

# Financial RESULTS

January - March 2021

28 April 2021



To facilitate understanding of the information provided in this document, certain alternative performance measures have been Included. Their definition can be found at [www.ree.es](http://www.ree.es).

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# 1. Main highlights

## Electricity system and energy transition

The passing of the Draft Law on Climate Change and Energy Transition by Congress is a step further towards achieving the targets that Spain has set for combating climate change. This law establishes several national minimum targets for 2030, such as to reduce greenhouse gas emissions by at least 23% compared with 1990, achieve a share of renewable energy in electricity consumption by end users of at least 42%, an electricity system in which a minimum of 74% of the power is generated from renewable sources and improve energy efficiency by reducing primary energy consumption by at least 35% from the baseline in accordance with community regulations. Reaching these targets will require significant effort on the part of companies in the sector, in particular Red Eléctrica, which has a central role to play in energy transition in Spain. The text of this Law will now pass to the Senate.

Regarding the performance of the electricity sector in this first quarter of the year, the most outstanding point is the share of renewable energy in covering electricity demand, accounting for 54.4% of the energy generated in the country.

The demand for electricity has risen by 0.3% in comparison with the first three months of 2020. However, pre-COVID demand levels have not yet been recovered, electricity consumption was more than 2.5% below that recorded in the first quarter of 2019.



## First quarter results

**Revenue** in the first quarter amounted to €483.6 million, which is 3.4% below the same period of the previous year. The main cause of this fall is due to the application of the remuneration parameters for the financial year 2021, contained in the circulars published by the CNMC at the end of 2019, which establishes that the financial remuneration rate will be reduced from 6% in 2020 to 5.58% until 2025. This impact has been partially offset by a lower financial cost of debt.

The Group's **Gross operating profit (EBITDA)** reached €388.4 M, the efficiency drives applied in the quarter have enabled a descent of 3.2% compared with the same period of the previous year. The above, combined with the Group's lower level of depreciation, essentially derived from Hispasat, means that the **Net Operating profit (EBIT)** has fallen by 2.8% compared with that of 2020.

The behaviour of the **Financial result** has been very positive by reaching €-26.5 million, which is 38.1% better than the €-42.8 million registered between January and March 2020. The lower level of indebtedness and especially its lower average costs compared with the first three months of 2020 can explain this.

As a result, the **Profit before tax** stands at €239.8 million and the **Profit attributable to the parent company** at €181.1 million, which are 3.7% and 4.9% respectively better than the results obtained in the first quarter of 2020.

In the first three months of the year, **investment** has risen to €81.9 million, a similar figure to that of the previous year if we do not take into account the effect of the acquisition of Argo, which occurred in the first quarter of 2020. The investment devoted to developing the national transmission network was €64.8 million, which is 1.1% more than in 2020, and it is expected to grow faster in the coming months.



## 2. Red Eléctrica: Highlights

### Income statement

	January-March		
	2021	2020	Δ %
<i>(in thousands of euros)</i>			
Revenues	<b>483,602</b>	500,473	(3.4)
Gross operating result (EBITDA)	<b>388,417</b>	401,190	(3.2)
Net operating profit (EBIT)	<b>266,334</b>	274,024	(2.8)
Profit before tax	<b>239,816</b>	231,218	3.7
Profit for the year	<b>181,111</b>	172,575	4.9

### Income statement by segment

<i>(in thousands of euros)</i>	Operation & Management of Electrical Infrastructure		Telecom. (fibre + satellites)	Other business, Corp. and Adjustments	<b>Total</b>
	Spain	Abroad			
Revenue	403,900	12,325	72,624	(5,247)	<b>483,602</b>
Gross operating profit (EBITDA)	311,445	15,271	58,288	3,413	<b>388,417</b>
Net operating profit (EBIT)	221,926	11,263	29,925	3,220	<b>266,334</b>
Profit before tax	201,575	6,587	28,454	3,200	<b>239,816</b>
Profit/(loss) for 2021	<b>151,431</b>	<b>6,623</b>	<b>22,107</b>	<b>950</b>	<b>181,111</b>
Profit/(loss) for 2020	<b>160,462</b>	<b>330</b>	<b>11,694</b>	<b>88</b>	<b>172,575</b>



## Balance sheet

<i>(in thousands of euros)</i>	<b>March 2021</b>	December 2020	$\Delta$ %
<b>Non-current assets</b>	<b>10,915,506</b>	10,929,540	(0.1)
<b>Equity</b>	<b>3,677,214</b>	3,491,953	5.3
<b>Net financial debt (*)</b>	<b>5,942,769</b>	6,113,341	(2.8)

