



Limited Review  
Report of Red  
Eléctrica  
Corporación, S.A.

(Together with the Condensed Consolidated Interim Financial Statements of Red Eléctrica Corporación, S.A. for the period of six months ended 30 June 2021)

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)



KPMG Auditores, S.L.  
Paseo de la Castellana, 259 C  
28046 Madrid

## **Limited Review Report on the Condensed Consolidated Interim Financial Statements**

*(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)*

To the Shareholders of Red Eléctrica Corporación, S.A., commissioned by management

### **Introduction**

We have carried out a limited review of the accompanying condensed consolidated interim financial statements (the "interim financial statements") of Red Eléctrica Corporación, S.A. (the "Company") and subsidiaries (together the "Group"), which comprise the statement of financial position at 30 June 2021, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and the explanatory notes thereto (all condensed and consolidated). The Directors of the Company are responsible for the preparation of these interim financial statements in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting as adopted by the European Union, pursuant to article 12 of Royal Decree 1362/2007 as regards the preparation of condensed interim financial information. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

### **Scope of Review**

We conducted our limited review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with prevailing legislation regulating the audit of accounts in Spain and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the accompanying interim financial statements.



## Conclusion

Based on our limited review, which can under no circumstances be considered an audit, nothing has come to our attention that causes us to believe that the accompanying interim financial statements for the six-month period ended 30 June 2021 have not been prepared, in all material respects, in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting as adopted by the European Union, pursuant to article 12 of Royal Decree 1362/2007 as regards the preparation of condensed interim financial statements.

## Emphasis of Matter

We draw your attention to the accompanying note 2.a, which states that these interim financial statements do not include all the information that would be required in a complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The accompanying interim financial statements should therefore be read in conjunction with the Group's consolidated annual accounts for the year ended 31 December 2020. This matter does not modify our conclusion.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The accompanying consolidated interim directors' report for the six-month period ended 30 June 2021 contains such explanations as the Directors of the Company consider relevant with respect to the significant events that have taken place in this period and their effect on the interim financial statements, as well as the disclosures required by article 15 of Royal Decree 1362/2007. The consolidated interim directors' report is not an integral part of the interim financial statements. We have verified that the accounting information contained therein is consistent with that disclosed in the interim financial statements for the six-month period ended 30 June 2021. Our work is limited to the verification of the consolidated interim directors' report within the scope described in this paragraph and does not include a review of information other than that obtained from the accounting records of Red Eléctrica Corporación, S.A. and subsidiaries.

## Other Matter

This report has been prepared at the request of the Company's Directors in relation to the publication of the six-monthly financial report required by article 119 of the Revised Securities Market Law, approved by Royal Legislative Decree 4/2015 of 23 October 2015 and enacted by Royal Decree 1362/2007 of 19 October 2007.

KPMG Auditores, S.L.

*(Signed on original in Spanish)*

Ana Fernández Poderós

27 July 2021



**Condensed Consolidated  
Interim Financial Statements  
and Consolidated Interim  
Directors' Report  
for the six-month period ended  
30 June 2021**

*(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)*

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Red Eléctrica Group  
Consolidated Statement of Financial Position at 30 June 2021 and 31 December 2020

Thousands of Euros

Assets	Note	30.06.2021	31.12.2020
Intangible assets	7	701,734	690,850
Property, plant and equipment	7	9,513,441	9,511,245
Investment property	7	1,314	1,325
Equity-accounted investees	8	566,920	519,312
Non-current financial assets	13	114,553	116,205
At fair value through other comprehensive income		79,030	79,363
At fair value through profit or loss		13,860	7,973
At amortised cost		21,663	28,869
Non-current derivatives	13	17,650	146
Deferred tax assets	15	79,741	88,015
Other non-current assets	13	2,173	2,442
<b>Total non-current assets</b>		<b>10,997,526</b>	<b>10,929,540</b>
Inventories	9	30,304	34,875
Trade and other receivables	10	1,211,090	1,342,099
Trade receivables		67,424	43,054
Other receivables		1,137,412	1,288,342
Current tax assets		6,254	10,703
Other current financial assets	13	30,286	35,812
At amortised cost		30,286	35,812
Current derivatives	13	1,022	19,991
Cash and cash equivalents		1,150,258	481,772
<b>Total current assets</b>		<b>2,422,960</b>	<b>1,914,549</b>
<b>Total assets</b>		<b>13,420,486</b>	<b>12,844,089</b>

Notes 1 to 22 and Appendix I form an integral part of these condensed consolidated interim financial statements.

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Red Eléctrica Group  
Consolidated Statement of Financial Position at 30 June 2021 and 31 December 2020

Thousands of Euros

Equity and Liabilities	Note	30.06.2021	31.12.2020
Capital and reserves		3,577,029	3,613,425
Capital		270,540	270,540
Reserves		2,984,869	2,905,234
Own shares (-)		(36,550)	(36,550)
Profit attributable to the Parent		358,170	621,185
Interim dividend (-)		-	(146,984)
Valuation adjustments		(140,592)	(177,823)
Financial assets at fair value through other comprehensive income		12,428	12,761
Hedging transactions		(73,923)	(93,559)
Translation differences		(79,097)	(97,025)
<b>Equity attributable to the Parent</b>		<b>3,436,437</b>	<b>3,435,602</b>
Non-controlling interests		58,524	56,351
<b>Total equity</b>	<b>11</b>	<b>3,494,961</b>	<b>3,491,953</b>
Grants and other		706,088	707,920
Non-current provisions		129,094	135,986
Non-current financial liabilities	13	6,414,323	6,485,404
Loans and borrowings, bonds and other marketable securities		6,357,397	6,427,644
Other non-current financial liabilities		56,926	57,760
Deferred tax liabilities	15	414,396	417,353
Non-current derivatives	13	14,040	50,350
Other non-current liabilities		103,800	96,233
<b>Total non-current liabilities</b>		<b>7,781,741</b>	<b>7,893,246</b>
Current provisions		58,613	57,183
Current financial liabilities	13	1,399,563	823,767
Loans and borrowings, bonds and other marketable securities		601,064	214,973
Other current financial liabilities		798,499	608,794
Trade and other payables	14	684,590	577,720
Suppliers		343,218	258,860
Other payables		269,255	293,899
Current tax liabilities		72,117	24,961
Current derivatives	13	1,018	220
<b>Total current liabilities</b>		<b>2,143,784</b>	<b>1,458,890</b>
<b>Total equity and liabilities</b>		<b>13,420,486</b>	<b>12,844,089</b>

Notes 1 to 22 and Appendix I form an integral part of these condensed consolidated interim financial statements.

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Red Eléctrica Group  
Consolidated Income Statement for the Periods Ended 30 June 2021 and 2020

Thousands of Euros

	Note	30.06.2021	30.06.2020
Revenue	16.a	975,853	977,892
Self-constructed assets	7	24,220	26,713
Share of profit of equity-accounted investees (with a similar activity to that of the Group)	8	15,528	8,007
Supplies	16.c	(10,989)	(13,436)
Other operating income	16.b	8,010	10,961
Personnel expenses	16.d	(88,213)	(87,483)
Other operating expenses	16.c	(153,140)	(156,405)
Depreciation and amortisation	7	(258,167)	(271,679)
Non-financial and other capital grants		14,112	15,354
Impairment and gains/(losses) on disposal of fixed assets		324	(660)
<b>Results from operating activities</b>		<b>527,538</b>	<b>509,264</b>
Finance income		6,037	8,697
Finance costs		(56,365)	(75,358)
Exchange gains/(losses)		702	(2,885)
Impairment and gains/(losses) on disposal of financial instruments		-	-
<b>Net finance cost</b>		<b>(49,626)</b>	<b>(69,546)</b>
<b>Profit before tax</b>		<b>477,912</b>	<b>439,718</b>
Income tax		(117,992)	(108,050)
<b>Consolidated profit for the period</b>		<b>359,920</b>	<b>331,668</b>
A) Consolidated profit for the period attributable to the Parent		358,170	331,707
B) Consolidated profit/(loss) for the period attributable to non-controlling interests	2.e	1,750	(39)
<b>Earnings per share in Euros</b>			
Basic earnings per share in Euros	21	0.66	0.62
Diluted earnings per share in Euros	21	0.66	0.62

Notes 1 to 22 and Appendix I form an integral part of these condensed consolidated interim financial statements.

Red Eléctrica Group

Consolidated Statement of Comprehensive Income for the Periods Ended 30 June 2021 and 2020

	30.06.2021	30.06.2020
A) Consolidated profit for the period (income statement)	359,920	331,668
B) Other comprehensive income – Items that will not be reclassified to profit or loss:	3,493	(7,824)
1. Actuarial gains and losses	5,101	1,577
2. Equity instruments through other comprehensive income	(333)	(9,007)
3. Tax effect	(1,275)	(394)
C) Other comprehensive income – Items that could be reclassified to profit or loss:	37,987	(83,323)
1. Cash flow hedges:	10,091	13,436
a) Revaluation gains/(losses)	3,920	9,731
b) Amounts transferred to the income statement	6,171	3,705
2. Translation differences:	24,468	(114,285)
a) Revaluation gains/(losses)	24,468	(114,285)
3. Share of other comprehensive income from investments in joint ventures and associates:	12,067	(7,686)
a) Revaluation gains/(losses)	12,067	(7,686)
4. Tax effect	(8,639)	25,212
Total comprehensive income for the period (A + B + C)	401,400	240,521
a) Attributable to the Parent	399,227	244,221
b) Attributable to non-controlling interests	2,173	(3,700)

Notes 1 to 22 and Appendix I form an integral part of these condensed consolidated interim financial statements.





Red Eléctrica Group  
Consolidated Statement of Changes in Equity for the Periods Ended 30 June 2021 and 2020

Equity / Thousands of Euros	Subscribed capital	Reserves	Own shares	Profit attributable to the Parent	Valuation adjustments	Non-controlling interests	Total equity
Balances at 31 December 2019	270,540	2,616,194	(36,504)	718,040	(52,466)	98,630	3,614,434
Restated due to Hispasat business combination (*)	-	-	-	(3,288)	-	(25,990)	(29,277)
Balances at 1 January 2020 (*)	270,540	2,616,194	(36,504)	714,752	(52,466)	72,640	3,585,156
I. Comprehensive income for the period	-	1,183	-	331,707	(88,669)	(3,700)	240,521
II. Transactions with shareholders or owners	-	146,960	(4,851)	(568,611)	-	-	(426,502)
- Distribution of dividends	-	147,002	-	(568,611)	-	-	(421,609)
- Transactions with own shares	-	(42)	(4,851)	-	-	-	(4,893)
III. Other changes in equity	-	146,141	-	(146,141)	-	-	-
- Transfers between equity line items	-	146,141	-	(146,141)	-	-	-
- Other changes	-	-	-	-	-	-	-
Balances at 30 June 2020	270,540	2,910,478	(41,355)	331,707	(141,135)	68,940	3,399,175
Balances at 1 January 2021	270,540	2,758,250	(36,550)	621,185	(177,823)	56,351	3,491,953
I. Comprehensive income for the period	-	3,826	-	358,170	37,231	2,173	401,400
II. Transactions with shareholders or owners	-	146,984	-	(540,511)	-	-	(393,527)
- Distribution of dividends	-	146,984	-	(540,511)	-	-	(393,527)
- Transactions with own shares	-	-	-	-	-	-	-
III. Other changes in equity	-	75,809	-	(80,674)	-	-	(4,865)
- Transfers between equity line items	-	80,674	-	(80,674)	-	-	-
- Other changes	-	(4,865)	-	-	-	-	(4,865)
Balances at 30 June 2021	270,540	2,984,869	(36,550)	358,170	(140,592)	58,524	3,494,961

(\*) Figures restated as a result of the recognition of the Hispasat business combination, effective 3 October 2019.

Notes 1 to 22 and Appendix I form an integral part of these condensed consolidated interim financial statements.

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

## Red Eléctrica Group Consolidated Statement of Cash Flows for the Periods Ended 30 June 2021 and 2020

Thousands of Euros

	Note	30.06.2021	30.06.2020
<b>Cash flows from operating activities</b>		<b>788,505</b>	<b>580,463</b>
Profit before tax		477,912	439,718
Adjustments to profit:		283,788	330,184
Depreciation and amortisation	7	258,167	271,679
Other adjustments		25,621	58,505
Equity-accounted investees		(15,528)	(8,007)
(Gains)/losses on disposal/impairment of non-current assets and financial instruments		(324)	660
Accrued finance income		(6,037)	(8,697)
Accrued finance costs		56,365	75,358
Charge to/surplus provisions for liabilities and charges		5,257	14,545
Capital and other grants taken to income		(14,112)	(15,354)
Changes in operating assets and liabilities		156,176	(36,615)
Changes in inventories, receivables, current prepayments and other current assets		139,022	40,375
Changes in trade payables, current contract liabilities and other current liabilities		17,154	(76,990)
Other cash flows used in operating activities:		(129,371)	(152,824)
Interest paid		(76,674)	(104,739)
Dividends received		4,848	4,848
Interest received		534	2,992
Income tax received/(paid)		(61,693)	(55,895)
Other proceeds from and payments for operating activities		3,614	(30)
<b>Cash flows used in investing activities</b>		<b>(268,198)</b>	<b>(638,796)</b>
Payments for investments		(274,702)	(652,780)
Property, plant and equipment, intangible assets and investment property		(263,544)	(278,518)
Group companies, associates and business units		-	(374,262)
Other financial assets		(11,158)	-
Proceeds from sale of investments		(653)	3,463
Property, plant and equipment, intangible assets and investment property		586	144
Other financial assets		(1,239)	3,319
Other cash flows from investing activities		7,157	10,521
Other proceeds from investing activities		7,157	10,521
<b>Cash flows from financing activities</b>		<b>146,941</b>	<b>300,773</b>
Proceeds from and payments for equity instruments		-	(4,892)
Acquisition		-	(22,852)
Disposal		-	17,960
Proceeds from and payments for financial liability instruments	13	317,641	472,781
Issue and drawdowns		709,684	1,572,765
Redemption and repayment		(392,043)	(1,099,984)
Dividends and interest on other equity instruments paid	11	(146,984)	(147,002)
Other cash flows used in financing activities		(23,716)	(20,114)
Interest paid		(48)	(131)
Other proceeds from and payments for financing activities		(23,668)	(16,732)
Effect of exchange rate fluctuations on cash and cash equivalents		1,238	(2,894)
<b>Net increase in cash and cash equivalents</b>		<b>668,486</b>	<b>239,546</b>
Cash and cash equivalents at beginning of period		481,772	328,570
Cash and cash equivalents at end of period		1,150,258	568,116

Notes 1 to 22 and Appendix I form an integral part of these condensed consolidated interim financial statements.

