

RED
ELÉCTRICA
DE ESPAÑA

Financial results

January - September 2008

Profits for the first nine months of 2008 amounted to €216.2 million, up 13.0% on the same period in 2007.

This includes a provision for €11 million to cover the fine levied by Generalitat de Catalunya for the electricity incident of 23 July 2007. If the effect of this provision is eliminated, profits would have increased by 18.8%.

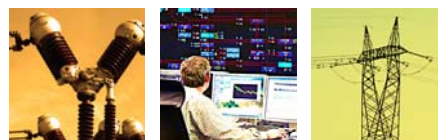
Investment in the transmission grid amounts to €377.1 million, up 8.8% on investment in the first nine months of 2007.

Red Eléctrica has confirmed its growth prospects for 2008

October, 31st of 2008

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1. Red Eléctrica: Financial Highlights

Income Statement

(in thousands of euros)	January - September			July - September		
	2008	2007	Δ %	2008	2007	Δ %
Net Sales	837,136	761,445	9.9	277,867	256,104	8.5
Gross operating result (EBITDA)	577,619	546,070	5.8	188,489	183,351	2.8
Net operating result (EBIT)	394,947	368,108	7.3	127,807	123,624	3.4
Results before taxes	312,506	286,246	9.2	98,628	96,343	2.4
Results attributed to the parent company (*)	216,182	191,308	13.0	64,765	65,534	(1.2)

(*) If the effect of the provision of €11 million is eliminated, accumulated profit for the year would increase by 18.8%. In quarterly terms, the increase would amount to 15.6%.

Balance Sheet

(in thousands of euros)	September 2008	December 2007	Δ %
Total non-current assets	5,152,712	4,959,363	3.9
Equity	1,312,088	1,202,828	9.1
Net financial debt (*)	3,035,320	2,697,044	12.5

(*) Includes exchange rate derivatives.

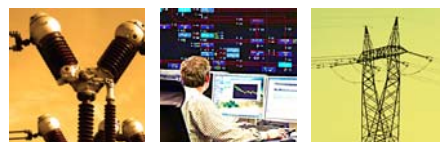
Other financial figures

(in thousands of euros)	January - September			July - September		
	2008	2007	Δ %	2008	2007	Δ %
Operating cash flow after taxes	426,394	413,119	3.2	115,670	127,757	(9.5)
Investments	389,147	410,177	(5.1)	128,780	134,644	(4.4)
Dividends paid	146,476	120,991	21.1	94,268	77,563	21.5

Explanatory note to the financial statements:

The financial statements for the first nine months 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 nine months of 2007.



2. Evolution of results

Net sales for the first nine months of 2008 amounts to €837.1 million, up 9.9% largely due to the increase in the asset base to be remunerated as a result of the facilities started up in 2007.

EBITDA amounts to €577.6 million, representing an increase of 5.8% compared with the same period in 2007.

EBITDA has been affected by the inclusion of a provision of €11 million, which aims to cover the penalty levied by Generalitat de Catalunya, due to the disciplinary proceedings instigated in relation to the power cut in Barcelona last July. Irrespective of the provision, an appeal will be lodged against the penalty as the company disagrees with the facts and valuations that the instigating body has used to levy it.

Excluding the effect of the provision, EBITDA would have increased by 7.8% as a result of the increase in turnover and development of operating expenses:

- **Supply costs and other operating expenses** have increased by 19.9% compared with the same period in the previous year, largely as a result of the increase in transmission grid maintenance, renovation and betterment expenses.
- **Personnel expenses** have risen by 6.4% compared with those recorded in the same period in 2007. The increase in the third quarter mainly results from the purchase long-term employees right to electricity supplies when retired, under the IX collective agreement.

The **average headcount** of the Red Eléctrica Group at 30 September 2008 stands at 1,500 people, up 3.6% compared with the first nine months of 2007. The **final headcount** amounted to 1,561 people, up 6.3% on December 2007.

Operating expenses

(in thousands of euros)	January-September			July-September		
	2008	2007	Δ %	2008	2007	Δ %
Supply costs and other operating expenses (*)	187,913	156,702	19.9	59,078	56,396	4.8
Personnel expenses	73,529	69,089	6.4	25,769	21,690	18.8
Operating expenses	261,442	225,791	15.7	84,847	78,086	8.7

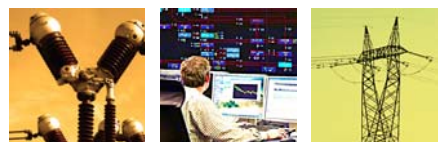
(*) Excluding the non-recurring impact of €11 million of the aforementioned provision

Amortisation for the year has increased by 2.6% largely as a result of the start-up of facilities in 2007.

As a result, **EBIT** has increased by 7.3% compared with the same period in 2007.

