

Financial Results

January - September 2021

27 October 2021



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 www.ree.es.

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1. Main highlights



Spanish electricity system and energy transition

The demand for electricity in the first nine months of the year in Spain reached 192,587 GWh, which is 3.4% above the demand recorded in the previous year, although it is still 3.2% below 2019, a year not affected by the pandemic. More than 70% of the power generated was obtained from sources that do not generate CO₂.

The third quarter of the year was marked by high electricity prices. The price of KWh has gradually increased over the course of the summer, reaching an average price significantly higher than the previous year. This increase in market prices does not affect Red Eléctrica, whose revenues are regulated.

Royal Decree Law 17/2021, of 14 September, on urgent measures to mitigate the impact of rising natural gas prices on the retail gas and electricity markets, was published on 15 September. The measures introduced intend to have an immediate impact on the prices paid by consumers, such as the temporary reduction of certain duties and taxes, VAT or the tax on the sale of electricity production. Measures are also introduced to promote competitiveness in the electricity market, including a temporary reduction for some generation technologies as a result of the high natural gas prices.

Red Eléctrica's activity is essential to make the energy transition possible by facilitating the inclusion of new generation from renewable sources and working to increase our country's international interconnections, so that our consumers share the advantages of participating in a wider market.

In this regard, the planning for the 2021-2026 transmission grid, which will set the investments for the development of the Spanish transmission grid over the coming years, is key. Approval is expected over the next few months.

TSO activity in Spain

Red Eléctrica continues to provide high levels of **service quality**. The availability levels of the transmission grid stood at 98.6% in September, in line with the figure for the previous year, with good performance in both the Balearic Islands, where it reached 98.9%, and the Canary Islands, where it stood at 99.4%.

Investments in the development of national electricity infrastructure amounted to EUR 249.1 million, almost 9% higher than in the first nine months of the previous year.

Progress was made during this quarter on two relevant projects for the Red Eléctrica Group:

- At the end of July, the **Salto de Chira reversible hydroelectric power plant** received a favourable environmental impact statement. This power plant will be an essential tool to strengthen the security of the Gran Canaria electricity system and will allow the integration of renewable energies, thus reducing CO2 emissions.
- In early August, the **electricity interconnection between Ibiza and Formentera** received a favourable environmental impact statement, having received in September the administrative authorisation for construction and the declaration of public utility from the Directorate General for Energy Policy and Mines of the Ministry for Ecological Transition and the Demographic Challenge.

This progress allows the execution of investments of almost EUR 600 million, more than 15% of the investments in regulated activities proposed by the Group in its Strategic Plan.

International electricity transmission

The Chilean regulator is completing the **National Valuation Study (Chile)**, which is carried out every 4 years, where the remuneration values of certain assets of the main system are determined. During the third quarter the Final Technical Report was published by the Chilean regulator, which considers a possible reduction in the remuneration values for the 2020-2023 period and that would have an effect on TEN and Redenor2. A reduction of EUR 10.3 million was recognised in this regard as of September, of which EUR 7.1 million relate to the retroactive effect for 2020. In any case, this amount could be improved depending on the completion of the tariff review process.

On 5 August Redenor2 successfully powered up the **Centinela 220 Kv substation in Chile** and began commercial operations.

Telecommunications

The **investment in the Amazonas Nexus satellite** is progressing appropriately. It should also be noted that **R&D tax credits** amounting to EUR 19.5 million were recognised in the third quarter for the investment in this satellite, an effect included in the third quarter result.

ESG

It is worth mentioning that this quarter Red Eléctrica was voted the most diverse and inclusive Spanish company and the second in the world in this regard in the electricity sector, according to the **Refinitiv 2021 Diversity and Inclusion Index**, which recognises the top 100 companies worldwide with the best level of performance in terms of diversity and transparency. Red Eléctrica is in 18th place in the world ranking. The efforts made by the Company in this area are therefore recognised, with the promotion of gender equality being a cross-cutting pillar in the Red Eléctrica Group.