## Contents

---

1	Activities of the Group Companies.....	8
2	Basis of Presentation of the Consolidated Interim Financial Statements.....	8
3	Sector Regulation.....	10
4	Significant Accounting Policies .....	12
5	Considerations Regarding COVID-19 with Respect to the Consolidated Interim Financial Statements ...	12
6	Business Combinations .....	13
7	Intangible Assets, Property, Plant and Equipment and Investment Property .....	13
8	Equity-accounted Investees.....	15
9	Inventories.....	15
10	Trade and Other Receivables .....	16
11	Equity.....	16
12	Financial Risk Management Policy .....	18
13	Financial Assets, Financial Liabilities and Derivatives .....	19
14	Trade and Other Payables .....	23
15	Taxation .....	24
16	Income and Expenses .....	24
17	Transactions with Equity-accounted Investees and Related Parties.....	26
18	Remuneration of the Board of Directors.....	26
19	Remuneration of Senior Management .....	29
20	Segment Reporting.....	30
21	Earnings per Share .....	33
22	Events after 30 June 2021 .....	33
	Appendix I: Details of equity investments at 30 June 2021.....	33

In order to facilitate comprehension of the information provided in this document, certain alternative performance measures have been included. The definition of these measures can be found at [www.ree.es](http://www.ree.es).



## 1 Activities of the Group Companies

---

Red Eléctrica Corporación, S.A. (hereinafter the Parent or the Company) is the Parent of a Group formed by subsidiaries. The Group is also involved in joint operations along with other operators. The Parent and its subsidiaries form the Red Eléctrica Group (hereinafter the Group or Red Eléctrica Group). The Company's registered office is located in Alcobendas (Madrid) and its shares are traded on the Spanish automated quotation system as part of the selective IBEX35 index.

The Group's principal activity is electricity transmission, system operation and management of the transmission network for the Spanish electricity system. These regulated activities are carried out through Red Eléctrica de España, S.A.U. (hereinafter REE).

The Group also provides telecommunications services to third parties through the HISPASAT subgroup (hereinafter HISPASAT), by means of satellite infrastructure operation, and through Red Eléctrica Infraestructuras de Telecomunicación, S.A.U. (hereinafter REINTEL), via dark fibre backbone network rental. Moreover, the Group conducts electricity transmission activities outside Spain through Red Eléctrica Internacional, S.A.U. (hereinafter REI) and its investees.

In addition the Group carries out activities through its subsidiaries aimed at financing its operations and covering risks by reinsuring its assets and activities. It also develops and builds electricity infrastructure and facilities through its subsidiaries and/or investees, Red Eléctrica Infraestructuras en Canarias, S.A.U. (REIN-CAN) and Interconexión Eléctrica Francia-España, S.A.S. (INELFE). Moreover, the Group carries out activities aimed at driving and fostering technological innovation through its subsidiary Red Eléctrica y de Telecomunicaciones, Innovación y Tecnología, S.A.U. (RETIT).

Appendix I provides details of the activities and registered offices of the Parent and its subsidiaries, as well as the direct and indirect investments held by the Parent in the subsidiaries.

## 2 Basis of Presentation of the Consolidated Interim Financial Statements

---

### a) General information

The accompanying consolidated interim financial statements have been prepared by the directors of the Parent to give a true and fair view of the consolidated equity and consolidated financial position of the Company and its subsidiaries at 30 June 2021, as well as the consolidated results of operations and consolidated cash flows and changes in consolidated equity for the six-month period then ended.

The accompanying consolidated interim financial statements, authorised for issue by the Company's directors at their board meeting held on 27 July 2021, have been prepared on the basis of the individual accounting records of the Company and the other Group companies, which together form the Red Eléctrica Group (see Appendix I). Each company prepares its financial statements applying the accounting principles and criteria in force in its country of operations. Accordingly, the adjustments and reclassifications necessary to harmonise these principles and criteria with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) have been made on consolidation. The accounting policies of the consolidated companies are changed when necessary to ensure their consistency with the principles adopted by the Company.

The consolidated interim financial statements of the Red Eléctrica Group for the six-month period ended 30 June 2021 have been prepared in accordance with IAS 34 Interim Financial Reporting and are presented in thousands of Euros (except where otherwise indicated).

Pursuant to IAS 34, interim financial reporting is only intended to provide an update on the content of the latest consolidated annual accounts drawn up by the Group, focusing on new activities, events and circumstances occurring during the six-month period, without repeating the information previously published in the consolidated annual accounts for 2020.

Therefore, to enable an adequate understanding of the information disclosed in these consolidated interim financial statements, they should be read in conjunction with the consolidated annual accounts of the



Group for the year ended 31 December 2020, which were prepared in accordance with the International Financial Reporting Standards as adopted by the European Union (IFRS-EU) in force.

The Group has not omitted any mandatory accounting principle with a significant effect on the consolidated interim financial statements.

The consolidated annual accounts for 2020 were approved by the shareholders at their general meeting held on 29 June 2021.

#### b) New IFRS-EU and IFRIC

These consolidated interim financial statements take into account the improvements to International Financial Reporting Standards published and effective as of 1 January 2021. These improvements have not had a significant impact on the Group's consolidated interim financial statements. Details are as follows:

Effective from:	New amendments
1 January 2021	<ul style="list-style-type: none"><li>• Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 corresponding to the Interest Rate Benchmark Reform (Phase 2)</li></ul>
	<ul style="list-style-type: none"><li>• Amendment to IFRS 4 Insurance Contracts – Extension of the Temporary Exemption from Applying IFRS 9 until 1 January 2023.</li></ul>

With respect to the amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform – Phase 2. These amendments introduce specific guidelines and provide for certain exceptions in relation to the interest rate benchmark reform (IBOR). The exceptions pertaining to hedge accounting specify that the IBOR reform should not generally give rise to the discontinuation of hedge accounting. However, any hedge ineffectiveness must continue to be recognised in the income statement.

With regard to the IBOR reform, the Group has various hedging relationships to hedge interest rate and currency risks, using derivatives and underlyings whose benchmark rate is generally the EURIBOR. No hedging relationships have been affected. The remaining benchmark interest rates are undergoing a reform on a global scale, although this is not expected to affect the long-term hedging relationships currently in place.

The Group has adopted a proactive stance with respect to this process, carrying out its monitoring and analysis sufficiently in advance to prevent any negative impacts that may arise. On this basis, the benchmark interest rate reform is not expected to have a significant impact on the Group's financial statements.

#### c) Estimates and assumptions

The preparation of the consolidated interim financial statements in accordance with IFRS requires Group management to make judgements, estimates and assumptions that affect the application of accounting standards and the amounts of assets, liabilities, income and expenses. Estimates and assumptions are based on past experience and other factors that are considered reasonable given the circumstances. Actual results could differ from these estimates. These consolidated interim financial statements have been prepared on a going concern basis.

These estimates are based on the best information available as described in note 2c) to the consolidated annual accounts for 2020, Estimates and assumptions.

In 2021 the Group has re-estimated the useful life of certain satellite assets, as detailed in note 7.

#### d) Consolidation principles

The same consolidation principles have been used in these consolidated interim financial statements as in the consolidated annual accounts for 2020.



#### e) Changes in the consolidated Group

On 15 January 2021, the Peruvian company Hispasat Perú S.A.C. was incorporated. Its principal activity is the provision of telecommunications services. Hispasat, S.A. holds a 100% interest in this company.

On 31 January 2020 the Brazilian company “Red Eléctrica Brasil Holding LTDA” (hereinafter REB) was incorporated. This company’s statutory activity mainly consists of the acquisition, holding, management and administration of securities. This company is wholly owned by Red Eléctrica Internacional, S.A.U.

On 25 March 2020, once the conditions precedent laid down in the purchase agreement had been met, a 50% interest was acquired in the Brazilian company “Argo Energia Empreendimentos e Participações S.A.” and subsidiaries (hereinafter ARGO Energia). This company’s statutory activity mainly consists of the acquisition, holding, management and administration of securities. This company is the parent of a group of electricity transmission concession operator companies in Brazil. Red Eléctrica Brasil (REB) holds a 50% interest in this company.

#### f) Comparative information

Group management has included comparative information for 2020 in the accompanying consolidated interim financial statements.

## 3 Sector Regulation

---

#### a) Electricity sector in Spain

As reflected in the consolidated annual accounts presented at 31 December 2020, the regulatory framework for the electricity sector currently in force is based on Electricity Industry Law 24/2013 of 26 December 2013.

The consolidated annual accounts for 2020 reflect the new remuneration framework for the electricity transmission and system operation activities, applicable from 1 January 2020 onwards, which is set forth in the Spanish National Markets and Competition Commission (CNMC) Circulars published in November and December 2019. These circulars will be in force for transmission activity for the 2020-2025 period and for system operation activity for the 2020-2022 period.

The main legislative developments to note in 2021 include the approval in May of Law 7/2021 on Climate Change and Energy Transition, the draft bill of which was approved by the Council of Ministers on 19 May 2020 before being submitted to processing and definitive approval one year later.

This law seeks to achieve the targets of the Paris Agreement, foster decarbonisation, promote adaptability to the impacts of climate change and implement a sustainable development model. It lays down minimum targets to reach by 2030, such as: a reduction in emissions by at least 23% with respect to 1990; renewable energy accounting for at least 42% of energy consumed; renewable sources accounting for at least 74% of electricity production; and an improvement in energy efficiency, scaling back the consumption of primary energy sources by at least 39.5% with respect to the EU baseline. It also stipulates that Spain should be carbon neutral by 2050 and equipped with an electricity system that is based exclusively on renewable energy sources by that year.

The targets are in line with those enshrined in the definitive version of the integrated National Energy and Climate Plan (NECP) 2021-2030, published in March 2021. The NECP is the strategic planning tool that sets out Spain’s energy and climate policy for the coming decade.

In addition to these two measures, a series of new laws and regulations were introduced over the course of last year aimed at bringing the energy transition to fruition. Of note in this regard is Royal Decree-Law 23/2020 of 23 June 2020, approving measures for economic recovery in the field of energy and other areas. This Royal Decree-Law also partly transposes Directive 2019/944 on the Internal Market for Electricity, incorporating certain aspects that are set to play a key role in the future electricity system, such as energy storage, energy communities and demand aggregators.



The approval of Royal Decree-Law 23/2020 also included a series of requirements for those holding grid access and connection permits. The regulatory development and implementation of this Royal Decree-Law was completed between the end of 2020 and the beginning of 2021: on 30 December 2020, Royal Decree 1183/2020 of 29 December 2020 was published on access and connection to the electricity transmission and distribution networks; CNMC Circular 1/2021 was approved on 20 January 2021, establishing the methodology and conditions for electricity generation facilities to access and connect to the transmission and distribution networks. Both pieces of legislation lay down the criteria, principles and procedures to be applied to connect an electricity generation or storage facility to the electricity networks, while the Royal Decree also establishes the demand and distribution terms and conditions.

In the field of energy transition, over and above these advances in the regulatory/legislative realm, of particular note is the economic momentum that will stem from the EU's economic recovery funds, which are known as NextGenerationEU. In order to access these funds, the Spanish government submitted its National Recovery, Transformation and Resilience Plan, known as "España Puede" (Spain Can), in April 2021. The European Commission approved the Plan on 16 June 2021, issuing a proposal for a Council Decision.

In addition to the developments outlined above, of particular note on the Spanish regulatory front are the latest amendments arising from the approval of Royal Decree-Law 1/2019 and, specifically, the new regulatory framework for tolls and charges: the approval of Royal Decree 148/2021 of 9 March 2021, establishing the methodology to calculate electricity system charges, and CNMC Circular 3/2021 of 17 March 2021, which amends Circular 3/2020 of 15 January 2020, establishing the methodology to calculate the electricity transmission and distribution tolls. Following these two developments, the new tariff structure was introduced as of June 2021.

Lastly, it is also important to highlight the progress made to approve the Electricity Transmission Network Planning 2021-2026, the proposal for which was submitted to public consultation in February 2021. The new planning is expected to be in force before 2022.

As regards remuneration for the electricity transmission activity, specifically the appeal for judicial review filed with the Supreme Court by the administrative authorities in April 2018 against Ministry of Industry, Energy and Tourism Order IET/981/2016 setting the remuneration for the transmission activity for 2016, whereby a review of certain remuneration parameters was broached, on 29 June 2020 notice was received of the Supreme Court judgment. The judgment ruled in part for the State and in part for certain arguments brought forward by the Company, and thus requiring Ministerial Order IET/981/2016 and the revenue for 2016 to be corrected. This is expected to occur in 2021, and will thus allow for the definitive transmission activity revenue for 2017-2021 to be established.

## b) International electricity sector

In terms of international developments, the Chilean National Energy Commission (CNE) is currently in the process of drawing up its National Assessment Study for 2020-2023. Pursuant to Chilean Law 20,936, a review must be conducted every four years to determine the annual remuneration of transmission assets, including both local transmission networks and the national transmission grid.

The review of the useful life of installed facilities was completed in 2019, whereas determining the investment values, and the annual cost of operation and maintenance, remained outstanding in 2021.

Over the course of 2021, the Group has recognised revenues from its Chilean subsidiaries based on the best estimate of the definitive figures that will be approved in this review process.

At the reporting date of these consolidated interim financial statements, the review process is still underway and the CNE is expected to issue its Final Technical Report on 30 July 2021. This report will then be reviewed and approved by the "Panel of Experts", who are expected to issue their final decision before the end of 2021. Experience in similar processes shows that the decision of the "Panel of Experts" can differ from the CNE's Final Technical Report. The Group considers that the final decision in this process will not differ significantly from the estimated revenues recognised at June 2021.

There have been no significant developments in the Peruvian and Brazilian electricity sectors since publication of the consolidated annual accounts at 31 December 2020.



### c) Regulation of the telecommunications sector

There have been no significant legislative developments for the sector since the publication of the consolidated annual accounts at 31 December 2020.

## 4 Significant Accounting Policies

---

The same accounting principles have been used in these consolidated interim financial statements as in the consolidated annual accounts for 2020, with the exception of those arising from the amendments to IFRS-EU (see note 2 b), which have not had a significant impact on the consolidated interim financial statements.

## 5 Considerations Regarding COVID-19 with Respect to the Consolidated Interim Financial Statements

---

The emergence of Coronavirus (COVID-19) in 2020 and its subsequent declaration as a pandemic by the World Health Organization (WHO) had a major impact around the world in 2020 and continues to do so in 2021. The recovery of global economic activity back to pre-pandemic levels will largely depend on the degree to which the population has been fully vaccinated in order to reach herd immunity.

In Spain, the last state of emergency, approved at the end of 2020, was lifted on 9 May 2021. Since the onset of this crisis, the need to ensure the supply of energy in general, and electricity in particular, has been the primary objective.

All operation and maintenance of the facilities was conducted normally during the first half of 2021, as was work to build new infrastructure. No incidents occurred during this period that posed a risk as regards meeting electricity demand and keeping the system up and running correctly; neither were any transmission network incidents recorded that in any way compromised the operation of the Spanish electricity system.