Financial Results have amounted to -€82.9 million compared with -€82.4 million in the first nine months of 2007. Financial income amounted to €4.9 million and includes €4.4 million relating to the dividend paid by REN in the last quarter. Financial expenses have amounted to €87.9 million compared with €83.4 million in the first nine months of the previous year, as a result of the increase in rates and average balance of borrowings.

Lastly, **Results for the year** have grown by 13.0% compared with the same period in 2007. The effective tax rate has stood at 30.8% compared with 33.2% in the first nine months of 2007 due to the 2.5 point decrease this year in the corporate income tax rate in Spain. The effective tax rate has been



affected by approximately one percentage point owing to the fact that the provision recorded to cover the Generalitat penalty has been considered not deductible.

The increase in the results for the year, excluding the provision, would have amounted to 18.8%.

3. Cash flow and balance sheet

Cash flow

(in thousands of euros)	January - September			July - September		
	2008	2007	Δ %	2008	2007	Δ %
Results before taxes	312,506	286,246	9.2	98,628	96,343	2.4
Taxes paid on earnings	(60,513)	(55,729)	8.6	(39,995)	(29,146)	37.2
Provision for amortization of non-current assets	188,980	184,161	2.6	62,747	61,613	1.8
Other adjustments	(14,579)	(1,559)	-	(5,710)	(1,053)	-
Operating cash flow after taxes	426,394	413,119	3.2	115,670	127,757	(9.5)
Changes in working capital and other long-term assets and liabilities	(227,081)	(12,002)	-	(88,009)	(70,230)	25.3
Investments	(389,147)	(410,177)	(5.1)	(128,780)	(134,644)	(4.4)
Free cash flow	(189,834)	(9,060)	-	(101,119)	(77,117)	31.1
Dividends paid	(146,476)	(120,991)	21.1	(94,268)	(77,563)	-
Variation in net financial debt	336,310	130,051	-	195,387	154,680	(26.3)

(*) The difference with the variation in the Net financial debt of page 2 relates to items entailing no movement in cash.

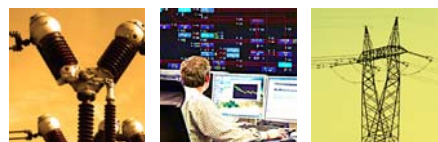
Operating Cash Flow after taxes has increased by 3.2% compared with the same period in 2007. This variation has been affected by the payment to employees of the long-term right to electricity supply discussed above. If the effect of this is discounted, the increase would have amounted to 7.5%.

The variations in working capital in the first nine months have mainly resulted from the collection of the monthly transmission settlement on 1 October compared with September last year and the transfer of flows to the system previously collected by the system operator.

The **Investments** carried out by the Group in the first nine months of 2008 have amounted to €389.1 million, up 9.1% on those in the same period in 2007, not taking into account the payment on account of the acquisition of 5% of REN in the first half of the previous year. Investments in the nine month period mostly relate to the development of the national transmission grid and have amounted to €377.1 million.

Dividends paid at 30 September 2008 amount to €146.5 million and are 21.1% higher than the payment in the same period in 2007.

The **Net financial Debt** of the Red Eléctrica Group at 30 September 2008 amounts to €3,035.3 million.



Net financial debt

(in thousands of euros)	National currency	Foreign currency	Total
Cash and cash equivalents	(3,286)	(7,683)	(10,969)
Long-term loans	1,258,397	-	1,258,397
Long-term credits	1,488,043	54,801	1,542,844
Short-term promissory notes and credits	238,873	6,175	245,048
Total net financial debt	2,982,027	53,293	3,035,320

With respect to the interest rate, 69% of the Group's net debt is at a fixed rate while the remaining 31% is at a variable rate.

Similarly, in the first nine months of 2008, the average cost of the Group's financial debt amounted to 4.41% and the average balance amounted to €2,889.9 million. In the same period in 2007, the average cost of the debt amounted to 4.18% while the average balance amounted to €2,752.6 million.

At 30 September 2008 equity of the Red Eléctrica group amounted to €1,312.1 million, up 9.1% on the 2007 year end. This increase relates to results for the period and the valuation of the hedging derivatives, partly offset by the distribution of profits for 2007 that includes a complementary dividend of €94.7 million, and the decrease in the valuation relating to the shareholding in REN.

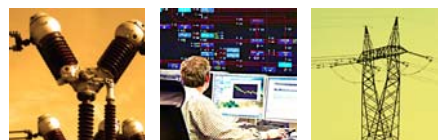
4. Relevant events during the period

- **Barcelona incident:** On 12 September the disciplinary report was received from Generalitat de Catalunya in relation to the power cut in Barcelona in July last year. Following receipt of such report and a change in the risk estimate as, until then, according to Red Eléctrica, it was understood that this penalty could be minimal, the relevant provision was recorded.

Irrespective of the provision recorded by Red Eléctrica, an appeal will be filed against the penalty as the company does not agree with the facts and valuations that the instigating body has used to levy it.

- **Dividend payment:** On 1 July €0.7003 was paid per share as a complementary dividend for 2007.

