



# redeia

Valuing the essentials

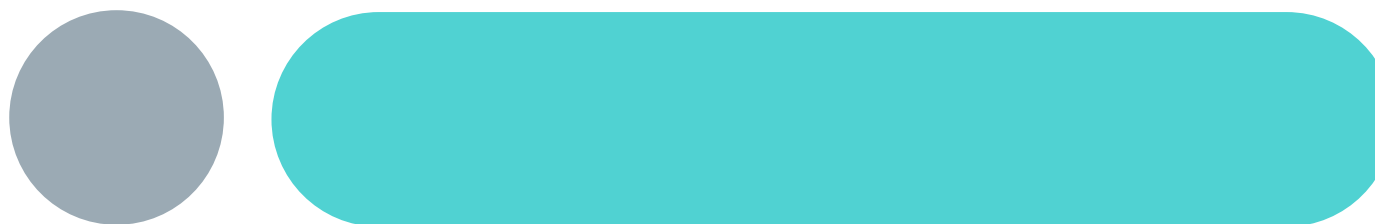
## Financial Results

January - December 2022

28 February 2023

[redeia.com](https://redeia.com)





The Consolidated Financial Statements included in the financial information presented in this document have been audited. This information was drawn up in accordance with the International Financial Reporting Standards (IFRS). For the purpose of facilitating the understanding of the information provided in this document, certain alternative performance measures have been included. Their definition can be found at

<https://www.redeia.com/en/shareholders-and-investors/financial-information/alternative-performance-measures>

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# 1. Main highlights

## Spanish electricity sector and energy transition

Throughout 2022, we have seen the **strategic nature** of energy for developed economies and, in particular, the **electricity sector**, due to their central role. At the European level, we ended one year with **extreme price volatility** in the electricity market. The link between the cost of electricity and fossil fuels, and in particular the price of natural gas, as this energy sets the marginal price of electricity systems, the scarcity of this raw material or the concurrence over time of several adverse events, such as the unavailability of the French nuclear power plant or a large drought in several European countries.

Thus, in view of the need to **accelerate the energy transition** to achieve energy independence and maintain the competitiveness of our economies, we must decisively increase renewable energy generation and increase storage and interconnection capacity between electricity systems, making companies like **Redeia** in some ways **essential** to achieving the energy transition.

The volatility of the price of KWh highlights the **insufficient electricity interconnections**, outlining the advantages of a single European electricity market. The situation experienced may be mitigated to a large extent by strong interconnections that make the surplus electricity generated in some areas available to deficit countries.

The **demand for electricity** in our country exceeded 250,000 GWh in 2022, **2.3% lower** than levels recorded in the previous year. In contrast, **electricity generation** exceeded 272,000 GWh, which represents an **increase of almost 6%** with regard to electricity generated in 2021. The adverse weather conditions experienced during the year, characterised by the absence of wind and rain during much of the year, have caused the **electricity generated from non-CO2 sources** to be **63%** in the year as a whole, compared to 68% in 2021, while in **December 2022**, with more favourable conditions, this percentage rose to **69.3%**. This trend has continued in the first weeks of 2023; this January had the highest level of renewable energies in the history of our electricity system and electricity from non-CO2 sources has reached **80%** of the total generated.

## Regulatory developments

The critical situation in the electricity sector in Europe has forced the legislators to reconsider the **design of the electricity market**, having started a consultation period to address the deficiencies revealed in the electricity market in 2022. The high electricity prices that consumers have had to face and the need to protect households and the businesses require an analysis of a reform of the performance standards of the European electricity market. On 23 January, the European Commission issued a consultation document and it is expected that this process will be completed by the end of the first quarter of 2023.

Our country continues to play a very active role in the European Union, taking steps to accelerate the energy transition and reinforcing the security of the electricity supply. In this regard, Royal Decree Law 14/2022, focused on energy savings and which also includes measures to speed up transmission investments must be highlighted, and Royal Decree Law 17/2022, aimed at strengthening energy independence, which includes a new active demand response service managed by the System Operator.

Also, at the end of December, ministerial orders were issued by the Ministry for the Ecological Transition and the Demographic Challenge that affect regulated activities and that had a direct impact on **Redeia financial statements at 31 December:**

- On 17 December, Order TED/1243/2022 published in the Official State Gazette approved the calculation methodology for **the remuneration of the 200 MW Chira - Soria reversible hydroelectric power plant in Gran Canaria**. The most significant aspects included in the order are as follows:
  - A **provisional value of the investment of EUR 589 million**. The value of the investment recognised, which will be approved by means of a resolution, will be calculated from the actual value of the investment made.
  - The remuneration scheme applicable to this asset will be **similar** to other regulated assets owned by the Company: a **Remuneration for depreciation** of the investment, calculated based on the useful life of each component of the power plant, an **investment remuneration** applying the **financial remuneration rate, 5.58%** for this regulatory period, and a **remuneration for the operation and maintenance**, which will incorporate a **fixed component**, based on the capacity installed and the operating fee supported by the dam, and a **variable component**, calculated based on the number of operating hours and the number of starts from the power plant. Finally, an **incentive** that is based on the renewable energy that may be introduced into the system and which may reach up to 6% of the fixed component of the operation and maintenance remuneration.
  - For the first time in our regulations, the **remuneration for work in progress** has been established, which will be paid during the first five years of the power plant's life.

The treatment applied to these assets, on a concession basis, unlike the transmission assets held by Redeia through its subsidiary Red Eléctrica de España, S.A.U., requires the application of the **accounting regulations included in IFRIC 12**: 'Service concession agreements'. Therefore, the accounting record means that **construction costs and revenues are recognised in the income statement** based on the degree of compliance with the performance obligation, i.e. **depending on their degree of progress**, generating a **financial asset** on the accrued receivable. This financial asset is restated at the implicit financial rate of the concession, in return for this restatement, **financial income** within the operating profit is recognised, which amounted to EUR 4.7 million in 2022.