Moreover, both the international electricity infrastructure business and the telecommunications business have been providing essential services with no incidents arising. As regards the international business thus far in 2021, the availability of the facilities has remained at its consistently high level and no service quality incidents have been reported.

Within this context, Red Eléctrica has continued to apply the guidelines adapted to the recommendations issued by the different pertinent authorities in Spain as well as in each market of operations, with the priority of preserving the health and safety of all of its employees, customers and suppliers.

With this in mind, measures remain in place to allow for flexibility and to enable all staff whose physical presence in the workplace is not strictly necessary (essential personnel) to work from home, thus guaranteeing security of supply for electricity and telecommunications at any given time. All people in a high-risk group (as defined by the health criteria) continue to work from home, while the rest of the workforce has continued to work in-situ since September 2020, albeit with the necessary flexibility (shift work, essentially) to ensure compliance with the health and safety measures established at any given time by the pertinent authorities, with particular attention paid to the health situation in each market of operations, inasmuch as different measures could be required to ensure the health and safety of employees, customers and suppliers.

From a financial and economic perspective, the Group's financial position remains robust, enabling it to continue to confront these trying times through measures aimed at bolstering its liquidity. In 2021 the Group has carried out a bond issue for an amount of Euros 600 million (two issues in 2020 for a total amount of Euros 1,100 million, by way of Euros 700 million in January and Euros 400 million in April), and has also entered into credit facility agreements amounting to Euros 400 million and US Dollars 80 million. Following these transactions and having already settled due debts and the payments arising from the Group's activity, the Group's liquidity position at June 2021 stands at Euros 3,099 million, specifically Euros 1,150 million in available cash and Euros 1,949 million in available credit facilities. This position ensures the Group's ability to meet its operating cash flow requirements and to honour debt maturities for the coming years.





During the first half of 2021, the situation brought on by COVID-19 did not have a significant impact on the continuity of the Group's operations nor on its financial-economic indicators. The forecasts laid out across all the Group's business units at the beginning of the year, which are aligned with the Strategic Plan, have been met at 30 June 2021.

The Red Eléctrica Group continues to set its sights on a green recovery as the cornerstone of the economic rebuilding process, given its massive potential to generate activity and create jobs. In this vein, the pandemic has clearly brought to the fore the need to up the pace of the ecological transition and digital transformation in order to advance with the decarbonisation of the economy. The Red Eléctrica Group, as operator and sole transmission agent for the Spanish electricity system, plays an essential role in this process by working towards and achieving the goals set in the European Green Deal and the integrated National Energy and Climate Plan (NECP).

The Red Eléctrica Group is responding to this new paradigm through its 2021-2025 Strategic Plan, which is focused on making the ecological transition a reality in order to advance towards an efficient decarbonisation of the economy, while also simultaneously strengthening the Group's position in major growth vectors, such as international operations and the connectivity drive through telecommunications. All of the above is underpinned by a corporate culture in which innovation, talent and a commitment to sustainability act as the levers to ensure the Group's continuity going forward.

The Group's management and directors will continue to assess the situation and closely monitor any incidents arising in the infrastructure it manages, as well as trends in other external factors and the impact such factors could have on the financial statements.

## 6 Business Combinations

---

### Business combinations carried out in 2021

- Acquisition of a satellite television broadcast business in Peru

On 1 May 2021, through Hispasat Perú S.A.C. (hereinafter Hispasat Peru), a wholly owned subsidiary of Hispasat, S.A., Hispasat acquired a series of assets for the management and transmission of signals Media Networks Latin America (MNLA). The acquisition had no significant impact for the Group.

The transaction consisted of the transfer of fixed assets and customer agreements, as well the operational infrastructure required to provide the service and employees, who will now form part of the Hispasat Peru workforce.

The transaction is considered a business combination at the reporting date of these consolidated interim financial statements. The Red Eléctrica Group is currently in the process of completing a provisional purchase price allocation (PPA), for which purposes an independent expert has been engaged.

Consolidated revenue and consolidated net profit at 30 June 2021 contributed since the date of acquisition amounted to Euros 5 million and Euros 1.5 million, respectively.

The Group incurred acquisition costs of Euros 0.7 million. These costs were included under other operating expenses in the consolidated income statement.

## 7 Intangible Assets, Property, Plant and Equipment and Investment Property

---

Additions to intangible assets, property, plant and equipment and investment property, without considering the assets arising on the application of IFRS 16, totalled Euros 250.9 million in the first half of 2021 (Euros 193 million in the six-month period ended 30 June 2020). Asset additions during this half of the year due to the application of IFRS 16 amount to Euros 3.7 million (Euros 2 million in the six-month period ended 30 June 2020).



At 30 June 2021 intangible assets primarily comprise:

- Euros 232 million of goodwill arising from the business combinations of the Hispasat Subgroup and Concesionaria Línea de Transmisión CCNCM S.A.C. (hereinafter CCNCM) carried out in 2019.
- Euros 323 million, net of accumulated amortisation, mainly reflecting the concessions of the Peruvian companies REDESUR, TESUR, TESUR2, TESUR3, TESUR4 and CCNCM. The concession facilities of TESUR4 are under construction.
- Euros 13 million for the valuation of the HISPASAT trademark.
- Euros 39 million for Hispasat's different bandwidth licences for the use of orbital slots above Brazilian territory.
- Euros 47 million for Chilean company REDENOR 2's perpetual right to regulated tariffs (asset with indefinite useful life).

Additions to intangible assets in the first half of the year include the customer portfolio of the MNLA business combination in an amount of Euros 3.6 million (see note 6).

There have been no significant suspensions of facilities under construction during the period (see note 5).

Depreciation and amortisation in the six-month period ended 30 June 2021 amounted to Euros 258,167 thousand (Euros 271,679 thousand in the six-month period ended 30 June 2020).

The Group has decided to re-estimate prospectively as of 1 January 2021 the useful life of its fleet of satellite assets, except for the Amazonas-2 and Hispasat 74W-1 satellites, the depreciation of which has been adjusted to a useful life of 16.5 years based on technical analyses performed. The impact of this change in estimate led to a Euros 8 million reduction in the depreciation and amortisation charge at 30 June 2021.

Operating expenses capitalised in the first half of 2021 totalled Euros 24,220 thousand (Euros 26,713 thousand in the first half of 2020).

Borrowing costs capitalised in the first half of 2021 amounted to Euros 3,768 thousand (Euros 3,933 thousand in the first half of 2020).

As disclosed in notes 7 and 8 to the 2020 consolidated annual accounts, at the reporting date for that year the Group tested intangible assets and property, plant and equipment for impairment by calculating the value in use of the CGUs associated with the assets; consequently, the Group recognised a write-down corresponding to the intangible assets allocated to the traditional satellite business (Legacy) CGU. The assumptions used in the calculation thereof are explained in note 8 to the consolidated annual accounts. At 30 June 2021, the Group has analysed its non-financial assets for possible indications of impairment. Following this analysis, no indications of impairment were detected at 30 June 2021.

As a result of recognising an impairment loss on the assets allocated to the traditional satellite business (Legacy) CGU corresponding to the year ended 31 December 2020, the depreciation and amortisation charge for the first six months of the current year has been reduced by Euros 6.8 million.

There have been no additions, disposals or significant changes to the contractual lease terms reflected in the 2020 consolidated annual accounts.

Investment property has maintained a market value of around Euros 1.9 million.



## 8 Equity-accounted Investees

Movement in equity-accounted investees during the period is as follows:

Thousands of Euros

Company	31.12.2020	Profit attributable to the investment	Dividends	Translation differences and other	Valuation adjustments	30.06.2021
Transmisora Eléctrica del Norte S.A. (TEN)	174,034	2,841	-	6,264	12,067	195,206
Argo Energia Empreendimentos e Participações S.A.	282,041	10,436	(780)	14,529	-	306,226
Hidesat Servicios Estratégicos, S.A.	63,118	2,251	-	-	-	65,369
Grupo de Navegación Sistemas y Servicios S.L.	119	-	-	-	-	119
<b>Total</b>	<b>519,312</b>	<b>15,528</b>	<b>(780)</b>	<b>20,793</b>	<b>12,067</b>	<b>566,920</b>

At the end of 2019, Red Eléctrica Internacional, S.A.U., through its subsidiary Red Eléctrica Brasil, and Grupo Energía Bogotá jointly acquired, on a fifty-fifty basis, all of the shares held by the funds managed by Patria Investments and Temasek in Argo Energia Empreendimentos e Participações S.A. ("Argo Energia").

In accordance with applicable legislation, the parties sought the pertinent authorisation for the transaction, this being one of the conditions precedents for the agreement signed by the two parties to come into effect. This condition precedent was fulfilled on 25 March 2020, the date on which payment of the transaction was made, and on which Red Eléctrica Corporación and Grupo Energía Bogotá assumed effective control of the board of directors of Argo Energia. Thus, on 25 March 2020 the Brazilian company in which the Group holds a 50% interest joined the Red Eléctrica consolidated Group. This company is the parent of a group of electricity transmission concession operator companies in Brazil.

The purchase price for 50% of the share capital of Argo Energia was Euros 374.3 million (Brazilian Reais 1,678.2 million).

The investment in Argo Energia was considered as a joint venture and was therefore accounted for using the equity method, in accordance with IAS 28.

As indicated in note 11 to the consolidated annual accounts for 2020, the Group, through an independent expert, performed a preliminary PPA in that year, giving rise to provisional implicit goodwill of Euros 238 million (Brazilian Reais 930 million) which were allocated to the concession as an intangible asset.

On 11 March 2021, within the 12-month deadline established in IFRS 3, which would have fallen on 25 March 2021, the Group completed the PPA work, which did not give rise to differences with respect to the recognised amount disclosed in note 11 to the consolidated annual accounts for 2020.

## 9 Inventories

Details of inventories at 30 June 2021 and 31 December 2020 are as follows:

Thousands of Euros	30.06.2021	31.12.2020
Inventories	65,936	69,671
Write-downs	(35,632)	(34,796)
<b>Total</b>	<b>30,304</b>	<b>34,875</b>



Inventories primarily comprise the equipment, materials and spare parts used in the maintenance of electricity transmission facilities.

The Group companies perform periodic analysis to calculate the write-downs to be recognised on inventories based on assumptions of impairment of old inventories and excess stock. They have not had a significant impact at 30 June 2021.

## 10 Trade and Other Receivables

Details of trade and other receivables at 30 June 2021 and 31 December 2020 are as follows:

Thousands of Euros	30.06.2021	31.12.2020
Trade receivables	67,424	43,054
Other receivables	1,137,412	1,288,342
Current tax assets	6,254	10,703
<b>Total</b>	<b>1,211,090</b>	<b>1,342,099</b>

Other receivables mostly reflect amounts pending collection for regulated transmission and system operation activities performed in Spain.

At 30 June 2021 there are no significant amounts over 12 months past due.

Fair value estimates reflect the assumptions of market participants based on the information available and market conditions at the estimation date.

## 11 Equity

### a) Capital risk management

The Group's capital management is aimed at safeguarding its capacity to continue operating as a going concern, so as to provide shareholder remuneration while maintaining an optimum capital structure to reduce the cost of capital.

To maintain and adjust the capital structure, the Group can adjust the amount of dividends payable to shareholders, reimburse capital or issue shares.

The Group controls its capital structure on a gearing ratio basis, in line with sector practice. This ratio is calculated as net financial debt divided by the sum of the Group's equity and net financial debt. Net financial debt is calculated as follows:

Thousands of Euros	30.06.2021	31.12.2020
Non-current payables (*)	6,357,349	6,427,589
Current payables (*)	568,033	165,325
Foreign currency derivatives	(4,259)	2,199
Cash and cash equivalents	(1,150,258)	(481,772)
<b>Net financial debt (A)</b>	<b>5,770,865</b>	<b>6,113,341</b>
<b>Equity (B)</b>	<b>3,494,961</b>	<b>3,491,953</b>
<b>Gearing ratio = A/(A+B)</b>	<b>62.3%</b>	<b>63.6%</b>

(\*) In both 2021 and 2020 interest payable has been excluded.



During the first half of 2021 the rating agency Standard & Poor's issued a new report, maintaining the Company's long-term rating of 'A-' with a stable outlook and short-term rating of 'A-2'. The rating agency Fitch Ratings maintained the long-term rating of 'A-' with a stable outlook and short-term rating of 'F1'.

## b) Equity attributable to the Parent

### • Capital and reserves

#### ○ Share capital

At 30 June 2021 the Company's share capital is divided into 541,080,000 shares each represented by book entries, all subscribed and fully paid-in, and carrying the same voting and profit-sharing rights (notwithstanding the limits stipulated in the following paragraph). The shares are quoted on the four Spanish stock exchanges and traded through the SIBE (Spanish Stock Exchange Interlinking System).

The Company is subject to the shareholder limitations stipulated in the twenty-third additional provision of Law 54/1997 of 27 November 1997 and article 30 of Electricity Industry Law 24/2013 of 26 December 2013.

Pursuant to this legislation, any individual or entity may hold investments in the Company, provided that the sum of their direct or indirect interests in its share capital does not exceed 5% and their voting rights do not surpass 3%. These shares may not be syndicated for any purpose. Voting rights at the Parent are limited to 1% in the case of entities that carry out activities in the electricity sector, and individuals and entities that hold direct or indirect interests exceeding 5% of the share capital of such companies, without prejudice to the limitations for generators and suppliers set forth in article 30 of Law 24/2013. The shareholder limitations with regard to the Parent's share capital are not applicable to Sociedad Estatal de Participaciones Industriales (SEPI), which in any event will continue to hold an interest of no less than 10%. At 30 June 2021 and 31 December 2020 SEPI holds a 20% interest in the Company's share capital.

#### ○ Reserves

This item comprises the following:

##### ◆ Legal reserve

Spanish companies are obliged to transfer 10% of the profits for the year to a legal reserve until such reserve reaches an amount equal to 20% of the share capital. Until this reserve exceeds this limit, it is not distributable to shareholders and may only be used to offset losses, provided no other reserves are available. Under certain circumstances, it may also be used to increase share capital. At 30 June 2021 the legal reserve amounts to Euros 54,199 thousand, which is 20% of the Parent's share capital.

##### ◆ Other reserves

This heading includes voluntary reserves of the Parent, reserves in consolidated companies and first-time application reserves, all of which are freely distributable. At 30 June 2021 these reserves amount to Euros 2,930,670 thousand.

##### ◆ Own shares

At 30 June 2021 the Parent holds 2,084,729 own shares representing 0.4% of its share capital, with a total par value of Euros 1,042 thousand and an average acquisition price of Euros 17.53 per share.

These shares have been recognised as a reduction in the Group's equity in an amount of Euros 36,550 thousand at 30 June 2021.