In addition, the Group updated its **green funding framework** this quarter to bring it into line with the **European Union's Taxonomy**. This places us among the first companies in the world engaged in the transmission and operation of the electricity system to submit the environmental sustainability of its activities to an examination to assess whether it is in line with what the EU has effectively defined as sustainable. This adaptation strengthens Red Eléctrica's leadership in sustainability, a key element in the Group's strategy to drive the transition towards a greener, fairer, more inclusive and diverse development.

Interim dividend

The Board of Directors has approved the distribution of an interim dividend of **0.2727 euros per share against 2021 results**, similar to the amount distributed last year.



2. Red Eléctrica: Main aggregates

Income statement

	January-September			June-September		
	2021	2020	Δ %	2021	2020	Δ %
<i>(Thousands of euros)</i>						
Revenue	1,465,581	1,465,850	(0.02%)	489,728	487,958	0.36%
Share of profit of companies accounted for using the equity method	17,889	19,480	(8.17%)	2,361	11,473	(79.42%)
EBITDA	1,158,183	1,155,072	0.27%	386,915	388,823	(0.49%)
EBIT	791,853	770,085	2.83%	264,314	260,821	1.34%
Profit/(Loss) before tax	713,289	670,178	6.43%	235,377	230,460	2.13%
Profit/(Loss) for the period	550,811	507,005	8.64%	192,641	175,298	9.89%

Results by business - September 2021

(Thousands of euros)	Management and operation of electricity infrastructure		Telecommunications		Other businesses, corporate and adjustments	Total
	Spain	International	Satellite business	Fibre optics		
Revenue	1,214,005	34,129	130,781	101,913	(15,246)	1,465,581
Share of profit of companies accounted for using the equity method	-	15,002	2,887	-	-	17,889
EBITDA	922,964	36,830	101,074	80,706	16,609	1,158,183
EBIT	654,061	24,672	35,744	59,693	17,683	791,853
Profit/(Loss) before tax	590,127	15,798	31,853	58,852	16,660	713,289
Profit/(Loss) for the period Q3 2021	444,137	14,765	40,393	44,139	7,377	550,811

Results by business - September 2020

(Thousands of euros)	Management and operation of electricity infrastructure		Telecommunications		Other businesses, corporate and adjustments	Total
	Spain	International	Satellite business	Fibre optics		
Revenue	1,229,161	38,262	115,452	102,329	(19,355)	1,465,850
Share of profit of companies accounted for using the equity method	-	18,500	980	-	-	19,480
EBITDA	933,131	45,273	88,716	80,882	7,070	1,155,072
EBIT	665,777	33,363	2,839	60,182	7,923	770,085
Profit/(Loss) before tax	587,093	22,312	(6,359)	57,874	9,258	670,178
Profit/(Loss) for the period Q3 2020	439,635	20,536	(1,538)	43,406	4,967	507,005

Other financial aggregates

<i>(Thousands of euros)</i>	January-September			June-September		
	2021	2020	Δ %	2021	2020	Δ %
<i>FFO</i>	1,002,802	952,373	5.30%	370,473	335,295	10.49%
<i>Investments</i>	349,086	676,802	(48.42%)	96,288	109,550	(12.11%)
<i>Dividends paid</i>	538,995	566,773	(4.90%)	392,011	419,771	(6.61%)

Consolidated balance sheet

<i>(Thousands of euros)</i>	September 2021	December 2020	Δ %
<i>Non-current assets</i>	10,968,857	10,929,540	0.36%
<i>Equity</i>	3,697,999	3,491,953	5.90%
<i>Net financial debt</i>	5,998,391	6,113,341	(1.88%)

Credit rating

<i>Agency</i>	<i>Credit rating</i>	<i>Outlook</i>	<i>Date</i>
<i>Standard & Poor's</i>	A-	Stable	15 March 2021
<i>Fitch Ratings</i>	A-	Stable	31 March 2021

3. Earnings performance



Revenue and the **profit of the investees** in the first nine months of the year amounted to EUR 1,483.5 million, which is in line with the same period of the previous year:

