Audit Report on Financial Statements
issued by an Independent Auditor

REDEIA CORPORACIÓN, S.A.
Financial Statements and Management Report
for the year ended
December 31, 2023

Building a better working world

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AUDIT REPORT ON FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

Translation of a report and financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails (See Note 30)

To the shareholders of REDEIA CORPORACIÓN, S.A.:

Report on the financial statements

Opinion

We have audited the financial statements of REDEIA CORPORACIÓN, S.A. (the Company), which comprise the balance sheet as at December 31, 2023, the income statement, the statement of changes in equity, the cash flow statement, and the notes thereto for the year then ended.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the equity and financial position of the Company as at December 31, 2023 and of its financial performance and its cash flows for the year then ended in accordance with the applicable regulatory framework for financial information in Spain (identified in Note 2 to the accompanying financial statements) and, specifically, the accounting principles and criteria contained therein.

Basis for opinion

We conducted our audit in accordance with prevailing audit regulations in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those related to independence, that are relevant to our audit of the financial statements in Spain as required by prevailing audit regulations. In this regard, we have not provided non-audit services nor have any situations or circumstances arisen that might have compromised our mandatory independence in a manner prohibited by the aforementioned requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investments in group companies

Description

As of December 31, 2023, the Company has recorded in the section " Non-current investments in group companies and associates" investments in group companies and loans granted to group companies amounting to 2,849 and 611 million euros, respectively. In the section " Current investments in group companies and associates ", the company recorded loans granted to group companies amounting to 817 million euros.

The Company's Management evaluates, at least at the end of each fiscal year, the existence of indications of impairment and makes the necessary valuation corrections whenever there is objective evidence that the book value of an investment will not be recoverable. The amount of the valuation correction is the difference between its book value and the recoverable amount.

We have considered this area as a key audit matter because the determination of the recoverable amount of the aforementioned investments requires the making of estimations. This involves the application of significant judgments in establishing the assumptions considered by the Company's Management in relation to these estimations, as well as the relevance of the amounts involved.

Information on the applied valuation standards and corresponding breakdowns is included in notes 4, 8, and 21 of the accompanying financial statements.

Our response

Our audit procedures in this regard included, among other, the following:

- Understanding the process established by the Company's Management to identify indications of impairment and determine the recoverable amount of investments in group and associate companies. We evaluated the design and implementation of relevant controls established in this process and verified the operational effectiveness of these controls.
- We evaluated the analysis of the indicators of impairment of value of investments in group and associate companies performed by the Company's Management.
- We reviewed the model used by the Company's Management for the determination of the recoverable amount in collaboration with our valuation specialists. This particularly included the mathematical consistency of the model and the reasonableness of projected cash flows and long-term discount and growth rates.
- In carrying out our review, we held interviews with those responsible for the development of the model and used recognized external sources and other available information to cross-check the data used.
- We reviewed the sensitivity analyses performed by the Company's Management regarding the estimates made for the determination of the recoverable amount considering changes in relevant assumptions.

- We reviewed the breakdowns included in the report and assessed their compliance with the applicable financial reporting regulatory framework.

Other matters

On February 27, 2023, other auditors issued their audit report on the annual accounts for fiscal year 2022 in which they expressed a favorable opinion.

Other information: management report

Other information refers exclusively to the 2023 management report, the preparation of which is the responsibility of the Company's directors and is not an integral part of the financial statements.

Our audit opinion on the financial statements does not cover the management report. Our responsibility for the management report, in conformity with prevailing audit regulations in Spain, entails:

a. Checking only that the non-financial statement and certain information included in the Corporate Governance Report and in the Board Remuneration Report, to which the Audit Law refers, was provided as stipulated by applicable regulations and, if not, disclose this fact.

b. Assessing and reporting on the consistency of the remaining information included in the management report with the financial statements, based on the knowledge of the entity obtained during the audit, in addition to evaluating and reporting on whether the content and presentation of this part of the management report are in conformity with applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to disclose this fact.

Based on the work performed, as described above, we have verified that the information referred to in paragraph a) above is provided as stipulated by applicable regulations and that the remaining information contained in the management report is consistent with that provided in the 2023 financial statements and its content and presentation are in conformity with applicable regulations.

Responsibilities of the directors and the audit committee for the financial statements

The directors are responsible for the preparation of the accompanying financial statements so that they give a true and fair view of the equity, financial position and results of the Company, in accordance with the regulatory framework for financial information applicable to the Company in Spain, identified in Note 2 to the accompanying financial statements, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing audit regulations in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with prevailing audit regulations in Spain, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the audit committee of the Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee of the Company with a statement that we have complied with relevant ethical requirements, including those related to independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee of the Company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

European single electronic format

We have examined the digital file of the European single electronic format (ESEF) of REDEIA CORPORACIÓN, S.A. for the 2023 financial year, consisting of an XHTML file containing the financial statements for the year, which will form part of the annual financial report.

The directors of REDEIA CORPORACIÓN, S.A. are responsible for submitting the annual financial report for the 2023 financial year, in accordance with the formatting requirements set out in Delegated Regulation EU 2019/815 of 17 December 2018 of the European Commission (hereinafter referred to as the ESEF Regulation).

Our responsibility consists of examining the digital file prepared by the directors of the Company, in accordance with prevailing audit regulations in Spain. These standards require that we plan and perform our audit procedures to obtain reasonable assurance about whether the contents of the financial statements included in the aforementioned digital file correspond in their entirety to those of the financial statements that we have audited, and whether the financial statements and the aforementioned file have been formatted, in all material respects, in accordance with the ESEF Regulation.

In our opinion, the digital file examined corresponds in its entirety to the audited financial statements, which are presented, in all material respects, in accordance with the ESEF Regulation.

Additional report to the audit committee

The opinion expressed in this audit report is consistent with the additional report we issued to the audit committee on February 27, 2024.

Term of engagement

The ordinary shareholders' meeting held on June 7, 2022 appointed us as auditors for 3 years, commencing on December 31, 2023.

ERNST & YOUNG, S.L.
(Registered in the Official Register of Auditors under No. S0530)

(Signature on the original in Spanish)

David Ruiz-Roso Moyano
(Registered in the Official Register of Auditors under No. 18336)

February 27, 2024

Valuing the essentials

Financial statements

2023

Redeia Corporación, S.A.

Redeia Corporación, S.A.
Balance sheet at 31 December 2023

Thousands of euros	Note	31 Dec. 2023	31 Dec. 2022
Non-current assets		**3,578,379**	**3,479,511**
Intangible assets	**5**	**16,383**	**12,807**
Software		16,383	12,807
Property, plant and equipment	**5**	**72,033**	**70,557**
Land and buildings		60,232	61,806
Other fixtures, machinery, tools, furniture and other PP&E		5,999	2,453
PP&E under construction and advances		5,802	6,298
Investment properties	**6**	**558**	**1,703**
Land		558	558
Buildings		—	1,145
Non-current investments in group companies and associates		**3,459,441**	**3,379,476**
Equity instruments	8	2,848,915	2,848,915
Loans to companies	21	610,526	530,561
Non-current financial assets	**12**	**5,721**	**7,464**
Equity instruments		2,825	6,603
Loans to third parties		706	839
Derivatives	11	2,168	—
Other financial assets		22	22
Deferred tax assets	**17**	**24,243**	**7,504**
Current assets		**1,191,083**	**761,136**
Trade and other receivables	**13**	**244,208**	**193,248**
Trade receivables from group companies and associates	21	37,070	17,181
Other receivables		171	211
Receivable from employees		174	325
Current tax assets		205,530	174,528
Taxes receivable		1,263	1,003
Current investments in group companies and associates	**21**	**816,896**	**106,462**
Loans to companies		816,896	106,462
Current financial assets	**12**	**1,029**	**401,027**
Other financial assets		1,029	401,027
Prepayments for current assets		**1,670**	**1,891**
Cash and cash equivalents		**127,280**	**58,508**
Cash		2,239	58,508
Cash equivalents		125,041	—
Total assets		**4,769,462**	**4,240,647**

The accompanying notes 1 to 30 are an integral part of these financial statements.

Redeia Corporación, S.A.
Balance sheet at 31 December 2023

Thousands of euros	Note	31 Dec. 2023	31 Dec. 2022
Equity	**14**	**3,717,033**	**3,329,963**
Capital and reserves		**3,698,034**	**3,310,964**
Capital		270,540	270,540
Reserves		2,643,811	2,266,292
(Own shares)		(19,496)	(26,296)
Profit for the year		450,428	947,571
(Interim dividend)		(147,249)	(147,143)
Other equity instruments		500,000	—
Valuation adjustments		**18,999**	**18,999**
Non-current liabilities		**599,659**	**488,461**
Non-current provisions	**15**	**20,266**	**20,394**
Non-current borrowings	**16**	**538,100**	**440,480**
Notes and other marketable securities		399,299	398,761
Bank borrowings		138,785	39,494
Derivatives	11	—	2,209
Other liabilities		16	16
Borrowings from group companies and associates	**21**	**39,622**	**25,880**
Deferred tax liabilities	**17**	**1,671**	**1,707**
Current liabilities		**452,770**	**422,223**
Current borrowings	**16**	**195,914**	**283,347**
Notes and other marketable securities		25,630	2,512
Bank borrowings		6,794	120,987
Other current borrowings		163,490	159,848
Borrowings from group companies and associates	**21**	**232,795**	**97,339**
Trade and other payables	**18**	**24,061**	**41,537**
Trade payables to group companies	21	8	169
Other payables		11,594	30,724
Receivable from employees		11,059	9,400
Other taxes payable		1,400	1,244
Total equity and liabilities		**4,769,462**	**4,240,647**

The accompanying notes 1 to 30 are an integral part of these financial statements.

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Redeia Corporación, S.A.
Statement of profit or loss for the year ended 31 December 2023

Thousands of euros	Note	2023	2022
Revenue	**20.a**	**548,376**	**89,499**
Provision of services		78,051	74,306
Finance income from investments in equity instruments		415,051	—
Group companies and associates		415,051	—
Finance income from investments in securities and other financial instruments of group companies and associates		55,274	15,193
Self-constructed assets	**5**	**331**	**252**
Cost of sales		**(187)**	**(204)**
Raw materials and other consumables used		(187)	(204)
Other operating income		**563**	**355**
Non-trading and other operating income		563	355
Employee benefits expense	**20.b**	**(47,080)**	**(48,105)**
Wages and salaries		(34,855)	(37,541)
Employee benefits		(7,301)	(6,418)
Other items and employee benefits		(4,924)	(4,146)
Other operating expenses		**(25,107)**	**(21,639)**
External services		(23,829)	(20,975)
Taxes other than income tax		(1,278)	(664)
Amortisation and depreciation	**5 & 6**	**(7,421)**	**(4,740)**
Impairment of and gains/(losses) on disposal of fixed assets	**20.d**	**1,279**	**5**
Impairment and losses		1,279	5
Impairment of and gains/(losses) on disposal of financial assets	**20.e**	**—**	**969,909**
Gains/(losses) on disposals		—	969,909
Operating profit		**470,754**	**985,332**
Finance income	**20.c**	**7,645**	**4,631**
Marketable securities and other financial instruments		7,645	4,631
Of third parties		7,645	4,631
Finance costs	**20.c**	**(21,442)**	**(11,298)**
Borrowings from group companies and associates		(6,963)	(319)
Third-party borrowings		(14,184)	(10,618)
Unwinding of provision discounting		(295)	(361)
Change in fair value of financial instruments	**11**	**(510)**	**(113)**
Held-for-trading portfolio and other securities		(510)	(113)
Exchange differences		**7**	**42**
Net finance expense		**(14,300)**	**(6,738)**
Profit before tax		**456,454**	**978,594**
Income tax	**17**	**(6,026)**	**(31,023)**
Profit for the year from continuing operations		**450,428**	**947,571**
Profit for the year		**450,428**	**947,571**

The accompanying notes 1 to 30 are an integral part of these financial statements.

Redeia Corporación, S.A.

Statement of total changes in equity for the year ended 31 December 2023

Thousands of euros	Issued capital	Reserves	(Own shares)	Profit for the year	(Interim dividend)	Other equity instruments	Capital and reserves	Valuation adjustments	Total equity
Balance at 31 December 2021	**270,540**	**2,243,366**	**(31,618)**	**559,108**	**(147,061)**	**—**	**2,894,335**	**18,999**	**2,913,334**
Total recognised income and expense	—	3,033	—	947,571	—	—	950,604	—	950,604
Transactions with shareholders and owners									
(-) Dividend distribution	—	1,312	—	(393,527)	(147,143)	—	(539,358)	—	(539,358)
Transactions with own shares (net)	—	61	5,322	—	—	—	5,383	—	5,383
Other changes in equity									
Appropriation of prior-year profit	—	18,520	—	(165,581)	147,061	—	—	—	—
Balance at 31 December 2022	**270,540**	**2,266,292**	**(26,296)**	**947,571**	**(147,143)**	**—**	**3,310,964**	**18,999**	**3,329,963**
Total recognised income and expense	—	611	—	450,428	—		451,039	—	451,039
Transactions with shareholders and owners									
(-) Dividend distribution	—	1,091	—	(393,528)	(147,249)	—	(539,686)	—	(539,686)
Transactions with own shares (net)	—	(1,021)	6,800	—	—	—	5,779	—	5,779
Other changes in equity									
Appropriation of prior-year profit	—	406,900	—	(554,043)	147,143	—	—	—	—
Other equity instruments	—	(30,062)	—	—	—	500,000	469,938	—	469,938
Balance at 31 December 2023	**270,540**	**2,643,811**	**(19,496)**	**450,428**	**(147,249)**	**500,000**	**3,698,034**	**18,999**	**3,717,033**

The accompanying notes 1 to 30 are an integral part of these financial statements.

Redeia Corporación, S.A.

Statement of recognised income and expense for the year ended 31 December 2023

Thousands of euros	2023	2022
Profit for the year	**450,428**	**947,571**
Actuarial gains and losses and other adjustments (note 15)	815	4,044
Tax effect	(204)	(1,011)
Income and expense recognised directly in equity	**611**	**3,033**
Amounts reclassified to profit or loss	**—**	**—**
Total recognised income and expense	**451,039**	**950,604**

The accompanying notes 1 to 30 are an integral part of these financial statements.

Redeia Corporación, S.A.

Statement of cash flows for the year ended 31 December 2023

Thousands of euros	2023	2022
Net cash flows from/(used in) operating activities	**376,372**	**(170,334)**
Profit for the year before tax	**456,454**	**978,594**
Adjustments to reconcile profit before tax to net cash flows	**(448,089)**	**(969,144)**
Amortisation and depreciation	7,421	4,740
Change in provisions	1,794	4,485
Gains/losses on derecognition and disposal	(1,279)	(969,914)
Finance income	(477,970)	(19,824)
Finance costs	21,442	11,298
Exchange differences	(7)	(42)
Change in fair value of financial instruments	510	113
Changes in working capital	**(38,694)**	**(8,554)**
Trade and other receivables	(20,109)	(17,529)
Other current assets	221	(758)
Trade and other payables	(18,806)	9,733
Other cash from/(used in) operating activities	**406,701**	**(171,230)**
Interest paid	(25,933)	(7,509)
Dividends received	415,051	—
Interest received	7,392	3,809
Income tax received/(paid)	10,500	(167,248)
Other amounts received/(paid)	(309)	(282)
Net cash flows used in investing activities	**(365,630)**	**(93,579)**
Payments for investments	**(803,185)**	**(1,159,567)**
Group companies and associates	(776,627)	(717,056)
PP&E, intangible assets and investment properties	(12,175)	(9,870)
Other financial assets	(14,314)	(432,479)
Other assets	(69)	(162)
Proceeds from disposals	**437,555**	**1,065,988**
Group companies and associates	33,502	1,063,967
PP&E, intangible assets and investment properties	2,400	41
Other assets	1,653	1,980
Other financial assets	400,000	—
Net cash flows from/(used in) financing activities	**58,043**	**(938,854)**
Proceeds from and payments for equity instruments	**500,289**	**5,383**
Purchase and sale of own equity instruments	5,779	5,383
Issuance of equity instruments	494,510	—
Proceeds from and payments for financial liability instruments	**97,333**	**(404,960)**
Bank borrowings	147,225	(504,249)
Borrowings from group companies and associates	111,867	99,289
Repayment of other borrowings	(161,759)	—
Dividends and payments on other equity instruments	**(539,579)**	**(539,277)**
Dividends	(539,579)	(539,277)
Effect of changes in exchange rates on cash and cash equivalents	**(13)**	**10**
Net increase/(decrease) in cash and cash equivalents	**68,772**	**(1,202,757)**
Cash and cash equivalents at 1 January	58,508	1,261,265
Cash and cash equivalents at 31 December	127,280	58,508

The accompanying notes 1 to 30 are an integral part of these financial statements.