The investment associated with the project will include a grant from the European Regional Development Fund of EUR 90 million for the role it will play in the decarbonisation of Gran Canaria Island.

- Also at the end of last year, on 23 December, the **final transmission Tariff Orders** for the years 2016 to 2019 were published (TED Order/1311/2022 and TED Order/1343/2022). Although both orders were made public in November 2021 and the values then published coincided with those recorded in the Redeia's financial statements, a change in approach was introduced in the final version when remuneration began to accrue from the electrical connectivity of the assets. We have also made an estimate of this new criterion for the years 2020 to 2022. The impact of all of the above is 35 million euros, and this amount has been adjusted at year-end, representing an extraordinary negative impact on revenues.

In addition, the application of these orders implies that in the 2016-2019 period the collections for the transmission activity have exceeded the amount finally approved by the Ministry for the Ecological Transition and the Demographic Challenge of some **EUR 100 million**, a figure that Redeia will return to the electricity system in the first **settlement under the 2023 system**. This amount represents around 20% of the total debt that Redeia has with the system, the remaining 80% will be returned to the system when the CNMC publishes the final tariffs for 2020-2022.

- Lastly, the CNMC resolution of 15 December establishes the amount of remuneration for **electricity system operator** for 2023 and set the **remuneration parameters** for the **second regulatory period 2023-2025**. The application of the parameters included in this resolution yields tariff revenue for the system operator in 2023 of **EUR 82.6 million**, compared to the approximately EUR 75 million per year envisaged under the previous resolution.

## TSO activity in Spain

### Electricity system operation

Red Eléctrica continues to provide **high quality service levels** to the electricity system. The rate of availability of the transmission network was 98.2% at the national level; 98.2% in the peninsula, 98.5% in the Balearic Islands and 98.9% in the Canary Islands, in line with the level reached in the previous year.

The high export balance presented by our electricity system in 2022 will result in **revenues of around EUR 311 million** for the electricity system from the **allocation of exchange capacity** with neighbouring countries, 182% higher than the previous year.

Last October, under Royal Decree Law 17/2022, the first **active demand response auction** was carried out. It aims to reduce electricity consumption in specific times based on the system's needs to ensure the balance between generation and demand. The peninsular system will have a total of **497 MW of power** from consumers and traders, who will be paid EUR 69.97/MWh due to their availability.

### TSO investments in Spain

TSO's investment amounted to **EUR 532.0 million, exceeding c. 25%** of the investment made in the previous year.

The most noteworthy milestones in the last quarter were:

- Completion of the planned submarine power cables of the new electricity interconnection between Ibiza and Formentera, which will allow coverage of 100% of the demand for Formentera, minimising the operating needs of the local generation and facilitating the energy transition by reducing CO2. The route will have a length of 37 km, 27 of which are under the sea and a total budget of 96 million euros.
- Approval of the Environmental Impact Statement for the Tierra Estella electric axis, in Navarra. It is estimated that an investment of EUR 18 million will be made and the demand for the area will be served as it will provide a guarantee of supply that will facilitate its industrial development.
- The first tranche of the Caparacena - Baza - La Ribina line was commissioned. This tranche includes the new Baza substation and the 400 kV tranche that links this substation with Caparacena. The actions proposed will be key to the development of the province of



Granada and the whole of Eastern Andalusia, and will allow the further use of renewable resources or the development of the rail corridor between Granada and Almería.

- Completion of the submarine link between Lanzarote and Fuerteventura, the infrastructure consists of 14.5 km of underwater routes and two underground 2.5 km routes. This new interconnection, which reinforces another existing interconnection with lower capacity, will strengthen the electricity systems of both islands and facilitate the integration of renewable electricity.
- Electricity interconnection between Spain and France through the Bay of Biscay continues to progress as planned. The changes in the project, as a result of the topology of the seabed and the changes in prices of certain materials, due to the wave of inflation we are experiencing, made it necessary to open negotiations between the regulators of both countries in order to share the costs of the project between the two systems in an equitable manner. Start of operations for this asset is expected to take place in 2027.

## International electricity transmission

In relation to the business in **Brazil**, it should be noted that on **30 November** Argo obtained all of the necessary authorisations to complete the transaction of the assets acquired from the investment fund Brasil Energia FIP on 30 July.

The five concessions acquired totalled 2,416 km of 500 kV and 230 kV transmission lines and 20 substations, which will mean doubling the size of Argo. These facilities have associated tariff revenue (RAP 2021/2022) amounting to Brazilian Reais 706 million. The acquisition was carried out through the joint investment of Argo Energia (62.5%) and the Grupo Energía de Bogotá (37.5%).

The transaction represents an investment for Redeia of EUR 200 million, which was translated into the capital increase carried out in Argo.

On the other hand, in mid-January 2023 the 220 KV transmission line between Tintaya and Azángaro, some 128 Km, was commissioned in **Peru** (Tesur 4). In **Chile**, In September, the new Pozo Almonte - Parinacota line of 258 km was commissioned, a project developed by Redenor, a Chilean subsidiary of Redinter.

## Telecommunications

### Optic fibre

After the sale of 49% of Reintel's shares to the KKR fund on 29 June, the telecommunication business associated with optic fibre continues to see a positive evolution with a significant part of their contracts linked to inflation.

