



RED
ELÉCTRICA
CORPORACIÓN

Financial results **January - September 2020**

28 October 2020

For the purpose of facilitating the understanding of the information provided in this document, certain alternative performance measures have been included, the definition of which can be found at www.ree.es.



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1. Main highlights

COVID-19

Red Eléctrica Group's activity over these nine months in 2020 have continued to be impacted by **COVID-19**, both in Spain and in countries where the Group is present. We have been implementing measures to minimise the effects of this pandemic at operating level. Some activities, such as those related to the construction of new infrastructures in Spain and Latin America, have suffered temporary delays due to economic activities stopping. Projected investment levels are expected to be recovered.

The complexity arising from the health crisis makes it difficult to exactly know all the consequences derived from the crisis on the Group's activities and the value of its assets. The effects will largely depend on the time period it will take to control and finally eradicate the pandemic, as well as the capacity to overcome it and to recover the economic activity worldwide to the situation prior to the crisis. The company will continue assessing the situation and will follow up the incidences that may be detected in the infrastructures, as well as external factors and their impact on financial statements.

Electricity System

Our **electricity transmission and system operation activities in Spain** for the first half of 2019 have been aimed at facilitating the energy transition and enabling proper integration of renewable energy sources, with the ultimate goal of driving progress towards a low-carbon economy. Spanish generation from **renewable sources** reached 43.1%, up 16.3% compared to the first nine months in 2019. Moreover, Spanish emission-free output represented 61% of the total. COVID-19 has had a strong impact on the country's electricity consumption. So far this year **electricity demand** has dropped 6.6% compared to the same period in 2019. Indeed, the fall registered in the Balearic and Canary Islands has been particularly intense at -21.2% and -9.9% respectively.

Red Eléctrica's proposal to the Plan for the Recovery, Transformation and Resilience of the Spanish economy

EU's response in face of the challenge resulting from the COVID-19 crisis has been to set into motion a New Recovery Fund (Next Generation EU), which will allow to allocate an unprecedented large volume of investments. To receive these funds, the different EU Member states will have to draft and submit Recovery, Transformation and Resilience Plans (RTRP). Red Eléctrica, in its role as TSO and facilitator of the ecological transition, is making proposals for consideration by the Spanish government.

Last 7 October the Government presented a preview of the RTRP, which consists of four transversal axes: Ecological transition, Digital transition, Gender equality and Social and territorial cohesion.

One of them, that of Ecological transition, is perfectly aligned with the PNIEC, setting ambitious goals and commitments for 2020 in terms of reduction of emissions, involvement of renewables in end consumption and energy efficiency. In this regard, Red Eléctrica has focused its activities and resources on investments that, within its scope of action, will enable said transition.

As mentioned above, Red Eléctrica is making proposals contributing to the reactivation of the economy focused on attaining the goals set in the RTRP. In this sense, proposals are centred on the penetration and integration of renewable energies, the conservation and increase of biodiversity, the development of new technologies and the extension of the telecommunications signal, innovation and digitisation through new technologies. These proposals, besides contributing to ecological transition, act as driving forces, since they will facilitate the development of additional investments in the electricity field. They will also have a multiplying effect on Spanish economy, since they are based, mainly, on local suppliers and services. This will strengthen the industrial tissue, accelerate their growth and improve their competitiveness, contributing to reducing the precariousness of the economy.



Nine-month financial results

At economic level, it must be highlighted the inclusion since the beginning of the year and for the first time of Hispasat as part of the Group's consolidation perimeter. This has translated in **turnover** reaching €1,465.9 million, down 0.8% compared to last year, despite the application of new remuneration parameters as provided in the orders passed by the CNMC, impacting transmission activities.

Greater profit from subsidiary companies and efficiency efforts have taken EBITDA to reach €1,155.1 million, a similar amount to that registered at the end of the third quarter of 2019.

Profit for the third quarter of the year stood at €507.0 million, down by 4.2% compared to the previous year. The increase in amortisation and depreciation, including Hispasat, is noteworthy. The net finance expense, on the other hand, has been similar to that of the first nine months of 2019, and financial debt has been offset by lower interest rates.

The Board of Directors has approved the distribution of an interim dividend of €0.2727 per share taken to profit for 2020, the same figure as last year.



