

RED
ELÉCTRICA
DE ESPAÑA

Financial results

January - December 2007

The financial-economic figures for 2007 confirm the objectives set by the Red Eléctrica Group.

Profit for 2007 amounted to €243.0 million, up 21.4% on 2006.

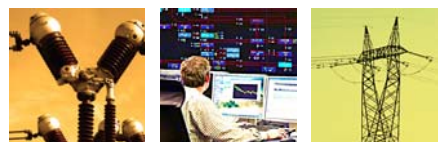
The Group's investments amounted to €27.8 million, which represents an increase of 37.4% comparing to 2006, of which €07.6 million relates to investment in the mainland grid.

March, 3rd 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 - December | | | September - December | | |
|---|--------------------|---------|------|----------------------|---------|------|
| | 2007 | 2006 | Δ % | 2007 | 2006 | Δ % |
| Net Sales | 1,030,910 | 949,262 | 8.6 | 269,465 | 240,924 | 11.8 |
| Gross operating profit (EBITDA) | 723,252 | 651,689 | 11.0 | 177,376 | 155,775 | 13.9 |
| Net operating profit (EBIT) | 471,789 | 401,843 | 17.4 | 110,074 | 90,846 | 21.2 |
| Profit before tax | 361,598 | 280,857 | 28.7 | 75,352 | 38,042 | 98.1 |
| Profit attributed to the parent company | 243,049 | 200,154 | 21.4 | 51,741 | 40,464 | 27.9 |

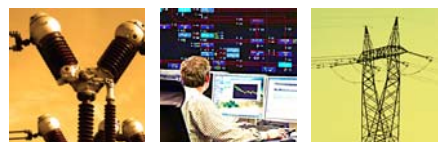
Balance Sheet

| (in thousands of euros) | December 2007 | December 2006 | Δ % |
|--------------------------|---------------|---------------|------|
| Total non-current assets | 4,959,363 | 4,501,399 | 10.2 |
| Equity | 1,202,828 | 1,022,031 | 17.7 |
| Net financial debt* | 2,697,044 | 2,644,381 | 2.0 |

* Includes exchange rate derivatives.

Other financial figures

| (in thousands of euros) | January - December | | | September - December | | |
|---------------------------|--------------------|---------|------|----------------------|---------|------|
| | 2007 | 2006 | Δ % | 2007 | 2006 | Δ % |
| Cash flow from operations | 622,097 | 559,762 | 11.1 | 153,249 | 136,421 | 12.3 |
| Capital expenditures | 727,765 | 529,597 | 37.4 | 317,588 | 181,358 | 75.1 |
| Dividends paid | 120,991 | 98,631 | 22.7 | - | - | - |



2. Evolution of accumulated and quarterly results

Net sales for 2007 amounts to €1,030.9 million and in accumulated terms, grew by 8.6%, largely driven by the increase in the asset base as a result of the facilities brought into service in 2006. The growth in turnover for the fourth quarter of 2007 as compared with the same period in 2006 amounted to 11.8%. This increase includes the remuneration on a retroactive basis of the grid assets acquired from Hidrocantábrico in June.

EBITDA for 2007 amounts to €723.3, up 11.0% on 2006, driven by the growth in turnover and:

- The evolution of **staff costs**, up 4.1%. In quarterly terms, staff costs decreased some 13.3% compared with the last quarter of 2006 since in the fourth quarter of 2007 a smaller provision was recorded for future commitments entered into by the parent with its employees, in light of the development of the main actuarial assumptions.

The **average headcount** of the Red Eléctrica Group at 31 December 2007 stood at 1,456 employees, which represents an increase of 2.1% compared with 2006. Moreover, the final **headcount** amounted to 1,468 employees, up 1.8% compared with that at 31 December 2006.

- The evolution of **supply costs and other operating charges**. Net expenses increased by 3.4% compared with the previous year. In quarterly terms, this increase amounts to 17.2%, largely fuelled by the renewal and improvement work on the grid in the last few months of the year.

In 2007 the disruptions caused by incidents on the transmission network did not have a net impact on the income statement since they were covered by insurance policies. Nonetheless, it should be noted that both supplies and other operating charges and **other operating income** reflect repair costs and the indemnities received from insurance companies.

