned in 2007.

Because of this, **Net Operating Results (EBIT)** show an increase of 9.3% compared to the same period in 2007.

The **Financial Results** amounted to -53.5 million euros compared to the -54.9 million euros obtained in the first semester of 2007. Financial income amounted to 4.8 million euros and includes, for the first time, 4.4 million euros corresponding to dividends distributed by REN. Financial expenses amounted to 58.5 million euros against the 55.6 million of the first semester of the previous year as a result of the increase in interest rates and the average balance of the debt.

Finally, **Results for the Year** increased by 20.4% compared to the same period in the previous year. The effective tax rate was 29.2% compared to 33.8% in the first semester of 2007 because of the reduction, during this year, of 2.5 points in the corporate income tax rate in Spain and because in the second trimester of the previous year a tax provision of 3.3 million euros was raised, base upon the contingency for the deduction from export activities as a result of the investment in TDE in 2002.



3. Cash flow and balance sheet

Cash flow

| (in thousands of euros) | January - June | | | April - June | | |
|---|-----------------|-----------------|------------|------------------|------------------|---------------|
| | 2008 | 2007 | Δ % | 2008 | 2007 | Δ % |
| Results before taxes | 213,878 | 189,903 | 12.6 | 98,531 | 86,642 | 13.7 |
| Taxes paid on earnings | (20,518) | (26,583) | (22.8) | (20,476) | (26,549) | (22.9) |
| Provision for amortisation non-current assets | 126,233 | 122,548 | 3.0 | 63,307 | 61,195 | 3.5 |
| Other adjustments | (8,869) | (506) | - | (7,674) | (554) | - |
| Operating cash flow after taxes | 310,724 | 285,362 | 8.9 | 133,688 | 120,734 | 10.7 |
| Changes in working capital and other long-term assets and liabilities | (139,072) | 58,228 | - | 132,141 | 179,657 | (26.4) |
| Investments | (260,367) | (275,533) | (5.5) | (155,043) | (150,783) | 2.8 |
| Free cash flow | (88,715) | 68,057 | - | 110,786 | 149,608 | (25.9) |
| Dividends paid | (52,208) | (43,428) | 20.2 | - | - | - |
| Variation in net financial debt* | 140,923 | (24,629) | - | (110,786) | (149,608) | 25.9 |

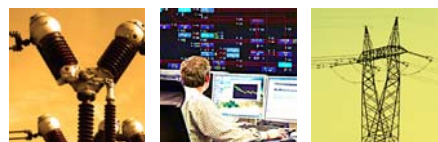
*The difference with the change in Net financial debt from page 2 relates to non-cash captions.

Operating Cash Flow after taxes grew by 8.9% compared to the same period in the 2007, basically as a result of the year's operating results. This flow was sufficient to finance the investments made in the semester and the dividend payment, while the financing of changes in working capital, based upon the electricity system payments, continued to be done by short-term debt.

The Group's **Investments** during the first semester of 2008 amounted to 260.4 million euros, or 17.2% higher than those made in the same period of 2007, without taking into account the advance payment for the acquisition of 5% of REN made in the first semester of the previous year. The greater part of the investments made in the semester were in the development of the national transmission network and amounted 252.0 million euros.

The **Dividends paid** on 30June 2008 amounted to 52.2 million euros and are 20.2% higher than the advance payment made for the same period in 2007.

The **Net Financial Debt** of Red Eléctrica Group at 30 June 2008 amounted to 2,841.1 million euros, or 5.3% higher than the amount at the close of 2007. The debt structure shows no significant variations during this period; with long-term debt amounting to 95% as against the 99% it represented on 31 December 2007.



Net financial debt

| (in thousands of euros) | National currency | Foreign currency | Total |
|---|-------------------|------------------|------------------|
| Cash and equivalent | (199,666) | (4,417) | (204,083) |
| Long-term loans | 1,258,157 | - | 1,258,157 |
| Long-term credits | 1,389,130 | 49,724 | 1,438,854 |
| Short-term promissory notes and credits | 342,605 | 5,605 | 348,210 |
| Total net financial debt | 2,790,226 | 50,912 | 2,841,138 |

The balance in cash and other liquid equivalents amounted to 204.1 million euros, a particular situation as at 30 June, as a result of the reorganisation and restructuring process performed on 1 July.

Some 73% of the Group's net debt is at a fixed interest rate while the remaining 27% is at variable interest rates.