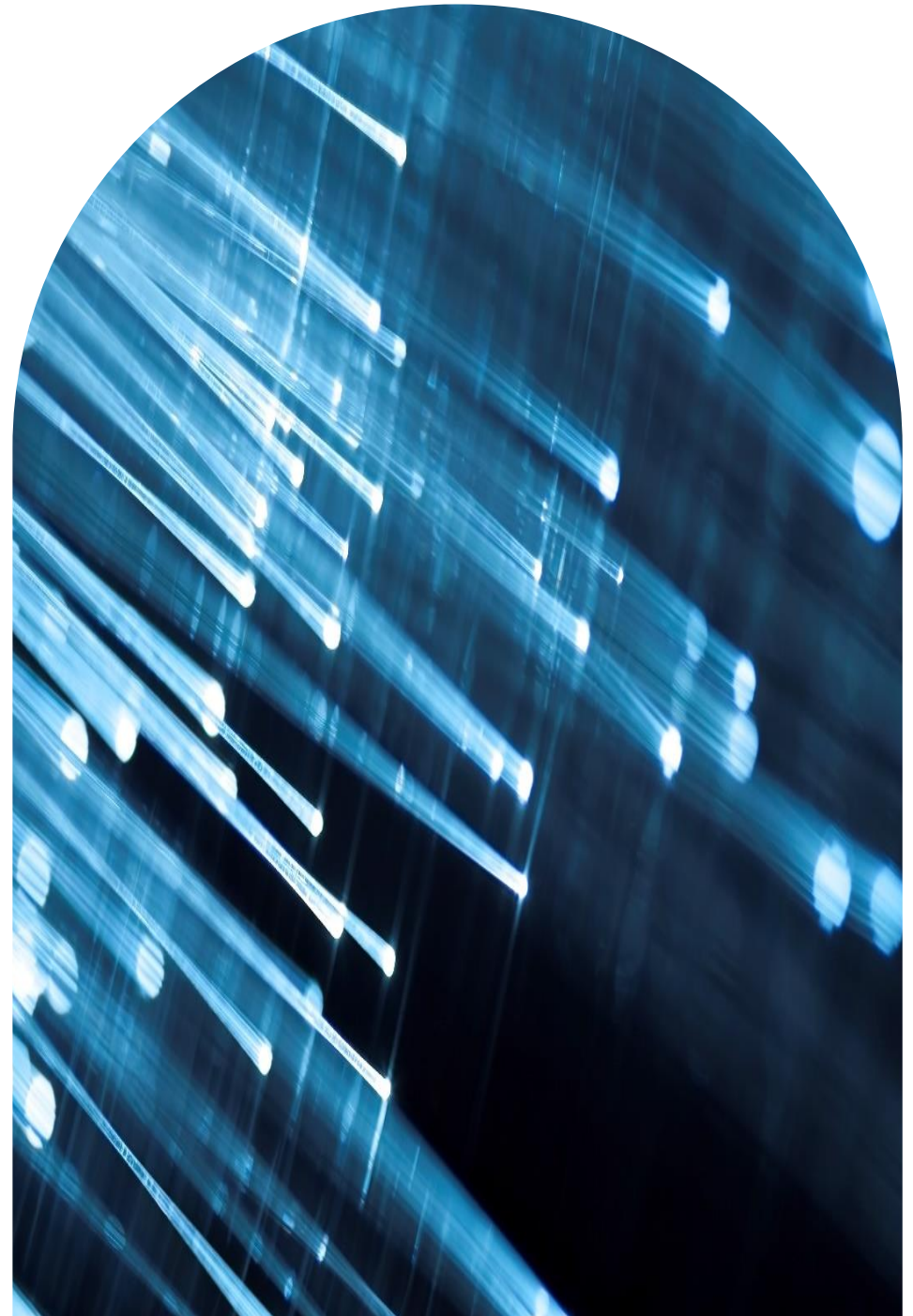
### Satellite business

On 7 February, the new Amazonas Nexus satellite was launched from Cape Canaveral, covering the entire American continent and Greenland and the North and South Atlantic corridors. This new Hispasat satellite will provide connectivity services in remote areas and in air and maritime mobility environments. The satellite will have a technology that will allow it to increase its geographical flexibility if changes are made to the commercial scenarios initially proposed.

Hispasat has already reached several trade agreements for the long-term leasing of capacity of the Amazonas Nexus with operators and service providers in government and connectivity for the aviation sector and in remote environments.

The new satellite will have full operational capabilities at the end of next summer.

In the area of mobility, the agreement reached with Anuvu to provide maritime connectivity in the Mediterranean and the Caribbean should also be noted. Anuvu is a leading provider of high-speed connectivity and entertainment solutions in mobility markets.



Lastly, Hispasat's commitment to eliminating the digital divide in rural areas of our country should be highlighted. In the first weeks of 2023, Hispasat has been awarded, in provisional resolution, of the 'Único Demanda Rural' aide programme to provide satellite connectivity services at affordable prices to rural areas without coverage.

## Other corporate issues

On 24 January, Redeia issued a **hybrid instrument**, perpetual deeply subordinated securities, intended to be issued as green bonds, in order to finance TSO's activity in Spain. The issue was made for EUR 500 million and accrued an annual fixed coupon of 4.625%, with an IRR of 4.70%, from 7 February 2023, the payment date, until 7 August 2028, the first review date.

In addition, on 8 February, in collaboration with union representatives, an agreement was reached on the **1st Red Eléctrica Corporación Collective Agreement**, the Parent Company of Redeia. It partially dissociates the salary increase from changes in the inflation, implements a voluntary retirement plan from 63 years old and makes advances in **social and environmental matters**, by providing that remote work applies beyond 40% of the annual working time.

## ESG

Some of Redeia's activities, such as telecommunications, are not yet included in the European Taxonomy framework, which means that around 80% of its activity is considered environmentally sustainable, as it contributes to the achievement of European climate change objectives, in accordance with the European Union's Taxonomy Regulation. This regulation considers that electricity transmission activities contribute to mitigating global warming.

The issue of a hybrid instrument on 24 January with the **green** financing consideration, as it is intended to finance the development, construction or maintenance of projects, assets or activities that meet the eligibility criteria established in the Green Framework for Redeia, will contribute to achieving **100% green financing** in 2030, the objective included in our **sustainability plan**.

The adoption of the **1st Red Eléctrica Corporation Collective Agreement** led to progress in **social and environmental matters**, by foreseeing that remote work extends beyond 40% of the annual working time.

Redeia revalidated its inclusion in the **Dow Jones Sustainability Index**, being among the most sustainable companies in the world. This recognition reflects Redeia's ongoing effort and commitment to contribute to a more sustainable, inclusive and resilient future, as part of our 2023-2025 Sustainability Plan.