Contents

1 Company information

Redeia Corporación, S.A. (which changed its name from Red Eléctrica Corporación, S.A. on 13 June 2023), hereinafter, the Company, was incorporated in 1985 and has its registered office in Alcobendas (Madrid). Its main activities are:

- Managing the corporate group, which comprises equity investments in group companies and their investees.
- Providing support services and other assistance to its investees.
- Managing the Company’s properties.

2 Basis of preparation

a) True and fair view

The financial statements were authorised for issue by the Company's directors on 27 February 2024 to give a true and fair view of the Company's equity and financial position at 31 December 2023, and its financial performance and the changes in its equity and cash flows during the year then ended.

The financial statements are presented in thousands of euros, the Company’s functional and presentation currency, rounded to the nearest thousand, and prepared from its accounting records in accordance with prevailing legislation, Spain's General Accounting Plan, enacted by Royal Decree 1514/2007, as amended by Royal Decree-Law 1159/2010 and Royal Decree 1/2021, and the Resolution issued by the ICAC (Spanish Audit and Accounting Institute) on 10 February 2021.

The Company is the parent of a group of companies called Redeia (hereinafter, the Group). In accordance with article 43.2 of Spain’s Code of Commerce, the Group prepares consolidated financial statements and places them on file at the Madrid Companies Register. The consolidated financial statements will be authorised for issue on 27 February 2024 with applicable legislation in accordance with the International Financial Reporting Standards approved by the European Union.

The Company’s 2022 financial statements were approved at the Annual General Meeting held on 6 June 2023. The 2023 financial statements are pending ratification at the Annual General Meeting. However, the Parent’s Board of Directors expects them to be approved without modification.

b) Mandatory accounting policies not applied

The Company has not omitted any mandatory accounting policy with a significant effect on the financial statements.

c) Use of estimates and assumptions

Preparation of the financial statements requires the Company’s management to use judgement and make estimates and assumptions that affect application of its accounting policies and the recognised amounts of assets, liabilities, income and expenses. The estimates and assumptions made by the Company are based on past experience and other factors considered reasonable under the circumstances. Actual results may differ from these estimates.

The 2023 financial statements make occasional use of estimates made by the Company’s management, which are later ratified by its directors, in order to quantify certain of the assets, liabilities, income, expenses and obligations recognised therein. Essentially, those estimates refer to:

- The estimates and assumptions used to test asset recoverability (nota 4-g).
- The estimated useful lives of the Company’s fixed assets (note 5).
- The assumptions used in actuarial calculations (note 15).
- The assumptions and estimates used to calculate the fair value of derivative financial instruments (note 11).

Generally, liabilities are recognised when it is probable that the obligation will give rise to an indemnity or payment. The Company assesses or estimates the amounts payable in the future, including those corresponding to income tax, contractual obligations, the settlement of outstanding lawsuits or other liabilities. These estimates require interpreting current events and circumstances, projecting future developments and estimating what financial impacts those events will have.

For a better understanding of the financial statements, the various estimates and assumptions made are outlined in each note.

The Company has insurance coverage against third-party claims that could arise in the ordinary course of its business activities.

Although the estimates were made on the basis of the best information available at 31 December 2023 regarding the facts analysed, future events could make it necessary to revise them (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively in accordance with the Spanish General Accounting Plan, recognising the effects of any change in estimates in the related statement of profit or loss.

d) Comparative information

For comparative purposes, the Company has included the 2022 figures in addition to those of 2023 for each item of the balance sheet, statement of profit or loss, statement of changes in equity, statement of cash flows and the accompanying notes. The 2022 figures presented here formed part of the 2022 financial statements.

The accounting policies and measurement rules used to prepare these annual financial statements are identical to those used to prepare the Company's 2022 financial statements.

3 Proposed appropriation of profit

The directors propose the following appropriation of profit for 2023, subject to ratification by the Company's shareholders at the Annual General Meeting:

Thousands of euros

Profit for the year	450,428
Voluntary reserves	90,349
Total basis of appropriation	**540,777**

Appropriation to:

Dividends:	
Interim dividend	147,249
Final dividend	393,528
Total appropriation	**540,777**

This motion implies a final dividend of 0.7273 euros per share for a total dividend for the year of 1 euro per share, calculated for all outstanding shares.

The interim and final dividends for the year are detailed in note 14.

4 Significant accounting policies

The significant accounting policies used to prepare these annual financial statements are detailed below:

a) Intangible assets

Intangible assets are measured at acquisition or production cost, as appropriate, which is reviewed periodically and adjusted for any decrease in value. The assets included under this heading relate to software, including user licences purchased, which are recognised at the cost incurred to acquire them and get them ready for use.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Software is amortised on a straight-line basis over a period of between three and five years from when it is put into use.

b) Property, plant and equipment

The main assets under this heading are land and buildings which have been measured at construction or acquisition cost less accumulated depreciation and any accumulated impairment losses. Construction costs can include the following items:

- The external borrowing costs accrued exclusively during the construction period.
- The operating expenses related directly with the construction work for developments under the Company's control and management.

The Company transfers assets from work in progress to property, plant and equipment in use as soon as the asset is ready for its intended use.

The costs incurred to extend or upgrade items of property, plant and equipment that entail an increase in the asset's productivity or capacity or an extension of its useful life, are capitalised.

Repair and maintenance costs that do not increase the assets' productivity or capacity or lengthen their useful lives are expensed as incurred.

Property, plant and equipment is depreciated by distributing the cost of the various items on a straight-line basis over the estimated years of useful life, which is the period over which the Company expects to use the asset, as follows:

	Annual rate
Buildings	2% - 10%
Other facilities	4% - 25%

The Company periodically checks its depreciation rates as a function of its assets' useful lives. There were no significant changes in the asset depreciation criteria used in 2023 by comparison with those used in 2022.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

c) Investment properties

The Company measures its investment properties at their acquisition cost. The fair values of the Company's investment properties are disclosed in note 6.

The Company's investment properties other than land are depreciated on a straight-line basis by distributing the cost of the various items linearly over their estimated useful life, which is the period of time for which the Company expects to use them (annual rate of 2%).

d) Leases

The Company classifies its leases as a function of whether or not it substantially transfers the risks and rewards of ownership.

Specifically, it classifies arrangements in which it retains substantially all the risks and rewards incidental to ownership of the leased assets as operating leases.

e) Financial assets and liabilities

- **Financial assets**

The Company classifies its financial assets for measurement purposes on the basis of the corresponding business model and the characteristics of the contractual cash flows. A financial asset is only reclassified from one category to another when there is a change in the business model used to manage them.

Financial asset acquisitions and disposals are recognised on the date the Company undertakes to acquire or sell the asset, classifying them into the following categories:

- **Financial assets at amortised cost**: In general, this category includes trade receivables, which are financial assets arising on the sale of goods and rendering of services in the course of the Company's trade operations with deferred payment, and non-trade receivables, which are financial assets that are neither equity instruments nor derivatives not arising on trade transactions with fixed or determinable payments arising from loans or credit transactions granted by the Company.

  They are non-derivative financial assets held to collect contractual cash flows that are solely payments of principal and interest. They are included under current assets, unless they mature more than 12 months after the reporting date, in which case they are classified as non-current assets.

  They are initially recognised at fair value which, barring evidence to the contrary, is the transaction price plus directly attributable transaction costs. These financial assets are subsequently measured at amortised cost using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of a financial instrument to the net carrying amount of that instrument based on its contractual terms. Interest income from these financial assets is included in finance income. Any gain or loss arising from derecognition is recognised directly in the Company's profit or loss, while impairment losses are presented under a separate line item in the statement of profit or loss for the year.

- **Financial assets at cost:** These include equity investments in group companies, jointly controlled entities and associates, and other equity investments whose fair value cannot be estimated reliably.

  They are measured at cost, which is equivalent to the fair value of the consideration given plus directly attributable transaction costs, net of accumulated impairment losses, if any. The asset's recoverable value is the higher of the asset's fair value less costs to sell and the present value of the estimated cash flows from the investment.

- **Financial assets at fair value through equity**: These are investments in equity instruments which the Company has opted to irrevocably designate into this category upon initial recognition.

  They are measured at fair value and any gains or losses arising from changes in their fair value are recognised in equity until the financial asset is derecognised or written down for impairment, at which time the amount deferred in equity is reclassified to profit or loss. Dividends from these investments are recognised in the statement of profit or loss for the period.

  The criteria used by the Company to measure fair value are disclosed in section l) below.

  In the event of a non-monetary contribution consisting of a portfolio of securities delivered when subscribing for a capital increase undertaken by a subsidiary, if the securities contributed were classified in the former financial asset category called 'available-for-sale financial assets', the Company follows the Response to Consultation No. 1 published in the official journal of the ICAC (no. 77/2009), leaving any gains or losses arising from fair value changes as of the date of the non-monetary contribution in equity. As stipulated in Recognition and Measurement Rule 9.2.4.3 of the General Accounting Plan, in the event of an investment that is newly classified as an investment in a subsidiary, joint venture or associate, if, prior to that reclassification, fair value changes had been recognised on that investment directly in equity, those gains or losses are left in equity until the investment is disposed of or derecognised, at which point they are reclassified to profit or loss.

- **Financial assets at fair value through profit or loss:** This category includes financial assets that do not qualify for inclusion in any of the other categories.

  These instruments are initially recognised and subsequently measured at fair value and any changes in fair value and gains or losses on their disposal are recognised in profit or loss. They are initially measured at fair value, which, unless there is evidence to the contrary, is the transaction price, which is equivalent to the fair value of the consideration paid. Directly attributable transaction costs are recognised in profit or loss for the year.

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers substantially all the risks and rewards of ownership of the financial asset or it neither transfers nor retains substantially all the risks and rewards of ownership and it has not retained control of the transferred asset.

- **Financial liabilities**

The Company classifies all of its financial liabilities into the following category:

  - **Financial liabilities at amortised cost**: In general, this category includes payables from trade transactions, which are financial liabilities arising on the purchase of goods and services in the course of the Company's trading operations with deferred payment, and payables from non-trade transactions, which are financial liabilities that are not derivatives and have no commercial substance, but arise from loans or credit received by the Company. Payables falling due within one year for which there is no contractual interest rate expected to be settled in the short term are measured at their nominal amount. Borrowings are classified under current liabilities unless they mature more than 12 months after the reporting date, in which case they are classified under non-current liabilities.

    Borrowings are measured initially at fair value. In the absence of evidence to the contrary, this is the transaction price, which is equivalent to the fair value of the consideration received net of attributable transaction costs. These sources of finance are subsequently measured at amortised cost using the effective interest method.

The Company derecognises a financial liability, or part of it, when it discharges the liability or is legally released from primary responsibility for the liability either by process of law or by the creditor.

f) Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand deposits in financial institutions. Cash equivalents also include other short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value. An investment normally qualifies as a cash equivalent when it has a maturity of less than three months from the date of acquisition.

g) Impairment of assets

The Company assesses the recoverability of its assets at the end of each reporting period and whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An asset is impaired when its carrying amount exceeds its recoverable amount. Impairment losses must be recognised immediately in profit or loss. An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount of an asset is the higher of:

- The fair value of an asset less costs to sell
- The asset’s value in use

Recoverable amounts are calculated on the base of estimated cash flows. Impairment is calculated for individual assets. Where it is not possible to estimate the fair value of an asset, the fair value of the cash-generating unit (CGU) to which the asset belongs is determined. Any reversal of impairment is recognised in the statement of profit or loss.

The impairment tests conducted by the Company in 2023 did not indicate any impairment of its investment properties (note 6).

In the case of impaired financial assets at amortised cost, the impairment loss is the difference between the carrying amount of the financial asset and the present value of the estimated future cash flows, excluding future credit losses that have not been incurred, discounted at the asset's original effective interest rate. For financial assets with floating interest rates, the effective interest rate at the measurement date, in accordance with the contractual terms, is used.

Impairment losses, and reversals thereof when there is a reduction in loss that can be objectively related to a subsequent event, are recognised in profit or loss. The loss can only be reversed up to the limit of the amortised cost of the asset that would have been recorded had the impairment loss not been recognised.

In the case of equity investments in group companies and associates, the recoverable amount is determined as the higher of the asset's value in use or fair value less costs to sell and the present value of the estimated cash flows from the investment. Unless better evidence of the recoverable amount is available, impairment is based on the investee’s equity, corrected for any unrealised gains existing at the measurement date.

The Company’s impairment tests did not detect any indications of impairment in relation to its equity instruments in or loans to group companies and associates.

h) Capital and reserves

The Company’s share capital is represented by ordinary shares.

Interim dividends are deducted from equity for the year to which the dividend relates on the basis of the corresponding Board resolution. The final dividend is not deducted from equity until it is approved at the corresponding Annual General Meeting.

Own shares are measured at acquisition cost and presented as a deduction from equity. Any gain or loss arising on the purchase, sale, issuance or cancellation of own shares is recognised directly in equity.

i) Provisions

- **Employee benefits**

  - Pension obligations

    The Company has defined contribution plans, meaning plans that define the benefit an employee will receive upon retirement as a function of one or more variables, such as age, fund performance, years of service or pay. A defined contribution plan is a pension plan under which the Company pays fixed contributions to a separate entity and has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

  - Other long-term employee benefits

    These benefits include defined benefit plans other than pension plans, such as health insurance for serving and former Company employees. The expected costs of these benefits are recognised over the employees’ employment term. These obligations are measured each year by independent qualified actuaries. The effects of changes in actuarial assumptions are recognised, net of tax, in reserves within equity in the year they arise, while past service cost is recognised in the statement of profit or loss.

    Defined benefit liabilities recognised in the balance sheet reflect the present value of obligations at the reporting date, less the fair value at the date of plan assets and any past service cost not yet recognised. The Company recognises actuarial gains and losses in recognised income and expense for the year in which they arise.

    Other long-term employee benefits also includes long-term remuneration plans and Structural Management Plan (hereinafter the “Plan”), which are measured each year.

- **Other provisions**

The Company recognises provisions to cover present legal or constructive obligations as a result of past events, so long as it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be reliably estimated. They are recognised when the liability or obligation arises. No provision is recognised for proceedings where the probability that the event will occur is less than 50% as the Company considers that the outcome of these proceedings will be favourable.

Provisions are measured at the best estimate of the expenditure required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the carrying amount of a provision due to the passage of time is recognised as interest expense.

j) Transactions in currencies other than the euro

Transactions in currencies other than the euro are recognised at the exchange rate prevailing at the transaction date. During the year, the differences arising as a result of movements between the exchange rate used for initial recognition purposes and that prevailing on the date of collection or payment are recognised in profit or loss.

Fixed-income securities and credits and debits denominated in a currency other than the euro are translated at the closing exchange rate each year. Any resulting measurement differences are recognised as exchange gains or losses in the statement of profit or loss.

Financial derivative instruments and other instruments arranged in foreign currency to hedge the Company's exposure to exchange rate risk are accounting for as outlined in "Derivative financial instruments and hedging transactions" below.

k) Derivative financial instruments and hedging transactions

Derivative financial instruments are initially recognised at fair value on the purchase date (acquisition cost) and are subsequently remeasured to fair value at every reporting date. The treatment of the resulting gains or losses depends on whether the financial derivative has been designated as a hedging instrument and, if so, the nature of the hedged item.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

The Company formally documents the relationship between hedging instruments and the hedged assets or liabilities at the inception of the transaction, along with the risk management objective and strategy for undertaking the hedge. It also documents its evaluation, at the inception and on an ongoing basis, of whether the derivative financial instruments used for hedging purposes are highly effective at offsetting the changes in the fair value or cash flows of the hedged items.

The fair value of the derivative financial instruments used to manage exchange rate risk is disclosed in note 11.

l) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

Financial asset and liability fair value measurements are classified using a hierarchy articulated around the relevance of the inputs used to make the corresponding measurements. The hierarchy categorises the inputs used in valuation techniques into three levels:

- **Level 1**: Fair value measurements based on quoted prices in active markets for identical instruments.
- **Level 2**: Fair value measurements based on inputs that are observable for the asset or liability.

- **Level 3:** Measurements based on inputs that are not underpinned by observable market data.

If there is no quoted price from an active market, the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. More specifically, for the various financial derivative financial instruments not traded on organised markets, the Company estimates fair value using valuation techniques which include the use of recent arm's length transactions between knowledgeable, willing parties, reference to other instruments that are substantially the same, discounted cash flow analysis discounted using the market interest and exchange rates prevailing at the reporting date and options pricing models enhanced to reflect the issuer's specific circumstances.

m) Income and expenses

Revenue from contracts with customers is recognised as the Company satisfies its performance obligations.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised so as to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which it expects to be entitled in exchange for those goods or services.