In order to eliminate the distorting effect of the abovementioned, the following table sets out operating charges net of other operating income:

Net Operating expenses

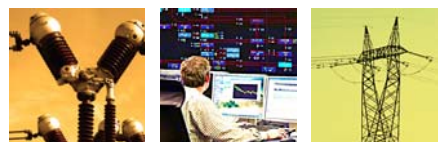
| (in thousands of euros) | January - December | | | September - December | | |
|--|--------------------|----------------|------------|----------------------|---------------|------------|
| | 2007 | 2006 | Δ % | 2007 | 2006 | Δ % |
| Supply costs and other operating expenses(*) | 219,284 | 212,671 | 3.1 | 70,128 | 59,823 | 17.2 |
| Staff costs | 88,374 | 84,902 | 4.1 | 21,961 | 25,326 | (13.3) |
| Net operating expenses | 307,658 | 297,573 | 3.4 | 92,089 | 85,149 | 8.2 |

(*) Operating charges offset by other operating income which mainly includes payments received under insurance policies owing to incidents.

Depreciation for the year remained consistent with the previous one although in quarterly terms, there is a 3.7% increase mainly due to the facilities commissioned in the fourth quarter of the year. Therefore **EBIT** is up 17.4% on 2006 (21.2% in quarterly terms).

Net financial charges are up 10.9% on 2006 mainly due to the rise in market rates.

In 2007 €12.3 million were recorded in respect of asset impairment largely due to the value adjustments to the electricity facilities in the Northeast region, the construction of which was brought to a standstill for reasons beyond the company's control.



Lastly, **Profit for the year** grew by 21.4% as compared with 2006. The effective tax rate for the year was 32.8% compared with 28.7% in the previous year. In 2006, as a result of the entry into force of Law 35/2006, which amended the corporate income tax rate, there was a positive effect in the Group of €15.6 million, deriving from the adjustment of deferred tax assets and liabilities to the new tax rates.

3. Cash flow and balance sheet

Cash flow

| (in thousands of euros) | January - December | | | September - December | | |
|--|--------------------|------------------|---------------|----------------------|------------------|---------------|
| | 2007 | 2006 | Δ % | 2007 | 2006 | Δ % |
| Profit before tax | 361,598 | 280,857 | 28.7 | 75,352 | 38,042 | 98.1 |
| Income taxes paid | (98,102) | (94,115) | 4.2 | (42,373) | (48,882) | (13.3) |
| Amortization & depreciation of non-current assets | 251,463 | 249,846 | 0.6 | 67,302 | 64,929 | 3.7 |
| Other adjustments | 9,036 | 29,059 | (68.9) | 10,595 | 33,450 | (68.3) |
| Cash flows from operations after tax | 523,995 | 465,647 | 12.5 | 110,876 | 87,539 | 26.7 |
| Change in working capital and other long-term assets and liabilities | 273,032 | 313,817 | (13.0) | 285,034 | 235,174 | 21.2 |
| Capital expenditures | (727,765) | (529,597) | 37.4 | (317,588) | (181,358) | 75.1 |
| Free cash flow | 69,262 | 249,867 | (72.3) | 78,322 | 141,355 | (44.6) |
| Dividends paid | (120,991) | (98,631) | 22.7 | - | - | - |
| Change in net financial debt* | 51,729 | (151,236) | - | (78,322) | (141,355) | 44.6 |

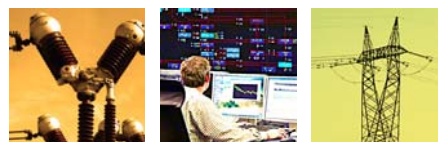
*The difference with the change in Net financial debt from page 2 relates to non-cash captions.

Cash flows from operations after tax grew by 12.5% compared with 2006. This growth was largely driven by operating results for the year, explained above.

The variation in working capital in 2007 amounted to €273 million, which has contributed positively to the financing of investments made and dividends paid by the company.

Capital expenditures by the Group in 2007 amounted to €727,8 million, some 37.4% above the investments completed during 2006. This major investment effort was focused on:

- **Investments in the development of the national grid:** Investments in the national grid amounted to €607.6 million compared with €510.1 million in 2006, up 19.1%.
- **Financial investment:** Early 2007, 5% of the Portuguese company Redes Energeticas Nacionais, SGPS, S.A. (REN) was purchased for which there was a payment on account of €53.4 million. This acquisition, which started in March, was completed in October. The total amount paid following the final setting of the price of the shares in accordance with the terms of the sales-purchase agreement was €98,8 million.
- **Other investments:** Other investments, both national and international, amounted to €21,4 million.



Dividends paid in 2007 amounted to €121,0 million, equivalent to 0,8984 € per share, up 23% on the amount paid in 2006. This amount relates to both the interim dividend paid in the previous year and the complementary dividend.

The **Net financial debt** of the Red Eléctrica Group as of 31 December 2007 amounts to €2.697,0 million, which is 2% higher than the figure at the 2006 year end. The debt structure did not vary significantly in this period: long-term debt represents 99% compared with 96% as of 31 December 2006.