The ESG actions carried out in recent months included the creation of **Hémera**, as a result of the collaboration between Redeia and the Spanish Federation of Popular Universities. This is the creation of a digital school for the energy transition that aims to make citizens the protagonists of the new energy model, providing them with the knowledge and skills to achieve it.

In environmental and bird protection matters, it should be noted that a new line is signalled in the context of the Monfragüe National Park. Redeia in its commitment to sustainability has the project “**Aves y líneas eléctricas**” [**Birds and power lines**] flight corridor mapping, a tool that makes it possible to identify and map flight routes for birds, allowing sensitivity maps to be prepared.

## Dividends

The Board of Directors will propose to the shareholders at the shareholders General Meeting the distribution of a EUR 1 dividend charged to the results for 2022. The **EUR 0.2727** per share interim dividend paid on 9 January must be deducted from this amount. The additional dividend of **EUR 0.7273** is expected to be paid in the beginning of July.



## 2. Redeia: Key figures

### Income statement

<i>(Thousands of euros)</i>	January - December			October - December		
	2022	2021	Δ %	2022	2021	Δ %
Revenues	2,015,036	1,952,958	3.2%	492,001	487,377	0.9%
Share of profit of companies accounted for using the equity method	50,405	29,546	70.6%	18,673	11,657	60.2%
Gross operating profit (EBITDA)	1,491,254	1,498,637	(0.5%)	308,916	340,453	(9.3%)
Net operating profit (EBIT)	961,554	991,970	(3.1%)	173,547	200,118	(13.3%)
Profits before tax	869,517	888,077	(2.1%)	151,359	174,788	(13.4%)
Profit/(loss) for the year	664,731	680,627	(2.3%)	113,281	129,816	(12.7%)

## Business results December 2022

	Management and operation of electricity infrastructure		Telecommunications		Other businesses, corp. and adjustments	Total
	Spain	International	Satellite Business	Optic fibre		
<i>(Thousands of euros)</i>						
Revenues	1,599,006	70,599	226,197	142,663	(23,429)	2,015,036
Share of profit of companies accounted for using the equity method	-	47,651	2,257	-	496	50,405
Gross operating profit (EBITDA)	1,132,924	90,402	147,653	105,684	14,590	1,491,254
Net operating profit (EBIT)	754,167	71,321	43,701	77,385	14,979	961,554
Profit before tax	682,298	57,738	30,976	75,655	22,850	869,517
Profit/(loss) for the year	513,558	54,690	38,124	44,604	13,755	664,731

## Business results December 2021

	Management and operation of electricity infrastructure		Telecommunications		Other businesses, corp. and adjustments	Total
	Spain	International	Satellite Business	Optic fibre		
<i>(Thousands of euros)</i>						
Revenues	1,609,689	51,550	177,413	134,411	(20,104)	1,952,958
Share of profit of companies accounted for using the equity method	-	19,818	9,759	-	(31)	29,546
Gross operating profit (EBITDA)	1,197,489	50,752	133,396	103,299	13,701	1,498,637
Net operating profit (EBIT)	822,068	34,309	44,852	75,249	15,490	991,970
Profit before tax	735,359	21,892	39,593	74,159	17,074	888,077
Profit/(loss) for the year	552,845	20,096	49,013	55,649	3,025	680,627

## Other financial figures

<i>(Thousands of euros)</i>	January - December			October - December		
	2022	2021	Δ %	2022	2021	Δ %
FFO	1,146,671	1,178,408	(2.7%)	148,073	175,606	(15.7%)
Investments	1,032,269	575,807	79.3%	547,378	229,005	139.0%
Dividends paid	543,881	538,995	0.9%	-	-	-

## Consolidated balance sheet

<i>(Thousands of euros)</i>	December 2022	December 2021	Δ %
Non-current assets	11,834,213	11,097,068	6.6%
Equity	4,894,276	3,685,131	32.8%
Net financial debt	4,633,848	5,647,879	(18.0%)

## Credit rating

Agency	Credit rating	Outlook	Date
Standard & Poor's	A-	Stable	26/04/2022
Fitch Ratings	A-	Stable	14/10/2022

## 3. Earnings performance

### Income: Revenue and share of profits of companies accounted for using the equity method

In 2022, **Revenue** and **Results from investee companies** reached EUR 2,065.4 million, 4.2% above the previous year. Its performance by business line was as follows:

- **Management and operation of electricity infrastructure in Spain:** The revenue generated by this activity reached EUR 1,599.0 million, compared to EUR 1,609.7 million in the previous year. This drop was explained by the publication by MITERD, in December 2022, of Orders TED/1311/2022 and TED/1343/2022, which introduced a change in approach to the final remuneration for 2016-2019, which we also estimated for 2020-2022. All of the above has led to a lower income of EUR 35 million in transmission activity. Without this impact, revenue for 2022 would have been higher than in the previous year.
- **International electricity transmission:** Revenue and profit of the investee companies interest in this business line amounted to EUR 118.3 million, **EUR 46.9 million** EUR above those recorded in 2021. The breakdown of this change is due to:
  - The revenue associated with international activity increased from EUR 51.6 million in 2021 to EUR 70.6 million this year. This **EUR 19 million** increase for the previous year was mainly due to organic growth in Chile and Peru (+EUR 6.8 million), a favourable effect on the exchange rate (+EUR 6.1 million) and the inclusion of work performed for third parties in Chile (+EUR 6.1 million).
  - The result of investments of the international business reached EUR 47.7 million, compared to EUR 19.8 million in the same period in the previous year. Most of this increase of **EUR 27.9 million** is concentrated in the Brazilian subsidiary ARGO, due to the early commissioning of ARGO II and ARGO III (+EUR 8.8 million), the integration of Rialma since February and the five new concessions in December (EUR 6.4 million both) and the positive effect of the exchange rate (+EUR 4.4 million) largely explained this development.
- **Telecommunications** This activity generated a revenue and a result from the investee companies of EUR 371.1 million in 2022, 15.4% above that generated in the previous financial year.
  - **Satellite business:** Satellite business revenue increased by 27.5% compared to the previous year. Changes in the accounting scope due to the inclusion since August of Axess and the full year of the businesses acquired in May 2021 in Peru are the main drivers of this improvement (+EUR 36.6 million). The higher sales and renewals associated with the satellite capacity rental business (+EUR 7.8 million) and the positive contribution of the exchange rate (+EUR 4.4 million) are also noteworthy. The share of the results from investee companies was EUR 2.3 million, 9.8 million lower than the previous year due to the sales of shares made by Hisdesat.