Interest income is recognised using the effective interest method. Dividend income is recognised when the right to receive payment is established. The Company, in its capacity as the parent of the Redeia Group, applies the response provided by the ICAC to a consultation regarding the accounting treatment of income and expenses in the separate financial statements of a holding company and the measurement of revenue (Ref: 546/09) dated 23 July 2009. Specifically, it classifies dividends from equity investments in investees, interest on loans extended to those same investees and any gains on the disposal of these investments within revenue, unless they arise upon the disposal of a subsidiary, in which case, as likewise stipulated in that same resolution, it creates a line item within operating income to reflect the change in the fair value of financial instruments, impairment losses and disposal gains or losses.

Lastly, revenue also includes lease income and revenue from the provision of support services, as these form part of the Company's core activities.

n) Tax matters

Tax expense/(income) comprises current tax and deferred tax. Current and deferred tax is recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from (i) a transaction or event which is recognised, in the same or a different period, directly in equity or (ii) a business combination.

Current tax is the amount expected to be paid, using enacted tax rates, in respect of the current year, as well as any tax payable as a result of prior-year adjustments.

Income tax credit and other tax relief originating from transactions arising during the year are deducted from accrued tax expense unless there is uncertainty about their utilisation.

Deferred tax and tax expense are calculated and accounted for using the liability method considering temporary differences between the amounts recognised for financial reporting purposes and those used for tax purposes. The liability method consists of determining deferred tax assets and liabilities as a function of the differences between the carrying amount and tax bases of assets and liabilities, using the tax rates objectively expected to be prevailing when the assets and liabilities are realised and incurred, respectively.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the tax assets can be utilised.

The Company, as the parent of the Tax Group, recognises the total amount of consolidated income tax payable/(receivable) with a charge/(credit) to loans to/(borrowings from) group companies and associates.

o) Insurance

The Company has a number of insurance policies to cover the risks to which its activities expose it. The chief risks are potential damage to the Company's facilities and potential third-party claims arising in the course of its activities. The cost of the related insurance premiums is accrued in the statement of profit or loss. The income due from insurance companies as a result of claims is recognised in the statement of profit or loss in keeping with the revenue and expense matching principle.

p) Share-based payments

The Company has implemented share purchase plans whereby employees can receive Company shares as part of their annual pay packages. That remuneration is measured using the closing Company share price as of the date of delivery. Expenses incurred under these plans are recognised within employee benefits expense in the statement of profit or loss. All of the shares delivered to employees come from the Company's treasury stock.

q) Intragroup transactions

Transactions between group companies are recognised at the fair value of the consideration delivered or received. Any difference between fair value and the amount agreed is recognised in accordance with the underlying economic substance.

5 Intangible assets and PP&E

5.1 Intangible assets

The reconciliation of the carrying amounts of the various items of intangible assets and the related accumulated amortisation at the beginning and end of 2023 and 2022 is as follows:

Thousands of euros	31 Dec. 2021	Additions	Transfers	31 Dec. 2022	Additions	Transfers	31 Dec. 2023
Cost							
Software	5,541	–	5,648	11,189	–	12,038	23,227
Software in progress	5,640	7,394	(5,648)	7,386	7,939	(12,038)	3,287
Total cost	**11,181**	**7,394**	**–**	**18,575**	**7,939**	**–**	**26,514**
Accumulated amortisation							
Software	(3,395)	(2,373)	–	(5,768)	(4,363)	–	(10,131)
Total accumulated amortisation	**(3,395)**	**(2,373)**	**–**	**(5,768)**	**(4,363)**	–	**(10,131)**
Carrying amount	**7,786**	**5,021**	**–**	**12,807**	**3,576**	**–**	**16,383**

The additions under software in progress in both years related to the development and purchase of corporate software programmes from third parties.

At 31 December 2023, the original cost of fully-amortised intangible assets still in use was 3,303 thousand euros (2022: 2,306 thousand euros).

In 2023 the Company capitalised 331 thousand euros of operating expenses directly related with internally generated intangible assets (2022: 252 thousand euros).

5.2 Property, plant and equipment

The reconciliation of the carrying amounts of the various items of property, plant and equipment and the related accumulated depreciation at the beginning and end of 2023 and 2022 is as follows:

Thousands of euros	31 Dec. 2021	Additions	Transfers	31 Dec. 2022	Additions	Transfers	31 Dec. 2023
Cost							
Land and buildings	88,144	–	–	88,144	–	–	88,144
Other fixtures, machinery, tools, furniture and other PP&E	17,568	–	2,318	19,886	–	5,005	24,891
PP&E under construction and advances	6,561	2,055	(2,318)	6,298	4,509	(5,005)	5,802
Total cost	**112,273**	**2,055**	**–**	**114,328**	**4,509**	**–**	**118,837**
Accumulated depreciation							
Buildings	(24,763)	(1,575)	–	(26,338)	(1,574)	–	(27,912)
Other fixtures, machinery, tools, furniture and other PP&E	(16,673)	(760)	–	(17,433)	(1,459)	–	(18,892)
Total accumulated depreciation	**(41,436)**	**(2,335)**	**–**	**(43,771)**	**(3,033)**	**–**	**(46,804)**
Carrying amount	**70,837**	**(280)**	**–**	**70,557**	**1,476**	**–**	**72,033**

Land and buildings relate to properties owned by the Company that are held for use in its main business activities, as detailed in note 1. Of the total, 15,222 thousand euros relates to land and 72,922 thousand euros, to buildings.

The additions recognised under PP&E under construction and transfers in 2023 and 2022 related mainly to the purchase and assembly of equipment, and also the refurbishment of buildings owned by the Company.

At 31 December 2023, the original cost of fully-depreciated items of property plant and equipment still in use was 17,266 thousand euros (2022: 17,266 thousand euros), of which 14,683 thousand euros (in both years) related to other PP&E.

The Company did not capitalise any operating expenses related directly with self-constructed assets in either 2023 or 2022.

Spanish Law 16/2012 introduced a range of tax measures designed to consolidate Spain's public finances and shore up economic activity, including the possibility of asset restatements using the coefficients stipulated in the legislation itself, under which the Company revalued its property, plant and equipment and investment properties with a credit to an equity line item named revaluation reserves. As stipulated in an ICAC resolution dated 31 January 2013, the asset restatements, if availed of, had to be recognised in the financial statements for 2013. Under the scope of that law, the Company restated its property, plant and equipment as of 1 January 2013, paying a one-time tax of 5% of the amount of the revaluation.

The amount of the restatement, net of the one-time tax of 5%, was credited to reserves (note 14). The assets whose carrying amount was restated were land and buildings, in the amount of 6,304 thousand euros, and other PP&E, in the amount of 60 thousand euros. The restatements did not affect the amount of accumulated depreciation as of the restatement date.

The net increase in value resulting from this revaluation exercise is being depreciated during the remaining years of useful life of the revalued assets. The asset restatements implied the recognition of an additional 176 thousand euros of depreciation charges in both 2023 and 2022.

6 Investment properties

The reconciliation of the carrying amounts of the Company's investment properties and the related accumulated depreciation and impairment in 2023 and 2022 is as follows:

Thousands of euros	31 Dec. 2021	Additions	Derecognitions	31 Dec. 2022	Additions	Derecognitions	31 Dec. 2023
Land	558	—		558	—		558
Buildings	1,840	—	(161)	1,679	—	(1,679)	—
Total cost	**2,398**	**—**	**(161)**	**2,237**	**—**	**(1,679)**	**558**
Buildings	(541)	(32)	39	(534)	(25)	**559**	—
Total accumulated depreciation	**(541)**	**(32)**	**39**	**(534)**	**(25)**	**559**	**—**
Impairment of investment properties	(84)	—	84	—	—	—	—
Total impairment	**(84)**	**—**	**84**	**—**	**—**	**—**	**—**
Carrying amount	**1,773**	**(32)**	**(38)**	**1,703**	**(25)**	**(1,120)**	**558**

The investment property derecognised in 2023 stemmed from the sale of a premises in a town in Valencia (and in 2022 from the sale of a premises in Oviedo) (note 20-d).

On the basis of market appraisals at year-end 2023 and 2022, the Group concluded that its investment properties were not impaired, as their recoverable amounts remained above their carrying amounts.

The market value of the Company's investment properties, appraised by an independent expert, was approximately 1.2 million euros at 31 December 2023 (2022: 2.7 million euros), not generating significant income or operating expenses.

7 Operating leases

The Company leases certain assets from group companies. Specifically, it leases the following assets under operating leases:

Thousands of euros	31 Dec. 2023	31 Dec. 2022
Cost		
Land and buildings	86,358	86,358
Other fixtures, machinery, tools, furniture and other PP&E	24,891	19,886
Total cost	**111,249**	**106,244**
Accumulated depreciation		
Buildings	(27,912)	(26,338)
Other fixtures, machinery, tools, furniture and other PP&E	(18,892)	(17,433)
Total accumulated depreciation	**(46,804)**	**(43,771)**
Carrying amount	**64,445**	**62,473**

The Company has agreements with certain group companies - Red Eléctrica de España, S.A.U., Redeia Infraestructuras de Telecomunicación, S.A., Red Eléctrica Infraestructuras en Canarias, S.A.U., Elewit S.A.U. and Hispasat, S.A. - under which it leases them space within the Company's properties; they are classified as operating leases.

These leases are rolled over periodically and in 2023 generated 10,986 thousand euros of lease income (2022: 10,383 thousand euros), which is recognised under provision of services within revenue in the accompanying statement of profit or loss. Of that total, approximately 86% came from Red Eléctrica de España, S.A.U. and 14%, from the other group companies in both years.

8 Investments in group companies and associates

None of the group companies in which the Company has investments was publicly listed at either year-end. The reconciliation of the Company's equity investments in these companies at the beginning and end of 2023 and 2022:

Thousands of euros	31 Dec. 2021	Additions and capital increases	Derecognitions	31 Dec. 2022	Additions and capital increases	Derecognitions	31 Dec. 2023
Equity instruments	2,152,488	711,127	(14,700)	2,848,915	–	–	2,848,915

The Company did not complete any corporate transactions in 2023.

The main transactions completed in 2022 were as follows:

- In 2022, Red Eléctrica increased its capital by 515 million euros by issuing one share with a par value of 2 euros and a share premium of 515,000 thousand euros. That share was purchased by the Company and paid for by means of the partial forgiveness of the loan described in note 21.
- In 2022, Red Eléctrica Internacional increased its share capital by 196.1 million euros in order to in turn participate in the capital increase undertaken by its investee Argo Energia Empreendimentos e Participações S.A. (Argo Energía). This capital increase was fully subscribed and paid in by the Company. On 30 November 2022, Argo Energía completed the acquisition of 62.5% of the share capital of five power transmission concessions ("Argo V, VI, VII, VIII and IX"). It made this investment by means of a joint investment with Grupo de Energía Bogotá (GEB) (37.5%), under a co-governance regime. The acquisition price attributable to the Group was BRL 1.05 billion (200.7 million euros).
- On 29 June 2022, having obtained the pertinent approvals, the Company closed the sale of a 49% minority interest in Redeia Infraestructuras de Telecomunicación, S.A. for 995,618 thousand euros, under the terms of the agreement entered into between Redeia Corporación, S.A. and Kohlberg Kravis Roberts & Co. L.P. (KKR) through a subsidiary of the latter, Rudolph Bidco S.À.R.L, on 16 December 2021. Following that transaction, the Company retains a 51% interest in Redeia Infraestructuras de Telecomunicación, S.A. This transaction generated a gain of 969,909 thousand euros (note 20-e).

The breakdown of the Company's investments in group companies and associates at year-end 2023:

Redeia Corporación, S.A. (formerly, Red Eléctrica Corporación S.A.)
Breakdown of equity investments at 31 Dec. 2023

- Company
- Registered office
- Core business

Thousands of euros	Percentage interest (1)		Carrying amount at 31 Dec. 2023	Equity of the investee (2)				Profit for the year (3)	Operating profit/(loss) (3)
	Direct	Indirect		Share capital paid in	Share premium	Reserves	Other items		
Red Eléctrica de España, S.A.U. (Red Eléctrica) - Paseo Conde de los Gaitanes, 177. Alcobendas. Madrid. (Spain). - Transmission and operation of the Spanish electricity system and management of the transmission network.	100%	—	1,529,326	800,006	569,319	1,438,024	305,529	545,784	768,453
Red Eléctrica Internacional, S.A.U. (Redinter) - Paseo Conde de los Gaitanes, 177. Alcobendas. Madrid. (Spain). - Acquisition and holding of international equity investments. Provision of advisory, engineering and construction services. Performance of electricity activities outside the Spanish electricity system.	100%	—	738,669	186,037	552,632	50,045	(7,406)	28,329	33,064
Redeia Infraestructuras de Telecomunicación, S.A. (formerly, Red Eléctrica Infraestructuras de Telecomunicación, S.A.) - Paseo Conde de los Gaitanes, 177. Alcobendas. Madrid. (Spain). - Provision of advisory, engineering and construction services.	51%	—	15,300	30,000	—	13,663	(3,328)	58,883	85,198
Red Eléctrica Infraestructuras en Canarias, S.A.U. - Calle Juan de Quesada, 9. Las Palmas (Gran Canary Island) (Spain). - Management of the construction of energy storage facilities and of the water cycle.	100%	—	5,000	5,000	—	204	—	514	513
Redeia Financiaciones, S.L.U. (formerly, Red Eléctrica de España Finance, S.L.U.) - Paseo Conde de los Gaitanes, 177. Alcobendas. Madrid. (Spain). - Financing activities.	100%	—	2,000	18	1,982	119	—	95	(136)
Red Eléctrica Financiaciones, S.A.U. - Paseo Conde de los Gaitanes, 177. Alcobendas. Madrid. (Spain). - Financing activities.	100%	—	60	60	—	17,849	—	2,720	(169)
Redeia Sistemas de Telecomunicaciones, S.A.U. (formerly, Red Eléctrica Sistemas de Telecomunicaciones, S.A.U.) (4) - Paseo Conde de los Gaitanes, 177. Alcobendas. Madrid. (Spain). - Acquisition, holding, management and administration of Spanish and foreign equity securities.	100%	—	549,060	549,060	—	(6,514)	—	15,372	25,652
Elewit, S.A.U. (formerly, Red Eléctrica y Telecomunicaciones, Innovación y Tecnología, S.A.U.) (*) - Paseo Conde de los Gaitanes, 177. Alcobendas. Madrid. (Spain). - Activities geared towards driving and accelerating technological innovation.	100%	—	5,000	1,000	4,000	(1,165)	—	370	629
ºRedcor Reaseguros, S.A. - 26, Rue Louvigny. (Luxembourg) - Reinsurance activities. Incorporated in 2010 in Luxembourg in order to reinsure the risks of the Group companies, thereby guaranteeing better access to the international reinsurance markets.	100%	—	4,500	4,500	—	61,906	—	12,434	12,040

(1) Equivalent to voting rights.
(2) According to audited financial statements after uniformity adjustments to align them with the accounting criteria used by the Company and measured in euros using closing exchange rates.
(3) According to audited financial statements after uniformity adjustments to align them with the accounting criteria used by the Company and measured in euros using average exchange rates. Profit for the year and operating profit from continuing operations.
(4) Parent of the Hispasat, S.A. subgroup
(*) The annual financial statements of this company will be authorised for issue later by the Board of Directors of Redeia Corporación, S.A., so that the figures presented have yet to be audited.

Redeia Corporación, S.A. (formerly, Red Eléctrica Corporación S.A.)