2. Red Eléctrica: Main aggregates

Income statement

<i>(Thousands of euros)</i>	January - September			July - September		
	2020	2019	Δ %	2020	2019	Δ %
Revenue	1,465,850	1,477,199	(0.8)	487,958	484,125	0.8
EBITDA	1,155,072	1,155,775	(0.1)	388,823	376,414	3.3
EBIT	770,085	803,126	(4.1)	260,821	258,420	0.9
Profit before tax	670,177	703,697	(4.8)	230,459	222,817	3.4
Profit for the year	507,005	529,230	(4.2)	175,298	167,031	4.9

Income statement by segment

<i>(Thousands of euros)</i>	Operation & Management of the Electrical Infra- structure		Telecom. (fibre + satellites)	Other busi- nesses, Corp. and Adjust- ments	Total
	Domestic	International			
Revenue	1,229,161	38,262	217,781	(19,354)	1,465,850
EBITDA	933,131	45,273	169,598	7,070	1,155,072
EBIT	665,778	33,363	63,020	7,924	770,085
Profit before tax	587,092	22,312	51,515	9,258	670,177
Profit for the year	439,635	20,536	41,867	4,967	507,005

Balance sheet

<i>(Thousands of euros)</i>	September 2020	December 2019 (**)	Δ %
Non-current assets	10,985,552	10,868,397	1.1
Equity	3,542,710	3,585,156	(1.2)
Net financial debt (*)	6,488,895	6,038,069	7.5

(*) Includes foreign currency derivatives.

(**) Amounts re-stated as a result of registering joint ventures effective from 3 October 2019.

Other financial aggregates

<i>(Thousands of euros)</i>	January - September			July - September		
	2020	2019	Δ %	2020	2019	Δ %
Operating cash flow after taxes	974,648	990,684	(1.6)	328,189	342,818	(4.3)
Investments	676,802	464,447	45.7	109,550	298,380	(63.3)
Dividends paid	566,773	530,841	6.8	419,771	383,591	9.4

Credit rating

Agency	Credit rating	Outlook	Date
Standard & Poor's	A-	Stable	11/06/2020
Fitch Ratings	A-	Stable	23/04/2020



3. Earnings performance

Revenue for the first nine months of 2020 amounted to €1,465.9 million. The positive behaviour of system operations must be noted, as well as the inclusion of Hispasat since 1 January, contributing an income of €115.5 million, and the good performance of optic fibre and international activities. In this last case, the incorporation of the Brazilian company ARGO stands out. All this has enabled to almost fully offsetting the drop in income from transmission activities in Spain, as a result of applying the new remuneration parameters in force since 1 January.

Gross operating profit (EBITDA) amounted to €1,155.1 million, a similar amount to that in the previous year. This evolution underlines the efforts in terms of efficiency made by all Group companies.

Operating costs performed as follows:

- **Supply costs and other operating expenses** dropped 4.0% compared to the first nine months of last year, despite incorporating €17.4 million from Hispasat. This paragraph shows the significant efforts made in terms of expense containment.
- The final workforce stood at 2,029 people, while the average workforce for the period was 2,045, an increase of 13.5% compared to the figure for 30 September 2019 due to the incorporation of Hispasat into the Group.

Personnel expenses rose 12.8% compared to the previous year, largely explained by an increase in personnel for the inclusion of Hispasat into the Group. Also includes under this heading expenses linked to the voluntary leave scheme implemented early in the year.

Operating expenses

<i>(Thousands of euros)</i>	January - September			July - September		
	2020	2019	Δ %	2020	2019	Δ %
Supplies and other operating expenses	250,035	260,493	(4.0)	80,194	86,722	(7.5)
Personnel expenses	130,075	115,305	12.8	42,592	38,282	11.3
Operating expenses	380,110	375,798	1.1	122,786	125,004	(1.8)

Net Operating profit (EBIT) stood at €770.1 million, 4.1% below the figure registered for the same period last year. This evolution is mainly due to greater amortisation and depreciation linked to Hispasat amounting to €88.9 million.

The **net finance expense** was -€99.9 million, a figure very similar to the -€99.4 million registered in the previous year. The increase in gross financial debt, as a result of acquisitions, has been offset by the fall in the average interest rate by 50 basis points compared with the same period in 2019.

Lastly, **profit for the period** totalled €507.0 million, 4.2% below the figure for the previous year. Effective tax rate was 24.4%.