- **Management and operation of national electricity infrastructures:** revenue amounted to EUR 1,214.0 million compared to EUR 1,229.2 million as of 30 September 2020. This EUR 15.2 million drop in revenue was mainly concentrated in the System Operator, since the adjustment to revenue of previous years was recognised in 2020. The electricity transmission activity in Spain includes the application of the remuneration parameters for 2021 contained in the circulars published by the CNMC at the end of 2019, which establishes that the financial remuneration rate will drop from 6% in 2020 to 5.58% in 2025. However, revenue from transmission activity has remained constant over this period because in 2020 it was negatively affected by the adjustment to revenue generated in previous years, bringing it into line with the new remuneration parameters.
- **International electricity transmission:** lower revenue compared to the same period of the previous year due to the conservative recognition of the expected decrease of EUR 11 million in the remuneration values in Chile, until the definitive valuation is obtained. This figure includes the EUR 7.4 million that retroactively corresponds to 2020. This is partly offset by the higher profit generated by the Brazilian investee ARGO (EUR 5.1 million), as in 2020 it only contributed to the results from the second quarter as it was acquired on March 25.
- **Telecommunications:** the increase of EUR 16.8 million is mainly driven by the acquisition by Hispasat of the signal management and transmission business of Media Networks Latin America, which resulted in an increase in revenue of EUR 8.6 million, along with higher organic growth and a greater contribution from HISDESAT, partly offset by the unfavourable performance of the exchange rate (EUR -3.1 million).

Operating expenses

(Thousands of euros)	January-September			June-September		
	2021	2020	Δ %	2021	2020	Δ %
Supplies and other operating expenses	242,343	250,035	(3.08%)	78,215	80,193	(2.47%)
Personnel expenses	132,014	130,075	1.49%	43,800	42,592	2.84%
TOTAL OPERATING EXPENSES	374,357	380,110	(1.51%)	122,015	122,784	(0.63%)

Operating expenses dropped by 1.5% compared to the same period of the previous year:

- **Supply costs and other operating expenses** amounted to EUR 242.3 million, down 3.1% on the previous year, mainly due to the lower claims recorded this year in the management and operation of national electricity infrastructure and greater containment of other operating expenses. These lower costs were partially by the incorporation into the scope of consolidation of the costs corresponding to Media Networks Latin America (satellite business).
- **Personnel expenses** amounted to EUR 132.0 million, an increase of 1.5% compared to the same period in 2020.

The **final headcount** stood at 2,091 employees, compared to 2,029 in the third quarter of 2020. The average number of employees was 2,074, 30 more than the 2,044 employees in this same period of the previous year. As of September, 40 people have joined the Company as a result of the inclusion of Media Networks Latin America.

Therefore, **EBITDA** amounted to EUR 1,158.2 million, which is slightly higher (0.3%) than in the third quarter of the previous year (EUR 1,155.1 million). EBITDA includes the profit generated by the investees of the Chilean electricity transmission company TEN, the Brazilian company Argo and Hisdesat, the latter of which is owned through Hispasat.

- **Management and operation of national electricity infrastructure:** a lower contribution to EBITDA of EUR 10.2 million compared to the previous year, mainly due to the lower revenue mentioned above, offset in part by the decrease in operating expenses.
- **International electricity transmission:** lower contribution by the international business to EBITDA of EUR 8.4 million, mainly due to the adjustment to revenue in Chile mentioned above.



- **Telecommunications:** higher contribution to EBITDA of EUR 12.2 million, mainly driven by higher revenue and cost efficiencies in the satellite business.

EBIT stood at EUR 791.9 million, up 2.8% on that posted in 2020. This increase is explained mainly by the higher EBITDA mentioned above and, to a greater extent, by lower depreciation and amortisation costs of the satellite business.

The **net finance expense** amounted to EUR -78.6 million, an improvement of EUR 21.3 million compared to the EUR -99.9 million for 2020. The lower average cost of debt, falling from 1.82% in 2020 to 1.53% in 2021, largely explains this improvement. The average gross financial debt stood at EUR 6,799 million, compared to EUR 6,958 million in the same period of the previous year.