Breakdown of equity investments at 31 December 2022

- Company
- Registered office
- Core business

Thousands of euros	Percentage interest (1)		Carrying amount at 31 Dec. 2022	Equity of the investee (2)				Profit for the year (3)	Operating profit/(loss) (3)
	Direct	Indirect		Share capital paid in	Share premium	Reserves	Other items		
Red Eléctrica de España, S.A.U. (Red Eléctrica) - Paseo Conde de los Gaitanes, 177. Alcobendas. Madrid. (Spain). - Transmission and operation of the Spanish electricity system and management of the transmission network.	100%	—	1,529,326	800,006	569,319	922,120	560,154	513,558	754,167
Red Eléctrica Internacional, S.A.U. (Redinter) - Paseo Conde de los Gaitanes, 177. Alcobendas. Madrid. (Spain). - Acquisition and holding of international equity investments. Provision of advisory, engineering and construction services. Performance of electricity activities outside the Spanish electricity system.	100%	—	738,669	186,037	552,632	44,487	(1,068)	5,528	4,657
Redeia Infraestructuras de Telecomunicación, S.A. - Paseo Conde de los Gaitanes, 177. Alcobendas. Madrid. (Spain). - Provision of advisory, engineering and construction services.	51%	—	15,300	30,000	—	9,771	(59)	56,636	77,385
Red Eléctrica Infraestructuras en Canarias, S.A.U. - Calle Juan de Quesada, 9. Las Palmas (Gran Canary Island) (Spain). - Management of the construction of energy storage facilities and of the water cycle.	100%	—	5,000	5,000	—	185	—	12	13
Redeia Financiaciones, S.L.U. - Paseo Conde de los Gaitanes, 177. Alcobendas. Madrid. (Spain). - Financing activities.	100%	—	2,000	18	1,982	31	—	88	(126)
Red Eléctrica Financiaciones, S.A.U. - Paseo Conde de los Gaitanes, 177. Alcobendas. Madrid. (Spain). - Financing activities.	100%	—	60	60	—	15,434	—	2,416	(184)
Redeia Sistemas de Telecomunicaciones, S.A.U. (4) - Paseo Conde de los Gaitanes, 177. Alcobendas. Madrid. (Spain). - Acquisition, holding, management and administration of Spanish and foreign equity securities.	100%	—	549,060	549,060	—	(3,595)	—	(2,919)	(705)
Elewit, S.A.U. - Paseo Conde de los Gaitanes, 177. Alcobendas. Madrid. (Spain). - Activities geared towards driving and accelerating technological innovation.	100%	—	5,000	1,000	4,000	(1,920)	—	880	1,216
Redcor Reaseguros, S.A. - 26, Rue Louvigny. (Luxembourg) - Reinsurance activities. Incorporated in 2010 in Luxembourg in order to reinsure the risks of the Group companies, thereby guaranteeing better access to the international reinsurance markets.	100%	—	4,500	4,500	—	56,088	—	7,855	9,141

(1) Equivalent to voting rights.

(2) According to audited financial statements after uniformity adjustments to align them with the accounting criteria used by the Company and measured in euros using closing exchange rates.

(3) According to audited financial statements after uniformity adjustments to align them with the accounting criteria used by the Company and measured in euros using average exchange rates. Profit for the year and operating profit from continuing operations

(4) Parent of the Hispasat, S.A. subgroup

The Company holds direct interests in the following companies:

- Red Eléctrica de España, the Spanish grid's transmission and system operator (TSO), which is bound by Spain's Electricity Act (Law 24/2013) and subsequent legal provisions regarding the TSO. The Company is not allowed to sell shares in this company, which carries out activities regulated in Spain, to third parties.
- Through its subsidiary Redeia Sistemas de Telecomunicaciones, it holds an 89.68% equity interest in Hispasat, S.A., whose core business is the sale and provision of satellite telecommunications services.
- Redeia Infraestructuras de Telecomunicación, which provides telecommunications services to third parties in Spain, mainly through the lease of backbone dark optic fibre.
- Red Eléctrica Internacional, which carries out the Group's international activities, specifically in Peru, Chile and Brazil.
- Red Eléctrica Infraestructuras en Canarias, the company which manages the construction of energy storage facilities and the water cycle.
- Redeia Financiaciones and Red Eléctrica Financiaciones, the Group companies that perform its financing activities.
- Redcor Reaseguros, the company devoted to reinsurance activities.
- Elewit, the subsidiary through which technological innovation is channelled.

In 2023 the Company received dividends from its investees (note 20-a), specifically, 388,123 thousand euros from Red Eléctrica and 26,928 thousand euros from Redeia Infraestructuras de Telecomunicaciones. It did not receive any dividends from its investees in 2022.

Annually, the Company carries out impairment tests to verify the recoverability of any equity investments for which it has detected indications of potential impairment. The Company used projected cash flow analysis to perform those tests. The tests revealed recoverable amounts in excess of the investments' carrying amounts in all instances in 2023 and 2022, so that no impairment losses were required.

Given the existence of indications of impairment, Redinter's investments in international companies were tested for impairment, without indicating the need to recognise any material impairment losses.

The key assumptions underpinning the businesses' projections used to calculate value in use, which are based on business forecasts and past experience, are:

- Regulated remuneration: estimated based on the mechanisms stipulated in international regulations for updating these amounts.
- Capital expenditure: the best information available regarding plans to invest in assets and infrastructure maintenance over the projection time horizon.
- Operating and maintenance expenses: projected in line with the growth forecasts derived from the capital expenditure plan.
- Other costs: projected on the basis of sector knowledge, past experience and in line with the outlook derived from the capital expenditure plan.

To calculate the present value of the projected cash flows, they were discounted using an after-tax rate that reflects the weighted average cost of capital (WACC) of the business in question and country risk.

This exercise showed that the recoverable amount of Redinter's international investments, including the loan to Transmisora Eléctrica del Norte S.A., is above their carrying amount.

In 2023 the Company also tested Redeia Sistemas de Telecomunicaciones' investment in Hispasat for impairment, concluding that the recoverable amount exceeds its carrying amount, so that Redeia Sistemas de Telecomunicaciones' equity investment plus the loan extended to this investee are not considered impaired.

The main assumptions used to test the investment in Hispasat for impairment:

- The investment was measured at fair value less costs to sell, using the revenue approach, to estimate the recoverable amount of the satellite business.

  The revenue approach indicates the recoverable amount of a business using the present value of its estimated cash flows, i.e., discounted cash flow (DCF) analysis. Specifically, the present value of the future cash flows was arrived at by using a discount rate (the WACC) that reflects the time value of money and the risks associated with the projected cash flows.

  Costs to sell were estimated considering the costs incurred in previous transactions undertaken by the Group.

  The resulting fair value less costs to sell was then grossed up by the value of the equity-accounted investments included in the Hispasat Subgroup.

- Cash flows were projected for 2024-2040 for existing satellites, which is aligned with their useful lives, and for the useful life of new satellite assets scheduled for launch in the coming years. The cash flow projections also factor in the Hispasat subgroup's expected entry into new business models and technologies.

  The cash flow projections beyond year five are considered reliable on the basis of the Group's experience with investments with a significant technology component that imply long-term contracts and commitments. Specifically, the satellite business materialises in long-term contractual commitments with customers, which usually cover most of the satellites' useful lives, with a view to locking in a minimum return before launching new satellites. The idea is to attempt to lay solid foundations for earning the estimated return from a satellite before embarking on the project.

  The terminal value of traditional technology is zero as the infrastructure that underpins this business ceases to generate income or expenses at the end of the satellites' useful lives. For infrastructure that uses new technology and the projected new businesses and services, the terminal value was estimated assuming growth in perpetuity of 0% and 1.25%, respectively.

- The EBITDA margins modelled for the traditional business and the new technologies and new businesses and services were similar to those used in 2022, yielding an average EBITDA margin of 59%.
- The exchange rates used to translate the projected cash flows denominated in foreign currency were based on forecasts for the US dollar (USD), Brazilian real (BRL) and Mexican peso (MXN).
- The cash flows were discounted at a rate based on the weighted average cost of capital (WACC) taken from a report prepared by an independent expert. Specifically, they were discounted at a pre-tax rate of 7.85% for the traditional satellite business and infrastructure based on new technology (2022: 8.58%) and at a pre-tax rate of 13.99% in the case of the new businesses and services (2022: 12.3%).

Lastly, the fair value less costs to sell of the companies consolidated into the Hispasat Subgroup using the equity method was reduced by the fair value of the Hispasat Subgroup's net borrowings in order to derive the equity value of Redeia Sistemas de Telecomunicaciones' investment.

9 Financial risk management policy

The Company's financial risk management policy establishes principles and guidelines to ensure that any significant risks that could compromise its objectives and activities are identified, analysed, assessed, managed and controlled, and that these processes are carried out systematically, framed by uniform criteria.

The main guidelines set down in those principles can be summed up as follows:

- Risk management should be fundamentally proactive and directed towards the medium and long term, taking into account possible scenarios in an increasingly global environment.

- Risk should generally be managed in accordance with consistent criteria, distinguishing between the importance of the risk (probability/impact) and the investment and resources needed to mitigate it.
- Financial risk management should be designed to avoid undesirable movements in the Company's fundamental value, rather than generating extraordinary gains.

The Company's finance management is responsible for managing financial risk, ensuring consistency with the stated strategy and coordinated risk management, identifying the main financial risks and defining the initiatives to be taken, based on different financial scenarios.

The methodology for identifying, measuring, monitoring and controlling financial risks, as well as the performance indicators and measurement and control tools specific to each risk, are set down in the Group's Comprehensive Risk Management System and are formally documented in the Comprehensive Risk Management Policy, the General Management Procedure and the internal risk control system.

The financial risks to which the Company is exposed are:

a) Market risk

The risk of movements in the financial markets with respect to prices, interest rates, exchange rates, lending terms and conditions and other variables that could affect the Company's borrowing costs in the short, medium or long term.

These risks are managed by borrowing in specific currencies, at specific maturities and opting for specific interest rate formulas, and by using financial hedging instruments that modify the characteristics of the Company's financial structure. The following risks stand out within market risks:

- **Interest rate risk**

At both year-ends, the Company's was mainly exposed to interest rate risk through its statement of profit or loss.

Movements in interest rates affect both the fair value of the assets and liabilities that carry interest at a fixed rate and the future cash flows of assets and liabilities benchmarked to floating rates. A change of 0.10% in either direction in interest rates in 2023 would have increased or decreased earnings by 922 thousand euros (2022: 1,147 thousand euros).

- **Currency risk**

Management of this financial risk addresses transaction risk derived from having to collect or pay cash in the future in a currency other than the euro.

The Company has arranged cross currency swaps to eliminate the currency risk derived from the loans extended to Red Eléctrica Chile, a Group company. These instruments swap floating-rate debt in euros for fixed-rate debt in dollars, so hedging the collection of US dollars in the future.

- **Credit and liquidity risk**

This is the Company's biggest financial risk as most of its borrowings are arranged by other Group companies, which assume the related market and liquidity risk. Credit risk is managed through policies stipulating requirements regarding counterparty creditworthiness and the provision of additional guarantees when necessary. The Company believes there is no risk that it will not be able to collect its receivables at year-end 2023.

Moreover, there are no restrictions on the use of the cash balances presented in the Company's balance sheet.

10 Financial instrument analysis

a) Analysis by category

The carrying amounts of the Company's financial instruments, other than its equity investments in group companies, by category at 31 December 2023 and 2022:

- **Financial assets**

	Financial instrument categories at 31 December 2023			
Thousands of euros	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Hedging derivatives	Total
Loans to third parties	–	706	–	706
Loans to group companies and associates	–	610,526	–	610,526
Equity instruments with special characteristics	2,825	–	–	2,825
Derivative financial instruments	–	–	2,168	2,168
Other financial assets	–	22	–	22
Non-current	2,825	611,254	2,168	616,247
Receivable from group companies and associates: trade receivables and loans	–	853,966	–	853,966
Other financial assets	–	1,029	–	1,029
Trade and other receivables	–	345	–	345
Current	–	855,340	–	855,340
Total	**2,825**	**1,466,594**	**2,168**	**1,471,587**

	Financial instrument categories at 31 December 2022			
Thousands of euros	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Hedging derivatives	Total
Loans to third parties	–	839	–	839
Loans to group companies and associates	–	530,561	–	530,561
Equity instruments with special characteristics	6,603	–	–	6,603
Derivative financial instruments	–	–	–	–
Other financial assets	–	22	–	22
Non-current	6,603	531,422	–	538,025
Receivable from group companies and associates: trade receivables and loans	–	123,643	–	123,643
Other financial assets	–	401,027	–	401,027
Trade and other receivables	–	536	–	536
Current	–	525,206	–	525,206
Total	**6,603**	**1,056,628**	**–**	**1,063,231**

- **Financial liabilities**

Thousands of euros	Financial instrument categories at 31 December 2023		
	Financial liabilities at amortised cost	Hedging derivatives	Total
Notes and other marketable securities	399,299	–	399,299
Bank borrowings	138,785	–	138,785
Borrowings from group companies and associates	39,622	–	39,622
Derivative financial instruments	–	–	–
Other financial liabilities	16	–	16
Non-current	**577,722**	**–**	**577,722**
Notes and other marketable securities	25,630	–	25,630
Bank borrowings	6,794	–	6,794
Payable to group companies and associates: trade payables and borrowings	232,803	–	232,803
Current borrowings	163,490	–	163,490
Trade and other payables	22,653	–	22,653
Current	**451,370**	**–**	**451,370**
Total	**1,029,092**	**–**	**1,029,092**

Thousands of euros	Financial instrument categories at 31 December 2022		
	Financial liabilities at amortised cost	Hedging derivatives	Total
Notes and other marketable securities	398,761	–	398,761
Bank borrowings	39,494	–	39,494
Borrowings from group companies and associates	25,880	–	25,880
Derivative financial instruments	–	2,209	2,209
Other financial liabilities	16	–	16
Non-current	**464,151**	**2,209**	**466,360**
Notes and other marketable securities	2,512	–	2,512
Bank borrowings	120,987	–	120,987
Payable to group companies and associates: trade payables and borrowings	97,508	–	97,508
Current borrowings	159,848	–	159,848
Trade and other payables	40,124	–	40,124
Current	**420,979**	**–**	**420,979**
Total	**885,130**	**2,209**	**887,339**

b) Analysis by maturity

- **Financial assets**

Thousands of euros	31 Dec. 2023						
	Maturity of financial assets						
	2024	2025	2026	2027	2028	Beyond	Total
Loans to third parties	–	–	–	–	–	706	706
Loans to group companies and associates	853,966	–	192,084	–	106,942	311,500	1,464,492
Equity instruments with special characteristics	–	–	–	–	–	2,825	2,825
Other financial assets	1,029	–	–	–	–	22	1,051
Trade and other receivables	345	–	–	–	–	–	345
Total	**855,340**	**–**	**192,084**	**–**	**106,942**	**315,053**	**1,469,419**

Thousands of euros	31 Dec. 2022						
	Maturity of financial assets						
	2023	2024	2025	2026	2027	Beyond	Total
Loans to third parties	–	–	–	–	–	839	839
Loans to group companies and associates	123,643	345,000	–	185,561	–	–	654,204
Equity instruments with special characteristics	–	–	–	–	–	6,603	6,603
Other financial assets	401,027	–	–	–	–	22	401,049
Trade and other receivables	536	–	–	–	–	–	536
Total	**525,206**	**345,000**	**–**	**185,561**	**–**	**7,464**	**1,063,231**

- **Financial liabilities**

Thousands of euros	31 Dec. 2023							
	Maturity of financial liabilities							
	2024	2025	2026	2027	2028	Beyond	Valuation adjustments	Total
Notes and other marketable securities	25,630	400,000	–	–	–	–	(701)	424,929
Bank borrowings - euros	21	–	138,923	–	–	–	(138)	138,806
Bank borrowings - foreign currencies	6,773	–	–	–	–	–	–	6,773
Payable to group companies and associates: trade payables and borrowings	232,803	–	–	–	–	39,622	–	272,425
Trade and other payables	186,143	–	–	–	–	–	–	186,143
Other financial liabilities	–	–	–	–	–	16	–	16
Total	**451,370**	**400,000**	**138,923**	**–**	**–**	**39,638**	**(839)**	**1,029,092**

Thousands of euros	31 Dec. 2022							
	Maturity of financial liabilities							
	2023	2024	2025	2026	2027	Beyond	Valuation adjustments	Total
Notes and other marketable securities	2,512	–	400,000	–	–	–	(1,239)	401,273
Bank borrowings - euros	75,587	–	–	–	–	–	(10)	75,577
Bank borrowings - foreign currencies	45,410	39,494	–	–	–	–	–	84,904
Payable to group companies and associates: trade payables and borrowings	97,508	–	–	–	–	25,880	–	123,388
Trade and other payables	199,972	–	–	–	–	–	–	199,972
Other financial liabilities	–	–	–	–	–	16	–	16
Total	**420,989**	**39,494**	**400,000**	**–**	**–**	**25,896**	**(1,249)**	**885,130**

The maturity analysis of the Company’s derivative financial instruments is provided in note 11.

11 Derivative financial instruments

Framed by its financial risk management policy, the Company has arranged cross currency swaps as hedges. These instruments swap floating-rate debt in euros for fixed-rate debt in dollars, so hedging the collection of US dollars in the future. The Company has not formally designated the swaps as a hedge; rather, the gains and losses derived from changes in the rate of exchange of the derivative financial instruments are offset in its statement of profit or loss by the changes arising in the long-term loan extended to the Group company, Red Eléctrica Chile (note 21). In contrast, that hedging relationship has been formally documented for the purposes of the Group's consolidated financial statements, qualifying as a hedge of a net investment in a foreign operation in dollars.

The Company layers in adjustments for credit risk in order to reflect own credit risk and counterparty credit risk in the estimated fair value of its derivative financial instruments, calculated using generally accepted valuation models.

To determine the credit risk adjustment, it uses a technique based on the calculation, using simulations, of the total expected exposure (which therefore includes current and potential exposure), adjusted for the probability of default over time and the loss given default assigned to the Company and each of its counterparties.