Additionally, in the first semester of 2008, the average cost of the Group's financial debt was 4.35%, with the average balance at 2,894.0 million euros. In the same period of 2007 the average cost of the debt was 4.15% with an average balance of 2,765.2 million euros.

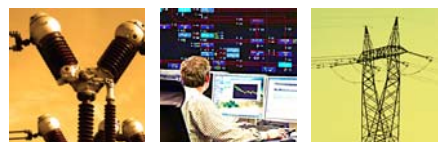
Moreover, on 30 June 2008, the Net Equity of Red Eléctrica Group amounted to 1,258.3 million euros, having increased by 4.6% compared to the 2007 year-end. This growth is the result of profits for the period and of the valuation of the coverage derivatives, partly compensated by the distribution of the 2007 profits, which includes an extra dividend of 94.7 million euros, and the drop in the valuation of the holding in REN.

4. International business

Business activities undertaken in the international area through the subsidiary Red Eléctrica Internacional (REI) during the first semester had a volume amounting to 11.6 million euros, with an EBITDA of 7.6 million euros, an EBIT of 5.1 million euros and Profits after taxes of 2.9 million euros.

The net financial debt was 34.9 million euros, for the most part in foreign currencies.

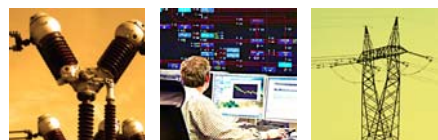
Dividends from international activities were 5.6 million euros from TDE and 1.1 million euros from Re-desur.



5. Relevant events during the period

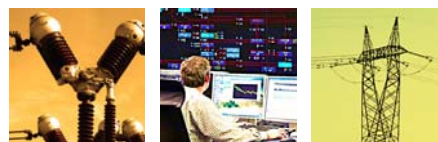
- **Ordinary Shareholders Meeting:** The Ordinary General Shareholders Meeting was held on 22 May and it approved the Annual Accounts of Red Eléctrica, the distribution of dividends and the management performance of the Board of Directors. Additionally, it approved the contribution of the Business Line engaged in the duties attributed to system operator and owner of the transmission network to Red Eléctrica de España TSO, S.L.U., in line with the mandate of restructuring and reorganisation process included in Law 17/2007 date 4 July.
- **New Company Structure:** On 1 July, in compliance with Law 17/2007, the new company structure was implemented, whereby, the range of activities performed as systems operator and transport were passed to *Red Eléctrica de España S.A.U.* Corporate headquarters and buildings not related to the activities that were transferred, along with the holdings in other companies, remain in the holding company, which was renamed *Red Eléctrica Corporación S.A.* Telecommunications activities for third parties, including the rights and obligations related to these, were passed to the subsidiary company of *Red Eléctrica Internacional Group, S.A.U.*
- **Ratings:** The credit rating agencies Standard & Poors and Moody's granted a AA- rating, in the case of Standard & Poors, and an A2 rating, in the case of Moody's, to Red Eléctrica de España, S.A.U. In its report Standard & Poors highlights the strategic importance of REE in the development of the country's energy policy; the high visibility of its investment programmes, which amount to 4 billion (Millard) euros, and the good liquidity situation. Moody's report, highlights the low risk level in electricity distribution in Spain, noting the stability that the new retribution framework provides. Moreover, the agencies confirmed the financial solidity of Red Eléctrica Group at the same levels it had been assigned to date (AA-/A2).
- **Dividend payment:** On 1 July a dividend of de 0.7003 Euros per share was paid as an additional dividend corresponding to the year 2007.
- **The incident in Barcelona:** In reference to the penalty proceedings initiated by the Generalitat de Catalunya related to the incident on 23 July 2007 which interrupted the electricity power supply in Barcelona, Red Eléctrica de España was notified of the "Resolution proposal of the penalty proceedings" on 8 July last in which the instructor of the proceedings proposes to impose a fine of 11 million euros on Red Eléctrica. In line with the applicable procedure, allegations may be presented, before this becomes, as the case may be, a fine proposal by the Council for Economy and Finance to the Generalitat Government.

For the moment, Red Eléctrica's technical and legal services have presented the pertinent allegations.