(\*) Includes exchange rate derivatives

## Other financial aggregates

<i>(in thousands of euros)</i>	<b>January - March</b>		
	<b>2021</b>	2020	$\Delta$ %
<b>Operating cash flow after taxes</b>	<b>360,620</b>	366,862	(1.7)
<b>Investments</b>	<b>81,899</b>	457,112	(82.1)
<b>Dividends paid</b>	<b>146,984</b>	147,002	(0.0)

## Credit rating

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





## 3. Profit performance

**Revenue** in the first quarter of 2021 was €483.6 million, which is 3.4% lower than the same period in 2020. This decline is mainly explained by the lower return from transmission assets in Spain when the parameters set for 2021 are applied to them. There have been few significant variations in the rest of the activities carried out by the Group in comparison with the previous year.

Operating costs fell by 0.4% compared with the first quarter of 2020.

- **Procurement costs and other operating expenses** were €75.2 million, which is 0.5% higher than the previous year. This increase is explained by higher maintenance costs and higher expenditure associated with insurance and levies.
- **Personnel expenses** were €43.6 million, falling by 1.8% compared with the same period of 2020.
- The **total workforce** amounted to 2,052 employees, while in the first quarter of 2020 there were 2,065. The **average workforce** was 2,051 employees, 12 fewer persons than the 2,063 employed in the first quarter of 2020.

### Operating expenses

<i>(in thousands of euros)</i>	<i>January-December</i>		
	<b>2021</b>	2020	Δ %
<i>Procurements and other operating expenses</i>	<b>75,239</b>	74,882	0.5
<i>Personnel expenses</i>	<b>43,570</b>	44,347	(1.8)
<b><i>Total operating expenses</i></b>	<b>118,809</b>	<b>119,229</b>	<b>(0.4)</b>



From the above, the **Gross operating result (EBITDA)** was €388.4 million, which is 3.2% lower than that obtained in the first quarter of 2020. Hispasat has contributed €31.3 million, compared with the €30 million of the previous year. The EBITDA includes the results of subsidiary companies of the electricity transmission in Chile, TEN, and Brazil, Argo, and Hisdesat, a subsidiary through Hispasat. These companies have contributed a total of €8.7 million, compared with the €1 million from the previous year, an increase derived from the incorporation of Argo for a full quarter (only 5 days were included at the end of March 2020).

The **Net operating profit (EBIT)** totalled €266.3 million, which is 3.2% less than the total generated in 2020. This decrease was affected by lower depreciation on fixed assets, which changed from €133.9 million in the first quarter of 2020 to €129.1 million this year. The fall is mainly due to lower depreciation at Hispasat.

The **Financial result** totalled €-26.5 million, €16.3 million better than the €-42.8 million of 2020. The lower average cost of the debt, which fell from 2.09% in 2020 to 1.52% in 2021, largely explains this improvement. The average gross financial debt stands at €6,670 million, compared with the €6,817 million from the first quarter of the previous year.

Finally, **Profit for the year** totalled €181.1 million, 4.9% more than that registered in March 2020. The tax rate is 24.2% compared with 25.5% last year.



## 4. Cash flow and balance sheet performance

### Cash flow<sup>(1)</sup>

<i>(in thousands of euros)</i>	<i>January - March</i>		
	<b>2021</b>	2020	$\Delta$ %
<i>Profit before tax</i>	239,816	231,218	3.7
<i>Taxes paid on earnings</i>	(5,820)	4,174	-
<i>Depreciation and amortisation charge and other adjustments</i>	126,624	131,470	(3.7)
<b><i>Operating cash flow after taxes</i></b>	<b>360,620</b>	<b>366,862</b>	<b>(1.7)</b>
<i>Changes to working capital</i>	92,065	(23,592)	-
<i>Changes in other assets and liabilities</i>	7,003	(15,177)	-
<i>Changes to suppliers of PP&amp;E</i>	(40,322)	(57,631)	(30.0)
<i>Investments</i>	(81,899)	(457,112)	(82.1)
<b><i>Unrestricted cash flow</i></b>	<b>337,467</b>	<b>(186,650)</b>	<b>-</b>
<i>Dividends paid</i>	(146,984)	(147,002)	-
<b><i>Change in net financial debt</i></b> <sup>(2)</sup>	<b>(190,483)</b>	<b>333,652</b>	<b>-</b>

(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 difference with investment payments is fundamentally contained in the Changes to suppliers of PP&E.

(2) The difference between this figure and the change in net financial debt on page 8 is due to items that do not involve cash movements.



The **Operating cash flow after taxes** was €360.6 million, which is 1.7% lower than the first quarter of last year. The main cause of this performance is the payments related with corporation tax.