The total expected exposure of derivative financial instruments is obtained using observable market inputs such as yield, currency and volatility curves, factoring in market conditions at the measurement date.

The inputs used to determine own credit risk and counterparty credit risk (which in turn determine the probability of default) are mainly based on own credit spreads and the spreads of comparable companies currently traded on the market (CDS curves, yields on bond issues).

Also, to adjust fair value for credit risk, the Company factors in credit enhancements from guarantees and collateral when determining the loss given default rate to apply to each position. Loss given default is considered constant in time. If there are no credit enhancements from guarantees or collateral, a minimum recovery rate of 40% was modelled.

The Company uses mid-market prices taken from external sources of information widely used in the financial markets as observable inputs.

The breakdown of the Company's derivative financial instruments by nature at year-end:

	31 Dec. 2023		Non-current		Current	
Thousands of euros	**Principal hedged**	**Maturity date**	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Foreign exchange hedges - Hedge of a net investment:						
Cross currency swap	USD 150 million	Until 2026	2,168	–	–	–

	31 Dec. 2022		Non-current		Current	
Thousands of euros	**Principal hedged**	**Maturity date**	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Foreign exchange hedges - Hedge of a net investment:						
Cross currency swap	USD 150 million	Until 2026	–	2,209	–	–

The breakdown of these derivative financial instruments by maturity date:

	31 Dec. 2023							
Thousands of euros	**Principal hedged**	**Maturity date**	**2024**	**2025**	**2026**	**2027**	**2028 and beyond**	**Total**
Foreign exchange hedges - Hedge of a net investment:								
Cross currency swap	USD 150 million	Until 2026	–	–	2,168	–	–	2,168

Thousands of euros	31 Dec. 2022							
	Principal hedged	Maturity date	2023	2024	2025	2026	2027 and beyond	Total
Foreign exchange hedges								
- Hedge of a net investment:								
Cross currency swap	USD 150 million	Until 2026	–	–	–	(2,209)	–	(2,209)

The related expense recognised in the statement of profit or loss amounted to 510 thousand euros in 2023 (2022: 113 thousand euros).

12 Current and non-current financial investments

The breakdown of the Company’s financial investments at 31 December 2023 and 2022:

Thousands of euros	31 Dec. 2023	31 Dec. 2022
Equity instruments	2,825	6,603
Loans to third parties	706	839
Derivative financial instruments	2,168	–
Other financial assets	22	22
Total non-current financial investments	**5,721**	**7,464**

Thousands of euros	31 Dec. 2023	31 Dec. 2022
Other financial assets	1,029	401,027
Total current financial investments	**1,029**	**401,027**

Equity instruments in the table above presents investments in economic interest groupings (EIGs) which lease assets that are managed by another company that is unrelated to the Company, which retains substantially all the risks and rewards associated with the assets, with the Company simply availing of the tax incentives provided for in Spanish legislation. The investments were carried at 2,825 thousand euros at year-end (2022: 6,603 thousand euros). The Company recognises the difference between the tax losses that are generated and declared by the economic interest groupings and its investments in them as finance income (notes 17 and 20-c).

These investments are classified within Level 2 for fair value hierarchy purposes.

At both year-ends, loans to third parties reflects long-term loans extended by the Company to its staff. The loans accrue interest at Euribor plus a spread, as stipulated in the corresponding collective bargaining agreement.

At year-end 2023, the balance recognised under non-current derivative financial instruments reflects their valuation, as outlined, along with their breakdown and maturity profile, in note 11.

Other current financial assets at 31 December 2023 relates to the interest accrued and outstanding on those derivative financial instruments. At 31 December 2022 it also included short-term financial investments, specifically time deposits and private repo securities.

13 Trade and other receivables

The breakdown of this heading at year-end 2023 and 2022:

Thousands of euros	31 Dec. 2023	31 Dec. 2022
Trade receivables from group companies and associates	37,070	17,181
Other receivables	171	211
Receivable from employees	174	325
Current tax assets	205,530	174,528
Taxes receivable	1,263	1,003
Total	**244,208**	**193,248**

Trade receivables from group companies and associates at both year-ends reflect the balances due collection in relation to the Company's day-to-day activities managing its Group (note 1).

Other receivables at both reporting dates include balances due under property leases and other operating income from services provided to third parties.

Receivable from employees at both year-ends mainly reflects the long-term loans extended by the Company to its staff (note 12).

Current tax assets at both dates reflect the amount of income tax receivable that the Company has recognised in its capacity as parent of the Tax Group.

Lastly, at 31 December 2023 and 2022 other taxes receivable reflect value-added tax (VAT) receivable by the Company.

14 Equity

a) Capital risk management

The Group's capital management objectives are to safeguard its ability to continue as a going concern in order to generate returns for its shareholders and maintain an optimum capital structure to reduce the cost of capital.

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

Given the Company's activity and its investees' ability to generate cash, capital risk is not considered material.

b) Capital and reserves

- **Share capital**

At 31 December 2023 and 2022, the Company's share capital comprised 541,080,000 shares represented by book entries, all subscribed and paid in, carrying the same voting and dividend rights (notwithstanding the limits outlined in the paragraph below), with a unit par value of fifty euro cents. They are admitted to trading on the four Spanish stock exchanges and are traded through the continuous market (SIBE for its acronym in Spanish).

The Company is subject to the shareholder limitations stipulated in additional provision twenty-three of the Spanish Law 54/1997 (27 November 1997) and article 30 of the Electricity Sector Act (Law 24/2023 of 26 December 2013).

Specifically, any individual or entity may hold shares in the Company, provided that the sum of their direct or indirect interests in its share capital does not exceed 5% and their voting rights do not surpass 3% of the total. These share may not be syndicated for any purpose. Voting rights in the Company are limited to 1% in the case of entities that carry out activities in the electricity sector, and individuals and entities that hold direct or indirect interests exceeding 5% of the share capital of such companies, notwithstanding the limits applicable to generators and agents under article 30 of the Electricity Sector Act. The above limits on shareholdings in the Parent do not apply to the state industrial holding company, SEPI for its acronym in Spanish, which must maintain a shareholding of at least 10%. At 31 December 2023 and 2022, SEPI held 20% of the Company's share capital.

- **Reserves**

This heading includes:

- Legal reserve

Spanish companies must transfer 10% of profit for the year to a legal reserve until this reserve is equivalent to at least 20% of share capital. This reserve cannot be distributed to shareholders until that threshold is met and may only be used to offset losses, provided no other reserves are available. Under certain conditions, this reserve may also be used to increase share capital. At 31 December 2023 and 2022, the legal reserve was equal to 20% of share capital (54,199 thousand euros).

- Revaluation reserve (Law 16/2012 of 27 December 2012).

As allowed by Law 16/2012, introducing a range of tax measures designed to consolidate Spain's public finances and shore up economic activity, the Company availed of the possibility of restating its property, plant and equipment. The revaluation reserve amounts to 6,042 thousand euros, net of the one-time tax of 5% on the revaluation gain. The revaluation reserve balance did not change in 2023.

That reserve can be used to offset losses or increase capital ever since the three-year tax inspection prescription period (counting from presentation of the 2012 return) elapsed. Ten years after that same date it will qualify as an unrestricted reserve. However, this balance may only be distributed, directly or indirectly, when the restated assets have been fully depreciated, sold or derecognised.

- Other reserves

This line item mainly includes voluntary reserves and first-time application reserves in the amounts of 2,179,965 and 19,895 thousand euros, respectively, at 31 December 2023 (2022: 1,791,069 and 19,895 thousand euros, respectively). Both reserve accounts are freely distributable.

At both reporting dates, this heading also includes reserves set aside under legal requirements in the amount of 264,547 thousand euros, mainly including the asset revaluation reserve generated at the Company in 1996 in the amount of 247,022 thousand euros. This reserve can be used, without becoming taxable, to offset losses, increase capital or, 10 years after its creation and once the revalued assets have been fully depreciated, as unrestricted reserves. However, this balance may only be distributed, directly or indirectly, when the restated assets have been fully depreciated, sold or derecognised.

The spin-off in 2015 of the telecommunications business line from Red Eléctrica Internacional for transfer to Redeia Infraestructuras de Telecomunicación generated a reserve in the amount of 74,407 thousand euros at the difference between the value of the net assets spun off to that Group company, which was 74,417 thousand euros, and the amount at which the Company carried its investment in that same business through Red Eléctrica Internacional. This reserve balance did not change in 2023.

In 2023, the amount of reserves was reduced by the cost of issuing other equity instruments and the coupons accrued on those same instruments in a total amount of 30,062 thousand euros, net of the related tax effect (refer to other equity instruments below and note 16).

Reserves also include the capitalisation reserve, in the amount of 74,818 thousand euros at 31 December 2023 (2022: 56,133 thousand euros) originated, with a charge against earnings, in 2016, 2017, 2018, 2020, 2021 and 2022. The capitalisation reserve corresponding to 2019 was recorded in 2020 at Red Eléctrica de España S.A.U. The capitalisation reserve endowment for 2023 will be made at Red Eléctrica de España, S.A.U., a subsidiary of the same Tax Group, in keeping with article 62.1 d) of Law 27/2014. This reserve will be restricted for five years. Associated with this reserve, each Group company in the Tax Group has made the corresponding adjustments to their annual income tax.

- **Own shares**

At 31 December 2023, the Company held own shares representing 0.21% of its share capital; specifically, it held 1,112,017 shares with an aggregate par value of 556 thousand euros, which it acquired at an average price of 17.53 euros per share. At 31 December 2022, own shares represented 0.28% of its share capital; specifically, 1,499,900 shares with an aggregate par value of 750 thousand euros, which it acquired at an average price of 17.53 euros per share (note 28).

These shares are recognised as a reduction in equity and were carried at 19,496 thousand euros at 31 December 2023 (year-end 2022: 26,296 thousand euros).

The Company is compliant with all of its obligations under article 509 of the Corporate Enterprises Act which stipulates that, other than in the exceptional cases itemised in company law, the par value of any own shares acquired by listed companies, plus those already held directly or indirectly by the parent and its subsidiaries, may not exceed 10% of share capital. The subsidiaries do not hold any own shares or any Company shares.

- **Profit for the year**

The Company’s profit amounted to 450,428 thousand euros in 2023 (2022: 947,571 thousand euros).

- **Interim dividend and motion for the distribution of dividends**

The interim dividend approved by the Board of Directors in 2023 has been recognised by reducing equity by 147,249 thousand euros at 31 December 2023 (147,143 thousand euros at year-end 2022).

On 31 October 2023, the Board of Directors agreed to pay an interim dividend from 2023 earnings in the amount of 0.2727 euros per share (before withholding tax), payable on 5 January 2024.

The cash flow forecast for the period elapsing between 30 September 2023 and 5 January 2024 showed the existence of sufficient liquidity to substantiate its distribution. Moreover, the amount to be distributed did not exceed the profit generated by the Company since its last year-end, net of the estimated income tax payable on those earnings, as required under article 277 of the consolidated text of the Corporate Enterprises Act.

As required in article 277 a) of the Corporate Enterprises Act, the Board authorised the issuance of the following liquidity statement:

Liquidity statement of Redeia Corporación, S.A.	Thousands of euros
Funds available at 30 September 2023:	
Undrawn non-current loans	165,889
Undrawn current loans	69,915
Short-term financial investments and cash	17,802
Forecast inflows:	
Operating transactions	–
Financing transactions	224,419
Forecast outflows:	
Operating transactions	(115,902)
Financing transactions	(1,000)
Forecast fund availability at 5 January 2024:	**361,123**

The cash flow forecasts as of the date of the resolution did not - and do not - point to any restrictions on the availability of funds. In addition, given the Company’s ability to generate cash and its undrawn credit facilities, it expected to have sufficient liquidity during a period of one year from declaration of the interim dividend.

Lastly, as shown in the financial statements and as contemplated at the time of the declaration, the profit generated in 2023 was sufficient to permit the interim dividend payment.

As per the proposal for the appropriation of the Company's profit for the year (note 3), the directors are planning to submit a motion at the upcoming Annual General Meeting for the distribution of a final dividend, which, together with the interim dividend, will imply a total distribution of 540,777 thousand euros, and a total dividend for the year of one euro per share, calculated considering all shares.

- **Other equity instruments**

On 24 January 2023, the Company issued 500 million euros of subordinated perpetual securities in a single tranche. Those notes qualify as green financing. The par value of each security was 100 thousand euros and they were issued at a price of 99.67% of par, with a 4.625% coupon.

Given that the repayment of the principal and payment of the coupon are entirely at the discretion of the Company, these subordinated notes qualify as an equity instrument and are presented within other equity instruments in the statement of total changes in equity for the year ended 31 December 2023.

c) Valuation adjustments

At both reporting dates, this heading reflects the fair value gains on the Company's investment in Redes Energéticas Nacionais, SGPS, S.A. (REN) until 2015, when it transferred the investment, by way of a non-monetary contribution, as consideration for its participation in the capital increase undertaken by Red Eléctrica Internacional S.A.U., another Group company.

These gains will be kept in equity under the investment is sold outside the Group or written down for impairment, triggering its reclassification to profit or loss (note 4-e).

15 Non-current provisions

The reconciliation of the opening and year-end balances:

Thousands of euros	31 Dec. 2021	Additions	Utilised	Actuarial gains and losses	31 Dec. 2022	Additions	Utilised	Actuarial gains and losses	Transfers to current	31 Dec. 2023
Provisions for employee	14,491	4,730	(283)	(4,044)	14,894	1,964	(309)	(815)	(1,093)	14,641
Other provisions	5,385	115	—	—	5,500	125	—	—	—	5,625
Total	**19,876**	**4,845**	**(283)**	**(4,044)**	**20,394**	**2,089**	**(309)**	**(815)**	**(1,093)**	**20,266**

Provisions for staff costs includes the future health insurance commitments assumed by the Company with its staff upon retirement, calculated using actuarial assumptions made by an independent expert, specifically the following assumptions for 2023 and 2022:

	Actuarial assumptions	
	2023	2022
Discount rate	3.31%	2.87%
Growth in costs	3.00%	3.00%
Mortality table	PER2020_Col_1er.orden	PER2020_Col_1er.orden

The impact of a one-point increase and a one-point decrease in the health insurance costs would be as follows:

	2023					
	Health insurance cost (+1%)		Sensitivity analysis	Health insurance cost (-1%)		Sensitivity analysis
Thousands of euros	4%	3%		2%	3%	
Current service cost	272	214	58	170	214	(44)
Interest cost of the net post-employment health insurance costs	296	295	1	295	295	—
Accumulated post-employment benefit obligations for health insurance	10,265	8,294	1,971	6,767	8,294	(1,527)

	2022					
	Health insurance cost (+1%)		Sensitivity analysis	Health insurance cost (-1%)		Sensitivity analysis
Thousands of euros	4%	3%		2%	3%	
Current service cost	324	252	72	198	252	(54)
Interest cost of the net post-employment health insurance costs	362	361	1	361	361	—
Accumulated post-employment benefit obligations for health insurance	11,217	8,946	2,271	7,206	8,946	(1,740)

Elsewhere, the impact of a half-point decrease in the discount rate used by way of actuarial assumption, from 3.31% to 2.81% in 2023, on the costs of the health cover are shown below:

	2023			2022		
	Discount rate		Sensitivity analysis	Discount rate		Sensitivity analysis
Thousands of euros	3.31%	2.81%		2.87%	2.37%	
Current service cost	214	241	27	252	285	33
Interest cost of the net post-employment health insurance costs	295	251	(44)	361	299	(62)
Accumulated post-employment benefit obligations for health insurance	8,294	9,196	902	8,946	9,988	1,042

The accrued amounts are recognised as employee benefits expense or as finance costs, depending on their nature. The amounts of employee benefits expense and finance costs recognised in the statement of profit or loss in 2023 were 214 thousand euros and 295 thousand euros, respectively (2022: 252 thousand euros and 361 thousand euros, respectively). Changes in the present value of these obligations resulting from actuarial gains and losses are recognised within reserves in equity. The gross amount recognised in 2023 was a negative 815 thousand euros (2022: a negative 4,044 thousand euros) and is shown under actuarial gains and losses in the reconciliation above.

Provisions for employee benefits also include the commitments assumed by the Company under its long-term employee remuneration programme, with the amounts falling due in the next 12 months reclassified to current provisions.

Lastly, other provisions in the table above includes the amounts recognised by the Company annually to cover potentially unfavourable rulings on third-party claims.

