

RED ELECTRICA DE ESPAÑA, S.A.

RESULTS FOR THE SECOND HALF OF 1999

1 Key Figures

	31.12.99		31.12.98		1999/98
	Millions of Pesetas	Millions of Euros	Millions of Pesetas	Millions of Euros	% variation
Net sales	90,36	543.12	89,24	536.39	1,3
Profit on ordinary activities	19,41	116.67	17,07	102.61	13,7
Net profit	12,50	75.13	11,53	69.33	8,4

Red Eléctrica's profit after tax for 1999 has amounted to Ptas. 12,501 million, as compared to Ptas. 11,536 million for the prior year, representing an increase of 8.4%. This variance is due mainly to growth of 13.7% in profit on ordinary activities to Ptas. 19,413 million.

Net sales amount to Ptas. 90,368 million, up 1.3% compared to 1998.

2 Financial Performance

The operating profit for the year ended 31 December 1999 is Ptas. 22,646 million.

Net sales for the year are Ptas. 90,368 million, up 1.3% compared to 1998. This principally reflects the increase in transport income. In the last quarter of 1999 the prices for the supply agreement between Red Eléctrica and Electricité de France have been revised, leading to a decrease in income from sales of energy, offset by a reduction in associated costs.

Operating expenses for the year amount to Ptas. 69,110 million, which is 2% on the prior year. Nevertheless, the increase in operating expenses excluding energy purchases, depreciation charges and expenses related basically to the floating of the Company's shares is only 0.4%, which is well below the year-on-year rise in the consumer price index (2.9%) for the year. This is due to improvements in efficiency and cost control measures applied by the Company.

The average number of employees of Red Eléctrica has been 1,038, down 3% on 1998. Personnel related to domestic electrical activities have been reduced by 4.3%, while those involved in new businesses have risen by 37%.

The net financial expense incurred has been Ptas. 3,233 million, representing an improvement of 40.8% over 1998 due to a decline in financial charges resulting from lower interest rates on debt and a reduction in borrowings.

Net ordinary income amounts to Ptas. 19,413 million, an increase of 13.7% on 1998. Details are as follows:

<u>Activity</u>	<u>Millions of Pesetas</u>	<u>%</u>
Transport and systems operations	17,810	92
Other electrical activities	1,010	5
Other activities (telecommunications)	593	3

Net extraordinary expense at 31 December 1999 amounts to Ptas. 326 million and mainly comprises the transfer of deferred income to results and extraordinary expenses for the year, representing allowances to provisions.

It should be taken into consideration that the net extraordinary income for 1998 included a capital gain of Ptas. 1,150 million generated on the sale of Compañía Operadora del Mercado Español de Electricidad (OMEL - the Spanish Electricity Market Operator), incorporated and privatised by Red Eléctrica in accordance with the Spanish Electricity Act (Law 54 of 1997).

Profit after tax for 1999 is Ptas. 12,501 million compared to Ptas. 11,536 million in 1998, which represents an increase of Ptas. 965 million.

Cash flow before tax is Ptas. 37,400 million, 4.3% up on the prior year. This amount represents 40% of total revenues, and 63.8% of income other than that generated on agreements for the import and export of energy.

Investments of Ptas. 7,459 million have been made during the year ended 31 December 1999 in accordance with Red Eléctrica's investment plan to extend and improve the distribution network.

At 31 December 1999 financial debt totals Ptas. 65,827 million and comprises the following:

	<u>National currency (Millions of Pesetas)</u>	<u>Foreign currency (Millions of Pesetas)</u>	<u>Total</u>
Debenture loans	21,017	-	21,017
Long-term loans	33,884	2,733	36,617
Promissory notes and short-term loans	7,843	350	8,193
Total financial debt at 31.12.99	62,744	3,083	65,827

3 Significant Events

Start-up of new installations

In 1999 the following elements have been incorporated into the distribution network:

In southern Extremadura the Balboa substation has been expanded through a transformer module of 325 mgW with transforming capacity of 400/220 kW, and the construction of new transformer positions and line to increase the reliability of electricity in the south of Badajoz.

In the Levante area the Rocamora substation has been expanded through two new 400 kW transformer and vector group positions to strengthen the distribution network in the area.

Redesur

During the year Red Eléctrica was awarded the concession for the reinforcement of the electrical systems of southern Peru. This is a BOOT-type contract (building, ownership, operation and transfer) with a duration of 32 years. The construction of three 220 kW lines with a total length of 444 km, and related substations in Socabaya, Moquegua, Tacna and Puno, has been carried out in accordance with forecasts.

Year 2000

During the last quarter of 1999 the Company completed its the review and adaptation to the change in millennium of relevant systems. The compatibility testing was carried out both on individual elements and on the systems as a whole. Special attention was paid to those elements and systems which could be considered critical to the supply of electricity.

Full compatibility was also achieved for all critical equipment of the Company's telecommunications network.

Within the framework of the disaster recovery plan for the Electricity Sector, a committee was created to deal with the Year 2000 issue. This committee operated from Red Eléctrica's Electrical Control Centre to ensure electrical supply on the changeover to the new millennium.

In 1999 the Company has incurred expenses of Ptas. 305 million in respect of the Year 2000 issue, mainly relating to the maintenance and renovation of installations.