Net financial debt

| (in thousands of euros) | National currency | Foreign currency | Total |
|---|-------------------|------------------|------------------|
| Cash and cash equivalents | (4,072) | (7,265) | (11,337) |
| Long-term debenture loans | 1,257,828 | - | 1,257,828 |
| Long-term credits | 1,352,594 | 55,516 | 1,408,110 |
| Promissory notes and short-term credits | 35,725 | 6,718 | 42,443 |
| Total net financial debt | 2,642,075 | 54,969 | 2,697,044 |

Taking into account the interest rate, 73% of the Group's debt is at a fixed rate while the remaining 27% is at a variable rate.

Similarly, in 2007 the average cost of the Group's financial debt stood at 4.22% while the average balance amounted to €2.756,4 million. In 2006 the average cost of the debt amounted to 3.88% while the average balance stood at €2.697,7 million.

Moreover, at 31 December 2007 the Red Eléctrica Group's equity amounted to €1.202,8 million, up 17.7% on 2006. This increase results from profits for the period and the positive development of hedging instruments and the decrease in the treasury share position held.

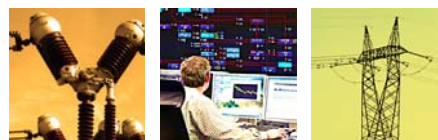
4. International business

In 2007 international operations through the subsidiary Red Eléctrica Internacional (REI) generated revenues of €22.3 million, EBITDA of €13,8 million, EBIT of €9,0 million and profits after tax of €2.3 million.

Investments in the grid on an international level amounted to €7,4 million in the period while the net financial debt amounted to €54,3 million, largely consisting of foreign currency debt at an average interest rate of 3.99%.

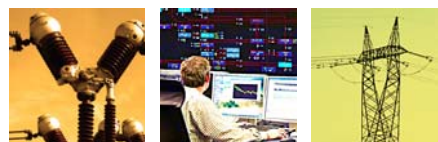
5. Relevant events during the period

- **Payment of interim dividend:** On 20 December 2007 payment was declared of an interim dividend against 2007 profits amounting to 0,3868 euros per share, up 19% on the previous year.
- **Decrease in Unión Fenosa's shareholding in Red Eléctrica:** On 6 November Unión Fenosa reported the sale of 2,705,400 shares in Red Eléctrica, representing 2% of share capital. Following this sale, Unión Fenosa's shareholding was reduced to 1% of the company's capital.



Red Eléctrica Group Consolidated Income Statement

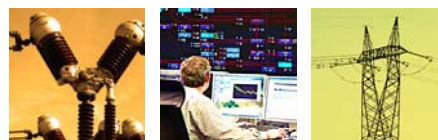
| (in thousands of euros) | 31/12/2007 | 31/12/2006 | 2007/2006 |
|---|----------------|----------------|--------------|
| Net sales | 1,030,910 | 949,262 | 8.6% |
| Other operating income | 25,461 | 4,788 | - |
| Supply costs | (60,951) | (36,390) | 67.5% |
| Staff costs | (88,374) | (84,902) | 4.1% |
| Other operating expenses | (183,794) | (181,069) | 1.5% |
| Gross operating profit | 723,252 | 651,689 | 11.0% |
| Amortisation/depreciation of non-current assets | (251,463) | (249,846) | 0.6% |
| Net operating profit | 471,789 | 401,843 | 17.4% |
| Financial income | 3,169 | 2,549 | 24.3% |
| Financial expense | (111,383) | (102,130) | 9.1% |
| Exchange differences | 1,030 | 237 | - |
| Net profit/(loss) on changes in fair value of financial instruments | (8) | 2,677 | - |
| Net asset impairment loss | (12,258) | (31,193) | (60.7%) |
| Share of profit of associates accounted for using the equity method | 664 | 847 | (21.6%) |
| Net proceeds from sale of non-current assets | 1,244 | 114 | - |
| Other gains or losses | 7,351 | 5,913 | 24.3% |
| Profit before tax | 361,598 | 280,857 | 28.7% |
| Income tax expense | (118,542) | (80,699) | 46.9% |
| Profit for the year | 243,056 | 200,158 | 21.4% |
| Minority interests | (7) | (4) | - |
| Profit attributed to the parent company | 243,049 | 200,154 | 21.4% |