- **Optic fibre:** On the other hand, the optic fibre business, in which Reintel operates, generated a revenue of EUR 142.7 million, up 6.1% from the previous year. The positive performance of the commercial activity and the link of contracts to inflation is the main cause of this evolution.

## Income: Other operating income and Work carried out by the company for its assets

The sum of both headings was EUR 66.4 million in 2021 and amounted to EUR 140.6 million in 2022. The increase is due to the accounting treatment of the Chira - Soria project discussed above. This heading includes revenue associated with operating costs recognised for the construction of the power plant (EUR 59.6 million), and revenue of EUR 4.7 million resulting from applying the project's financial profitability rate.

## Operating expenses

Operating expenses	January - December			October - December		
	2022	2021	Δ %	2022	2021	Δ %
<i>(Thousands of euros)</i>						
Supplies and other operating expenses	504,149	362,907	38.9%	213,897	120,565	77.4%
Personnel expenses	210,614	187,341	12.4%	70,855	55,327	28.1%
<b>Total operating expenses</b>	<b>714,763</b>	<b>550,248</b>	<b>29.9%</b>	<b>284,752</b>	<b>175,892</b>	<b>61.9%</b>

Operational costs were EUR 714.8 million in 2022, increasing by 29.9%.

- The **procurement expenses and other operating expenses** have gone from EUR 362.9 million in 2021 to EUR 504.1 million in the previous financial year. This increase of EUR 141.2 million was explained by the inclusion of the costs associated with the Chira - Soria power plant (+EUR 59.6 million), and higher operating and maintenance costs associated mainly with the critical asset maintenance program (+EUR 47.9 million), the completion of which is scheduled for 2023. This item also includes the costs associated with new businesses and projects arising from the change in Group scope (+EUR 22.7 million).

- **Personnel expenses** were EUR 210.6 million, increasing by EUR 23.3 million compared to 2021 (12.4%). This increase includes expenses associated with an Early Retirement Plan following the signing of a new collective agreement at Red Eléctrica Corporación (+EUR 16.3 million) and personnel expenses associated with the new Hispasat businesses (+EUR 5.1 million).

**Comparable operating expenses**, without taking into account the effect of the execution of the special maintenance program on the regulated business in Spain, the change in the accounting perimeter in Hispasat (Peru and Axess), the costs associated with Chira - Soria and the expenses related with the Early Retirement Plan have grown by 3.4%, demonstrating the effectiveness of the anticipatory and efficiency measures to contain the effects of inflation.

The **final workforce** at 31 December was 2,420 compared to 2,117 in the previous year. The average workforce for the year also reached 2.250 people, with an average of 2.075 in 2021. Much of the evolution of the Group's workforce was explained by the inclusion of 233 people from Axess August 2022. New hires were also recognised in Hispasat and in the regulated business, associated in this case with the development of the investment plan.

## Results

Therefore, the **Gross operating profit (EBITDA)** reached EUR 1,491.3 million, 0.5% lower than that generated in 2021. The change in EBITDA by business is explained by:

- **Management and operation of electricity infrastructure in Spain:** The EBITDA generated stood at EUR 1,132.9 million, which represents a 5.4% decrease compared to the previous year. The regularisation of transmission revenue in the 2016-2022 financial years, the higher expenses related to the maintenance of critical assets and the higher personnel expenses related to the provision associated with the signing of a new collective agreement explain the performance of this item in the regulated business.
- **International electricity transmission:** The EBITDA generated increased by 78.1% compared to 2021 to reach EUR 90.4 million. The good performance of the revenue and results of the investee companies drive this development.
- **Telecommunications:** The EBITDA of telecommunication activities reached EUR 253.3 million, compared to EUR 236.7 million generated in 2021, which represents an increase of 7.0%. The satellite activity generated EUR 147.7 million in EBITDA, 10.7% above the figure recorded in 2021, and the optic fibre business generated EUR 105.7 million, 2.3% above what was generated a year earlier.

**Net operating profit (EBIT)** was EUR 961.6 million, down 3.1% from that recorded in 2021. The main cause of this drop is due to the increase in depreciation of EUR 23.0 million.

**Net financial expenses** stood at EUR -92.0 million, compared to EUR -103.9 million in 2021. The higher average cost of debt, which increased from 1.52% in 2021 to 1.62% in 2022, was offset by lower average gross financial debt, which has kept financial expenses virtually constant. Financial income, meanwhile, increased from EUR 10.5 million to EUR 23.2 million, mainly due to the investment of cash surpluses, the higher amount of dividends received and the positive result of hedging transactions carried out.

The Group's **effective income tax rate** was 21.7%, compared to 22.7% in the previous year. The cause of this slight drop in the tax rate is mainly the largest contribution to the results of companies accounted for using the equity method, recorded net of taxes. This item also includes the tax deductions for R&D&I from the satellite business linked to the investment in the Amazonas Nexus satellite.

Finally, the **Consolidated profit for the period** attributed to the Parent reached EUR 664.7 million, 2.3% lower than in 2021. By business line, the performance of this item is as follows:

- **Management and operation of electricity infrastructure in Spain:** The net result attributed to this activity is EUR 513.6 million, EUR 39.3 million below that recorded in 2021. This decrease is mainly due to a lower EBITDA, as commented above.
- **International electricity transmission:** The net result of this activity was EUR 54.7 million in the period compared to EUR 20.1 million in the previous financial year. The good performance of the Brazilian subsidiary ARGO is largely responsible for this improvement.
- **Telecommunications:** The net result of this activity moved from EUR 104.7 million in 2021 to EUR 82.7 million in 2022. The change compared to the previous year is mainly due to the presence of minority shareholders in Reintel's capital, which means that the contribution of the telecommunications activity has decreased in the group as a whole.