4. Cash flow and balance sheet performance

Cash flow ⁽¹⁾

<i>(Thousands of euros)</i>	January - September			July - September		
	2020	2019	Δ %	2020	2019	Δ %
Profit before tax	670,177	703,697	(4.8)	230,459	222,816	3.4
Income taxes paid	(70,609)	(68,279)	3.4	(14,714)	(167)	-
Depreciation and amortisation charge and other adjustments	375,080	355,266	5.6	112,444	120,169	(6.4)
Operating cash flow after taxes	974,648	990,684	(1.6)	328,189	342,818	(4.3)
Changes in working capital	(92,043)	(215,685)	(57.3)	(55,428)	(141,753)	(60.9)
Changes in other assets and liabilities	(25,303)	15,213	-	17,994	9,623	87.0
Changes in payables to non-current asset suppliers	(91,646)	(62,347)	47.0	(6,118)	(1,677)	-
Investments	(676,802)	(464,447)	45.7	(109,550)	(298,380)	(63.3)
Free cash flow	88,854	263,418	(66.3)	175,087	(89,369)	-
Dividends paid	(566,773)	(530,841)	6.8	(419,771)	(383,591)	9.4
Change in net financial debt ⁽²⁾	477,919	267,423	78.7	244,684	472,960	(48.3)

(1) This table is solely for the purpose of simplifying the consolidated cash flows table. It includes investments made by the Group in this period, the different with investment payments is fundamentally contained in Changes to assets and liabilities.

(2) The difference between this figure and the change in net financial debt shown on page 4 is owing to items that do not involve cash movements.

Operating cash flow after taxes was €974.6 million, 1.6% less than in the first nine months of last year.

Changes in working capital as at September 2020 totalled -€92.1 million, mainly due to the lower increase in transmission debtors to be collected..

Investments by the Group for the period reached €676.8 million. €215.5 million of this amount were used to develop the national transmission network. €404.5 million have been destined to the international business. This amount includes €374.3 million paid for 50% of the share capital in the Brazilian transmission company Argo. The remaining €56.8 million have been allocated to telecommunications and system operation activities.

The **dividends paid** with a charge to the prior year's profit totalled €566.8 million, equivalent to €1.0519 per share.

Red Eléctrica Group's **net financial debt** at 30 September 2020 amounts to €6,488.9 million compared to €6,038.1 million at the end of 2019.



Net financial debt (*)

<i>(Thousands of euros)</i>	Euros	Foreign currency	Total
Cash and cash equivalents	(385,890)	(36,520)	(422,410)
Non-current debt securities	3,419,330	508,561	3,927,891
Non-current loans	2,500,248	363,075	2,863,323
Promissory notes and current loans	120,091	-	120,091
Total net financial debt	5,653,779	835,116	6,488,895

(*) Debt classified according to its original contracting, without considering short-term transfers.

At 30 September 2020, 98.3% of the Group's financial debt was long term. As regards interest rate, 81% of the Group's debt is at a fixed rate, while the remaining 19% is at a floating rate.

The average cost of the Group's financial debt in the first 9 months of the year was 1.82%, compared to 2.32% in the same period of the previous year. Meanwhile, the **average balance of gross debt** stood at €6,958 million, compared to €5,732 million in the nine months of the previous year.

Moreover, at 30 September 2020, the Red Eléctrica Group's **Equity** stood at €3,542.7 million.

Credit rating

Standard & Poor's has given Red Eléctrica a long-term credit rating of 'A-' with a stable outlook and a short-term credit rating of 'A-2', whereas Fitch granted the Company a long-term rating of 'A-' with a stable outlook and a short-term rating of 'F2'.

The S&P rating is based on the stability of the cash flows arising mainly from regulated transmission activities. Fitch also highlighted the low level of business risk given TSO's natural monopoly position in Spain and the steady increase in the flow of income from contracts of the telecommunications business and the electricity transmission concessions in Peru and Chile.



5. Significant events for the first nine months and thereafter

Below there is a description of the Significant events that have taken place during the period, additional to those included in the financial results report for the first six months of the year:

- At its meeting held on 27 October, the Board of Directors agreed to pay an interim dividend for 2020 in the amount of €0.2727 per share, the same amount paid in the previous year. This dividend will be paid for all shares with dividend rights on 7 January 2020, in accordance with the rules of operation of Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. (IBER-CLEAR).
- The Board of Directors of Red Eléctrica Corporación, S.A., at its meeting held on 27 October 2020 has adopted the following resolution: To re-appoint the Independent Director, Mr. Antonio Gómez Ciria, as member of the Audit Committee of Red Eléctrica Corporación, S.A, for the term of 3 years foreseen in the Board of Directors Regulations.



