

Consolidated Financial Statements

Grupo Red Eléctrica

Consolidated balance sheet at 31 december 2007 and 2006 (thousand euro)

ASSETS	2007	2006
Property, plant and equipment (note 5)	4,788,536	4,433,642
Investment property (note 6)	2,597	2,734
Intangible assets (note 7)	3,993	5,433
Non-current financial assets (note 16)	114,918	13,029
Investments carried under the equity method (note 8)	5,450	7,204
Deferred tax assets (note 20)	43,028	38,921
Other non-current assets	841	436
Non-current assets	4,959,363	4,501,399
Inventories (note 9)	32,227	28,974
Current trade and other receivables (note 10)	299,600	264,853
Current financial assets (note 16)	2,276	1,671
Current tax assets (note 20)	9,313	7,813
Other current assets	268	316
Cash and cash equivalents	11,337	13,374
Assets classified as held for sale (note 6)	640	-
Current assets	355,661	317,001
Total assets	5,315,024	4,818,400
LIABILITIES	2007	2006
Capital	270,540	270,540
Other reserves	264,546	264,546
Remaining reserves	667,687	486,887
Minority interests	55	58
Equity (note 11)	1,202,828	1,022,031
Bonds and other negotiable securities (note 14)	1,185,617	1,224,956
Bank loans and overdrafts (note 14)	1,408,110	1,277,270
Other non-current financial liabilities (note 16)	26,496	20,627
Deferred tax liabilities (note 20)	154,375	144,024
Provisions (note 12)	22,083	19,166
Other non-current liabilities (note 13)	397,318	366,207
Non-current liabilities	3,193,999	3,052,250
Bonds and other negotiable securities (note 14)	17,498	16,429
Bank loans and overdrafts (note 14)	47,446	129,377
Trade and other payables (note 18)	177,086	142,333
Provisions	1,571	1,477
Current tax liabilities (note 20)	51,590	34,628
Other current liabilities (note 19)	623,006	419,875
Current liabilities	918,197	744,119
Total liabilities	5,315,024	4,818,400

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Consolidated income statement 2007 and 2006 (thousand euro)

INCOME STATEMENT	2007	2006
Net turnover (note 21-a)	1,030,910	949,262
Other operating income (note 21-b)	25,461	4,788
Raw materials and consumables (note 21-c)	(60,951)	(36,390)
Staff costs (note 21-d)	(88,374)	(84,902)
Other operating expenses (note 21-c)	(183,794)	(181,069)
Non-current asset depreciation (notes 5, 6 and 7)	(251,463)	(249,846)
Net operating profit/(loss)	471,789	401,843
Financial income	3,169	2,549
Financial expense	(111,383)	(102,130)
Exchange differences	1,030	237
Net result due to value changes in financial instruments	(8)	2,677
Net result due to asset value impairment (note 21-e)	(12,258)	(31,193)
Profit share in companies carried under the equity method (note 8)	664	847
Net profit/(loss) on disposal of non-current assets (note 21-f)	1,244	114
Other profits or losses	7,351	5,913
Profit/(loss) before taxes from ongoing operations	361,598	280,857
Corporate income tax expense (note 20)	(118,542)	(80,699)
Profit/(loss) for the year from ongoing activities	243,056	200,158
Minority interests	(7)	(4)
Profit/loss attributed to parent company	243,049	200,154
Basic earnings per share (note 30)	1.81	1.48
Diluted earnings per share (note 30)	1.81	1.48

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Consolidated statement of changes in equity 2007 and 2006 (thousand euro)

EQUITY	Share capital	Other reserves	Remaining reserves	Minority interests	Total equity
Balances at 1 January 2006	270,540	264,546	427,693	74	962,853
Distribution of 2005 profits:					
To complementary dividend 2005	-	-	(62,043)	-	(62,043)
Interim dividend 2006	-	-	(43,428)	-	(43,428)
Movement in treasury shares	-	-	(49,163)	-	(49,163)
Translation differences	-	-	(5,611)	(12)	(5,623)
Measurement of financial derivatives	-	-	11,651	-	11,651
Profit for 2006	-	-	200,154	4	200,158
Other	-	-	7,634	(8)	7,626
Balances at 31 December 2006	270,540	264,546	486,887	58	1,022,031
Distribution of 2006 profits:					
To complementary dividend 2006	-	-	(77,564)	-	(77,564)
Interim dividend 2007	-	-	(52,208)	-	(52,208)
Movement in treasury shares	-	-	40,655	-	40,655
Translation differences	-	-	(7,139)	(20)	(7,159)
Measurement of financial derivatives	-	-	27,440	-	27,440
Profit for 2007	-	-	243,049	7	243,056
Other	-	-	6,567	10	6,577
Balances at 31 December 2007	270,540	264,546	667,687	55	1,202,828

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Consolidated cash flow statement 2007 and 2006 (thousand euro)

CASH FLOW STATEMENT	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES	612,469	601,091
Cash flows from operating activities	622,097	559,762
Profit/(loss) before taxes from ongoing operations	361,598	280,857
Non-current asset depreciation	251,463	249,846
Other results not generating cash movements	10,117	11,167
Capital grants and other deferred income released to income statement	(12,103)	(10,510)
Net profit/(loss) on disposal of non-current assets	11,022	28,402
Income taxes paid	(98,102)	(94,115)
Changes in operating working capital	91,771	151,792
Increase in inventories, debtors, receivables and other current assets	(44,225)	79,798
Reduction in trade creditors, current advances and other current liabilities	135,996	71,994
Payments of provisions	(3,297)	(16,348)
CASH FLOWS FROM INVESTING ACTIVITIES	(590,912)	(308,764)
Acquisition of property, plant and equipment and intangible assets	(529,530)	(366,563)
Sale of property, plant and equipment and intangible assets	2,049	1,017
Acquisition of other investments	(99,284)	(496)
Sale of other investments	(3,408)	856
Acquisition of investees	-	(618)
Capital grants and other advances received	39,261	57,040
CASH FLOWS FROM FINANCING ACTIVITIES	(23,154)	(297,421)
Equity movements	46,108	(47,554)
Drawdown on long-term financing facility	161,870	111,687
Repayment of long-term financing facility	(28,190)	(106,927)
Drawdown on short-term financing facility	576,807	1,065,795
Repayment on short-term financing facility	(658,758)	(1,221,791)
Dividends paid	(120,991)	(98,631)
NET CASH FLOW	(1,597)	(5,094)
Changes in exchange rate in cash and cash equivalents	(440)	(300)
CHANGE IN CASH AND OTHER LIQUID RESOURCES IN THE YEAR	(2,037)	(5,394)
Cash and cash equivalents at the beginning of the year	13,374	18,768
Cash and cash equivalents at end of the year	11,337	13,374