## 4. Investments

Investments	January - December			October - December		
	2022	2021	Δ %	2022	2021	Δ %
<i>(Thousands of euros)</i>						
Management and operation of electricity infrastructure in Spain	531,974	425,763	24.9%	259,781	176,679	47.0%
Management and operation of international electricity infrastructures (**)	238,206	44,496	435.3%	213,595	19,032	1022.3%
Satellite Business	209,586	73,153	186.5%	47,992	26,553	80.7%
Optic fibre	5,396	1,645	228.0%	1,210	122	891.7%
Other investments	47,107	30,750	53.2%	24,800	6,619	274.7%
<b>Total (*)</b>	<b>1,032,269</b>	<b>575,807</b>	<b>79.3%</b>	<b>547,378</b>	<b>229,005</b>	<b>139.0%</b>

(\*) This amount includes EUR 64.2 million in investment associated with storage in the Canary Islands in 2022, which, following the concessional nature of the investment, is classified as a financial asset.

(\*\*) Includes EUR 200.7 million for the capital increase carried out in Argo for the acquisition of 5 new concessions in Brazil. However, it does not include the investment in Rialma, since it was carried out by Argo without the need to contribute funds from Redeia.

The **investment** developed by the Group amounted to EUR 1,032.3 million, compared to EUR 575.8 million in 2021. The evolution of this amount is marked by the strong growth in the **regulated business in Spain**, as well as **corporate transactions** carried out by Redeia in this year, after the acquisition of 5 new concessions in Brazil through Argo and Axess by Hispasat.

Investments in **management and operation of electricity infrastructures in Spain** amounted to EUR 532.0 million, almost 25% above those carried out in 2021. The breakdown by business is as follows:

- In 2022 the investment in the **development of the transmission network** in Spain amounted to EUR 448.8 million, 14.8% above EUR 391.0 million invested in 2021, and the progressive acceleration of investing activity in the Group's core business was noted.
- Furthermore, the investment for **System operation** reached EUR 19.0 million, 7.8% higher than in the previous year.

- EUR 64.2 million was allocated in 2022 to **storage in the Canary Islands**, which contrasted with EUR 17.2 million invested in 2021.

With regard to the investment linked to the **management and operation of international electricity infrastructures**, to which EUR 238.2 million was allocated, compared to EUR 44.5 million in the previous year, the acquisition by **Argo** of 5 new concessions in Brazil is noteworthy. The Redeia Group signed a **capital increase** in this company for EUR 201 million. Likewise, the **completion** of projects in progress is noteworthy. Specifically, in Chile (Redenor) the commissioning of the New Pozo Almonte - Parinacota 258 km line in September and in Peru (Tesur 4) 128 Km of the 220 KV transmission line between Tintaya and Azángaro was commissioned in January 2023.

Investment in the **satellite business** reached EUR 209.6 million in 2022, an investment of EUR 73.2 million was recorded in 2021. The reason for this increase is mainly due to the acquisition of **Axess Networks** on 9 August for EUR 120 million.

The increase in investment in optic fibre, up to EUR 5.4 million, is due to the renewal of some fibre cables.

In addition, EUR 47.1 million was allocated to **other investments** which include, among others, infrastructure for the Group and the investments developed by Elewit.



## 5. Cash flow and balance sheet performance

### Evolution of cash flows

Cash flows		January - December			October - December		
(Thousands of euros)	2022	2021	Δ %	2022	2021	Δ %	
Profits before tax	869,517	888,077	(2.1%)	151,359	174,787	(13.4%)	
Adjustments to profit <sup>(i)</sup>	592,571	584,630	1.4%	154,784	148,346	4.3%	
Other cash flows from operating activities <sup>(ii) (iii)</sup>	(315,417)	(294,299)	7.2%	(158,070)	(147,526)	7.1%	
<b>Operating cash flow after taxes</b>	<b>1,146,671</b>	<b>1,178,408</b>	<b>(2.7%)</b>	<b>148,073</b>	<b>175,606</b>	<b>(15.7%)</b>	
Changes in working capital <sup>(iii)</sup>	420,158	426,768	(1.5%)	35,590	336,831	(89.4%)	
<b>Cash flows from operating activities</b>	<b>1,566,829</b>	<b>1,605,176</b>	<b>(2.4%)</b>	<b>183,663</b>	<b>512,437</b>	<b>(64.2%)</b>	
Investments	(1,032,269)	(575,807)	79.3%	(547,378)	(229,005)	139.0%	
Changes to suppliers of fixed assets	58,521	(5,628)	-	69,096	70,639	(2.2%)	
Changes in other assets and liabilities	1,027,915	20,608	-	12,928	17,307	(25.3%)	
<b>Free cash flow for shareholders</b>	<b>1,620,996</b>	<b>1,044,349</b>	<b>55.2%</b>	<b>(281,691)</b>	<b>371,378</b>	<b>-</b>	
Dividends paid	(543,881)	(538,995)	0.9%	-	-	-	
Movements that do not involve cash flows <sup>(iv)</sup>	(63,085)	(39,892)	58.1%	45,936	(20,866)	-	
<b>Change in net financial debt</b>	<b>(1,014,030)</b>	<b>(465,462)</b>	<b>117.9%</b>	<b>235,755</b>	<b>(350,512)</b>	<b>-</b>	

(i) Basically depreciation of non-current assets, grants for non-current assets and share of profits of companies accounted for using the equity method.

(ii) Includes mainly cash movements associated with income tax, interest and dividends received.