Red Eléctrica Group Consolidated Balance Sheet

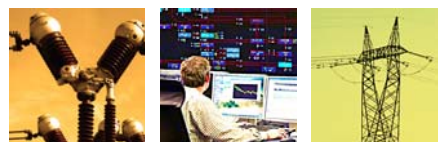
| ASSETS (in thousands of euros) | 31/12/2007 | 31/12/2006 |
|--|------------------|------------------|
| Property, plant and equipment | 4,788,536 | 4,433,642 |
| Investment property | 2,597 | 2,734 |
| Intangible assets | 3,993 | 5,433 |
| Non-current financial assets | 114,918 | 13,029 |
| Investments accounted by the equity method | 5,450 | 7,204 |
| Deferred tax assets | 43,028 | 38,921 |
| Other non-current assets | 841 | 436 |
| Total non-current assets | 4,959,363 | 4,501,399 |
| Inventories | 32,227 | 28,974 |
| Trade and other receivables | 299,600 | 264,853 |
| Current financial assets | 2,276 | 1,671 |
| Current tax assets | 9,313 | 7,813 |
| Other current assets | 268 | 316 |
| Cash and cash equivalents | 11,337 | 13,374 |
| Non current assets available for sale | 640 | - |
| Total current assets | 355,661 | 317,001 |
| Total assets | 5,315,024 | 4,818,400 |

| LIABILITIES (in thousands of euros) | 31/12/2007 | 31/12/2006 |
|---|------------------|------------------|
| Share capital | 270,540 | 270,540 |
| Other reserves | 264,546 | 264,546 |
| Retained earnings | 702,688 | 574,064 |
| Treasury shares (-) | (12,331) | (52,986) |
| Exchange differences | (10,115) | (2,976) |
| Other measurement adjustments | 39,653 | 12,213 |
| Interim dividend | (52,208) | (43,428) |
| Minority interests | 55 | 58 |
| Equity | 1,202,828 | 1,022,031 |
| Issues of bonds and other marketable securities | 1,185,617 | 1,224,956 |
| Bank borrowings | 1,408,110 | 1,277,270 |
| Other financial liabilities | 26,496 | 20,627 |
| Deferred tax liabilities | 154,375 | 144,024 |
| Provisions | 22,083 | 19,166 |
| Other non-current liabilities | 397,318 | 366,207 |
| Total non-current liabilities | 3,193,999 | 3,052,250 |
| Issues of bonds and other marketable securities | 17,498 | 16,429 |
| Bank borrowings | 47,446 | 129,377 |
| Trade and other payables | 177,086 | 142,333 |
| Provisions | 1,571 | 1,477 |
| Current tax liabilities | 51,590 | 34,628 |
| Other current liabilities | 623,006 | 419,875 |
| Current liabilities | 918,197 | 744,119 |
| Total liabilities | 5,315,024 | 4,818,400 |



Red Eléctrica Group Consolidated Cash Flow Statement

| (in thousands of euros) | 31/12/2007 | 31/12/2006 |
|--|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | 612,469 | 601,091 |
| Cash flows from operations | 622,097 | 559,762 |
| Profit before tax | 361,598 | 280,857 |
| Amortisation and depreciation of non-current assets | 251,463 | 249,846 |
| Other results involving no movement of funds | 10,117 | 11,167 |
| Capital grants and other deferred income released to the income statement | (12,103) | (10,510) |
| Net proceeds from sale of non-current assets | 11,022 | 28,402 |
| Income taxes paid | (98,102) | (94,115) |
| Changes in current working capital | 91,771 | 151,792 |
| Changes in inventories, receivables, current advance payments and other current assets | (44,225) | 79,798 |
| Changes in trade payables, current advance collections and other liabilities | 135,996 | 71,994 |
| Payment of provisions recognised for contingencies and expenses | (3,297) | (16,348) |
| CASH FLOWS FROM INVESTING ACTIVITIES | (590,912) | (308,764) |
| Acquisition and sale of PPE and intangible assets | (527,481) | (365,546) |
| Acquisition and sale of other assets | (102,692) | 360 |
| Acquisition and sale of subsidiaries and joint ventures | - | (618) |
| Capital grants and other advance collections | 39,261 | 57,040 |
| CASH FLOWS FROM FINANCING ACTIVITIES | (23,154) | (297,421) |
| Changes in equity | 46,108 | (47,554) |
| Utilisation of long-term financing | 161,870 | 111,687 |
| Repayment of long-term financing | (28,190) | (106,927) |
| Utilisation of short-term financing | 576,807 | 1,065,795 |
| Repayment of short-term financing | (658,758) | (1,221,791) |
| Dividends paid | (120,991) | (98,631) |
| NET CASH FLOW | (1,597) | (5,094) |
| Effect of foreign exchange fluctuations on cash and cash equivalents | (440) | (300) |
| CHANGES IN CASH AND CASH EQUIVALENTS DURING THE PERIOD | (2,037) | (5,394) |
| Cash and cash equivalents at beginning of the year | 13,374 | 18,768 |
| Cash and cash equivalents at end of the year | 11,337 | 13,374 |



Financial calendar

Upcoming events

Estimated dates

| | | |
|----------------------------|----------|------|
| 2008 first quarter results | April 28 | 2008 |
|----------------------------|----------|------|

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



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