The Parent has complied with the requirements of article 509 of the Spanish Companies Act, which provides that the par value of acquired shares listed on official secondary markets, together with those already held by the Parent and its subsidiaries, must not exceed 10% of the share capital. The subsidiaries do not hold own shares or shares in the Parent.



o Profit/loss attributable to the Parent

Profit for 2021 totals Euros 358,170 thousand (Euros 331,707 thousand at 30 June 2020).

o Interim dividends and proposed distribution of dividends by the Parent

Dividends paid in the first half of 2021 and 2020, in thousands of Euros, are as follows:

Thousands of Euros	30.06.2021			30.06.2020		
	% of par value	Euros per share	Amount	% of par value	Euros per share	Amount
Ordinary shares	54.54%	0.2727	146,984	54.54%	0.2727	147,002
Total dividends paid	54.54%	0.2727	146,984	54.54%	0.2727	147,002
Dividends charged to profit	54.54%	0.2727	146,984	54.54%	0.2727	147,002

At their general meeting held on 29 June 2021, the shareholders approved the distribution of a supplementary dividend for 2020 of Euros 0.7273 per share, resulting in a total gross dividend of Euros 1.00 per share for that year. The supplementary dividend was paid on 2 July 2021.

o Valuation adjustments

This item essentially comprises the changes in financial assets at fair value through other comprehensive income stemming from equity instruments, hedging derivatives and translation differences deriving from subsidiaries with a different functional currency to that of the Group.

At 30 June 2021 this item has a negative balance of Euros 140,592 thousand, primarily reflecting negative valuation adjustments to hedges and translation differences due to the depreciation of the Brazilian Real, partly offset by positive valuation adjustments to financial assets at fair value through other comprehensive income arising from fluctuations in the listed share price of the Portuguese company REN.

c) Non-controlling interests

Non-controlling interests under equity in the accompanying consolidated statement of financial position amount to Euros 58,524 thousand at 30 June 2021 and reflect the non-controlling interests in companies of the Hispasat Subgroup and in the Chilean company REDENOR.

## 12 Financial Risk Management Policy

The Group's financial risk management policy establishes principles and guidelines to ensure that the relevant risks which could affect the aims and activities of the Red Eléctrica Group are identified, analysed, evaluated, managed and controlled and that these processes are carried out systematically and adhering to uniform criteria.

The Group has continued to apply the financial risk management policies disclosed in note 18 to the consolidated annual accounts for 2020. The principal guidelines of this policy can be summarised as follows:

- Risk management should be fundamentally proactive and directed towards the medium and long term, taking into account possible scenarios in an increasingly global environment.
- Risk should generally be managed in accordance with consistent criteria, distinguishing between the importance of the risk (probability/impact), the investment and the resources required to reduce it.



- Financial risk management should be focused on avoiding undesirable variations in the Group's value, rather than generating extraordinary profits.

The Group's finance management is responsible for managing financial risk, ensuring consistency with the Group's strategy and coordinating risk management across the various Group companies, by identifying the main risks and defining the initiatives to be taken, based on different financial scenarios.

The methodology for identifying, measuring, monitoring and controlling risk, as well as the management indicators and measurement and control tools specific to each risk, follow the guidelines and criteria laid down in the Comprehensive Risk Management Policy and the Financial-Economic Policy.

At 30 June 2021, there have been no significant changes in the financial risk management policy since the previous reporting date. In 2021 there have been no major changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities.

The Group's liquidity position for 2021 is based on its robust capacity to generate cash flows, as explained in note 5 to these condensed interim financial statements.

## 13 Financial Assets, Financial Liabilities and Derivatives

### a) Financial assets

Details of the Red Eléctrica Group's current and non-current financial assets at 30 June 2021 and 31 December 2020, in thousands of Euros, are as follows:

Thousands of Euros	30.06.2021				
	At fair value through other comprehensive income	At fair value through profit or loss	At amortised cost	Hedging derivatives	Total
Equity instruments	79,030	6,028	-	-	85,058
Derivatives	-	-	-	17,650	17,650
Other financial assets	-	7,832	21,663	-	29,495
Non-current	79,030	13,860	21,663	17,650	132,203
Other financial assets	-	-	30,286	-	30,286
Derivatives	-	-	-	1,022	1,022
Current	-	-	30,286	1,022	30,286
Total	79,030	13,860	51,949	18,672	162,489

Thousands of Euros	31.12.2020				
	At fair value through other comprehensive income	At fair value through profit or loss	At amortised cost	Hedging derivatives	Total
Equity instruments	79,363	4,078	-	-	83,441
Derivatives	-	-	-	146	146
Other financial assets	-	3,895	28,869	-	32,764
Non-current	79,363	7,973	28,869	146	116,351
Other financial assets	-	-	35,812	-	35,812
Derivatives	-	-	-	19,991	19,991
Current	-	-	35,812	19,991	55,803
Total	79,363	7,973	64,681	20,137	172,154



Equity instruments at fair value through other comprehensive income essentially comprise the 5% interest held by the Group in REN, a holding company that encompasses the operation and use of electricity transmission assets and various gas infrastructure in Portugal. At 30 June 2021 this investment amounts to Euros 78,562 thousand.

This interest was acquired in 2007 for Euros 98,822 thousand. The value of this investment is subject to the listed share price. In 2021 the value of this investment has declined and the corresponding valuation adjustment has been recognised directly in the Group's equity.

Equity instruments at fair value through profit or loss reflect the investments made by the Group company Red Eléctrica de Telecomunicaciones, Innovación y Tecnología, S.A.U. (RETIT) in various innovative investment funds and companies. In the first half of the year, the Group made disbursements of Euros 1,950 thousand in this type of investment. No profit or loss associated with these investments has been recognised in the consolidated income statement.

Other financial assets at fair value through profit or loss include the investment in economic interest groups (EIGs). These EIGs engage in the lease of assets operated by an unrelated party, which retains most of the risks and rewards of the activity, while the Group only avails of the tax benefits pursuant to Spanish legislation. The Group recognises the tax losses incurred by these EIGs against the investments. The difference between the amount of the tax losses and the value of the investments is recognised as finance income.

Derivatives reflect hedging instruments at fair value related to outstanding transactions with a positive value. During the first half of 2021 new non-current derivatives were arranged which have a positive fair value, and derivatives that had a negative value in the prior year but which now have a positive value were reclassified from liabilities.

Other non-current financial assets at amortised cost essentially include the Euros 11,735 thousand loan extended to TEN. The remaining balance of current and non-current financial assets at amortised cost primarily reflects other loans and security and other deposits.

Details of the Group's financial assets measured at fair value using the inputs defined for this calculation at 30 June 2021 and 31 December 2020 are as follows:

Thousands of Euros	30.06.2021			
	Level 1	Level 2	Level 3	Total balance
Equity instruments	78,562	-	6,496	85,058
Derivatives	-	17,650	-	17,650
Other financial assets	-	7,832	-	7,832

Thousands of Euros	31.12.2020			
	Level 1	Level 2	Level 3	Total balance
Equity instruments	78,895	-	4,546	83,441
Derivatives	-	20,137	-	20,137
Other financial assets	-	3,895	-	3,895

Level 1 equity instruments reflect the interest held in REN. Level 2 essentially comprises foreign currency and interest rate derivatives. Level 3 mainly includes the investments made by RETIT in innovative companies.

## b) Financial liabilities

Details of the Red Eléctrica Group's current and non-current financial liabilities at 30 June 2021 and 31 December 2020, in thousands of Euros, are as follows:





Thousands of Euros	30.06.2021		
	Financial liabilities	Hedging derivatives	Total
Loans and borrowings	2,383,412	-	2,383,412
Bonds and other marketable securities	3,973,985	-	3,973,985
Derivatives	-	14,040	14,040
Other financial liabilities <sup>(1)</sup>	56,926	-	56,926
<b>Non-current</b>	<b>6,414,323</b>	<b>14,040</b>	<b>6,428,363</b>
Loans and borrowings	172,160	-	172,160
Bonds and other marketable securities	428,904	-	428,904
Derivatives	-	1,018	1,018
Other financial liabilities (1)	798,499	-	798,499
<b>Current</b>	<b>1,399,563</b>	<b>1,018</b>	<b>1,400,581</b>
<b>Total</b>	<b>7,813,886</b>	<b>15,058</b>	<b>7,828,944</b>

Thousands of Euros	31.12.2020		
	Financial liabilities	Hedging derivatives	Total
Loans and borrowings	2,658,888	-	2,658,888
Bonds and other marketable securities	3,768,756	-	3,768,756
Derivatives	-	50,350	50,350
Other financial liabilities (1)	57,760	-	57,760
<b>Non-current</b>	<b>6,485,404</b>	<b>50,350</b>	<b>6,535,755</b>
Loans and borrowings	171,799	-	171,799
Bonds and other marketable securities	43,174	-	43,174
Derivatives	-	220	220
Other financial liabilities (1)	608,794	-	608,794
<b>Current</b>	<b>823,767</b>	<b>220</b>	<b>823,987</b>
<b>Total</b>	<b>7,309,171</b>	<b>50,571</b>	<b>7,359,742</b>

(1) Mainly reflects non-current payables to suppliers of fixed assets and non-current lease payables.

Loans and borrowings and bonds and other marketable securities include both the principal and the accrued interest payable at the dates indicated.

Derivatives reflect hedging instruments related to outstanding transactions with a negative fair value. During the first half of 2021 the improvement in the fair value of the derivatives arranged resulted in reductions in the value of liabilities and reclassifications to assets.

The carrying amount and fair value of loans and borrowings and bonds and other marketable securities, excluding the accrued interest payable, at 30 June 2021 and 31 December 2020 are as follows:



Thousands of Euros	Carrying amount		Fair value	
	30.06.2021	31.12.2020	30.06.2021	31.12.2020
Issues in Euros	4,019,235	3,422,760	4,199,310	3,664,320
Issues in US Dollars	359,237	350,324	459,657	475,298
Bank borrowings in Euros	2,165,188	2,458,241	2,189,401	2,502,412
Bank borrowings in foreign currency	381,722	361,589	392,392	387,388
<b>Total</b>	<b>6,925,382</b>	<b>6,592,914</b>	<b>7,240,760</b>	<b>7,029,418</b>

Movement in issues, repurchases or redemptions of debt securities in the six-month periods ended 30 June 2021 and 2020, expressed in thousands of Euros, is as follows:

Thousands of Euros	30.06.2021				
	Opening outstanding balance at 31.12.2020	Issues	(-) Repurchases or redemptions	(+/-) Exchange rate and other adjustments	Closing outstanding balance at 30.06.2021
Debt securities issued in an EU member state requiring a prospectus to be filed	3,422,760	600,000	-	(3,525)	4,019,235
Debt securities issued in an EU member state not requiring a prospectus to be filed	-	-	-	-	-
Other debt securities issued outside EU member states	350,324	-	(2,231)	11,144	359,237
<b>Total</b>	<b>3,773,084</b>	<b>600,000</b>	<b>(2,231)</b>	<b>7,619</b>	<b>4,378,472</b>

Thousands of Euros	30.06.2020				
	Opening outstanding balance at 31.12.2019	Issues	(-) Repurchases or redemptions	(+/-) Exchange rate and other adjustments	Closing outstanding balance at 30.06.2020
Debt securities issued in an EU member state requiring a prospectus to be filed	3,086,602	1,200,014	(845,100)	(5,610)	3,435,906
Debt securities issued in an EU member state not requiring a prospectus to be filed	-	-	-	-	-
Other debt securities issued outside EU member states	544,496	-	(2,261)	3,929	546,164
<b>Total</b>	<b>3,631,098</b>	<b>1,200,014</b>	<b>(847,361)</b>	<b>(1,681)</b>	<b>3,982,070</b>

The outstanding balance at 30 June 2021 and 2020 of debt securities requiring a prospectus to be filed relates to issues registered in Dublin and Luxembourg.

At 30 June 2021 issues include a debt issue under the Euro Medium Term Note (EMTN) Programme in the Euromarket in an amount of Euros 600 million.

At 30 June 2021 the accrued interest payable on these issues amounts to Euros 33,080 thousand (Euros 36,415 thousand in the first half of 2020).



The fair value of all loans and borrowings and issues of bonds and other marketable securities has been estimated using valuation techniques based on discounting future cash flows at the market rates in force at each date.

Details of the Group's financial liabilities measured at fair value using the inputs defined for this calculation at 30 June 2021 and 31 December 2020 are as follows:

Thousands of Euros	30.06.2021			
	Level 1	Level 2	Level 3	Total balance
Derivatives	-	15,058	-	15,058

Thousands of Euros	31.12.2020			
	Level 1	Level 2	Level 3	Total balance
Derivatives	-	50,570	-	50,570

Level 2 comprises foreign currency and interest rate derivatives, which are recognised at fair value. There are no significant differences between the fair value and the carrying amount at 30 June 2021 and 31 December 2020. Liabilities at amortised cost are not disclosed by fair value hierarchy level.

The Group's fair value estimates reflect the assumptions of market participants based on the information available and market conditions at the date these financial statements were drawn up, incorporating the estimates for own and counterparty credit risk and taking into consideration the fact that unobservable inputs have become significant.

Moreover, assets and liabilities have been recognised at their acquisition-date fair value, and provisional amounts have only been adjusted for past events and circumstances existing at that date.

## 14 Trade and Other Payables

Details at 30 June 2021 and 31 December 2020 are as follows:

Thousands of Euros	30.06.2021	31.12.2020
Suppliers	343,218	258,860
Other payables	269,255	293,899
Current tax liabilities	72,117	24,961
<b>Total</b>	<b>684,589</b>	<b>577,720</b>

Suppliers comprise amounts not yet due for the purchase of goods and services in the course of trade operations, essentially arising from repairs, maintenance work and modifications to facilities.

Other payables in 2021 and 2020 mainly comprise balances pending settlement in relation to the Spanish electricity system for the activities carried out and amounts payable to public entities, primarily VAT.

In 2021 and 2020 current tax liabilities reflect income tax payable.



## 15 Taxation

The tax group headed by Red Eléctrica Corporación, S.A. has filed consolidated tax returns in Spain since 2002. At 31 December 2020 the tax group included the Parent, REE, REI, REF, REINTEL, REINCAN, RESTEL, RETIT, HISPASAT S.A. and Hispasat Canarias S.L. During 2021 Red Eléctrica de España Finance, B.V., domiciled in Amsterdam (the Netherlands) at 31 December 2020, relocated its registered office to Spain and changed its name to Red Eléctrica de España Finance, S.L., as indicated in Appendix I to these condensed consolidated financial statements. This company also joined the tax group headed by Red Eléctrica Corporación, S.A.

The balance of deferred taxes is as follows:

Thousands of Euros	30.06.2021	31.12.2020
Deferred tax assets	79,741	88,015
Deferred tax liabilities	(414,396)	(417,353)
<b>Total</b>	<b>(334,655)</b>	<b>(329,338)</b>

No significant movements were recorded in deferred tax assets and liabilities in the first half of 2021. At 30 June 2021 and 2020 deferred tax liabilities mainly arise from accelerated depreciation for tax purposes of certain fixed assets.