(iii) To better understand the cash flows in 2022, the corporate tax payments on account related to the gains generated by the sale of 49% of the shares of Reintel, amounting to EUR 154.411 thousand, were classified as 'Changes in working capital' rather than as other cash flows. This amount will be returned to Redeia in the coming months.

(iv) Includes mainly exchange rate changes and adjustments for amortised cost.

**Note:** Short-term monetary market financial investments amounting to 715 million euros as of December 31, have been considered as lower Net Financial Debt. In the consolidated cash flow statement shown in the Appendix, this amount is considered an investment payment.

**Operating cash flow after taxes** stands at EUR 1,146.7 million, slightly lower than in the previous year, mainly due to the slight drop in pre-tax profit.

The **change in working capital** resulted in a contribution of 420.2 million in the year, it was EUR 426.8 million in 2021. The main cause of this positive performance is the higher collections associated with the electricity transmission activity in Spain, since the 2022 tariff was provisional. These differences are expected to be reversed in 2023.

The **investments** carried out in 2022 result in an outflow of funds of EUR 1,032.3 million, close to 80% above those made in the previous year. The increased investment activity associated with Redeia's main activity and the corporate transactions carried out during the year explained this development.

The **changes in other assets and liabilities** mainly reflected the collection of the sale of the 49% stake from Reintel to KKR.

The evolution of these items has allowed the **Free cash flow for shareholders** to reach EUR 1,621.0 million, 55.2% above that generated in the previous year. **Dividends paid** at levels similar to that of the previous year allowed the **net financial debt** to decrease by more than EUR 1,000 million in 2023.

## Performance of net financial debt

**Net financial debt** at 31 December stood at EUR 4,633.8 million, 18.0% lower than the EUR 5,647.8 million at the end of 2021.

<b>Net Financial Debt (*)</b>			
<i>(Thousands of euros)</i>	National currency	Foreign currency	Total
Non-current debt securities	3,641,742	364,288	4,006,030
Long-term loans	1,613,807	523,835	2,137,642
<b>Total gross financial debt</b>	<b>5,255,549</b>	<b>888,123</b>	<b>6,143,672</b>
Cash, cash equivalents and term deposits	(1,466,546)	(43,278)	(1,509,824)
<b>Total net financial debt</b>	<b>3,789,003</b>	<b>844,845</b>	<b>4,633,848</b>

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

At the year-end, all of the Group's financial debt was **long term**. As regards interest rates, **89%** of the Group's debt is at a **fixed rate**, while the remaining **11%** is at a **variable rate**.

The **average cost** of the Group's financial debt in 2022 was **1.62%**, compared to 1.52% in the previous year.

Accordingly, the **average balance of gross debt** during the year stood at **EUR 6,341 million**, compared to EUR 6,843 million in the previous year.

Redeia set a target for 100% of its financial debt in 2030 to be contracted with ESG criteria. In line with the achievement of this objective, it is noteworthy that at 31 December, the level of the group's financing that includes these **ESG criteria** rises to **42%**, standing at 35% at 31 December of the previous year.

## Evolution of equity

At 31 December 2022, Redeia's **Equity** reached EUR 4,894.3 million, which represents an increase of EUR 1,209.1 million more than that reported one year earlier. This increase is mainly due to the sale of 49% of the Reintel shares to KKR, whose impact on equity amounted to EUR 921 million. Accrued and undistributed results, translation differences and valuation of hedging transactions explain the rest of the difference.



## Appendix 1. Consolidated Financial Statements (Redeia)

### *Consolidated income statement*

<i>(Thousands of euros)</i>	<b>31/12/2022</b>	<b>31/12/2021</b>	<b>2022/2021</b>
Revenue	2,015,036	1,952,958	3.2%
Own work capitalised	62,903	55,737	12.9%
Share of profits of companies accounted for using the equity method (with activities similar to those of the Group)	50,405	29,546	70.6%
Supply costs	(37,061)	(18,655)	98.7%
Other operating income	77,673	10,644	629.7%
Personnel expenses	(210,614)	(187,341)	12.4%
Other operating expenses	(467,088)	(344,252)	35.7%
<b>Gross operating result (EBITDA)</b>	<b>1,491,254</b>	<b>1,498,637</b>	<b>(0.5%)</b>
Depreciation and amortisation charge for non-current assets	(544,992)	(522,114)	4.4%
Allocation to profit or loss of grants relating to non-financial assets	15,780	14,717	7.2%
Impairment of and gains/losses on disposals of fixed assets	(488)	730	(166.8%)
<b>Net operating profit</b>	<b>961,554</b>	<b>991,970</b>	<b>(3.1%)</b>
Finance income	23,161	10,488	120.8%
Finance costs	(116,468)	(115,453)	0.9%
Exchange differences	74	696	(89.4%)
Changes in fair value of financial instruments	1,196	376	218.1%
<b>Net finance expense</b>	<b>(92,037)</b>	<b>(103,893)</b>	<b>(11.4%)</b>
<b>Profits before tax</b>	<b>869,517</b>	<b>888,077</b>	<b>(2.1%)</b>
Income tax expense	(188,330)	(201,793)	(6.7%)
<b>Consolidated profit for the period</b>	<b>681,187</b>	<b>686,284</b>	<b>(0.7%)</b>
<b>A) Consolidated profit attributable to the parent company</b>	<b>664,731</b>	<b>680,627</b>	<b>(2.3%)</b>
<b>B) Consolidated profit attributable to non-controlling interests</b>	<b>16,456</b>	<b>5,657</b>	<b>190.9%</b>

*Consolidated balance sheet**(Thousands of euros)*

<b>ASSETS (in thousands of euros)</b>	<b>31/12/2022</b>	<b>31/12/2021</b>
Intangible assets	855,147	720,619
Property, plant and equipment	9,626,805	9,575,848
Investment properties	1,704	1,772
Investments accounted for using the equity method	891,617	587,983
Non-current financial assets and derivatives	386,209	138,281
Deferred tax assets	69,217	70,567
Other non-current assets	3,514	1,998
<b>Non-current assets</b>	<b>11,834,213</b>	<b>11,097,068</b>
Inventories	41,321	26,535
Trade and other receivables	1,358,657	1,260,956
Current financial assets and derivatives	752,505	25,492
Cash and cash equivalents	794,824	1,574,427
<b>Current assets</b>	<b>2,947,307</b>	<b>2,887,410</b>
<b>Total assets</b>	<b>14,781,520</b>	<b>13,984,478</b>