The Group's **effective corporation tax rate** was 22.1%, compared to 24.4% in the previous year. The lower rate compared to the previous year is mainly due to the recognition during the year of EUR 19.5 million in R&D tax credits for the investment in the Amazonas Nexus satellite.

Lastly, **profit for the period** amounted to EUR 550.8 million, up 8.6% on that posted in September 2020.

- **Management and operation of national electricity infrastructure:** the improvement in net finance expenses offset the drop in EBITDA, bringing profit after tax to EUR 4.5 million, which is slightly above the previous year's figure.
- **International electricity transmission:** negative contribution of the international business to profit after tax with a loss of EUR -5.8 million, due to the effect of the negative EBITDA performance discussed above.
- **Telecommunications:** increase in net profit of EUR 42.7 million compared to the previous year as a result of the improved performance of the satellite business, mainly due to higher revenue, cost efficiencies, lower depreciation and amortisation costs, lower finance costs and the aforementioned R&D tax credits taken.

4. Investments

	January-September			June-September		
	2021	2020	Δ %	2021	2020	Δ %
<i>(Thousands of euros)</i>						
<i>Management and operation of national electricity infrastructure</i>	249,084	229,053	8.70%	65,954	89,653	(26.40%)
<i>Management and operation of international electricity infrastructure</i>	25,463	404,487	(93.70%)	10,404	6,422	62.00%
<i>Satellite business</i>	46,600	33,407	39.50%	2,720	10,861	(75.00%)
<i>Fibre optics</i>	3,807	747	-	1,280	91	-
<i>Other investments</i>	24,132	9,108	-	15,930	2,523	-
TOTAL	349,086	676,802	(48.40%)	96,288	109,550	(12.20%)

Investments made by the Group during the third quarter amounted to EUR 349.1 million.

With regard to the **management and operation of national electricity infrastructures** (EUR 249.1 million), EUR 232.4 million were allocated mainly to the development of the national transmission grid (+7.3% vs. the previous year), with good progress being made in interconnection projects – mainly Ibiza-Formentera –, projects for the output of renewable energy and capacity increases. The remaining investment of EUR 16.7 million relates to investments for the operation of the system and pumping storage in the Canary Islands.

EUR 25.5 million have been allocated to the **management and operation of international electricity infrastructures**, mainly in Chile (EUR 19 million), and to a lesser extent in Peru (EUR 6.5 million). The investments made in the previous year included EUR 374.3 million allocated to the acquisition of 50% of the share capital of the Brazilian company Argo, which was paid in March 2020.

Furthermore, EUR 46.6 million were allocated to the **satellite business**, of which almost 80% corresponds to the execution of the Amazonas NEXUS Project, also highlighting the acquisition of the signal management and transport business of Media Networks Latin America of the Telefónica Perú Group in May 2021, and EUR 3.8 million to the **fibre optics** business.

With regard to **other investments** (EUR 24.1 million), this most notably includes the investment made through REC (EUR 20.6 million) in infrastructure and corporate buildings, and in economic interest groupings, with the remaining investment being made by Elewit (EUR 3.6 million) as the Red Eléctrica Group's vehicle for venture capital investments.

The investment figure in the previous year amounted to EUR 676.8 million and included EUR 374.3 million allocated to the acquisition of 50% of the share capital of the Brazilian company Argo, which was paid in March 2020.