16 Current and non-current borrowings

The breakdown of these headings at 31 December 2023 and 2022:

Thousands of euros	31 Dec. 2023	31 Dec. 2022
Notes and other marketable securities	399,299	398,761
Bank borrowings	138,785	39,494
Derivative financial instruments	–	2,209
Other liabilities	16	16
Non-current borrowings	**538,100**	**440,480**

Thousands of euros	31 Dec. 2023	31 Dec. 2022
Notes and other marketable securities	25,630	2,512
Bank borrowings	6,794	120,987
Other current borrowings	163,490	159,848
Current borrowings	**195,914**	**283,347**

At 31 December 2023 and 2022 notes and other marketable securities includes the 400 million euros of notes issued by the Company in the euromarket in 2020 under a specific standalone shelf prospectus filed with the Luxembourg stock exchange. The notes mature in 2025. The notes accrued interest at an average rate of 1.01% in 2023 (2022: 1.01%).

The interest accrued and unpaid on these notes stood at 2,505 thousand euros at year-end 2023 (2022: 2,512 thousand euros) and is included under current notes and other marketable securities. Current notes and other marketable securities also includes the interest accrued and unpaid on the subordinated perpetual securities issue detailed in note 14-b in the amount of 23,125 thousand euros.

Non-current bank borrowings includes 138,785 thousand euros drawn down under US dollar credit facilities due 2026 at 31 December 2023 (2022: 39,494 thousand euros).

At year-end 2022, the balance recognised under non-current derivative financial instrumented reflects their negative valuation. The instruments' positive valuation at 31 December 2023 means they are recognised within financial assets at that year-end (note 12). Their breakdown and maturity profile is disclosed in note 11.

At both reporting dates, other liabilities included 16 thousand euros corresponding to long-term security deposits received.

Current bank borrowings at 31 December 2023 includes US dollar-denominated loans and credit facilities in the amount of 1,746 thousand euros which fall due in 2024. In 2022, it included euro-denominated loans and credit facilities totalling 74,990 thousand euros and the amounts drawn down under US dollar credit facilities arranged by the Company in the amount of 43,128 thousand euros.

At 31 December 2023, the interest accrued and outstanding on those loans amounted to 1,515 thousand euros (2022: 758 thousand euros) and is included under current bank borrowings. This heading also includes the interest accrued and outstanding on the Company's derivative financial instruments in the amount of 3,533 thousand euros at 31 December 2023 (2022: 2,111 thousand euros).

The average rate of interest on bank borrowings was 5.10% in 2023 (2022: 1.50%).

Other current borrowings break down as follows:

Thousands of euros	31 Dec. 2023	31 Dec. 2022
Dividends	147,249	147,144
Payable to fixed-asset suppliers and other borrowings	16,241	12,704
Total	**163,490**	**159,848**

17 Tax matters

The Company files its taxes under the tax consolidation regime as part of Tax Group 57/2002, of which it is the parent.

a) Reconciliation of accounting profit to taxable income

Accounting profit differs from taxable income due to the different treatment afforded certain transactions for tax versus accounting purposes.

Below is a reconciliation of accounting profit for 2023 and 2022 and the taxable income the Company expects to report when its annual financial statements have been approved:

Thousands of euros	2023	2022
Accounting profit for the year before tax	456,454	978,594
Permanent differences	(431,986)	(856,738)
Taxable income	**24,468**	**121,856**
Temporary differences:		
Originating in the current year	11,659	7,051
Amounts reversed	(4,365)	(1,315)
Total	**7,294**	**5,736**
Losses of the economic interest groupings	(100,035)	(90,658)
Expenses recognised in equity	(40,083)	—
Taxable income/(tax loss)	**(108,356)**	**36,934**

Taxable income was deducted by the losses declared by the economic interest groupings in which the Company has investments in the amount of 100,035 thousand euros in 2023 (90,658 thousand euros in 2022) (note 12).

b) Effective income tax rate and reconciliation of accounting profit to tax expense/income

Income tax expense was calculated as follows:

Thousands of euros	2023	2022
Accounting profit for the year before tax	456,454	978,594
Permanent differences	(431,986)	(856,738)
Taxable income	**24,468**	**121,856**
Tax rate	25%	25%
Tax at the prevailing tax rate	6,117	30,464
Utilisation of tax credit	(39)	(28)
Tax expense for the year	**6,078**	**30,436**
Income tax on foreign earnings	—	31
Other adjustments	(52)	556
Income tax expense	**6,026**	**31,023**
Effective tax rate	**1.32%**	**3.17%**
Breakdown of income tax:		
Current income tax	7,898	31,898
Deferred income tax	(1,820)	(1,431)
Other adjustments	(52)	556
Income tax expense	**6,026**	**31,023**

The effective income tax rate is shaped by permanent differences and tax credits. The difference between the effective and statutory rates is primarily attributable to application of the double taxation relief for dividends and gains from the disposal of significant interests in resident entities, as regulated in article 21 of Spain’s Income Tax Act (Law 27/2014 of 27 November 2014) and the deduction for the capitalisation reserve derived from the increase in equity, as allowed in article 25 of that same Act.

In 2023, the permanent differences related mainly to application of the exemption arrangements aimed at avoiding double taxation on the dividends received from the Company's subsidiaries (specifically, from Red Eléctrica de España and Redeia Infraestructuras de Telecomunicación). In 2022, they related mainly to application of the exemption arrangements aimed at avoiding double taxation on the gain obtained on the sale of a 49% interest in Redeia Infraestructuras de Telecomunicación, S.A.

Taxable income was also reduced by the capitalisation reserve in both years. The capitalisation reserve endowment for 2023 will be made at Red Eléctrica de España, S.A.U., a subsidiary of the Tax Group, as contemplated in article 62.1 d) of Law 27/2014 (note 14).

The tax credit utilised in 2023 derived from credit for donations and company contributions to pension schemes. In 2022 it derived mainly from credit for donations.

c) Deferred tax assets and liabilities

Temporary differences in the recognition of expenses and income for accounting and tax purposes at 31 December 2023 and 2022, and their corresponding accumulated tax effect, were as follows:

	2023		2022	
Thousands of euros	Statement of profit or loss	Income and expense recognised directly in equity	Statement of profit or loss	Income and expense recognised directly in equity
Deferred tax assets:				
Originated in prior years	4,902	2,602	3,397	3,613
Originated in the current year	2,925	—	1,763	—
Reversals in respect of prior years	(1,140)	(204)	(378)	(1,011)
Adjustments in respect of prior years	130	—	120	—
Other: tax losses additional provision 18 of the Income Tax Act	15,028	—	—	—
Total deferred tax assets	**21,845**	**2,398**	**4,902**	**2,602**
Deferred tax liabilities:				
Originated in prior years	(1,707)	—	(1,752)	—
Originated in the current year	(10)	—	—	—
Reversals in respect of prior years	46	—	45	—
Total deferred tax liabilities	**(1,671)**	**—**	**(1,707)**	**—**

In both 2023 and 2022, deferred tax assets featured reversals of taxes that were deferred in 2013 and 2014 as a result of application of the limit on the deduction of depreciation charges under article 7 of Law 16/2012 of 27 December 2012, introducing a range of tax measures designed to consolidate Spain's public finances and shore up economic activity, and as a result of the start in 2015 of depreciation for tax purposes of the net increase in value resulting from the asset revaluation exercise undertaken at 31 December 2012, as stipulated in article 9 of that same piece of legislation, and also due to long-term employee benefit obligations.

Other in the table in 2023 above includes a deferred tax asset associated with the tax losses reported by several Tax Group companies that could not be included in taxable income under application of additional provision eighteen of Law 27/2014, introduced via Law 38/2022 of 27 December 2022. The deferred tax liabilities derive from the accelerated depreciation of certain assets.

The notes to the Company's financial statements for 2006 included the disclosures required under article 86 of Law 27/2014 regarding the merger between Red de Alta Tensión, S.A.U. (REDALTA) and Infraestructuras de Alta Tensión S.A.U. (INALTA). The notes to the 2008 financial statements included the disclosures regarding the contribution of the Spanish grid TSO business to Red Eléctrica de España and the notes to the 2015 financial statements included the disclosures regarding the spin-off and contribution of the telecommunications business to Redeia Infraestructuras de Telecomunicación and the non-monetary contribution to Red Eléctrica Internacional of the shares in REN.

d) Years open to inspection

In accordance with prevailing tax legislation, tax returns cannot be considered final until they have been inspected by the tax authorities or until the applicable inspection period has elapsed.

In 2022 the tax authorities initiated general inspection proceedings covering the period between February 2018 and December 2020 in respect of VAT, personal income tax withholdings and non-resident withholdings. In 2023 the Company accepted the personal income tax and VAT assessments handed down, which did not imply any penalties and did not have any impact on its earnings in 2023.

In March 2022 the authorities also initiated general inspection proceedings with respect to corporate income tax (consolidated tax regime) covering 2017 to 2020 and partial verification proceedings covering 2012 and 2014. In 2023 they also began partial verification proceedings covering 2021 for other companies within the Tax Group.

In 2023, the Company signed assessments, some of which it has challenged, without incurring any penalties whatsoever and without having to make any restatements. The amounts are itemised and disclosed in the Group's consolidated financial statements. The matters subject to debate that are being contested are currently pending ruling by the Tax Inspection's Technical Office.

The court proceedings taken to challenge the above-mentioned partial verifications covering 2012 and 2014 concluded in 2022 with the National Appellate Court ruling in favour of the Tax Group. Following that ruling, the inspections finalised in 2023, yielding net late payment interest payable to the Group.

The Company remains party to certain court proceedings related with its income tax from 2011 and 2015.

The Tax Group has also requested the rectification of the tax paid in instalments between 2016 and 2022. In 2020, the tax authorities ruled in favour of the rectification requested in respect of 2016 and 2017 and the Company has appealed its decision regarding the other years requested.

In accordance with prevailing tax legislation, the tax returns presented for the various different taxes cannot be considered final until they have been inspected by the tax authorities or until the applicable inspection period has elapsed (four years).

Since existing tax law and regulations are subject to interpretation, tax inspections initiated in the future for years open to inspection could give rise to tax liabilities that are currently not possible to quantify objectively. However, the Company's Board of Directors estimates that any liabilities that could arise as a result of any such inspections would not have a material impact on its future earnings.

18 Trade and other payables

The breakdown of this heading at year-end 2023 and 2022:

Thousands of euros	31 Dec. 2023	31 Dec. 2022
Trade payables to group companies	8	169
Other payables	11,594	30,724
Payable to employees	11,059	9,400
Other taxes payable	1,400	1,244
Total	**24,061**	**41,537**

Trade payables at both year-ends include the balances pending payment in relation to the Company's day-to-day activities managing its Group.

Payable to employees relates to bonuses and other remuneration pending payment to Company employees at 31 December 2023.

At both reporting dates, other taxes payable related primarily to personal income tax withholdings and social security contributions payable by the Company.

19 Disclosures regarding average supplier payment term. Additional Provision Three - "Disclosure requirements" under Law 15/2010

One of the objectives of Law 18/2022 of 28 September 2022, on business creation and growth, is to reduce late payments on trade debt and enhance access to financing.

Among other things, it amends Law 15/2010 of 5 July 2010, which in turn amended Law 3/2004 of 29 December 2004, establishing measures to tackle supplier non-payment, regulating the deadlines for settling trade transactions between companies or between companies and the public sector, specifically in Additional Provision Three thereof.

The amendments made to Additional Provision Three by Law 18/2022 require:

- All corporate enterprises to expressly disclose in the notes to their annual financial statements their average supplier payment terms.
- Listed companies and unlisted companies that do not present short-form financial statements are required to publish, in addition to their average payment terms, the monetary value and number of invoices paid within the legally stipulated deadline and their percentage shares of the corresponding totals. That information must be included in their financial statement notes and on their corporate websites if they have one.

In its official journal no. 132/2022, the ICAC writes that this new legislation expands the disclosures that corporate enterprises must include in their financial statement notes and on their corporate website, to the extent they have one. However, it does not modify the methodology used to calculate the average supplier payment term and therefore does not modify its earlier resolution of 29 January 2016, which sought to clarify and systematise the information companies are required to include in their separate and consolidated financial statements for the purposes of complying with their disclosure requirements under Additional Provision Three of Law 15/2010 of 5 July 2010, amending Law 3/2004 of 29 December 2004.

As required under these regulations, the disclosures regarding the Company's average payment terms in 2023 and 2022 are provided below:

Days	2023	2022
Average supplier payment term	36	35
Paid transactions ratio	37	35
Outstanding transactions ratio	24	30

Thousands of euros	2023	2022
Total payments made	25,653	32,961
Total payments outstanding	1,763	1,793

Thousands of euros	2023	2022
Monetary amount of invoices paid within the legal deadline	23,725	29,293
Total payments made	25,653	32,961
Monetary amount of invoices paid within the legal deadline as a % of total payments made	92.5%	88.9%

	2023	2022
No. of invoices paid within the legal deadline	1,748	1,623
Total no. of invoices paid	1,847	1,889
No. of invoices paid within the legal deadline as a % of total invoices paid	94.6%	85.9%

20 Income and expenses

a) Revenue

The revenue breakdown for 2023 and 2022:

Thousands of euros	31 Dec. 2023	31 Dec. 2022
Provision of services	78,051	74,306
Finance income from investments in equity instruments of group companies and associates	415,051	–
Finance income from investments in securities and other financial instruments of group companies and associates	55,274	15,193
Total	**548,376**	**89,499**

Provision of services mainly includes the provision of management support services under agreements with the following group companies: Red Eléctrica de España, Red Eléctrica Internacional, Redeia Infraestructuras de Telecomunicación, Red Eléctrica Infraestructuras en Canarias, Redeia Financiaciones, Red Eléctrica Financiaciones, Redeia Sistemas de Telecomunicaciones, Elewit, Hispasat and Inelfe; it also includes lease income, likewise generated primarily by group companies (note 7).

In 2023 finance income from investments in equity instruments of group companies and associates includes dividends collected from Red Eléctrica de España and Redeia Infraestructuras de Telecomunicación.

In both years, finance income from investments in securities and other financial instruments of group companies and associates includes income under loan agreements and credit facilities arranged with Red Eléctrica de España, Redeia Sistemas de Telecomunicaciones, Red Eléctrica Internacional, Red Eléctrica Chile and Elewit (note 21).

The breakdown of revenue by geographical region in 2023 and 2022:

Thousands of euros	2023	2022
Spain	535,091	81,293
European Union	404	–
Other countries	12,881	8,206
Total	**548,376**	**89,499**

European Union in the table above includes services provided to the Group company, Interconexión Eléctrica Francia-España, S.A.S., with registered office in Paris (France), starting from 2023.

b) Employee benefits expense

The breakdown of this heading in 2023 and 2022:

Thousands of euros	2023	2022
Wages and salaries	34,855	37,541
Social security	6,702	5,994
Contributions to pension funds and similar obligations	599	424
Other items and employee benefits	4,924	4,146
Total	**47,080**	**48,105**

Wages and salaries includes employee remuneration and termination benefits. The decrease from 2022 mainly reflects the provisions recognised in 2022 in relation with collective bargaining agreements that were under negotiation.

Note that this heading includes director remuneration (note 22).

Headcount

The Company's average headcount by employee category in 2023 and 2022:

	2023	2022
Management team	70	68
Senior technicians and middle managers	242	226
Technicians	34	34
Specialists and administrative staff	57	60
Total	**403**	**388**

The breakdown by gender and employee category of the Company's headcount at 31 December 2023 and 2022:

	2023			2022		
	Men	Women	Total	Men	Women	Total
Management team	36	35	71	37	34	71
Senior technicians and middle managers	128	132	260	115	112	227
Technicians	20	15	35	20	17	37
Specialists and administrative staff	12	44	56	11	47	58
Total	**196**	**226**	**422**	**183**	**210**	**393**

The breakdown of employees with a disability of a severity of 33% or higher at year-end:

	2023			2022		
	Men	Women	Total	Men	Women	Total
Senior technicians and middle managers	–	–	–	–	–	–
Technicians	–	3	3	–	4	4
Specialists and administrative staff	–	1	1	–	–	–
Total	**–**	**4**	**4**	**–**	**4**	**4**

The Company had 12 directors, six men and six women, at both reporting dates.

c) Finance income and costs

Finance costs in both years primarily consisted of interest expense on notes and other marketable securities, bank borrowings and derivative financial instruments.

Finance income, meanwhile, mainly included income from the Company's investments in economic interest groupings and from short-term financial investments (note 12).

d) Impairment of and gains/(losses) on disposal of fixed assets

This heading includes the gains generated in 2023 and 2022 on the sales detailed in note 6.

e) Impairment of and gains/(losses) on disposal of financial assets

In 2022 this heading included the gain recognised on the sale of a 49% interest in Redeia Infraestructuras de Telecomunicación (note 8). The Company did not sell any financial instruments or write any down for impairment in 2023.

21 Transactions with group companies, associates and related parties and resulting year-end balances

- **Transactions with Group companies and associates and resulting year-end balances**

All transactions with group companies and associates were arranged on an arm's length basis.