Red Eléctrica Group Consolidated Income Statement

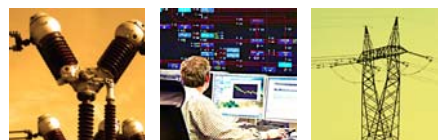
| (in thousands of euros) | 30/06/2008 | 30/06/2007 | 2008/2007 |
|--|-----------------|-----------------|---------------|
| Net Sales | 559,269 | 505,341 | 10.7% |
| Work performed by the company on fixed assets | 2,440 | 2,596 | (6.0%) |
| Supplies | (22,226) | (19,249) | 15.5% |
| Other operating income | 4,016 | 2,487 | 61.5% |
| Personnel expenses | (47,760) | (47,399) | 0.8% |
| Other operating expenses | (106,609) | (81,057) | 31.5% |
| Gross operating results | 389,130 | 362,719 | 7.3% |
| Provision for amortisation non-current assets | (126,233) | (122,548) | 3.0% |
| Charges from subsidies on non-financial fixed assets | 4,027 | 3,567 | 12.9% |
| Impairments and the effect of disposal of fixed assets | 216 | 746 | (71.0%) |
| Net operating results | 267,140 | 244,484 | 9.3% |
| Financial income | 4,813 | 436 | - |
| Financial expenses | (58,511) | (55,624) | 5.2% |
| Exchange differences | 67 | 287 | - |
| Variation in the fair value of financial instruments | - | (3) | - |
| Impairments and the effect of disposals of financial instruments | 93 | - | - |
| Financial results | (53,538) | (54,904) | (2.5%) |
| Participation in the results of companies accounted for under the participation method | 276 | 323 | (14.6%) |
| Results before taxes | 213,878 | 189,903 | 12.6% |
| Tax expenses on earnings | (62,460) | (64,127) | (2.6%) |
| Consolidated results for the period | 151,418 | 125,776 | 20.4% |
| A) Consolidated results attributable to the dominant company | 151,417 | 125,774 | 20.4% |
| B) Consolidated results attributable to the minority interests | 1 | 2 | - |



Red Eléctrica Group Consolidated Balance Sheet

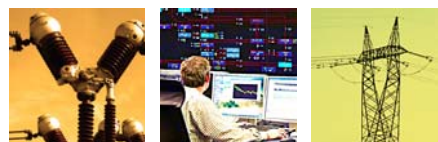
| Assets (in thousands of euros) | 30/06/2008 | 31/12/2007 |
|--|------------------|------------------|
| Intangible fixed assets | 3,758 | 3,993 |
| Tangible fixed assets | 4,916,876 | 4,788,536 |
| Property investments | 2,441 | 2,597 |
| Investments accounted for under the participation method | 4,556 | 5,450 |
| Non-current financial assets | 106,110 | 114,918 |
| Assets from deferred taxes | 74,388 | 43,028 |
| Other non-current assets | 1,006 | 841 |
| Non-current assets | 5,109,135 | 4,959,363 |
| Non-current assets held for sale | 683 | 640 |
| Inventories | 44,320 | 32,227 |
| Commercial debtors and other accounts receivable | 342,242 | 308,913 |
| Current financial assets | 385 | 2,276 |
| Other current assets | - | 268 |
| Cash and equivalent | 204,083 | 11,337 |
| Current assets | 591,713 | 355,661 |
| Total assets | 5,700,848 | 5,315,024 |

| Liabilities (in thousands of euros) | 30/06/2008 | 31/12/2007 |
|---|------------------|------------------|
| Equity | 1,223,631 | 1,173,235 |
| Capital | 270,540 | 270,540 |
| Other reserves | 264,546 | 264,546 |
| Shares and holdings in own equity (-) | (20,501) | (12,331) |
| Results from previous years | 557,629 | 459,639 |
| Results attributable to the dominant company | 151,417 | 243,049 |
| Advances against dividends | - | (52,208) |
| Valuation adjustments | 34,603 | 29,538 |
| Minority interests | 49 | 55 |
| Net equity | 1,258,283 | 1,202,828 |
| Subsidies and other non-current advance collections | 268,979 | 261,953 |
| Non-current provisions | 45,791 | 62,537 |
| Non-current financial liabilities | 2,638,800 | 2,620,223 |
| Liabilities for deferred taxes | 176,048 | 154,375 |
| Other non-current liabilities | 92,781 | 94,911 |
| Non-current liabilities | 3,222,399 | 3,193,999 |
| Current provisions | 16,421 | 1,571 |
| Current financial liabilities | 933,864 | 687,950 |
| Commercial creditors and other accounts payable | 269,881 | 228,676 |
| Other current liabilities | - | - |
| Current liabilities | 1,220,166 | 918,197 |
| Total liabilities | 5,700,848 | 5,315,024 |