5. Cash flow and balance sheet performance



Changes in cash flows

Cash flows

(Thousands of euros)	January-September			June-September		
	2021	2020	Δ %	2021	2020	Δ %
Profit/(Loss) before tax	713,290	670,177	6.4%	235,378	230,459	2.1%
Adjustments for (*)	436,284	472,602	(7.7%)	152,496	142,418	7.1%
Other cash flows from operating activities (**)	(146,773)	(190,406)	(22.9%)	(17,402)	(37,582)	(53.7%)
Operating cash flow after taxes	1,002,802	952,373	5.3%	370,473	335,295	10.5%
Changes in working capital	89,937	(92,043)	-	(66,239)	(55,428)	19.5%
Cash flows from operating activities	1,092,739	860,330	27.0%	304,234	279,867	8.7%
Investments	(349,086)	(676,802)	(48.4%)	(96,288)	(109,550)	(12.1%)
Changes in payables to non-current asset suppliers	(73,983)	(91,646)	(19.3%)	(52,079)	(6,118)	751.2%
Changes in other assets and liabilities	3,301	(3,028)	-	19,275	10,888	-
Free cash flow to shareholders	672,971	88,854	-	175,142	175,087	0.0%
Dividends paid	(538,995)	(566,773)	(4.9%)	(392,011)	(419,771)	(6.6%)
Movements that do not involve effective cash (***)	(19,026)	27,093	-	(10,657)	21,963	-
Change in net financial debt	114,950	(450,826)	-	(227,526)	(222,721)	-

(*) Mainly depreciation and amortization of non-current assets, subsidies of non-financial fixed assets and share in profits of companies accounted for equity method.

(**) Mainly includes changes in cash related to corporation tax, interest and dividends received.

(***) Includes mainly variation due to exchange rate.



Funds from operations (FFO) amounted to EUR 1,002.8 million, up 5.3% compared to the same period of the previous year, mainly as a result of the improvement in profit before tax, partially offset by lower depreciation and amortisation costs.

Changes in working capital in September 2021 amounted to EUR 89.9 million, compared to EUR -92.0 million the previous year, mainly as a result of the greater amounts received from the transmission fee.

The **dividends paid** with a charge to profit for the previous year amounted to EUR 539.0 million, which is equal to EUR 1.0 per share.

Performance of net financial debt

Net financial debt at 30 September stood at EUR 5,998.4 million, 1.9% less than the EUR 6,113.3 million at the end of 2020.

Net financial debt (*)

<i>(Thousands of euros)</i>	<i>Euros</i>	<i>Foreign currency</i>	<i>Total</i>
<i>Non-current debt securities</i>	4,022,991	356,031	4,379,022
<i>Non-current loans</i>	2,142,892	378,354	2,521,246
<i>Total gross financial debt</i>	6,165,883	734,385	6,900,268
<i>Cash and cash equivalents</i>	(867,363)	(34,514)	(901,877)
<i>Total net financial debt</i>	5,298,520	699,871	5,998,391

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

At 30 September 2021, all of the Group's financial debt was long term. As regards interest rates, 85% of the Group's debt is at fixed rates, while the remaining 15% is at floating rates.

The average cost of the Group's financial debt as of September was 1.53%, compared to 1.82% in the same period of the previous year.

Accordingly, the **average balance of gross debt** stood at EUR 6,799 million, compared to EUR 6,958 million in the same period of the previous year.

Likewise, 32% of the Group's financing took into consideration ESG criteria as of 30 September.

Equity performance

At 30 September 2021, the Red Eléctrica Group's **equity** reached EUR 3,698.0 million, which represents an increase of 5.9% on December 2020. This increase is mainly the result of the positive contribution of the profit for the period and the change in valuation adjustments, due to better performance of the US Dollar and the Brazilian Real, and was partly offset by the distribution of a final dividend for 2020 in the amount of EUR 392 million.

Appendix 1. Consolidated financial statements (RE Group)