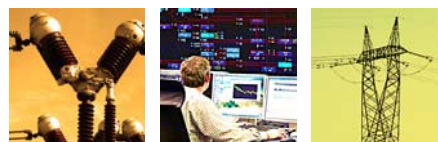
In 2007 the dividend amounted to 1.0871 euros per share, up 21% on the amount paid in 2006.



Red Eléctrica Group

Consolidated Income Statement

(in thousands of euros)	30/09/2008	30/09/2007	2008/2007
Net Sales	837,136	761,445	9.9%
Self constructed assets	4,300	3,609	19.1%
Supplies	(38,320)	(34,542)	10.9%
Other operating income	8,625	6,807	26.7%
Personnel expenses	(73,529)	(69,089)	6.4%
Other operating expenses	(160,593)	(122,160)	31.5%
Gross operating results	577,619	546,070	5.8%
Provision for amortisation of non-current assets	(188,980)	(184,161)	2.6%
Charges from subsidies on non-financial fixed assets	6,071	5,425	11.9%
Impairments and the effect of disposal of fixed assets	237	774	(69.4%)
Net operating results	394,947	368,108	7.3%
Financial income	4,899	841	-
Financial expenses	(87,953)	(83,394)	5.5%
Exchange differences	91	198	-
Variation in the fair value of financial instruments	-	(6)	-
Impairments and the effect of disposals of financial instruments	93	-	-
Financial results	(82,870)	(82,361)	0.6%
Participation in the results of companies accounted for under the participation method	429	499	(14.0%)
Results before taxes	312,506	286,246	9.2%
Tax expenses on earnings	(96,321)	(94,935)	1.5%
Consolidated results for the period	216,185	191,311	13.0%
A) Consolidated results attributable to the dominant company	216.182	191.308	13,0%
B) Consolidated results attributable to the minority interests	3	3	-



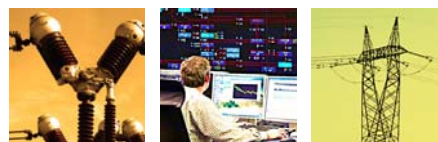
Red Eléctrica Group Consolidated Balance Sheet

Assets (in thousands of euros)	30/09/2008	31/12/2007
Non-current assets	5,152,712	4,959,363
Current assets	500,175	355,661
Total assets	5,652,887	5,315,024

Liabilities (in thousands of euros)	30/09/2008	31/12/2007
Net equity	1,312,088	1,202,828
Non-current liabilities	3,323,905	3,193,999
Current liabilities	1,016,894	918,197
Total liabilities	5,652,887	5,315,024

Consolidated Cash Flow Statement

(in thousands of euros)	30/06/2008	30/06/2007
CASH FLOW FROM OPERATING ACTIVITIES	194,952	276,297
Results before taxes	312,506	286,246
Adjustment to the results	277,362	265,996
Changes in current capital	(227,632)	(133,206)
Other cash flows from operations	(167,284)	(142,739)
CASH FLOWS FROM INVESTMENT ACTIVITIES	(374,213)	(336,298)
Payments for investments	(391,637)	(365,911)
Collections from divestments	444	932
Other collections/(payments) from investment activities	16,980	28,681
CASH FLOWS FROM FINANCING ACTIVITIES	178,915	59,793
Collections/(payments) from equity instruments	(10,573)	50,941
Collections/(payments) from financial liability instruments	335,964	129,843
Dividend payments	(146,476)	(120,991)
Effect of variations in exchange rates	(22)	(286)
NET INCREASE / (DECREASE) IN CASH AND EQUIVALENT	(368)	(494)
Cash and equivalent at the beginning of the period	11,337	13,374
Cash and equivalent at the close of the period	10,969	12,880



Financial calendar

Upcoming events

Estimated dates

Interim dividend payment	02 January	2009
2008 results	February	2009

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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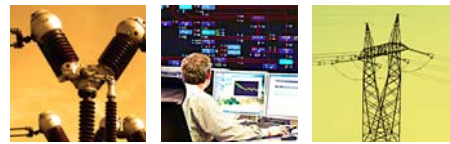
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ANNEX I

Social Responsibility -2008 Achivements



Red Eléctrica joined the Dow Jones Sustainability Indexes (DJSI) in 2005. In 2008 it scored 71 points out of 100, close to the best in the sector worldwide with a score of 83.



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.



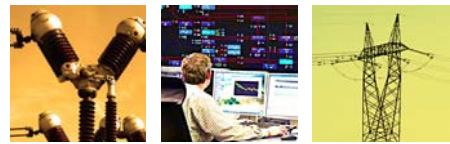
Red Eléctrica was included in the new FTSE4Good IBEX index, the first corporate responsibility index in Spain, launched on 9 April 2008.



REE received the qualification as PRIME (B) in recognition of excellence in corporate sustainability and responsibility, what places REE as the second most responsible company within the public supply sector.



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".