The Group does not consider there to be any tax risks or uncertainties that would significantly affect the taxes recognised.

## 16 Income and Expenses

### a) Revenue

Details for the six-month periods ended 30 June 2021 and 2020, by geographical area, are as follows:

Thousands of Euros	30.06.2021	30.06.2020
Revenue		
Spain	906,028	913,574
Other	69,825	64,318
<b>Total</b>	<b>975,853</b>	<b>977,892</b>

Spain essentially includes the revenue from transmission and electricity system operation services in Spain, which represents 83% of the Group's revenue at June 2021. This item also includes the revenue from telecommunications services rendered in Spain, which represents 11% of the Group's revenue at June 2021.

Other primarily includes revenue from reinsurance services within the European Union, and revenue from electricity transmission and telecommunications services rendered by the Group companies in Latin America.

Both revenue from the performance obligations of transmission and system operation services and revenue from telecommunications services are recognised over time.

### b) Other operating income

This item mostly includes insurance payouts for accidents and breakdowns covered by the policies arranged, other non-trading income, and government operating grants taken to the income statement.



#### c) Supplies and other operating expenses

Supplies and other operating expenses mainly comprise repair and maintenance costs incurred for technical electricity facilities and telecommunications networks, as well as IT and advisory services, leases, taxes and other services.

#### d) Personnel expenses

Details for the six-month periods ended 30 June 2021 and 2020 are as follows:

Thousands of Euros	30.06.2021	30.06.2020
Salaries, wages and other remuneration	67,536	65,695
Social Security	15,060	15,007
Contributions to pension funds and similar obligations	1,168	1,181
Other items and employee benefits	4,450	5,600
<b>Total</b>	<b>88,213</b>	<b>87,483</b>

The Group has not applied for any furlough schemes (“ERTEs” per the Spanish acronym) in 2021 or in the prior year, nor has it carried out any dismissals or personnel restructuring, as a result of the COVID-19 crisis. Moreover, it has not changed any employee remuneration policies due to the crisis.

#### • Employees

The distribution by gender of the average workforce of the Parent and the Red Eléctrica Group for the six-month periods ended 30 June 2021 and 2020 is as follows:

	Red Eléctrica Group		Red Eléctrica Corporación, S.A.	
	30.06.2021	30.06.2020	30.06.2021	30.06.2020
Male	1,449	1,518	204	1
Female	613	534	187	6
<b>Total</b>	<b>2,062</b>	<b>2,052</b>	<b>391</b>	<b>7</b>

The growth in the average headcount of Red Eléctrica Corporación, S.A. at 30 June 2021 compared with 2020 is mainly due to the addition of REE Group employees as part of the corporatisation process carried out in 2020.

#### e) Income tax

The tax rate was 24.7%, compared to 24.6% in the prior period.

#### f) Extraordinary expenses resulting from the COVID-19 crisis

The Group has incurred extraordinary expenses of approximately Euros 332 thousand during the first six months of the year (Euros 3 million at 30 June 2020), mainly due to the acquisition of personal protective equipment, as well as costs to clean work centres.



## 17 Transactions with Equity-accounted Investees and Related Parties

Related party transactions are carried out under normal market conditions. Details in thousands of Euros are as follows:

Thousands of Euros	30.06.2021		
	Directors and management	Other related parties	Total
<b>Expenses and income:</b>			
Other expenses	-	49	49
Total expenses	-	49	49
Services rendered		743	743
Finance income	-	191	191
Total income	-	934	934
<b>Other transactions:</b>			
Loans and credit extended	-	11,735	11,735
Other transactions	-	11,735	11,735

Thousands of Euros	31.12.2020		
	Directors and management	Other related parties	Total
<b>Expenses and income:</b>			
Leases	-	4	4
Other expenses		87	87
Expenses	-	91	91
Services rendered	-	1,612	1,612
Finance income	-	759	759
Income	-	2,371	2,371
<b>Other transactions:</b>			
Financing agreements, loans and capital contributions (lender)		17,457	17,457
Other transactions	-	17,457	17,457

At both 30 June 2021 and 31 December 2020, financing agreements, loans and capital contributions for which the Group acts as the lender vis-à-vis other related parties reflect the loan extended to the Group company TEN. Expenses, income and balances vis-à-vis other related parties mainly relate to the Group companies TEN and Hisdesat. Inasmuch as TEN and Hisdesat are accounted for using the equity method, these transactions are not eliminated on consolidation of the Group.

## 18 Remuneration of the Board of Directors

At the proposal of the board of directors and in accordance with the articles of association, the annual report on the remuneration of directors, which includes the remuneration of the board of directors for 2021, was approved by the shareholders at their general meeting on 29 June 2021. The remuneration policy for directors of Red Eléctrica Corporación, S.A. for 2022, 2023 and 2024 was also approved (the previous remuneration policy was approved in 2019 for years 2019-2021).

The new remuneration policy is a continuation of the previous one and does not introduce significant changes. However, certain items have been reinforced, such as the directors' contribution to the corporate strategy and to the interests and sustainability of the Company over the long term, greater transparency as



to how the policy is determined, information on the management of possible remuneration-related risks and their alignment with the remuneration policy for Red Eléctrica Group employees as a whole, pursuant to the requirements of the Spanish Companies Act.

The approved remuneration of the board of directors, including the remuneration of the board members, the chairwoman and the CEO, has not changed vis-à-vis 2020.

The chairwoman receives fixed annual remuneration in respect of the non-executive chair duties associated with this position, in addition to remuneration for being a member of the board of directors. The remuneration scheme for this position consists solely of fixed amounts, with no annual or multi-year variable remuneration and no termination benefit. As mentioned already, in 2021 both remuneration components are under the same terms as in 2020.

At its meeting held on 28 January 2020, the board of directors took note of the irrevocable resignation tendered by Mr. Jordi Sevilla Segura from his position as a director, and therefore as non-executive chairman of the board of directors and of the Company.

Further, in its meeting held on 25 February 2020 the board of directors approved, inter alia, the appointment of Ms. Beatriz Corredor Sierra as a director of the Company, in the category of “other external directors”, until the next general shareholders’ meeting, and her appointment as non-executive chairwoman of the board of directors and of the Company.

Subsequently, at their general meeting held on 14 May 2020, the shareholders ratified the appointment of Ms. Beatriz Corredor Sierra as a director of the Company.

As regards Mr. Jordi Sevilla Segura, in accordance with his contract approved by the board of directors on 31 July 2018, he did not receive any termination benefit as a result of the end of his legal and labour relations with the Company as chairman of the board of directors and of the Company.

The remuneration allocated to the CEO includes the fixed and variable annual and multi-year components corresponding to executive duties and the fixed remuneration for being a member of the board of directors. Employee benefits form part of the remuneration for this position. A portion of the annual variable remuneration is paid through the delivery of Company shares.

Moreover, the CEO has been included in a defined contribution benefit scheme. This scheme covers the retirement, death and permanent disability contingencies. Red Eléctrica's obligation is limited to an annual contribution equal to 20% of the CEO's fixed annual remuneration.

The annual variable remuneration of the CEO is set by the Appointments and Remuneration Committee of the Parent at the start of each year, using predetermined quantifiable and objective criteria. The targets are in line with the strategies and actions established in the Company's Strategic Plan and the degree of fulfilment is assessed by the Committee.

At the end of 2020, the board of directors began the process of updating the current 2018-2022 Strategic Plan. This enabled it to approve, in November 2020, the structure of the new Long-Term Incentive Plan for Promoting the Energy Transition, Reducing the Digital Divide and for Diversification. In February 2021 the board of directors approved the indicators contained in this Plan which are linked to the objectives set out in the Group's new Strategic Plan. This Long-Term Incentive Plan covers a period of six years, until 31 December 2025.

Pursuant to the remunerations policy and in line with standard market practices, the CEO's contract provides for a termination benefit equal to one year's salary in the event that labour relations are terminated due to dismissal by the Parent or changes of control.

In line with market practices in such cases, as a result of the appointment of the CEO, the existing employment contract has been suspended. Should the employment contract be terminated, the remuneration due at the date of suspension would accrue to the CEO as an indemnity. For this purpose, their tenure at Red Eléctrica de España, S.A.U. up to the date of appointment as CEO (15 years), plus the period in which they rendered services – if any – following termination as CEO, would be taken into consideration, in accordance with employment legislation in force. Following the corporatisation carried out in 2020, this obligation was taken on by Red Eléctrica Corporación, S.A.



The remuneration of the board of directors includes fixed annual remuneration, remuneration for attending board meetings, remuneration for work on the board of directors' committees and specific annual remuneration both for the chairs of the committees and the coordinating independent director. The components and amounts of this remuneration have not changed in 2021.

Reasonable and duly supported expenses incurred as a result of their attendance at meetings and other tasks directly related to carrying out their duties, such as travel expenses, accommodation, meals and any other such costs that may be incurred, will also be paid or reimbursed to the directors.

The total amounts accrued by the members of the Parent's board of directors at 30 June 2021 and 2020 are as follows:

Thousands of Euros	30.06.2021	30.06.2020
Total remuneration of the board of directors	1,260	1,221
Directors' remuneration in respect of executive duties <sup>(1)</sup>	371	371
<b>Total</b>	<b>1,631</b>	<b>1,592</b>

(1) Includes fixed and variable remuneration accrued during the year.

The remuneration accrued by the members of the Company's board of directors at 30 June 2021 and 2020, broken down by components, is as follows:

Thousands of Euros	30.06.2021	30.06.2020
Fixed remuneration	1,159	1,118
Variable remuneration	131	131
Allowances	108	108
Committee work <sup>(1)</sup>	168	170
Other remuneration	65	65
<b>Total</b>	<b>1,631</b>	<b>1,592</b>

(1) Includes the remuneration of the chairs of the committees and the coordinating independent director.

The increase in fixed remuneration (included under total remuneration of the board of directors) with respect to the prior year is primarily because during a certain period in 2020 there was no chair of the board.

In addition to the foregoing, on 31 December 2019 the directors' remuneration scheme for 2014-2019, which encompassed the CEO, drew to a close. The amount paid to the CEO under this plan in the first half of 2020, for duties as the CEO from 27 May 2019, was Euros 59 thousand.

At 30 June 2021 and 2020 no loans or advances have been granted to the members of the board of directors, nor have any guarantees been extended on their behalf. The Group has no pension or life insurance obligations with the members of the board of directors at those dates, other than those previously mentioned, nor have any loans or advances been extended to board members.

At 30 June 2021 and 2020 the Group has taken out public liability insurance to cover claims from third parties in respect of possible damage and loss caused by actions or omissions in performing duties as Group directors. These policies cover the Group's directors and senior management and the annual premiums amount to Euros 519 thousand, inclusive of tax, in 2021 (Euros 328 thousand at 31 December 2020). These premiums are calculated based on the nature of the Group's activity and its financial indicators, thus they cannot be broken down individually or allocated to directors and senior management separately.

In 2021 and 2020 the members of the board of directors did not engage in transactions with the Company or Group companies, either directly or through intermediaries, other than ordinary operations under market conditions.





## 19 Remuneration of Senior Management

Total remuneration accrued by senior management personnel up to 30 June 2021 amounted to Euros 317 thousand (Euros 329 thousand up to 30 June 2020) and is recognised as personnel expenses in the consolidated income statement. These amounts include the accrual of variable annual remuneration, on the assumption that the objectives set each year will be met. After the fulfilment of these objectives has been assessed, the variable remuneration, adjusted to the actual fulfilment rate, is paid in the first few months of the following year.

At 30 June 2021 and 2020, the senior management personnel who have rendered services for the Group are as follows:

Name	Position
Eva Pagán Díaz <sup>(1)</sup>	General Manager of Transmission
Angel Luis Mahou Fernández <sup>(1)</sup>	General Manager of Transmission
Miguel Duvisón García	General Manager of Operations

(1) Angel Luis Mahou Fernández replaced Eva Pagán Díaz as General Manager of Transmission on 1 April 2021.

Euros 8 thousand of the total remuneration accrued by these senior managers up to 30 June 2021 consisted of contributions to life insurance and pension plans (Euros 9 thousand up to 30 June 2020).

No advances or loans have been extended to these senior managers at 30 June 2021 and 2020. At 30 June 2021, the Group has life insurance commitments vis-à-vis these senior managers with annual premiums totalling approximately Euros 6 thousand per annum.

On 31 December 2019 the directors' remuneration plan for 2014-2019 drew to a close. The amount paid in 2020 to the senior management personnel included in this plan was Euros 665 thousand.

At the end of 2020, the board of directors began the process of updating the current 2018-2022 Strategic Plan. This enabled it to approve, in November 2020, the structure of the new Long-Term Incentive Plan for Promoting the Energy Transition, Reducing the Digital Divide and for Diversification. In February 2021 the board of directors approved the indicators contained in this Plan which are linked to the objectives set out in the Group's new Strategic Plan. This Long-Term Incentive Plan covers a period of six years, until 31 December 2025.

In order to strengthen the commitment to the independence of the System Operator, specific objectives have been laid down for the General Management of Operations of Red Eléctrica, which exclude those aspects that are not related to the activity of the Electricity System Operator.

The contracts in place with serving senior management personnel do not include guarantee or golden parachute clauses, in the event of dismissal. In the event the employment relationship were terminated, the indemnity to which senior management personnel would be entitled would be calculated in accordance with applicable legislation. The contracts for these executives have been approved by the Appointments and Remuneration Committee and the board of directors has received notice thereof.

Senior management personnel who rendered services in the Group as at 30 June 2021 are included in the Structural Management Plan implemented by the Company in 2015.

At 30 June 2021 and 2020 the Group has taken out public liability insurance to cover claims from third parties in respect of possible damage and loss caused by actions or omissions in performing duties as senior management of the Group. These policies cover all the Group's directors and senior management and the annual premiums amount to Euros 519 thousand, inclusive of tax, in 2021 (Euros 328 thousand in 2020). These premiums are calculated based on the nature of the Group's activity and its financial indicators, thus they cannot be broken down individually or allocated to directors and senior management separately.



## 20 Segment Reporting

---

The Red Eléctrica Group segments its business activities based on their nature, reflecting the main branches of activity used by the Group in its management and decision-making.

At 30 June 2021, the Group's operating segments and their main products, services and operations are as follows:

- Management and operation of domestic electricity infrastructure:

This segment comprises the Group's principal activity, as sole transmission agent and system operator for the Spanish electricity system (TSO). Its mission is to guarantee the security and continuity of the electricity supply at all times and manage high-voltage electricity transmission.