Consolidated income statement			
(Thousands of euros)	30 September 2021	30 September 2020	2021/2020
Revenue	1,465,581	1,465,850	(0.02%)
Work on non-current assets	40,065	38,543	3.95%
Share in the profits of companies accounted for using the equity method (with activities similar to those of the Group)	17,889	19,480	(8.17%)
Supply costs	(13,951)	(21,297)	(34.49%)
Other operating income	9,005	11,309	(20.37%)
Personnel expenses	(132,014)	(130,075)	1.49%
Other operating expenses	(228,392)	(228,738)	(0.15%)
EBITDA	1,158,183	1,155,072	0.27%
Depreciation and amortisation charge for non-current assets	(387,899)	(407,650)	(4.85%)
Allocation to profit or loss of grants related to non-financial assets	21,199	22,786	(6.96%)
Impairment and gains or losses on disposal of non-current assets	370	(123)	-
Net operating profit/(loss)	791,853	770,085	2.83%
Finance income	6,986	9,305	(24.93%)
Finance costs	(85,819)	(105,342)	(18.53%)
Exchange differences	269	(3,871)	-
Net finance expense	(78,563)	(99,907)	(21.36%)
Profit/(Loss) before tax	713,289	670,178	6.43%
Income tax expense	(157,457)	(163,302)	(3.58%)
Consolidated profit/(loss) for the period	555,832	506,875	9.66%
A) Consolidated profit/(loss) attributable to the Parent	550,811	507,005	8.64%
B) Consolidated profit/(loss) attributable to non-controlling interests	5,021	(130)	-

Consolidated balance sheet

<i>(Thousands of euros)</i>	30 September 2021	31 December 2020
ASSETS		
<i>Non-current assets</i>	10,968,857	10,929,540
<i>Current assets</i>	2,232,447	1,914,549
Total assets	13,201,304	12,844,089
LIABILITIES		
<i>Equity</i>	3,697,999	3,491,953
<i>Non-current liabilities</i>	7,784,580	7,893,246
<i>Current liabilities</i>	1,718,725	1,458,890
Total liabilities	13,201,304	12,844,089

Consolidated statement of cash flows

<i>(Thousands of euros)</i>	30 September 2021	30 September 2020
Cash flows from operating activities	1,092,738	860,330
<i>Profit/(Loss) before tax</i>	713,290	670,177
<i>Adjustments for:</i>	436,284	472,602
<i>Changes in working capital</i>	89,937	(92,043)
<i>Other cash flows from operating activities</i>	(146,773)	(190,406)
Cash flows from investing activities	(398,997)	(739,396)
<i>Payments due to investments</i>	(423,069)	(768,448)
<i>Proceeds from disposals</i>	8,928	8,735
<i>Other cash flows from investing activities</i>	15,144	20,317
Cash flows from financing activities	(275,892)	(21,137)
<i>Proceeds from/(payments for) equity instruments</i>	-	(4,892)
<i>Proceeds from/(payments for) financial liability instruments</i>	286,129	571,758
<i>Dividends paid</i>	(538,995)	(566,773)
<i>Other cash flows from financing activities</i>	(23,026)	(21,230)
Effect of foreign exchange rate changes	2,255	(5,958)
Net increase/(decrease) in cash and cash equivalents	420,104	93,839
<i>Cash and cash equivalents at beginning of period</i>	481,772	328,570
<i>Cash and cash equivalents at end of period</i>	901,876	422,409

Appendix 2. Sustainability certifications

	<p>Once again included in the European index (DJSI Europe) and renewed its inclusion in the world index (DJSI World).</p>		<p>Silver Class distinction in The Sustainability Yearbook 2021 of S&P Global.</p>
	<p>Renewed its inclusion in the FTSE4Good index since 2008^(*).</p>		<p>Continued inclusion in the STOXX Global ESG Leaders indices.</p>
	<p>Continued inclusion in the MSCI ESG index with a maximum rating of "AAA".</p>		<p>Inclusion in the Euronext-Vigeo indices (Eurozone 120 and Europe 120 and Global 120 and inclusion in the Euro-next Eurozone ESG Large 80 index).</p>
	<p>Inclusion in the Ethibel Sustainability Index Excellence Europe.</p>		<p>Obtained the Prime status granted by Oekom to the leading companies in the sector.</p>
	<p>Included for the first time in the Bloomberg Gender Equality Index.</p>		<p>Included on the CDP A list for its commitment to the fight against climate change.</p>

() 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.*

UPCOMING EVENTS



Estimated dates

2021 interim dividend	January 2022
Presentation of 2021 results	February 2022



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

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