Appendix 1. Consolidated financial statements

Red Eléctrica Group

Consolidated income statement

<i>(Thousands of euros)</i>	30/09/2020	30/09/2019	2020/2019
Revenue	1,465,850	1,477,199	(0.8%)
Work on non-current assets	38,543	37,853	1.8%
Interest in profit for companies accounted for using the equity method (with similarly activities to those of the Group)	19,480	5,799	-
Supply costs	(21,297)	(20,811)	2.3%
Other operating income	11,309	10,722	5.5%
Personnel expenses	(130,075)	(115,305)	12.8%
Other operating expenses	(228,738)	(239,682)	(4.6%)
Gross operating profit	1,155,072	1,155,775	(0.1%)
Depreciation and amortisation charge for non-current assets	(407,650)	(370,887)	9.9%
Allocation to profit or loss of grants related to non-financial assets	22,786	18,239	24.9%
Impairment and gains or losses on disposal of non-current assets	(123)	(1)	-
Net operating profit	770,085	803,126	(4.1%)
Finance income	9,305	8,055	15.5%
Finance costs	(105,342)	(106,432)	(1.0%)
Exchange differences	(3,871)	(1,052)	-
Net finance expense	(99,908)	(99,429)	0.5%
Profit before tax	670,177	703,697	(4.8%)
Income tax expense	(163,302)	(174,484)	(6.4%)
Consolidated profit for the period	506,875	529,213	(4.2%)
A) Consolidated profit attributable to the Parent	507,005	529,230	(4.2%)
B) Consolidated profit attributable to non-controlling interests	(130)	(17)	-



Red Eléctrica Group

Consolidated balance sheet

ASSETS (<i>Thousands of euros</i>)	30/09/2020	31/12/2019 (*)
Non-current assets	10,985,552	10,868,397
Current assets	1,854,747	1,786,808
Total assets	12,840,299	12,655,205

LIABILITIES (<i>Thousands of euros</i>)	30/09/2020	31/12/2019 (*)
Equity	3,542,710	3,585,156
Non-current liabilities	7,988,103	6,794,228
Current liabilities	1,309,486	2,275,821
Total liabilities	12,840,299	12,655,205

(*) Amounts re-stated as a result of registering joint ventures effective from 3 October 2019.



Red Eléctrica Group

Consolidated statement of cash flows

<i>(Thousands of euros)</i>	30/09/2020	30/09/2019
CASH FLOWS FROM OPERATING ACTIVITIES	860,330	757,044
Profit before tax	670,177	703,697
Adjustments to profit	472,602	456,116
Changes in working capital	(92,043)	(215,685)
Other cash flows from operating activities	(190,406)	(187,084)
CASH FLOWS FROM INVESTING ACTIVITIES	(739,396)	(333,065)
Payments due to investments	(768,448)	(379,165)
Proceeds from disposals	8,735	20,453
Other cash flows from investing activities	20,317	25,647
CASH FLOWS FROM FINANCING ACTIVITIES	(21,137)	(543,133)
Proceeds from/(payments for) equity instruments	(4,892)	(9,048)
Proceeds from/(payments for) financial liability instruments	571,758	1,104
Dividends paid	(566,773)	(530,841)
Other cash flows from financing activities	(21,230)	(4,348)
Effect of foreign exchange rate changes	(5,958)	464
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	93,839	(118,690)
Cash and cash equivalents at beginning of period	328,570	767,152
Cash and cash equivalents at end of period	422,409	648,462



Financial calendar

Upcoming events

Estimated dates

2020 interim dividend	7 January 2021
Presentation of 2020 results	February 2021

For more information

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Appendix 2. Sustainability certifications



The company was once again placed on the DJSI World index.



Silver Class distinction in the RobecoSAM Sustainability Yearbook 2020.



Included in the FTSE4Good index since 2008^(*).



Continued inclusion in the STOXX Global ESG Leaders indices.



Renewed presence in the MSCI Global Sustainability Indices attaining the highest rating, "AAA".



Renewed presence in the Euronext-Vigeo sustainability indices (Eurozone 120, Europe 120 and Global 120 and inclusion in the Euro-next Eurozone ESG Large 80 index.).



The Company confirmed its presence in the Ethibel Sustainability Index Excellence Europe.



Ranked first in the Utilities/Network Operators sector with a B+ rating.



Included in the ECPI Indices since 2008.



Recognised with the A- category for its commitment to the fight against climate change.

(*) FTSE Group confirms that Red Eléctrica Corporation has been independently assessed in accordance with FTSE4Good criteria and meets the requirements to be ranked in the FTSE4Good indices, the global index created by the FTSE Group. FTSE4Good is a stock market index designed to facilitate investment in companies that comply with the social responsibility standards recognised around the world. Companies included in the FTSE4Good index have met strict environmental, social and corporate governance criteria, and they are positioned to take advantage of the benefits of responsible business practice.