The Group engages in the high-voltage transmission of electricity, through REE. To this end, it manages the electricity transmission network infrastructure that connects the power plants to the consumer distribution points. As transmission network manager, REE is responsible for the development and expansion of the network, its maintenance, managing the transfer of electricity between external systems and the mainland, and guaranteeing third-party access to the transmission network under equal conditions.

In addition, REE operates the mainland Spanish electricity system and the non-mainland systems in the Canary Islands, Balearic Islands, Ceuta and Melilla, guaranteeing the security and continuity of the electricity supply at all times. Operation of the system encompasses the necessary activities to guarantee such security and continuity, as well as proper coordination between the generation system and transmission network, ensuring that the energy produced by generators is transmitted to the distribution networks with the requisite quality under applicable legislation.

- Management and operation of international electricity infrastructure:

This segment comprises activities related to international business development as a natural form of growth, mainly focused on the construction and operation of electricity transmission networks outside Spain; at 30 June 2021, in Peru, Chile and Brazil specifically.

- Telecommunications (satellites and fibre optics):

The telecommunications segment comprises the operation of satellite infrastructure and rendering of satellite services in Spain, Portugal and South America, as well as the lease in Spain of a broad dark fibre backbone network, and technical sites and spaces for housing customers' telecommunications equipment. The main services rendered are the provision of satellite capacity and telecommunication services in the wholesale satellite internet services market, as well as the lease and concession of fibre optics, the lease of sites, maintenance of telecommunications and other facilities, and integrated telecommunications infrastructure solutions (towers, fibre optics, technical spaces and electricity supply) for telecom operators to render mobile telephone voice and data services on high-speed train (AVE) lines.

The Group also carries out reinsurance activities and fosters innovation in the electricity and telecommunications sectors. These activities do not meet the quantitative thresholds to be presented separately.

Inter-segment sales prices are established based on the normal commercial terms and conditions with unrelated third parties.

The key indicators of the operating segments identified are as follows:



## Business segments at 30 June 2021

	Management and operation of domestic electricity infrastructure	Management and operation of international electricity infrastructure	Telecommunications		Other, corporate and adjustments	Total
			Satellites	Fibre optics		
Thousands of Euros						
Revenue	809,022	24,479	83,272	69,362	(10,282)	975,853
External customers	808,145	24,317	83,199	48,665	11,527	975,853
Inter-segment revenue	877	162	73	20,697	(21,809)	-
Investments in equity-accounted associates (similar activity)	-	13,277	2,251	-	-	15,528
Depreciation and amortisation	(191,746)	(8,020)	(44,631)	(11,782)	(1,988)	(258,167)
Impairment and gains/(losses) on disposal of fixed assets	28	-	297	-	(1)	324
<b>Results from operating activities</b>	<b>436,244</b>	<b>21,446</b>	<b>22,300</b>	<b>41,702</b>	<b>5,846</b>	<b>527,538</b>
Interest income	25	6,008	32	-	(28)	6,037
Interest expense	(42,432)	(9,349)	(3,201)	(582)	(801)	(56,365)
Income tax	(97,978)	(1,112)	(3,797)	(10,280)	(4,825)	(117,992)
Profit/(loss) attributable to non-controlling interests	-	27	(1,777)	-	-	(1,750)
<b>Profit/(loss) of the Parent after tax</b>	<b>295,838</b>	<b>16,864</b>	<b>14,415</b>	<b>30,841</b>	<b>212</b>	<b>358,170</b>
<b>Segment assets</b>	<b>9,797,340</b>	<b>1,238,430</b>	<b>1,325,521</b>	<b>432,053</b>	<b>627,142</b>	<b>13,420,486</b>
Equity-accounted investees	-	501,432	65,488	-	-	566,920
<b>Segment liabilities</b>	<b>7,536,217</b>	<b>694,180</b>	<b>797,728</b>	<b>314,316</b>	<b>583,084</b>	<b>9,925,525</b>



## Business segments at 30 June 2020

Thousands of Euros	Management and operation of domestic electricity infrastructure	Management and operation of international electricity infrastructure	Telecommunications		Other, corporate and adjustments	Total
			Satellites	Fibre optics		
Revenue	817,470	25,648	79,290	68,865	(13,381)	977,892
External customers	814,267	25,480	79,290	47,989	10,867	977,892
Inter-segment revenue	3,203	168	-	20,877	(24,248)	-
Investments in equity-accounted associates (similar activity)	-	7,178	829	-	-	8,007
Depreciation and amortisation	(190,544)	(8,762)	(59,714)	(11,593)	(1,065)	(271,679)
Results from operating activities	445,894	17,239	1,911	40,912	3,308	509,264
Interest income	115	8,114	67	0	399	8,697
Interest expense	(55,879)	(13,983)	(3,743)	(2,184)	430	(75,358)
Income tax	(98,500)	(1,788)	4,380	(9,682)	(2,459)	(108,050)
Profit/(loss) attributable to non-controlling interests	-	15	24	-	-	39
Profit/(loss) of the Parent after tax	291,748	9,062	186	29,047	1,664	331,707
Segment assets	9,582,126	1,199,726	1,441,656	453,124	367,024	13,043,659
Equity-accounted investees	-	475,245	61,772	-	-	536,642
Segment liabilities	7,437,362	687,131	832,483	187,137	500,368	9,644,481

Details of revenue and non-current assets, by geographical area, at 30 June 2021 and 2020 are as follows:

Thousands of Euros

Revenue	30.06.2021	30.06.2020
Spain	906,028	913,574
Other	69,825	64,318
Total	975,853	977,892

Thousands of Euros

Fixed assets (*)	30.06.2021	31.12.2020
Spain	9,735,828	9,737,164
Other	1,047,580	989,545
Total	10,783,408	10,726,709

(\*) Excludes non-current investments, deferred tax assets, and non-current trade and other receivables.



## 21 Earnings per Share

---

Details of earnings per share in the first half of 2021 and 2020 are as follows:

	30.06.2021	30.06.2020
Net profit attributable to the Parent (thousands of Euros)	358,170	331,707
Number of shares	541,080,000	541,080,000
Average number of own shares	2,084,729	2,180,092
Basic earnings per share (Euros)	0.66	0.62
Diluted earnings per share (Euros)	0.66	0.62

At 30 June 2021 and 2020 the Group has not conducted any operations that would result in any difference between basic earnings per share and diluted earnings per share.

## 22 Events after 30 June 2021

---

On 15 July the CNMC approved a Decision regarding the contracts between Red Eléctrica de España, S.A.U. (REE) and Red Eléctrica Infraestructuras de Telecomunicación S.A.U. (REINTEL) assigning the rights to use the fibre optic network, thus guaranteeing the use of the fibre optics necessary to operate the transmission network and the priority of the electricity service, and ensuring that these contracts entail no additional cost for the electricity transmission activity.



## Appendix I: Details of equity investments at 30 June 2021

### Red Eléctrica Group

#### Details of equity investments at 30 June 2021

- Company

- Registered office

- Principal activity

	2021	
	Percentage ownership <sup>(1)</sup>	
	Direct	Indirect
Red Eléctrica Corporación, S.A., Parent, incorporated in 1985. - Paseo Conde de los Gaitanes, 177. Alcobendas. Madrid. (Spain). - Management of the business group, rendering of assistance or support services to investees and operation of the property owned by the Company.		
<b>A) Fully consolidated subsidiaries</b>		
Red Eléctrica de España, S.A.U. (REE) - Paseo Conde de los Gaitanes, 177. Alcobendas. Madrid. (Spain). - Transmission, operation of the Spanish electricity system and management of the transmission network.	100%	-
Red Eléctrica Internacional, S.A.U. (REI) - Paseo Conde de los Gaitanes, 177. Alcobendas. Madrid. (Spain). - Acquisition and holding of international equity investments. Rendering of advisory, engineering and construction services. Performance of electricity activities outside the Spanish electricity system.	100%	-
Red Eléctrica Infraestructuras de Telecomunicación, S.A.U. (REINTEL) - Paseo Conde de los Gaitanes, 177. Alcobendas. Madrid. (Spain). - Rendering of advisory, engineering, construction and telecommunications services.	100%	-
Red Eléctrica Infraestructuras en Canarias, S.A.U. (REINCAN) - Calle Juan de Quesada, 9. Las Palmas de Gran Canaria. (Spain). - Construction of energy storage facilities in non-mainland and isolated systems.	100%	-
Red Eléctrica de España Finance, S.L. <sup>(2)</sup> - Paseo Conde de los Gaitanes, 177. Alcobendas. Madrid. (Spain). - Financing activities.	100%	-
Red Eléctrica Financiaciones, S.A.U. (REF) - Paseo Conde de los Gaitanes, 177. Alcobendas. Madrid. (Spain). - Financing activities.	100%	-
Red Eléctrica Sistemas de Telecomunicaciones, S.A.U. (RESTEL) - Paseo Conde de los Gaitanes, 177. Alcobendas. Madrid. (Spain). - Acquisition, holding, management and administration of Spanish and foreign equity securities.	100%	-
Red Eléctrica y de Telecomunicaciones, Innovación y Tecnología, S.A.U. (RETIT) - Paseo Conde de los Gaitanes, 177. Alcobendas. Madrid. (Spain). - Activities geared towards driving and accelerating technological innovation.	100%	-
Redcor Reaseguros, S.A (REDCOR) - 26, Rue Louvigny. (Luxembourg). - Reinsurance activities. Incorporated in 2010 in Luxembourg in order to reinsure the risks of the Group companies, thereby guaranteeing better access to international reinsurance markets.	100%	-
Red Eléctrica Andina, S.A.C. (REA) -Av. Javier Prado Este Of. 1001 Urb. Jardín San Isidro. Lima (Peru) - Rendering of line and substation maintenance services.	-	100%(a)



- Company
- Registered office
- Principal activity

	2021	
	Percentage ownership <sup>(1)</sup>	
	Direct	Indirect
Red Eléctrica del Sur, S.A. (REDESUR) -Av. Javier Prado Este Of. 1001 Urb. Jardín San Isidro. Lima (Peru) - Electricity transmission and operation and maintenance of electricity transmission networks.	-	100%(a)
Transmisora Eléctrica del Sur, S.A.C. (TESUR) -Av. Javier Prado Este Of. 1001 Urb. Jardín San Isidro. Lima (Peru) - Electricity transmission and operation and maintenance of electricity transmission networks.	-	100%(c)
Transmisora Eléctrica del Sur 2, S.A.C. (TESUR 2) -Av. Javier Prado Este Of. 1001 Urb. Jardín San Isidro. Lima (Peru) - Electricity transmission and operation and maintenance of electricity transmission networks.	-	100%(c)
Transmisora Eléctrica del Sur 3, S.A.C. (TESUR 3) -Av. Javier Prado Este Of. 1001 Urb. Jardín San Isidro. Lima (Peru) - Electricity transmission and operation and maintenance of electricity transmission networks.	-	100%(c)
Transmisora Eléctrica del Sur 4, S.A.C. (TESUR 4) -Av. Javier Prado Este Of. 1001 Urb. Jardín San Isidro. Lima (Peru) - Electricity transmission and operation and maintenance of electricity transmission networks.	-	100%(j)
Red Eléctrica del Norte Perú, S.A.C. (REDELNOR) -Av. Javier Prado Este Of. 1001 Urb. Jardín San Isidro. Lima (Peru) - Electricity transmission and operation and maintenance of electricity transmission networks.	-	100%(a)
Concesionaria Línea de Transmisión CCNCM, S.A.C. (CCNCM) -Av. Javier Prado Este Of. 1001 Urb. Jardín San Isidro. Lima (Peru) - Electricity transmission and operation and maintenance of electricity transmission networks.	-	100%(d)
Red Eléctrica Chile S.P.A. (RECH) - Avenida El Golf nº 40, piso 20. Comuna de Las Condes, Santiago (Chile) - Acquisition, holding, management and administration of securities.	-	100%(a)
Red Eléctrica del Norte S.A. (REDENOR) - Avenida El Golf nº 40, piso 20. Comuna de Las Condes, Santiago (Chile) - Electricity transmission and operation and maintenance of electricity transmission networks.	-	69.9%(e)
Red Eléctrica del Norte 2 S.A. (REDENOR 2) - Avenida El Golf nº 40, piso 20. Comuna de Las Condes, Santiago (Chile) - Electricity transmission and operation and maintenance of electricity transmission networks.	-	100%(e)
Red Eléctrica Brasil Holding Ltda. -Calle Libero Badaró, 293. Sao Paulo. (Brazil) - Acquisition, holding, management and administration of securities.		100%(a)
Hispatat S.A. - Calle de Anabel Segura, 11. Alcobendas. Madrid. (Spain). - Parent of the Hispatat Subgroup. Operation of the satellite communications system and rendering of space segment services for the geostationary orbital slots allocated to the Spanish state.	-	89.68%(f) (3)
Hispatat Canarias, S.L.U. -Calle Practicante Ignacio Rodriguez s/n Edificio Polivalente IV. Las Palmas de Gran Canaria (Spain) - Sale and lease of satellites and spatial capacity.	-	89.68%(g) (3)



- Company

- Registered office

- Principal activity

	2021	
	Percentage ownership <sup>(1)</sup>	
	Direct	Indirect
Hispatat Brasil, Ltda. - Praia do Flamengo, 200 Rio de Janeiro (Brazil) - Commercialisation of satellite capacity	-	89.68%(g) (3)
Hispatat Satélites, S.A. - Praia do Flamengo, 200 Rio de Janeiro (Brazil) - Commercialisation of satellite capacity	-	72.60% (h) (3)
Hispatat Exterior, S.L.U. - Paseo de la Castellana 39, 28046 Madrid (Spain). - Commercialisation of satellite capacity	-	72.60%(i) (3)
Hispatat de México, S.A. de C.V. - Agustín Manuel Chávez 1-001 Col. Centro de Ciudad Santa Fe, México D.F. (Mexico) - Use of radio spectrum, telecommunications networks and satellite communication.	-	89.68%(g) (3)
Consultek Inc. - 1036 Country Club Drive, Suite 202, Moraga, CA 94556. (United States of America) - Technical consultancy services	-	89.68%(g) (3)
Hispatat Satélites, S.A. (Venezuela) - Torre Phelps, piso 10 ofic. 10, Caracas (Venezuela) - Commercialisation and rendering of satellite telecommunications services	-	72.60%(i) (3)
Hispatat UK, LTD. 30 Finsbury Square, London. (England) - Commercialisation and rendering of satellite telecommunications services	-	89.68%(g) (3)
Hispatat Perú, S.A.C. Jr. Baca Flor N° 307, Dpto. N° 701, distrito de Magdalena del Mar. Lima (Peru) - Commercialisation and rendering of satellite telecommunications services	-	89.68%(g) (3)
<b>B) Proportionately consolidated companies</b>		
Interconexión Eléctrica Francia-España, S.A.S. (INELFE) - Inmueble Window, 7 C Place du Dôme. Paris. (France) - Study and execution of Spain-France interconnections	-	50%(b)
<b>C) Equity-accounted investees</b>		
Transmisora Eléctrica del Norte S.A. (TEN) - Avenida Apoquindo N°3721, piso 6, Las Condes, Santiago (Chile) - Electricity transmission and operation and maintenance of electricity transmission networks.	-	50%(e)
Argo Energía Emprendimientos y Participaciones S.A. - Calle Tabapuã, 841 – 5º andar – Itaim Bibi – São Paulo/SP (Brazil) - Acquisition, holding, management and administration of securities.	-	50% (k)
Argo Transmisión de Energía S.A. (“Argo I”) - Calle Tabapuã, 841 – 5º andar – Itaim Bibi – São Paulo/SP (Brazil) - Electricity transmission and operation and maintenance of electricity transmission networks.	-	50% (l)





- Company

- Registered office

- Principal activity

	2021	
	Percentage ownership <sup>(1)</sup>	
	Direct	Indirect
Argo II Transmisión de Energia S.A. ("Argo II") - Calle Tabapuã, 841 – 5º andar – Itaim Bibi – São Paulo/SP (Brazil) - Electricity transmission and operation and maintenance of electricity transmission networks.	-	50% (l)
Argo III Transmisión de Energia S.A. ("Argo III") - Calle Tabapuã, 841 – 5º andar – Itaim Bibi – São Paulo/SP (Brazil) - Electricity transmission and operation and maintenance of electricity transmission networks.	-	50% (l)
Hisodesat Servicios Estratégicos, S.A. - Paseo de la Castellana 143, 28046 Madrid (Spain) - Commercialisation of spatial systems for government use.	-	38.56%(g) (3)
Grupo de Navegación Sistemas y Servicios, S.L. - Calle Isaac Newton 1, Madrid (Spain) - Operation of satellite systems	-	12.82%(g) (3)

(1) Equivalent to voting rights.