Interim dividend

During the fourth quarter of 1999 an interim dividend on account of Euros 0.15 per share was paid.

The objective of the Company is to maximise returns for its shareholders and improve on the dividend paid in the prior year. Accordingly, the forecast pay-out for 1999 is between 65% and 75%. In 1998 the pay-out was 60% representing a total of Ptas. 6,921 million (approximately Euros 0.31 per share taking into consideration the split carried out in May 1999).

4. APPENDICES

STATEMENT OF PROFIT AND LOSS

	Millions of Pesetas		% Variation	Millions of Euros	
	31.12.99	31.12.98	99/98	31.12.99	31.12.98
Net sales	90,368	89,247	1.3	543.12	536.39
Other income	1,388	1,039	33.6	8.34	6.24
<u>Change in stocks of finished goods and work in progress</u>					
Total value of production	91,756	90,286	1.6	551.46	542.63
Net purchases	-35,496	-35,080	1.2	-213.34	-210.84
Change in stocks of goods for resale, raw materials and other materials consumed	-100	-93	7.5	-0.60	-0.56
External operating expenses	-7,682	-7,304	5.2	-46.17	-43.90
Adjusted value added	48,478	47,809	1.4	291.36	287.34
Other expenses and income					
Personnel expenses	-9,164	-8,877	3.2	-55.08	-53.35
Gross operating profit	39,314	38,932	1.0	236.28	233.99
Amortisation and depreciation	-16,668	-16,397	1.7	-100.18	-98.55
Reversion fund					
<u>Change in trade provisions</u>					
Net operating profit	22,646	22,535	0.5	136.11	135.44
Financial income	263	605	-56.5	1.58	3.64
Financial expenses	-3,760	-6,609	-43.1	-22.60	-39.72
Interest and capitalised exchange differences	264	542	-51.3	1.59	3.26
<u>Amortisation and financial provisions</u>					
Profit on ordinary activities	19,413	17,073	13.7	116.67	102.61
Profit on disposal of intangible assets, tangible assets and investments	17	-25	-168.0	0.10	-0.15
Change in provisions for intangible assets, tangible assets and investments	-193	-230	-16.1	-1.16	-1.38
Profit on operations with own shares and bonds					
Prior years' results	29	179	-83.8	0.17	1.08
Other extraordinary income	-179	397	-145.1	-1.08	2.39
Profit before tax	19,087	17,394	9.7	114.72	104.54
Income and other taxes	-6,586	-5,858	12.4	-39.58	-35.21
Profit for the period	12,501	11,536	8.4	75.13	69.33

The classification shown above is that used for the reports presented to the Spanish Stock Exchange Authorities and the Stock Exchange

BALANCE SHEET

Assets	Millions of Pesetas		% Variation	Millions of Euros	
	31.12.99	31.12.98	99/98	31.12.99	31.12.98
Uncalled share capital					
Start-up costs					
Intangible assets	1,590	1,785	-10.9	9.56	10.73
Tangible assets	220,360	230,505	-4.4	1324.39	1385.36
Investments	3,800	2,561	48.4	22.84	15.39
Own shares, long-term					
Trade debtors, long-term	968	968	0.0	5.82	5.82
Total fixed assets	226,718	235,819	-3.9	1362.60	1417.30
Deferred expenses	2,222	817	172.0	13.35	4.91
Unpaid calls on share capital					
Stocks	568	618	-8.1	3.41	3.71
Debtors	17,508	25,312	-30.8	105.23	152.13
Short-term investments	2,985	1,608	85.6	17.94	9.66
Own shares, short-term					
Cash in hand and at banks	87	36	141.7	0.52	0.22
Prepayments	152	263	-42.2	0.91	1.58
Total current assets	21,300	27,837	-23.5	128.02	167.30
Total assets	250,240	264,473	-5.4	1503.97	1589.51
Shareholders' Equity and Liabilities					
Share capital	45,014	45,090	-0.2	270.54	271.00
Reserves	63,980	59,440	7.6	384.53	357.24
Prior years' losses					
Profit for the period	12,501	11,536	8.4	75.13	69.33
Interim dividends	-3,376				
Total shareholders' equity	118,119	116,066	1.8	709.91	697.57
Deferred income	31,622	32,404	-2.4	190.05	194.75
Provisions for liabilities and charges	4,041	2,589	56.1	24.29	15.56
Bond issues and other marketable securities	21,018	26,018	-19.2	126.32	156.37
Loans	36,617	41,277	-11.3	220.07	248.08
Group and associated companies					
Long-term trade creditors					
Other long-term creditors	7,624	7,322	4.1	45.82	44.01
Total long-term creditors	65,259	74,617	-12.5	392.21	448.46
Bond issues and other marketable securities	430	791	-45.6	2.58	4.75
Loans	9,349	14,985	-37.6	56.19	90.06
Group and associated companies					
Trade creditors	7,240	8,674	-16.5	43.51	52.13
Other short-term creditors	7,558	9,057	-16.6	45.42	54.43
Accruals	6,622	5,290	25.2	39.80	31.79
Total current liabilities	31,199	38,797	-19.6	187.51	233.17
Provision for current liabilities and charges					
Total shareholders' equity and liabilities	250,240	264,473	-5.4	1503.97	1589.51

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