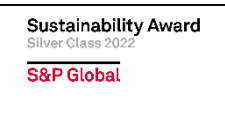



<b>Liabilities (in thousands of euros)</b>	<b>31/12/2022</b>	<b>31/12/2021</b>
Shareholders' equity	4,826,318	3,762,199
Capital	270,540	270,540
Reserves	4,064,486	2,989,711
Treasury shares and own equity instruments (-)	(26,296)	(31,618)
Profit for the year attributable to the Parent	664,731	680,627
Interim dividend	(147,143)	(147,061)
Adjustments due to changes in value	(36,783)	(131,117)
Non-controlling interests	104,741	54,049
<b>Equity</b>	<b>4,894,276</b>	<b>3,685,131</b>
Grants and other	746,498	726,002
Non-current provisions	139,822	129,965
Non-current financial liabilities and derivatives	5,565,771	5,969,870
Deferred tax liabilities	417,650	397,811
Other non-current liabilities	114,461	102,288
<b>Non-current liabilities</b>	<b>6,984,202</b>	<b>7,325,936</b>
Current financial liabilities and derivatives	1,712,330	2,149,554
Trade and other payables	1,160,176	802,655
Current provisions	30,536	21,202
<b>Current liabilities</b>	<b>2,903,042</b>	<b>2,973,411</b>
<b>Total liabilities</b>	<b>14,781,520</b>	<b>13,984,478</b>

### Consolidated Statement of Cash Flows

<i>(Thousands of euros)</i>	<b>31/12/2022</b>	<b>31/12/2021</b>
<b>Cash flows from operating activities</b>	<b>1,566,829</b>	<b>1,605,176</b>
Profits before tax	869,517	888,077
Adjustments to profit	592,571	584,630
Changes in working capital	574,568	426,768
Other cash flows from operating activities	(469,827)	(294,299)
<b>Cash flows from investing activities(*)</b>	<b>(1,641,325)</b>	<b>(537,638)</b>
Payments for investments	(2,373,748)	(581,435)
Proceeds from disposals	687,293	11,031
Other cash flows from investing activities	45,130	32,766
<b>Cash flows from financing activities</b>	<b>(708,187)</b>	<b>22,323</b>
Proceeds from/(payments for) equity instruments	989,218	6,075
Proceeds from/(payments for) financial liabilities	(1,141,718)	587,301
Dividend payments	(543,881)	(538,995)
Other cash flows from financing activities	(11,806)	(32,058)
<b>Effect of foreign exchange rate changes</b>	<b>3,080</b>	<b>2,794</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(779,603)</b>	<b>1,092,655</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>1,574,427</b>	<b>481,772</b>
<b>Cash and cash equivalents at end of period</b>	<b>794,824</b>	<b>1,574,427</b>

(\*) Includes EUR 715 million as financial investments (deposits and repos) with a term of less than 1 year.

## Appendix 2. Sustainability certifications

 <p>Member of <b>Dow Jones Sustainability Indices</b> <small>Powered by the S&amp;P Global CSA</small></p>	<p>The Company was once again placed on the DJSI World index.</p>	 <p><b>Sustainability Award</b> <small>Silver Class 2022</small> <b>S&amp;P Global</b></p>	<p>‘Silver Class’ recognition in the publication The Sustainability Yearbook 2022 of S&amp;P Global.</p>
 <p><b>FTSE4Good</b></p>	<p>Continued inclusion in the FTSE4Good index (*).</p>	 <p><b>STOXX</b> <small>Member 2015/2016</small> <b>ESG LEADERS INDICES</b></p>	<p>Continued inclusion in the STOXX Global ESG Leaders indices.</p>
 <p><b>MSCI</b></p>	<p>Continued inclusion in the MSCI ESG index with a maximum rating of “AAA”.</p>	 <p><b>NYSE EURONEXT</b> <b>vigeo</b></p>	<p>Continued inclusion in the Euronext-Vigeo sustainability indices (Eurozone 120, Europe 120 and Global 120).</p>
 <p><b>ETHIBEL</b> <small>EXCELLENCE RATING</small></p>	<p>Continued inclusion in the Ethibel Sustainability Index (ESI) Excellence Europe.</p>	 <p>Corporate Responsibility <b>Prime</b> rated by <b>oekom research</b></p>	<p>IT obtained the Prime status granted by Oekom to leading companies in the sector.</p>
 <p><b>Bloomberg</b> Gender-Equality Index 2022</p>	<p>Continued inclusion in the IBEX Gender Equality Index.</p>	 <p><b>CDP</b> <small>DISCLOSURE INSIGHT ACTION</small></p>	<p>Included in CDP's list A- for its commitment to combating climate change.</p>
 <p><b>BME</b> <small>BOLAS Y MERCADOS ESPAÑOLES</small> a SIX company</p>	<p>The Company joined the Ibex Gender Equality Index.</p>	 <p><b>haz</b> FUNDACIÓN</p>	<p>The Company obtained the “t for transparent* seal</p>

(\* ) FTSE Group confirms that Red Eléctrica Corporation has been independently assessed based on 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.

## Upcoming events

### Estimated dates

Presentation of Q1 2023 results	April 23
2022 additional dividend	July 23



MEMBER OF  
**Dow Jones  
 Sustainability Indices**  
 In Collaboration with RobecoSAM

### For more information

[www.redeia.com](http://www.redeia.com)

[Investor relations](#)

Paseo del Conde de los Gaitanes, 177  
 28109 Alcobendas (Madrid)  
 Telephone (34) 91 650 20 12

[investor.relations@redeia.com](mailto:investor.relations@redeia.com)

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