(2) Company has changed its registered office and company name in 2021. At 31 December 2020, Red Eléctrica de España Finance, B.V. with registered office in Amsterdam (Netherlands).

(3) Company forming part of the Hispasat Subgroup.

(a) Investment through Red Eléctrica Internacional, S.A.U.

(b) Investment through Red Eléctrica de España, S.A.U.

(c) Investment through Red Eléctrica del Sur, S.A.

(d) Investment through Red Eléctrica del Norte Perú, S.A.C.

(e) Investment through Red Eléctrica Chile SpA.

(f) Investment through Red Eléctrica Sistemas de Telecomunicaciones, S.A.U.

(g) Investment through Hispasat, S.A.

(h) Investment through Hispasat, S.A. and Hispasat Brasil, Ltda.

(i) Investment through Hispamar Satélites, S.A.

(j) Investment through Red Eléctrica del Sur, S.A. and Red Eléctrica Internacional, S.A.U.

(k) Investment through Red Eléctrica Brasil Holding Ltda.

(l) Investment through Argo Energia Empreendimentos y Participaciones S.A.



Red Eléctrica Group  
[www.ree.es](http://www.ree.es)



Consolidated Interim  
Directors' Report for the six-  
month period ended 30 June  
2021

*(Free translation from the original in Spanish.  
In the event of discrepancy, the Spanish-  
language version prevails.)*



## Contents

---

1	Relevant events occurring during the six-month period and outlook.....	1
2	Business performance .....	5
3	Main risks and uncertainties in the second half of the year .....	6
4	Events after 30 June 2021 .....	8

In order to facilitate comprehension of the information provided in this document, certain alternative performance measures have been included. The definition of these measures can be found at [www.ree.es](http://www.ree.es).

The various sections of this consolidated directors' report contain certain prospective information that reflects projections and estimates based on underlying assumptions, statements referring to plans, objectives and expectations associated with future transactions, investments, synergies, products and services, as well as statements concerning results or future dividends, or estimates calculated by the directors and based on assumptions that those directors consider reasonable.

While the Group considers the expectations reflected in those statements to be reasonable, investors and holders of shares in the Parent are advised that the information and statements containing future projections are subject to risks and uncertainties, many of which are difficult to foresee and generally beyond the Group's control. As a result of such risks, actual results and developments could differ substantially from those expressed, implied or forecast in the information and statements containing future projections.

The affirmations and statements containing future projections do not provide any guarantee as to future results and have not been reviewed by auditors outside the Group or by other independent third parties. It is recommended that no decisions be made on the basis of the affirmations and statements containing future projections that refer exclusively to the information available at the date of this report. All of the affirmations and statements containing future projections that are reflected in this report are expressly subject to the warnings given. The affirmations and statements containing future projections included in this document are based on the information available at the date of this directors' report. Except as required by applicable legislation, the Group is not obligated to publicly update its statements or review the information containing future projections, even where new data is published or new events arise.



## 1 Relevant events occurring during the six-month period and outlook

Red Eléctrica Corporación, S.A. (hereinafter the Parent or the Company) is the Parent of a Group formed by subsidiaries. The Group is also involved in joint operations along with other operators. The Parent and its subsidiaries form the Red Eléctrica Group (hereinafter the Group or Red Eléctrica Group).

The Group's principal activities are the management and operation of electricity infrastructure in Spain, through Red Eléctrica de España S.A.U. (hereinafter REE), and abroad, through Red Eléctrica Internacional S.A.U. (hereinafter REI) and its investees. The Group also provides satellite telecommunications services through the HISPASAT subgroup and fibre optic telecommunications services to third parties in Spain through Red Eléctrica Infraestructuras de Telecomunicación, S.A.U. (hereinafter REINTEL).

The Group has drawn up a note on the how the main impacts of COVID-19 on the Group's different activities and financial-economic indicators have changed in the first half of 2021, which is included in the notes to the condensed consolidated interim financial statements at 30 June 2021. No significant impacts have been identified in this respect.

In February 2021 the Parent's board of directors approved the new 2021-2025 Strategic Plan of the Red Eléctrica Group. This plan is built upon three fundamental pillars: a strong commitment to the energy transition, the fostering of connectivity solutions, and consolidation of the international business. The Red Eléctrica Group plans to play a key role in far-reaching processes such as the energy transition and reducing the digital divide.

The 2021-2025 Strategic Plan aims to prioritise efficient implementation of the energy transition in Spain, advancing the progress made in telecommunications and consolidating international activity, ensuring the Group's financial sustainability, innovation, talent and sustainability as the basis for the corporate culture, and generating positive impacts through alliances with local players and with companies in the sector.

### Management and operation of domestic electricity infrastructure

The mission of REE, as transmission agent and system operator for the Spanish electricity system, is that of ensuring that the Spanish electricity system functions correctly and guaranteeing the continuity and security of the electricity supply at all times. To this end, it oversees and coordinates the high-voltage electricity system and manages the development of the transmission network. The Company seeks to fulfil its mission while adhering to the principles of neutrality, transparency, independence and economic efficiency, so as to offer a secure, efficient and high quality electricity service to society as a whole.

The investments carried out by the Red Eléctrica Group in Spain up to June 2021 amounted to Euros 252.8 million, of which Euros 172 million was used to develop the national transmission network.

In the first half of 2021 the Group continued its commitment to efficient development of the transmission network by bringing facilities into service that contribute to the energy transition, with the aim of integrating as much renewable generation as possible and furthering electrification, thus ensuring security of supply and service quality. New facilities brought into service in the first half of 2021 include the 49.8-kilometre Arenales-J.M. Oriol line and the related J.M. Oriol substation (six bays), as well as the Tomeza (eight bays) and Montesa (six bays) substations for high-speed rail development (ADIF).

#### Mainland electricity system

The most notable events in the first half of 2021 were as follows:

Mainland electricity demand amounted to 120,247 GWh, up 5.4% on the first half of 2020. Adjusted for calendar and temperature effects, the increase was 4.9%.

Electricity demand is down 2.7% compared to the pre-pandemic period (first half of 2019), or 3.0% when adjusted for the effect of working patterns and temperatures.

Demand for hourly average power and daily electricity peaked on 8 and 13 January at 41,445 MW and 834 GWh, respectively, up 3.6% and 1.8% on the maximum levels recorded in the first half of 2020.

Notably, 53.1% of demand was covered with renewable power generation, which is 5.3 percentage points up on the same period in 2020.



Maximum instantaneous power and daily electricity from wind power were recorded on 23 January, at 19,308 MW and 356 GWh respectively, up 11.1% and down 4.3%, respectively, on the maximum levels recorded in the first half of 2020.

As in the prior year, international electricity exchanges resulted in a net import balance, amounting to 1,786 GWh in the first half of 2021, 57.4% less than in the same period in 2020.

The performance of REE's mainland transmission network has once again been excellent, with provisional total availability of the network to June at 98.6%, below the 98.9% achieved in the same period of the prior year. The continuity of supply indicators were below the thresholds set out in Royal Decree 1955/2000, with an accumulated ENS (energy not supplied) and AIT (average interruption time) to June 2021 of 126.13 MWh and 0.273 minutes, respectively (16.00 MWh and 0.037 minutes at June 2020), highlighting the continuing high degree of security and quality provided by Red Eléctrica facilities.

#### Non-mainland electricity systems

Within the Balearic Islands system, demand to June 2021 was up 8.3% on the same period of the prior year. Temperatures have had an impact of 1.8% on demand.

Electricity demand is down 11.9% compared to the pre-pandemic period (first half of 2019), or 12.3% when adjusted for the effect of working patterns and temperatures.

The Morvedre-Santa-Ponsa link-up has continued to contribute towards the security and quality of supply. Electricity from the mainland covered 27.1% of the demand in this system (27.2% in 2020).

Demand in the Canary Islands system was down 3.3% in the first half of 2021 compared to the same period of the prior year. Moreover, accumulated renewable power generation (wind, photovoltaic, other renewables and wind-hydro power) accounted for 19.6% of total output in the first half of 2021 (16.1% in 2020).

Electricity demand is down 13.1% compared to the pre-pandemic period (first half of 2019). It is also down 13.1% when adjusted for the effect of working patterns and temperatures.

#### Management and operation of international electricity infrastructure

In addition to its principal activity as the transmission agent and system operator in Spain, the Red Eléctrica Group has been engaged for over 20 years now in other businesses as a way to create value for shareholders through expansion into the infrastructure management field and the provision of new services by the Group. This vision saw the Group expand internationally into Peru in 1999 and Portugal in 2007, through its ownership interest in Redes Energéticas Nacionais, SGPS, S.A. (hereinafter REN), before moving into the Chilean market in 2016 and Brazil in 2020.

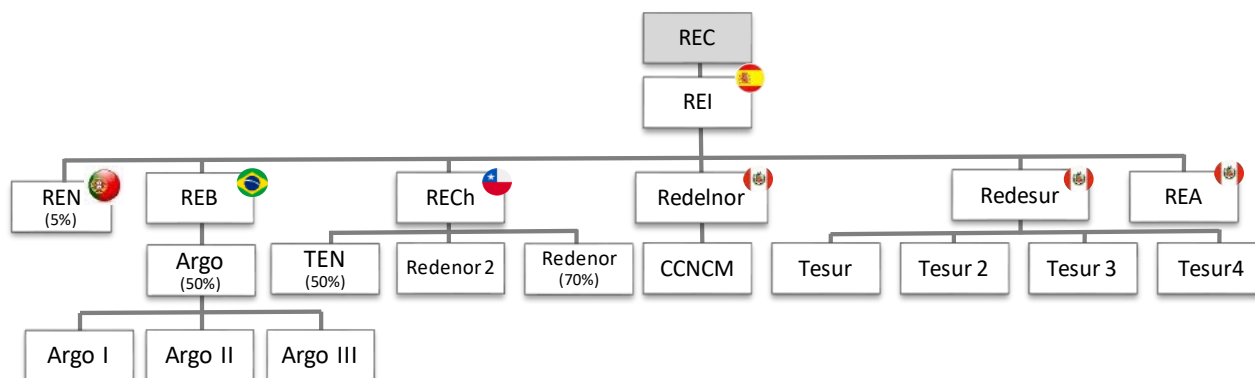
The Group's international business is conducted through its subsidiary Red Eléctrica Internacional, S.A.U. (hereinafter REI), which currently has a presence in Peru, Chile, Brazil and Portugal.

The start-up of operations in Peru, Chile and, most recently, in Brazil is the outcome of an ongoing analysis of business opportunities, and meets the Group's criterion of undertaking investments in countries with a favourable economic situation and a stable regulatory framework that ensures an appropriate return on the investments.

Overall, the Group manages a network spanning more than 4,800 km in Peru, Chile and Brazil, of which approximately 4,500 km are up and running at present.

In the first half of 2021 the COVID-19 crisis did not have a particularly significant impact on the Group's activity in these three countries, as business operations have been adapted to ensure the continuity of the services provided.

The current corporate structure of the international business is as follows:



### Activities in Peru

The Group is the main transmission agent in the south of Peru and has carried out operations in the north of the country since 2019 through CCNCM. REI directly holds 100% of the capital of the Peruvian companies REA, REDELNOR and REDESUR. In turn, REDESUR holds 100% of TESUR, TESUR 2 and TESUR 3, and 91% of TESUR 4, the remaining 9% of which is held directly by REI. REDELNOR is the company incorporated to acquire 100% of Concesionaria Línea de Transmisión CCNCM, S.A.C.

At present REDESUR, TESUR, TESUR 2, TESUR 3 and CCNCM are concessions under commercial operation for a period of 30 years, and TESUR 4 is at the construction stage. As regards the latter, an environmental impact assessment (EIA) was approved on 16 March this year and the overall percentage completion of the project is approximately 60%.

During the first half of the year, the average voltage levels remained within the regulatory limits, no incidents were recorded in quality of service during the period, and network availability stood at 100% in TESUR, TESUR 2 and CCNCM, 99.7% in TESUR 3 and 99.9% in REDESUR, in line with the first half of 2020.

### Activities in Chile

In Chile, the Group acquired a 50% interest in TEN in 2016. This company is responsible for the construction and maintenance of the Mejillones-Cardones line, which was brought into service in November 2017. This project constitutes the first connection between the Far North Interconnection System (“SING”) and the Central Interconnected System (“SIC”), enabling the evacuation of renewable energy from the north of the country and the creation of a single energy market in Chile.

During the first half of 2021, TEN maintained a high availability rate of 99.96% among its facilities (99.58% for lines and 99.91% for substations in the first half of 2020).

REDELNOR is engaged in the design, construction and subsequent operation and maintenance of a substation and three lines in the Far North Interconnection System close to the border with Peru, which are currently at the construction stage. In August 2020 the first stage of the project entered into service (Nuevo Pozo Almonte substation) and availability of the facilities stood at 100% in the first half of 2021.

REDELNOR 2 is engaged in the commercial operation of its facilities (three 220 kV / 265 km lines linking the El Cobre – Esperanza – El Tesoro – Encuentro substations). During the first half of 2021, it maintained a 100% availability rate among its facilities (99.85% in the first half of 2020).