The balances outstanding with group companies and associates at year-end were as follows:

Thousands of euros	2023			2022		
	Loans and receivables	Security deposits received	Borrowings	Loans and receivables	Security deposits received	Borrowings
Red Eléctrica de España, S.A.U.[(1)]	813,218	1,402	9,513	54,796	1,401	10,335
Red Eléctrica Internacional, S.A.U.[(1)]	110,224	—	27,476	50,810	—	418
Red Eléctrica Financiaciones, S.A.U. [(1)]	99	—	19,808	38	—	—
Redeia Infraestructuras de Telecomunicación, S.A. [(1)]	945	67	38,386	580	67	24,517
Red Eléctrica Infraestructuras en Canarias, S.A.U. [(1)]	401	15	4,781	140	15	3
Redeia Sistemas de Telecomunicaciones, S.A.U. [(1)]	331,625	2	2,023	351,914	—	396
Elewit, S.A.U. [(1)]	14,432	18	—	9,859	18	23
Redcor Reaseguros, S.A. [(1)]	—	—	129,640	—	—	75,167
Redeia Financiaciones, S.L.U. [(1)]	38	—	2,001	24	—	1,595
Red Eléctrica Chile SpA [(1)]	192,083	—	2	185,561	—	—
Red Eléctrica Andina, S.A. [(1)]	—	—	6	—	—	5
Transmisora Eléctrica del Sur 4, S.A.C. [(1)]	—	—	—	61	—	—
Red Eléctrica Brasil Holding Ltda. [(1)]	—	—	—	—	—	6
Red Eléctrica del Norte 2, S.A. [(1)]	309	—	—	76	—	—
Transmisora Eléctrica del Norte S.A. [(2)]	13	—	—	60	—	—
Hispasat, S.A. [(1)]	305	—	2,053	281	—	11
Hispamar Exterior S.L.U. [(1)]	496	—	—	4	—	—
Hispasat Canarias S.L.U. [(1)]	—	—	35,195	—	—	9,411
Axess Network Solutions, S.L. [(1)]	1	—	—	—	—	—
Axess Network Solutions Arabia Saudita, S.L. [(1)]	—	—	37	—	—	—
Interconexión Eléctrica Francia-España S.A.S. [(3)]	303	—	—	—	—	—
Total group companies	**1,464,492**	**1,504**	**270,921**	**654,204**	**1,501**	**121,887**

(1) Group companies.

(2) Associates.

(3) Joint ventures

The loans to Red Eléctrica de España mainly include the short-term credit facility arranged with that company in the amount of 850 million euros, which was drawn down by 771,992 thousand euros at 31 December 2023 (2022: 38,311 thousand euros); the average rate of interest on the facility was 3.93% in 2023 (0.78% in 2022). This heading also includes balances receivable and interest accrued and pending collection.

The loans to Red Eléctrica Internacional mainly include the short-term credit facility arranged with that company in the amount of USD 215 million, which was drawn down by 106,942 thousand euros at 31 December 2023 (2022: 49,359 thousand euros); the average rate of interest on the facility was 6.02% in 2023 (2.77% in 2022). This heading also includes balances receivable and interest accrued and pending collection.

The loans to Redeia Sistemas de Telecomunicaciones include the credit facility arranged with that company in 2019, due 2029 following an extension, in the amount of 435 million euros, which was drawn down by a non-current balance of 311,500 thousand euros at 31 December 2023 (2022: 345,000 thousand euros) and a current balance of 15,792 thousand euros (2022: 5,106 thousand euros); the average rate of interest on the facility was 4.11% in 2023 (0.87% in 2022). This heading also includes interest accrued and pending collection.

Loans to Elewit include a credit facility arranged with that company in the amount of 25 million euros in 2019 which was drawn down by 13,628 thousand euros at 31 December 2023 (2022: 9,655 thousand euros). This loan accrued interest at an average rate of 3.84% in 2023 (2022: 0.84%). This heading also includes balances receivable and interest accrued and pending collection.

Loans to Red Eléctrica Chile mainly include the loan arranged with that company in 2021 in the amount of USD 185 million due 2026, which was fully drawn down at 31 December 2023 in the amount of 167,668 thousand euros (2022: 173,705 thousand euros) and accrued interest at an average rate of 7.62% in 2023 (2022: 2.98%). In order to mitigate foreign exchange risk on this dollar-denominated loan, the Company has arranged cross currency swaps over the principal and interest (note 11). This heading also includes interest accrued and pending collection.

Borrowings from Red Eléctrica de España reflect the tax owed to it by the Company in its capacity as parent of the Tax Group (note 17).

Borrowings from Redeia Infraestructuras de Telecomunicación mainly include a credit facility arranged with that company in the amount of 76 million euros in 2022 which was drawn down by 38,118 thousand euros at 31 December 2023 (2022: 24,378 thousand euros). This loan accrued interest at an average rate of 5.50% in 2023 (2022: 5.22%). This heading also includes interest accrued and pending payment.

Borrowings from Redcor Reaseguros include a credit facility arranged with that company in the amount of 150 million euros in 2022 which was drawn down by 128,203 thousand euros at 31 December 2023 (75,000 thousand at year-end 2022). This loan accrued interest at an average rate of 3.89% in 2023 (2022: 2.40%). This heading also includes interest accrued and pending payment.

Borrowings from Redeia Financiaciones include a credit facility arranged with that company in the amount of 2 million euros in 2021 which was drawn down by 1,975 thousand euros at 31 December 2023 (2022: 1,579 thousand euros). This loan accrued interest at an average rate of 3.79% in 2023 (2022: 0.75%). This heading also includes interest accrued and pending payment.

Borrowings from Red Eléctrica Internacional include a credit facility arranged with that company in the amount of 50 million euros in 2023 which was drawn down by 25,220 thousand euros at 31 December 2023. This loan accrued interest at an average rate of 4.33% in 2023. This heading also includes interest accrued and pending payment.

Borrowings from Red Eléctrica Financiaciones include a credit facility arranged with that company in the amount of 50 million euros in 2023 which was drawn down by 19,583 thousand euros at 31 December 2023. This loan accrued interest at an average rate of 4.34% in 2023. This heading also includes interest accrued and pending payment.

Borrowings from Red Eléctrica Infraestructuras en Canarias include a credit facility arranged with that company in the amount of 25 million euros in 2023 which was drawn down by 4,723 thousand euros at 31 December 2023. This loan accrued interest at an average rate of 4.12% in 2023. This heading also includes interest accrued and pending payment.

Lastly, the amounts payable to and from Hispasat, S.A., Hispamar Exterior S.L. and Hispasat Canarias S.L. essentially reflect the Company’s tax credits and debits with those companies in its capacity as the parent of the Tax Group.

The Company performed the following transactions with group companies and associates:

Thousands of euros	2023					2022			
	Provision of services	Finance income	Operating expenses	Finance costs	Dividend income	Provision of services	Finance income	Operating expenses	Finance costs
Red Eléctrica de España, S.A.U. (1)	67,705	23,405	—	—	388,123	65,056	2,779	—	—
Red Eléctrica Internacional, S.A.U.(1)	2,929	4,968	—	509	—	2,676	1,499	—	—
Redeia Infraestructuras de Telecomunicación, S.A. (1)	2,592	—	—	1,854	26,928	2,488	—	—	140
Redeia Financiaciones, S.L.U. (1)	79	—	—	63	—	69	—	—	12
Red Eléctrica Infraestructuras en Canarias, S.A.U. (1)	491	—	—	154	—	673	—	—	—
Red Eléctrica Financiaciones, S.L.U. (1)	79	—	—	426	—	69	—	—	—
Redeia Sistemas de Telecomunicaciones, S.A.U. (1)	743	13,832	—	—	—	473	3,184	—	—
Elewit, S.A.U. (1)	1,011	510	860	—	—	894	56	860	—
Redcor Reaseguros, S.A. (1)	—	—	—	3,957	—	—	—	—	167
Red Eléctrica del Norte, S.A. (1)	—	—	—	—	—	61	—	—	—
Red Eléctrica del Norte 2, S.A. (1)	309	—	—	—	—	322	—	—	—
Red Eléctrica Chile SpA (1)	—	12,559	2	—	—	—	7,675	—	—
Red Eléctrica Andina, S.A. (1)	—	—	—	—	—	—	—	5	—
Transmisora Eléctrica del Sur 4, S.A.C. (1)	—	—	—	—	—	36	—	—	—
Red Eléctrica Brasil Holding Ltda. (1)	—	—	—	—	—	111	—	—	—
Hispasat, S.A. (1)	1,019	—	—	—	—	1,068	—	—	—
Interconexión Eléctrica Francia-España S.A.S. (3)	807	—	—	—	—	—	—	—	—
Transmisora Eléctrica del Norte S.A. (2)	13	—	—	—	—	—	—	—	—
Total group companies	**77,777**	**55,274**	**862**	**6,963**	**415,051**	**73,996**	**15,193**	**865**	**319**

(1) Group companies.

(2) Associates.

(3) Joint ventures

In both 2023 and 2022, provision of services essentially comprises the management support services provided to Group companies.

This heading also includes the lease agreements with Red Eléctrica de España, Redeia Infraestructuras de Telecomunicación, Red Eléctrica Infraestructuras en Canarias, Elewit and Hispasat (note 7).

Finance income in 2023 and 2022 mainly reflects the interest accrued under the loan and credit agreements in place with Red Eléctrica de España, Redeia Sistemas de Telecomunicaciones, Red Eléctrica Internacional, Red Eléctrica Chile and Elewit.

In 2023 dividend income includes the dividends paid to the Company by Red Eléctrica de España and Redeia Infraestructuras de Telecomunicación.

- **Transactions with other related parties and resulting year-end balances**

The Company did not perform any transactions with other related parties in 2023 or 2022.

22 Director remuneration

The Director Remuneration Policy for Redeia Corporación, S.A. for 2022 - 2024 was approved at the Annual General Meeting held on 29 June 2021 (the former policy was approved in 2019 and covered 2019 to 2021).

At the Annual General Meeting held on 6 June 2023, and as stipulated in the Company's bylaws, the Parent's shareholders ratified the motion presented by the Board of Directors for the approval of the Annual Report on Director Remuneration, which included, among other matters, the proposal for director remuneration in 2023.

The remuneration approved, which covers the members of the Board of Directors, the Chairwoman and the CEO, is unchanged from 2022.

The Chairwoman, in her capacity as non-executive chair, receives a fixed annual sum in addition to remuneration in her capacity as member of the Board of Directors. She only receives fixed remuneration, i.e., she has not been allocated any variable remuneration (neither an annual bonus or participation in long-term incentive schemes) and she is not entitled to any termination benefits.

The CEO, on the other hand, receives fixed and variable remuneration (an annual bonus and participation in a long-term incentive scheme) for the performance of his executive duties, as well as remuneration in his capacity as member of the Board of Directors. He also receives certain employee benefits. Some of both components of his variable remuneration is settled via the delivery of Company shares.

In addition, the CEO is a beneficiary of a defined contribution pension scheme, covering retirement, death and permanent disability. Redeia Corporación, S.A.'s obligation under this scheme is limited to making an annual contribution equivalent to 20% of the CEO's fixed compensation for his performance of executive duties.

The CEO's annual variable remuneration is framed by predetermined and quantifiable objective criteria and targets established by the Parent's Appointments and Remuneration Committee at the start of each year. The targets are aligned with the strategies and initiatives laid down in the Group's Strategic Plan and their delivery is assessed by that same committee.

The CEO also participates in the Long-Term Incentive Plan (LTIP) for Promoting the Energy Transition, Reducing the Digital Divide and Boosting Diversification. That Plan's targets are likewise associated with those set out in the Group's Strategic Plan and are aligned with the key aspects of the Director Remuneration Policy. The LTIP has a duration of six years and will end on 31 December 2025.

Under the Director Remuneration Policy, the CEO's contract, in line with generally accepted market practice, includes a termination benefit equivalent to one year's remuneration in the event his contract is terminated by the Company or as a result of a change of control.

Likewise in line with market practices in these cases, following his appointment as CEO, his previous employment contract was suspended. In the event of his termination, he would accrue, for severance purposes, the remuneration in force at the date of suspension, taking into consideration his length of service at the Group up until his appointment as CEO (15 years) plus the period during which he provides his services, if any, following his discontinuation as CEO, all of which in keeping with prevailing labour legislation.

As for the members of the Board of Directors, their remuneration consists of a fixed annual payment, remuneration for attending board meetings, remuneration for membership of the board committees, as the case may be, and specific annual remuneration for the chairs of those committees and for the position of lead independent director. These remuneration concepts and the related amounts have not changed in 2023.

Lastly, the directors are compensated or reimbursed for reasonable and duly justified expenses incurred in order to attend the meetings and perform other tasks directly related with their director duties, such as travel, accommodation and meals.

The breakdown of the remuneration accrued by the members of the Company's Board of Directors in 2023 and 2022 is provided below:

Thousands of euros	2023	2022
Total remuneration in their capacity as directors	2,503	2,485
Remuneration of certain directors in their capacity as executives (1)	743	743
Total	**3,246**	**3,228**

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

The year-on-year increase in total remuneration in their capacity as directors in the table above is due to the fact that there was a vacancy on the Board of Directors for a spell in 2022.

The breakdown of director remuneration by class of director:

Thousands of euros	2023	2022
Executive directors	890	890
Proprietary directors	525	507
Independent external directors	1,285	1,285
Other external directors	546	546
Total director remuneration	**3,246**	**3,228**

The breakdown by item and individual director of the remuneration accrued by the members of the Company's Board of Directors in 2023 and 2022 is provided below:

Thousands of euros	Fixed remuneration	Variable remuneration	Board meeting attendance fees	Committee membership	Committee chairs	Lead Independent Director	Other remuneration (3)	Total 2023	Total 2022
Beatriz Corredor Sierra	530	—	16	—	—	—	—	546	546
Roberto García Merino	481	263	16	—	—	—	130	890	890
Mercedes Real Rodrigálvarez (1)	131	—	16	28	—	—	—	175	175
Ricardo García Herrera	131	—	16	28	—	—	—	175	175
Esther María Rituerto Martínez	131	—	16	28	—	—	—	175	113
Carmen Gómez de Barreda Tous de Monsalve	131	—	16	28	15	15	—	205	205
Socorro Fernández Larrea	131	—	16	28	15	—	—	190	190
Antonio Gómez Ciria	131	—	16	28	15	—	—	190	190
José Juan Ruiz Gómez	131	—	16	28	—	—	—	175	175
Marcos Vaquer Caballería	131	—	16	28	—	—	—	175	175
Elisenda Malaret García	131	—	16	28	—	—	—	175	175
José María Abad Hernández	131	—	16	28	—	—	—	175	175
Other Board members (2)	—	—	—	—	—	—	—	—	44
Total remuneration accrued	**2,321**	**263**	**192**	**280**	**45**	**15**	**130**	**3,246**	**3,228**

(1) Amounts received by SEPI.

(2) Members that stepped down from the Board in 2022.

(3) Includes the costs derived from the company benefits included in the CEO's pay package.

The Company did not recognise any loans, advances or guarantees extended to the members of its Board of Directors on its balance sheet at either 31 December 2023 or 31 December 2022. Not did it have any pension or life insurance obligations, other than as outlined above, on their behalf at either reporting date.

The Company had arranged director and officer liability insurance at both reporting dates. These policies cover both the Company's directors and its key management personnel. The annual cost of the premiums in 2023 was 221 thousand euros, including tax (245 thousand euros in 2022). These premiums are calculated based the nature of the Company's activities and as a function of its financial metrics, so that it is not feasible to apportion them between the directors and key management personnel or to allocate them to each individual.

The members of the Board of Directors did not perform any transactions with the Company, either directly or through persons acting on their behalf, outside of the ordinary course of business or other than on an arm's length basis in either reporting period.

23 KPM remuneration

The key management personnel who provided services to the Company in 2023 and 2022 and their positions at year-end are as follows:

Name	Position
Mariano Aparicio Bueno	Managing Director of Telecommunications
Emilio Cerezo Diez	Chief Financial Officer
José Antonio Vernia Peris	Chief Resources Officer
Miryam Aguilar Muñoz	Chief Communications Officer
Eva Pagán Díaz	Chief Sustainability Officer
Laura de Rivera García de Leániz (1)	Director of Regulation and Legal Services
Silvia Bruno de la Cruz	Director of Innovation and Technology
Carlos Puente Pérez	Director of Corporate Development
Eva Rodicio González	Director of Internal Audit and Risk Control
Juan Majada Tortosa	Managing Director of International Business

(1) Laura de Rivera García de Leániz presented her resignation from the Company on 18 January 2024.

In 2023, the Company's key management personnel accrued 2,371 thousand euros of remuneration, which has been recognised under employee benefits expense in the accompanying statement of profit or loss (2022: 2,540 thousand euros). These amounts include the accrual of variable annual remuneration, on the assumption that the objectives set each year will be met. After delivery of the corresponding targets has been verified, these bonuses are paid out in the early months of the following year, adjusted for the definitive delivery metrics.