Red Eléctrica Group Consolidated Cash Flow Statement

| (in thousands of euros) | 30/06/2008 | 30/06/2007 |
|---|------------------|------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | 173,712 | 249,865 |
| Results before taxes | 213,878 | 189,903 |
| Adjustment to the results | 179,747 | 176,944 |
| Amortisation | 126,233 | 122,548 |
| Other adjustments to the results (net) | 53,514 | 54,396 |
| Changes in current capital | (156,551) | (52,980) |
| Other cash flows from operations | (63,362) | (64,002) |
| Interest collections/(payments) | (44,796) | (35,882) |
| Collection of dividends | 5,419 | - |
| Collection of interests | 461 | 320 |
| Collections/(payments) of income taxes | (20,518) | (26,583) |
| Other collections/(payments) from operations | (3,928) | (1,857) |
| CASH FLOWS FROM INVESTMENT ACTIVITIES | (262,427) | (212,019) |
| Payments for investments | (273,979) | (235,506) |
| Tangible, intangible fixed assets and property investments | (273,927) | (181,936) |
| Other financial assets | (52) | (53,570) |
| Collections from divestments | 24 | 791 |
| Tangible, intangible fixed assets and property investments | (9) | 614 |
| Other financial assets | 33 | 177 |
| Other collections/(payments) from investment activities | 11,528 | 22,696 |
| CASH FLOWS FROM FINANCING ACTIVITIES | 281,483 | 33,153 |
| Collections/(payments) from equity instruments | (6,575) | 30,210 |
| Acquisition | (107,617) | (103,653) |
| Disposal | 101,042 | 133,863 |
| Collections/(payments) from financial liability instruments | 340,266 | 46,371 |
| Issue and disposal | 1,056,242 | 484,229 |
| Return and amortisation | (715,976) | (437,858) |
| Dividend payments | (52,208) | (43,428) |
| Effect of variations in exchange rates | (22) | (128) |
| NET INCREASE / (DECREASE) IN CASH AND EQUIVALENT | 192,746 | 70,871 |
| Cash and equivalent at the beginning of the period | 11,337 | 13,374 |
| Cash and equivalent at the close of the period | 204,083 | 84,246 |



Financial calendar

Upcoming events

Estimated dates

| | | |
|--------------------------------|---------|------|
| 2008 first nine months results | October | 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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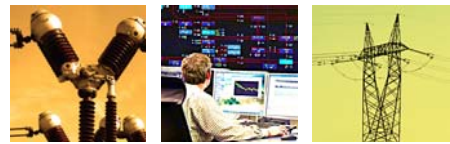
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ANNEX I Social Responsibility

2008 Achievements



The points scored by REE in the year 2007 were 76 out of 100, improving its valuation for the second consecutive year and approaching the best in the sector at World level (with 81 points obtained).



Red Eléctrica de España was selected for the results obtained in the area of sustainable development in the category SAM Silver in Sustainability Yearbook 2008. This distinction arises from achieving an outstanding result in the electricity sector as being one of the twelve top companies in the world.



Red Eléctrica de España was selected, in March 2008, to participate in the FTSE4Good Corporate Social Responsibility index, which includes those companies worldwide with the greatest commitment in the corporate responsibility area.



Red Eléctrica was included in the new FTSE4Good IBEX index, the first corporate responsibility index in Spain, launched on 9 April 2008.



REE received the qualification as PRIME in recognition of excellence in corporate sustainability and responsibility.



REE renewed certification under the SA8000 norm for corporate responsibility, which demonstrates that REE has developed an efficient and active corporate social responsibility management system.



REE has been included for the third consecutive year in the ranking of the 100 best companies with the highest reputation (merco EMPRESAS). REE holds the 61st position. REE for the second consecutive year improved its points scored position in merco PERSONAS and holds position number 26.



Red Eléctrica was the second best company most valued in the study "Culture, Policies and Practice of Responsibility of the companies in the IBEX 35".



For the second consecutive year REE obtained the best score among the companies that are listed in the IBEX 35 index in the annual ranking for "Corporate Social Responsibility in the annual reports of the IBEX 35 companies".



REE is part of the initiative "Caring for Climate: the business leadership platform", included within the World Pact, the objective of which is to capture civilian support in the leadership in the battle against climate change.



REE received the European Environmental Prize 2007-08, Spanish section, granted by the Fundación Entorno-BCSD España, for its Project of the Control Centre for Special Regimes (CECRE), in the category "Product for Sustainable Development".