The 220kV Centinela substation was brought into service on 17 June. This substation will serve to improve the transmission network in the area and integrate new renewable energy projects. In fact, it is already being expanded to integrate the ENEL Sierra Gorda Solar project. A number of connection requests have been made for the future integration of new renewable energy generation and nearby large consumers such as mining companies.

### Activities in Brazil

In Brazil, on 25 March 2020 the Group acquired a 50% interest in the Brazilian holding company Argo Energia, which in turn holds the Argo I, Argo II and Argo III concessions. This acquisition was made through the Group’s main company in that country Red Eléctrica Brasil (REB), which was incorporated by REI in January 2020.



The primary concession, Argo I, makes up 80% of Argo's revenue and has been operating since the end of 2019, running 1,110 km of 500kV lines and five substations in the Northeast Region of Brazil. During the first half of 2021, it maintained a high availability rate among its facilities (98.97%).

Argo II is a project to expand a substation in the state of Minas Gerais, which is complete but yet to enter into commercial service.

Argo III operates 320 km of 230 kV power lines and four substations in the State of Rondonia (most facilities came into commercial service in 2020, another substation having been energised in March 2021). The expansion of the final substation in this State is currently under construction. During the first half of 2021, the availability rate was 92.00%.

## Telecommunications

### Satellite business

The Red Eléctrica Group operates its satellite telecommunications business through the HISPASAT subgroup.

Red Eléctrica Corporación holds an interest in HISPASAT through Red Eléctrica Sistemas de Telecomunicaciones, S.A.U. (RESTEL), the majority shareholder since 3 October 2019. The Spanish public sector also holds a stake, through Sociedad Estatal de Participaciones Industriales (SEPI) and the Spanish Centre for the Development of Industrial Technology (CDTI).

HISPASAT is the leading satellite operator in Spain and a driver of innovation in the aerospace industry. It has a fleet of nine satellites in six orbital slots. It also provides advanced satellite communications services in the wholesale market.

It is the primary bridge for communications between Europe and the Americas, providing broadband and connectivity services in the Americas, Europe and North Africa through companies in Spain and Latin America, where its Brazilian subsidiary Hispamar Satélites is located. It is also the leading broadcaster and distributor of Spanish and Portuguese audio-visual content, including the transmission of major direct-to-home (DTH) and high-definition television (HDTV) digital platforms. These business lines make it one of the largest companies in its sector worldwide in terms of revenue.

The Group's activities are conducted through the Subgroup's parent, HISPASAT, S.A., which operates and commercialises the Group's satellites that are not located in orbit over Brazilian territory, and through HISPASAT Canarias, S.L., Sociedad Unipersonal, HISPAMAR Satélites, S.A., HISPAMAR Exterior, S.L., Sociedad Unipersonal, and HISPASAT México, S.A. de C.V., which jointly operate and commercialise the satellites that are in orbit over Brazilian territory. In May 2021 HISPASAT acquired the management and transmission of signals of the DTH wholesale business for the Latam region. Until then, this activity was carried out by Media Networks Latinoamérica.

The Subgroup has a corporate presence in six countries: Spain, Brazil, Peru, Mexico, Argentina and Colombia, and serves customers in more than 28 countries.

In the first half of 2021 work continued on the manufacture of the new Amazonas Nexus satellite, which comes with a next-generation HTS payload, aimed mainly at providing coverage for the North and South Atlantic air corridors for the mobility vertical.

### Fibre optics business

The fibre optic telecommunications activities conducted by the Red Eléctrica Group are centred on the commercial operation in Spain of the surplus capacity of the fibre optic networks and infrastructure associated with the electricity transmission network and the railway network owned by ADIF-Alta Velocidad, to which the Group holds the rights of use and exploitation. This activity is carried out through the Group's wholly-owned subsidiary REINTEL.

REINTEL is the largest neutral operator of dark fibre infrastructure in Spain. Its principal activity is the lease of dark fibre and sites. REINTEL has a fibre optic network in excess of 52,222 km rolled out over the electricity transmission network and the railway network and its main customers are telecommunications operators present in Spain. REINTEL also provides REE with the telecommunications services needed for its activity, as well as maintenance services for fibre optic cables and telecommunications equipment.





Throughout the first half of 2021, REINTEL continued to implement its commercial plan as a telecommunications infrastructure supplier, expanding its customer portfolio and undertaking investments where requested by customers, thereby generating greater revenues for the Group.

Incidents on the fibre optic network have been addressed and resolved within the timescales established with customers, thus no claims involving financial penalties have been raised.

Commercial activity in this first half of 2021 has been sustained, and therefore no negative impact is expected on defaults or the key financial-economic indicators in 2021.

## 2 Business performance

---

Revenues and profit of equity-accounted investees amounted to Euros 991.4 million in the first half of the year, up 0.6% on the same period in the prior year:

- Management and operation of domestic electricity infrastructure: Euros 809 million compared to Euros 817 million in the same period of the previous year. The Euros 8.4 million decrease is mainly attributable to the lower revenue from system operation because of the adjustment recorded in 2020 for prior years' revenue. Electricity transmission activity in Spain has a negative impact due to the application of the remuneration parameters for 2021 contained in the circulars published by the CNMC at the end of 2019, which reduced the financial rate of return from 6% in 2020 to 5.58% until 2025. However, revenues in this activity remained stable during this period, inasmuch as in 2020 they were negatively affected by the adjustment for the new remuneration parameters for revenues accrued in prior years.
- Management and operation of international electricity infrastructure: the Euros 4.9 million growth in this activity primarily stems from the increased profit generated by the Brazilian investee Argo, given that in 2020 it only contributed profits in the second quarter, having been acquired in March 2020.
- Satellite business: the rise of Euros 5.4 million basically derives from Hispasat's acquisition of the DTH wholesale business in Latam, which increased revenues by Euros 5 million in the second quarter, as well as greater organic growth and the higher contribution by HISDESAT, partially offset by unfavourable exchange rates (loss of Euros 2.8 million).
- Fibre optics: slight improvement on the prior year driven by organic growth.

Operating expenses are down 1.9% compared to the first half of 2020:

- The cost of supplies and other operating expenses totalled Euros 164.1 million, down 3.4% on the prior year. This decrease is mainly explained by cost savings in the satellite and international businesses.
- Personnel expenses totalled Euros 88.2 million, an increase of 0.8% on the same period in 2020.
- The final headcount was 2,085 employees, compared to 2,031 in the first half of 2020. The average headcount was 2,062 employees, 10 more than the 2,052 in the first half of 2020.

Consequently, EBITDA totalled Euros 771.3 million, up 0.7% on the amount obtained in the first half of 2020.

- Management and operation of domestic electricity infrastructure: the contribution to EBITDA is Euros 8.3 million lower than in the prior year, primarily due to the aforementioned drop in revenues.
- Management and operation of international electricity infrastructure: the contribution to EBITDA by international business rose by Euros 3.9 million, mainly because the full six months are included for Argo, as mentioned.
- Satellite business: the contribution to EBITDA is up Euros 5.4 million driven by revenue growth.
- Fibre optics: the contribution to EBITDA is Euros 1 million higher, primarily fuelled by revenue growth and cost savings.

EBIT amounted to Euros 527.5 million, up 3.6% on 2020. This increase is explained by the aforementioned EBITDA growth and the lower depreciation and amortisation charges in the satellite business, primarily.



The net finance cost amounted to Euros 49.6 million, an improvement of Euros 19.9 million compared with the Euros 69.5 million in 2020. The lion's share of this improvement is explained by the decline in the average cost of debt from 1.93% in 2020 to 1.53% in 2021. Average gross financial debt was Euros 6,705 million versus Euros 6,919 million in the first half of the prior year.

The tax rate was 24.7%, compared to 24.6% in the prior year.

Consequently, profit for the period totalled Euros 358.2 million, an 8.0% improvement on the amount posted in June 2020.

- Management and operation of domestic electricity infrastructure: the improved net finance income makes up for the fall in EBITDA and gives rise to an increase in profit after tax, year-on-year, amounting to Euros 4.1 million.
- International electricity transmission: the international business contributed Euros 7.8 million to the rise in profit after tax, primarily because the full six months are included for Argo and the net finance cost has improved.
- Satellite business: the Euros 14.2 million contribution to the growth in profit after tax mainly stems from higher revenues and cost savings, lower depreciation and amortisation charges, and the improved net finance cost.
- Fibre optics: the contribution to profit for the year is up Euros 1.8 million, primarily fuelled by EBITDA and the better net finance cost.

The Group's investments during the six-month period amounted to Euros 252.8 million. Of this amount, Euros 172 million was used to develop the domestic transmission network (an increase of 32% on the prior year) and Euros 11 million was funnelled into system operation and storage in the Canary Islands, while Euros 15.1 million was invested in international transmission activity, Euros 46.4 million in the telecommunications business (satellites and fibre optics), and the remaining Euros 8.3 million in the Group's other activities. In the prior year investment totalled Euros 567.3 million and included the Euros 374.3 million outlay in March 2020 to acquire a 50% stake in the Brazilian company Argo.

### 3 Main risks and uncertainties in the second half of the year

The Red Eléctrica Group is exposed to the different risks inherent in the activities and geographical markets in which it operates, which could have an impact on its results.

The Group's risk management system works on a comprehensive and ongoing basis, and risk management is further consolidated at corporate level by business unit, subsidiary and support area. This Comprehensive Risk Management System aims to ensure that any risks, including those relating to tax, that might affect the Group's strategies and objectives are systematically identified, analysed, assessed, managed and controlled, according to uniform criteria and within the established risk levels, in order to facilitate fulfilment of the strategies and objectives of the Group. The Group's comprehensive risk management policy and general comprehensive risk management and control procedures are based on the COSO II (Committee of Sponsoring Organizations of the Treadway Commission) Enterprise Risk Management Integrated Framework and on ISO 31000.

This process of risk identification, analysis, assessment and control sets out the actions required to reduce risk to an acceptable level. For risk monitoring purposes, the existing risk management system contains numerous management plans to mitigate these risks and a large number of indicators to monitor changes therein. The Internal Audit and Risk Control Department reviews the progress and impact of the previously established risk management plans in conjunction with the organisational units on a half-yearly basis for high-level and other significant risks, annually for other risks, and whenever circumstances so advise in the case of specific risks. The Audit Committee supervises this process at least twice a year and reports thereon to the board of directors.



Moreover, the Group's processes have been designed so as to incorporate elements to mitigate or reduce the associated risks. These processes have been integrated within the management systems established under international standards (including ISO 9001, ISO 14001 and ISO 45001), which are subject to systematic internal and external audits on the suitability of design and compliance, and incorporate the control aspects specific to the objectives to be met.

The Group has also drawn up contingency plans to manage the various crisis situations that could arise in the event of an incident that might affect service continuity or the environment, people, business operations, system availability, business results or any other event that could impact the Company's reputation. Along these lines, and taking into account that the COVID-19 pandemic is still very much with us, it should be highlighted that, in accordance with the Group's Business Continuity Plan, efforts have continued this year, firstly to ensure the safety of the Group's employees, and secondly to guarantee the continuity of the Group's activity and the correct discharge of its main duties.

The Group also has a guide for managing cyber incidents, which sets out the criteria and guidelines for managing any cyber security incident, irrespective of the area concerned.

In addition, the Group has an Internal Control over Financial Reporting (ICFR) system, so as to ensure efficiency and security in the preparation of its economic and financial information, for which it has adopted international best practices.

The main risks to which the Red Eléctrica Group is exposed and that could affect achievement of its objectives are strategic risk, notably regulatory risk inasmuch as the Group's principal business lines are subject to regulations, operational risk, primarily relating to electricity system servicing activities, and financial risk.

### Regulatory risks

The fact that the activities are regulated affects revenue and the conditions under which the principal activities must be carried out. In this respect, regulatory risks could arise from the possibility of changes to the legal framework applicable to the activities in the different geographical areas in which the Group carries out its activities, which could affect both revenue and costs, either directly or because new requirements are introduced. On this front, as indicated in note 3 to the accompanying condensed consolidated interim financial statements, the National Assessment Study for 2020-2023 currently underway in Chile should have been concluded by the end of the year.

Business risks, which derive from the Group's increased diversification in different activities and geographic areas, are also worth highlighting.

### Operational risks

The Group's activities are exposed to different operational risks, such as faults in the electricity transmission network, the fibre optic network or satellite infrastructure, fires at facilities, adverse meteorological conditions, accidents within the transmission network, incidents that could affect physical/logical security, as well as other events that could result in damage to the Group's facilities or harm to people and/or materials. To this end, the Group has established control systems that, to date, have worked satisfactorily.

Furthermore, the Group has arranged corporate insurance policies to shield its equity and limit the potential impact of such events on its results.

### Financial risks

The Group is exposed to volatility in interest and exchange rates, which could affect its financial position.

In terms of exchange rate fluctuations, any adverse changes in exchange rates that could affect the Group's forecast results are considered.



Currency risk management considers transaction risk, arising on cash inflows and outflows in currencies other than the Euro, and translation risk, i.e. the Group's exposure when consolidating its subsidiaries and/or assets located in countries whose functional currency is not the Euro. With a view to reducing the currency risk on issues in the US private placements (USPP) market, the Group has arranged cash flow hedges through US Dollar/Euro cross-currency swaps on the principal and interest, which cover the amount and total term of the issue up to 2035. Forward cash flow hedges in the form of Euro/US Dollar cross-currency swaps (up to 2031) and currency forwards (up to 2025) have also been arranged to hedge highly probable cash flows relating to certain income in Brazilian Reais and US Dollars. In order to mitigate the translation risk on assets located in countries whose functional currency is not the Euro, the Group finances a portion of such investments in the functional currency of those countries. The Group has also arranged hedges of net investments in US Dollars using cross-currency swaps up to 2026.

At 30 June 2021, the Group has a low-risk debt structure with moderate exposure to fluctuations in interest rates. As a result of the debt policy implemented, which aims to bring the cost of debt into line with the financial rate of return applied to the Group's regulated assets, among other objectives, 85% of the Group's borrowings have been arranged at fixed rates. The interest rate risk to which the Group is exposed derives from changes in the fair value of derivative financial instruments and mostly affects equity, but not profit for the period. The benchmark interest rate reform is not expected to have a significant impact on the Group's financial statements.

## 4 Events after 30 June 2021

---

On 15 July the CNMC approved a Decision regarding the contracts between Red Eléctrica de España, S.A.U. (REE) and Red Eléctrica Infraestructuras de Telecomunicación S.A.U. (REINTEL) assigning the rights to use the fibre optic network, thus guaranteeing the use of the fibre optics necessary to operate the transmission network and the priority of the electricity service, and ensuring that these contracts entail no additional cost for the electricity transmission activity.



Red Eléctrica Group  
[www.ree.es](http://www.ree.es)