The **Changes in working capital** at 31 March 2021 provided €92.1 million, compared with the €-23.6 million of last year. This change in working capital can mostly be explained by higher charges derived from the settlements of the electricity system.

The **Investments** made by the Group in the quarter have risen to €81.9 million. Of this amount, €64.8 million are targeted to develop the national transmission grid, €6.1 million more are to be invested in international transmission operations and the remaining €11 million are for the other activities of the Group. The total amount invested is similar to the first quarter of last year if we discount the €374.3 million destined to the acquisition of 50% of the capital of Argo, in Brazil, which was paid in March 2020.

The **Dividends paid** rose to €147 million, a similar figure to the previous year, and are due to the payment of the dividend on account for the 2020 financial year, which was €0.2727 per share.

The **Net financial debt** at 31 March was €5,942.8 million, which is 2.8% lower than the €6,113.3 million at the end of 2020.

### Net financial debt (\*)

<i>(in thousands of euros)</i>	<i>National currency</i>	<i>Foreign currency</i>	<i>Total</i>
<i>Cash and cash equivalents</i>	<i>(545,988)</i>	<i>(79,152)</i>	<b><i>(625,140)</i></b>
<i>Long-term debenture bonds</i>	<i>3,426,119</i>	<i>355,764</i>	<b><i>3,781,883</i></b>
<i>Long-term loans</i>	<i>2,409,005</i>	<i>377,021</i>	<b><i>2,786,026</i></b>
<b><i>Total net financial debt</i></b>	<b><i>5,289,136</i></b>	<b><i>653,633</i></b>	<b><i>5,942,769</i></b>

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



On 31 March 2021, all of the Group's financial debt is long-term debt. In terms of interest rates, 82% of the Group's debt is fixed-rate and the remaining 18% is at a floating rate.

The average cost of the Group's financial debt in the first half of the year was 1.52%, compared to 2.09% in the same period of the previous year. Meanwhile, the **average balance of gross debt** stood at €6,670 million, compared to €6,817 million in the same quarter of the previous year.

On 31 March 2021, the Red Eléctrica Group's **equity** stood at €3,677.2 million.

## Credit rating

Standard & Poor's has maintained Red Eléctrica a long-term credit rating of 'A-' with a stable outlook and a short-term credit rating of 'A-2'. The S&P rating is based on the stability of the cash flows arising mainly from regulated transmission activities.

Fitch maintains the Company long-term rating of 'A-' with a stable outlook and a short-term rating of 'F1'. Fitch also highlighted, on the one hand, the low level of business risk given TSO's natural monopoly position in Spain and, on the other hand, the steady increase in the flow of income from the telecommunications business and the electricity transmission concessions in Peru and Chile.



## 5. Significant events in the first quarter and thereafter

The significant events that have taken place in the period are included below:

- On 31 March, Fitch Ratings maintained their long-term rating for Red Eléctrica Corporación, S.A. as 'A-' with a stable outlook. It also confirmed the short-term rating as level 'F1'.
- On 15 March, the Standard & Poor's rating agency issued a new report in which they maintain the Red Eléctrica Corporación S.A. a long-term rating of 'A-' and 'A-2' in the short term, with a stable outlook.



## Appendix 1. Consolidated Financial Statements (RE Group)

### Consolidated income statement

<i>(in thousands of euros)</i>	<b>31/03/2021</b>	31/03/2020	2021/2020
Revenue	483,602	500,473	-3.4%
Own work capitalised	11,637	14,002	-16.9%
Share in the profits of companies accounted for using the equity method (with activities similar to those of the Group)	8,743	1,016	-
Procurements	(5,226)	(6,171)	-15.3%
Other operating income	3,244	4,928	-34.2%
Personnel expenses	(43,570)	(44,347)	-1.8%
Other operating expenses	(70,013)	(68,711)	1.9%
<b>Gross operating result (ETBIDA)</b>	<b>388,417</b>	<b>401,190</b>	<b>-3.2%</b>
Amortisation/depreciation of non-current assets	(129,128)	(134,883)	-4.3%
Release of grants related to non-financial fixed assets	7,019	7,577	-7.4%
Impairment of and gains/losses on disposals of fixed assets	26	140	-81.4%
<b>Net operating profit result (EBIT)</b>	<b>266,334</b>	<b>274,024</b>	<b>-2.8%</b>
Finance income	169	1,186	-85.8%
Finance costs	(27,010)	(41,494)	-34.9%
Exchange differences	323	(2,498)	-
<b>Net finance expense</b>	<b>(26,518)</b>	<b>(42,806)</b>	<b>-38.1%</b>
<b>Profit before tax</b>	<b>239,816</b>	<b>231,218</b>	<b>3.7%</b>
Income tax expense	(58,034)	(58,846)	-1.4%
<b>Consolidated profit for the year</b>	<b>181,782</b>	<b>172,372</b>	<b>5.5%</b>
<b>A) Consolidated profit attributable to the parent company</b>	<b>181,111</b>	<b>172,575</b>	<b>4.9%</b>
<b>B) Consolidated profit attributable to non-controlling interests</b>	<b>671</b>	<b>(203)</b>	<b>-</b>

**Consolidated balance sheet**

<i>(in thousands of euros)</i>	<b>31/03/2021</b>	31/12/2020
<b>ASSETS</b>		
<i>Non-current assets</i>	10,915,506	10,929,540
<i>Current assets</i>	1,880,920	1,914,549
<b>Total assets</b>	<b>12,796,426</b>	<b>12,844,089</b>
<b>LIABILITIES</b>		
<i>Equity</i>	3,677,214	3,491,953
<i>Non-current liabilities</i>	7,465,996	7,893,246
<i>Current liabilities</i>	1,653,216	1,458,890
<b>Total liabilities</b>	<b>12,796,426</b>	<b>12,844,089</b>



## Consolidated Cash Flow Statement

<i>(in thousands of euros)</i>	31/03/2021	31/03/2020
<b>Cash flows from operating activities</b>	<b>446,658</b>	<b>348,097</b>
Profit before tax	239,816	231,218
Adjustments to profit	141,497	171,808
Changes in working capital	92,065	(23,592)
Other cash flows from operating activities	(26,720)	(31,337)
<b>Cash flows from investing activities</b>	<b>(111,130)</b>	<b>(509,703)</b>
Payments from investments	(122,221)	(514,743)
Proceeds from disposal	5,280	5,141
Other cash flows from investing activities	5,811	(101)
<b>Cash flows from financing activities</b>	<b>(192,472)</b>	<b>271,613</b>
Proceeds / (payments) relating to equity instruments	-	(4,300)
Proceeds / (payments) relating to financial liability instruments	(47,115)	441,426
Dividend payments	(146,984)	(147,002)
Other cash flows from financing activities	1,627	(18,511)
Effect of foreign exchange rate changes	312	(2,233)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>143,368</b>	<b>107,774</b>
Cash and cash equivalents at beginning of the year	481,772	328,570
Cash and cash equivalents at end of the year	625,140	436,344

## Appendix 2. Sustainability certifications

 <p>MEMBER OF <b>Dow Jones Sustainability Indices</b> In Collaboration with RobecoSAM</p>	<p>Included in the European Index (DJSI Europe) and renewed presence in the world index (DJSI World)</p>	 <p><b>Sustainability Award</b> Silver Class 2021 <b>S&amp;P Global</b></p>	<p>“Silver Class” distinction in The Sustainability Yearbook 2021 of S&amp;P Global.</p>
 <p><b>FTSE4Good</b></p>	<p>Continued inclusion in the FTSE4Good index since 2008<sup>(*)</sup>.</p>	 <p>Member 2015/2016 <b>STOXX</b> ESG LEADERS INDICES</p>	<p>Continued inclusion in the STOXX Global ESG Leaders indices.</p>
 <p><b>MSCI</b></p>	<p>Continued inclusion in the MSCI ESG, with the highest rating, “AAA”.</p>	 <p><b>NYSE EURONEXT</b> <b>vigeo</b></p>	<p>Renewed inclusion in the Euronext-Vigeo sustainability indices (Eurozone 120, Europe 120, Global 120 and inclusion in the Euro-next Eurozone ESG Large 80).</p>
 <p>Included in <b>ETHIBEL</b> SUSTAINABILITY INDEX EXCELLENCE Europe</p>	<p>The Company continued its presence in the Ethibel Sustainability Index Excellence Europe.</p>	 <p>Corporate Responsibility <b>Prime</b> rated by <b>oekom research</b></p>	<p>It obtained Prime status, as granted by Oekom to the leading companies in their sector.</p>
 <p><b>ECPI</b> Sense in sustainability</p>	<p>Renewed presence in the ECPI sustainability indices.</p>	 <p><b>CDP</b> A LIST 2020 CLIMATE</p>	<p>Included in the A-list of CDP for its commitment to the fight against climate change.</p>
 <p><b>Bloomberg</b> Gender Equality Index 2021</p>	<p>Included in the Bloomberg Gender Equality Index for the first time.</p>		

*(\*) FTSE Group confirms that Red Eléctrica Corporación 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

2020 additional dividend	July 2021
Presentation of 2nd quarter results 2021	July 2021



## For more information

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