Of the total remuneration accrued by key management personnel in 2023, 49 thousand euros represented contributions to life insurance and pension plans (15 thousand euros in 2022).

The Group had not extended any advances or loans to these executives at either 31 December 2023 or 31 December 2022. At year-end 2023 and 2022 the Company had assumed life insurance commitments on behalf of these executives; the premiums on those policies cost it approximately 14 thousand euros in 2023 (2022: 15 thousand euros).

The key management personnel also participate in the Long-Term Incentive Plan (LTIP) for Promoting the Energy Transition, Reducing the Digital Divide and Boosting Diversification. That Plan's targets are likewise associated with those set out in the Group's Strategic Plan and are aligned with the key aspects of the Director Remuneration Policy. The LTIP has a duration of six years and will end on 31 December 2025.

The Company's serving key management personnel do not enjoy any guarantees or golden parachute clauses in the event of dismissal. In the event of the termination of their employment agreements, their severance would be calculated in keeping with applicable labour legislation.

In 2015, the Company implemented a Structural Management Plan that applies to some of its key management personnel. The beneficiaries of this Plan must comply with certain requirements and their participation can be modified or revoked by the Group under certain circumstances.

The Company had arranged director and officer liability insurance at both reporting dates. These policies cover all of the Company's key management personnel. The annual cost of the premiums amounted to 221 thousand euros, including tax in 2023 (245 thousand euros in 2022). These premiums are calculated based the nature of the Group's activities and as a function of its financial metrics, so that it is not feasible to apportion them between the key management personnel and directors or to allocate them to each individual.

24 Segment information

The Company believes that the disclosure of its revenue by activity is not relevant financial information as the various services provided by it to Group companies are not significantly different from each other. These activities, ever since the business line spin-off completed in 2008, are not, according to Law 17/2007, regulated electricity activities so that the Company is not required to provide the separate disclosures by activity stipulated under Royal Decree 437/1998 of 20 March 1998, enacting the rules for adapting the General Accounting Plan for electric sector enterprises.

25 Guarantees and other commitments extended to third parties and other contingent liabilities

At both year-ends, the Company, together with Red Eléctrica de España, was a joint and several guarantor of the USD 250 million private bond issue in the United States by Redeia Financiaciones and of Red Eléctrica Financiaciones' eurobond programme in the amount of up to 5 billion euros. A total of 2,990 million euros had been issued under the latter at 31 December 2023 (2022: 3,290 million euros).

In addition, at both reporting dates, the Company, together with Red Eléctrica de España, was a joint and several guarantor of the Euro Commercial Paper (ECP) Programme issued by Red Eléctrica Financiaciones for up to 1 billion euros. There were no drawdowns under that programme at either year-end.

At 31 December 2023, the Company had extended bank sureties to third parties in a nominal amount of 3,537 thousand euros (2022: 3,537 thousand euros).

26 Environmental disclosures

The Company had no assets of an environmental nature at 31 December 2023 or 2022, nor did it incur any environmental-related expenses in either year.

The Company is not party to any environmental lawsuits that could result in significant contingencies and did not receive any environmental grants in 2023.

27 Other information

The fees for financial statement audit and other services provided by the Company's auditor, Ernst & Young, S.L. (EY), in 2023, and by its previous auditor, KPMG Auditores S.L., in 2022, are itemised below:

Thousands of euros	2023	2022
Audit services	138	146
Audit-related services	99	104
Other services	73	4
Total	**310**	**254**

Audit services in the table above include the fees corresponding to the audit of the separate financial statements of Redeia Corporación, S.A., in the amount of 16 thousand euros, and the Group's consolidated financial statements, in the amount of 122 thousand euros.

Audit-related services mainly includes services provided to the Group, including a limited review of the Group's interim consolidated financial statements and the effectiveness of internal control over financial reporting assurance report under ISAE 3000. Other services includes the fees for the assurance of the non-financial information included in the consolidated financial statements; in 2022 this service was also provided by EY, as it was not the Company's lead auditor at the time.

The amounts presented in the table above include all of the fees related to the services rendered in 2023 and 2022, regardless of when they were invoiced.

No other fees were accrued by firms related directly or indirectly with the lead auditor for professional services other than financial statement audit work in 2023 or 2022.

28 Share-based payments

In 2023 the Company delivered 83,107 shares to its employees with a fair value of 14.90 euros per share for total expenditure during the year of 1,238 thousand euros. Of the total, 6,587 shares were delivered to key management personnel.

In 2022 the Company delivered 62,993 shares to its employees with a fair value of 17.735 euros per share for total expenditure during the year of 1,117 thousand euros. Of the total, 5,549 shares were delivered to key management personnel.

The shares were valued at their quoted price on the day they were delivered.

The above share deliveries were carried out under the scope of authorisations given at the Company's Annual General Meetings and came from its treasury stock. The related expense was recognised under employee benefits expense in the statement of profit or loss.

29 Events after the reporting date

On 3 January 2024, Redeia, through its subsidiary Red Eléctrica Financiaciones, S.A.U., and under the scope of the Euro Medium Term Note (EMTN) Programme of the latter, issued 500 million euros of green bonds on the euromarket that are secured by Redeia Corporación, S.A. and Red Eléctrica de España, S.A.U.

The proceeds will be used to finance and/or refinance eligible assets under the umbrella of Red Eléctrica de España, S.A.U.'s green finance framework.

The notes, which were paid in on 17 January 2024, mature in 10 years and carry an annual coupon of 3.00%; they were issued at a price of 99.405%, implying a yield of 3.07%.

30 Explanation added for translation to english

The abridged Financial Statement are presented on the basis of the regulatory financial reporting framework applicable to the Company in Spain. Certain accounting practices applied by the Company that conform to that regulatory framework may not conform to other generally accepted accounting principles and rules.

In the event of a discrepancy, the Spanish-language prevails for legal purposes.

Management report

for the year ended 31 December 2023

Redeia Corporación, S.A.

Contents

The various sections of this management report contain certain forward-looking information reflecting projections and estimates and their underlying assumptions, statements referring to plans, objectives and expectations around future transactions, investments, synergies, products and services, as well as statements concerning future earnings and dividends and estimates made by the directors, based on assumptions they consider reasonable.

While the Company considers the expectations reflected in those statements to be reasonable, investors and holders of shares in the Company are cautioned that the forward-looking information and statements are subject to risks and uncertainties, many of which are difficult to foresee and generally beyond the Company's control. As a result of such risks, actual performance and developments could differ significantly from those expressed, implied or forecast in the forward-looking information and statements.

The forward-looking statements are not guarantees of future performance and have not been reviewed by the Company's external auditors or by other independent third parties. Investors and holders of shares in the Company are cautioned not to take decisions on the basis of forward-looking statements that refer exclusively to information available as at the date of this report. All of the forward-looking statements contained in this report are expressly subject to this disclaimer. The forward-looking statements included in this document are based on the information available as at the date of this management report. Unless required otherwise under applicable law, the Company undertakes no obligation to publicly update any forward-looking statement or revise its forecasts, whether as a result of new information, future events or otherwise.

In order to make it easier to understand the information provided in this document, certain alternative performance measures have been included. The definition of those alternative performance measures can be retrieved from https://www.redeia.com/es/accionistas-e-inversores/informacion-financiera/medidas-alternativas-rendimiento

1 Business performance. Significant developments.

Since 2008, Redeia Corporación, S.A. (the Company) is the parent (the Parent) of a group companies called Redeia (the Group). Its main activities are:

- Managing the corporate group, which comprises equity investments in group companies and their investees.
- Providing support services and other assistance to its investees.
- Managing the Company's properties.

In line with the commitments undertaken by the Company in performing these activities, it strives to constantly create value for all of its shareholders and stakeholders.

2 Key financial figures

Profit after tax was 450.4 million in 2023, down 52.5% from 2022. Underlying this performance:

Revenue amounted to 548.4 million euros, up 512.7% year-on-year thanks to the 415.1 million euros of dividends received from Group companies. No dividends were received in 2022.

EBITDA[1] amounted to 476.9 million euros, well above the 2022 figure thanks to these dividends.

EBIT[2] plunged by 52.2% to 470.8 million euros, as the 2022 amount included the gain of 970 million euros on the sale of a 49% stake in Redeia Infraestructuras de Telecomunicación, S.A.

The Company paid 539 million euros of dividends in 2023, the same as in 2022.

Equity at the year-end stood at 3,717.0 million euros, up 11.6% from year-end 2022, with the increase primarily the result of the subordinated perpetual bond issue for 500 million euros.

3 Stock market performance and shareholder return

All of the shares of the Company, as the Group's listed company, are quoted on the four Spanish stock exchanges and traded on the continuous market.

The Company is also part of the IBEX 35 index of blue chip stocks, with a weighting of 1.55% at year-end 2023.

At 31 December 2023 and 2022, the Company's share capital was represented by 541,080,000 shares, with a unit par value of 0.50 euros, all of which were fully subscribed and paid.

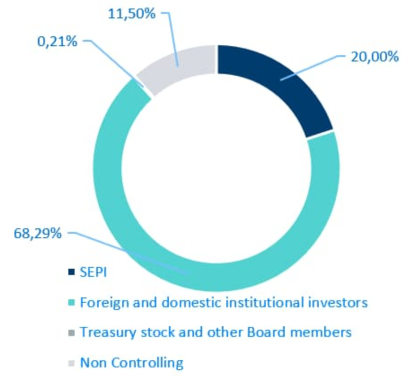
At year-end, free float was 70.19%, of which 20% related to the state industrial holding company, SEPI for its acronym in Spain, 5% to Pontegadea Inversiones, S.L.[3], 4.60% to Blackrock (corresponding to the percentage of voting rights attaching to the shares) and 0.21% to the stakes held by Board members and treasury stock.

[1] EBITDA is calculated as the sum of revenue and self-constructed assets and other operating income less employee benefits expense, cost of sales and other operating expenses.

[2] EBIT is calculated as EBITDA plus non-financial grants recognised in profit or loss and impairment of and gains/(losses) on disposal of fixed assets less amortisation and depreciation, change in fair value of financial instruments, and impairment of and gains/(losses) on disposal of equity instruments.

[3] Amancio Ortega Gaona directly holds 99.99% of the voting rights of Pontegadea Inversiones, S.L.

The shareholder structure is as follows:



- 68.29% of the shares are in the hands of foreign and domestic institutional investors. Of these investors, 11.5% are Spanish, while the remaining 88.5% of the institutional tranche is made up of foreign investors, mainly located in the United States and the United Kingdom.
- The state industrial holding company, SEPI for its acronym in Spain, holds 20% of the shares.
- Non controlling investors account for 11.50% of share capital.
- The Company’s treasury stock and shares held by other members of the Board of Directors account for 0.21%.

Redeia's share price stood at 14.91 euros at close of trading on 31 December 2023. The share price was down 8.3% in the year, due to the successive interest rate hikes that took place during the period and the uncertainty surrounding the upcoming regulatory review of the electricity transmission business in the coming months. The share price fluctuated between 17.13 euros, which was reached on 4 January, and 14.405 euros, on 3 October 2023.

A total of 295.5 million shares were traded on the Spanish continuous market during the year as a whole, which is equivalent to 54.6% of the number of shares comprising its share capital. Cash transactions amounted to 4,625.1 million euros.

4 Own shares

At a meeting on 31 March 2020, the Company’s Board of Directors decided to suspend own share transactions as of 14 April 2020, except where such transactions relate to employee remuneration.

Consequently, only one transaction took place in 2023, involving the sale of 303,533 own shares associated with Group employee remuneration, with a par value of 0.19 million euros and a cash value of 5.8 million euros.

At 31 December 2023, the Company held own shares representing 0.21% of its share capital; specifically it held 1,112,017 shares with a unit par value of 0.50 euros per share and an aggregate par value of 0.56 million euros, which it acquired at an average price of 17.53 euros per share (note 14 to the financial statements) and a market value of 16.6 million euros.

The Company is in compliance with all of its obligations under article 506 of the Corporate Enterprises Act which stipulates, in relation to shares listed on an official exchange, that the par value of any own shares acquired, plus those already held by the Parent and its subsidiaries, may not exceed 10% of share capital. The subsidiaries do not hold any own shares or any Parent shares.

5 Risk management

Redeia Corporación is the Parent of the Group and has a Comprehensive Risk Management system in place designed to ensure that the risks that could affect the achievement of the Group's strategies and objectives are systematically identified, analysed, assessed, managed and controlled, framed by uniform criteria and within the established tolerance level thresholds. The Comprehensive Risk Management Policy was approved by the Board of Directors of the Company, as Parent of the Group, on 27 July 2021.

This Comprehensive Risk Management System, the Policy and the General Procedure regulating it are based on the COSO ERM 2017 (Committee of Sponsoring Organizations of the Treadway Commission) Enterprise Risk Management - Integrated Framework.

The Corporate Risk Map depicts the Group's, including the Company's, most significant risks and is prepared on the basis of a bottom-up methodology, whereby the risks are identified, analysed and assessed by the different organisational units before being escalated for validation by the executive officers, managing directors and corporate heads, before they are ultimately presented to the Chair of the Group, the Executive Committee, the Audit Committee and the Board of Directors.

The Board of Directors is charged with approving the Comprehensive Risk Management Policy and the Group's accepted risk tolerance level, while the Audit Committee is tasked with overseeing the effectiveness of the Comprehensive Risk Management system. The Executive Committee is responsible for ensuring that the Group's relevant risks and action plans to mitigate them are adequately monitored.

The Comprehensive Risk Management Policy also covers financial risk management, as explained in the "Financial risk management policy" note to the annual financial statements. The Company’s Sustainability Report provides further details of the Group’s main risks at present, as well as risks which could emerge in the future.

The main risks to which the Company and the Parent of the Group are exposed and which could affect the achievement of their objectives are: regulatory risks (including tax risks), as the Group's main businesses are closely regulated; operational risks, primarily through their activities in the electricity and telecommunications businesses; financial risks; market risks; and environmental risks.

6 Environment

The Company had no assets of an environmental nature at 31 December 2023, nor did it incur any environmental-related expenses in the year.

The Company is not party to any environmental lawsuits that could result in significant contingencies and did not receive any environmental grants in 2023.

7 Research, development and innovation (RDI)

The Company is not involved in any research, development and innovation (RDI) activities.

8 Our people

Work continued throughout 2023 on the sustainable management model of diverse and committed talent, an essential part of the People and Culture Department’s Operational Plan, which uses a systematic approach to attract, discover, develop, train, transform and retain talent and exchange knowledge. The model pursues excellence to ensure that the Company remains a national and international benchmark. This is to be achieved through six lines of action, with the first —transformational leadership— being key to the achievement of the others: attracting talent, learning, development, knowledge management and differentiation.

Relying on digitalisation, technology, innovation, sustainability and diversity, the Company seeks to become a leader in the transformation of talent and corporate culture while involving society in the organisation's challenges, fostering actions that motivate and inspire both within the Company and beyond.

This ongoing transformation is driven and galvanised through leadership and people development through our Leadership Model and Skills Model, which set out how to achieve the objectives and challenges set. The aim of all this is to maintain high commitments that result in excellent employee contributions on the path to achieving the objectives set out in the 2022-2025 Strategic Plan.

On this front, in 2023 efforts were made to:

- Position the Company's leaders as the spearheads of the transformation so that they can promote and develop self-leadership habits among others that foster responsibility, self-management and self-learning. This is carried out through a 360 degree assessment process that identifies areas for improvement and deploys resources and development programmes, such as the new *Lidera* programme, designed on the basis of the leadership model.
- Plan talent needs, by identifying new profiles and positions, treating diversity and inclusion as competitive advantages that bring opportunities and benefits to both the organisation and the broader society through the creation of specific programmes for the new profiles identified.
- Develop talent within the organization through programmes such as *Talentia* for employees with managerial potential, *Gestores* for those tasked with people management processes, and specific programmes for data analysts and other business IT roles.
- Foster self-development, by offering a bespoke selection of initiatives that allow employees to manage their own development, and by engaging leaders in the achievements of their teams. The new Redeia Skills Model, first rolled out in 2022, continued to be implemented throughout the year, so as to align growth with the Company’s objectives.
- Implement the Development Recommendations so that employees can work, either autonomously or accompanied, on the skills chosen in each case in response to the Skills Model. These recommendations include internal mobility (through temporary placements, coverage of vacancies and international mobility), postings to projects and training actions.

a) A stable, engaged and highly qualified team

At year-end 2023, the Company had a headcount of 422 employees. The Company's commitment to the professional development of its personnel and to maintaining their employability during their tenure is reflected in the high percentage of employees on permanent contracts (nearly 100%), with the focus on employability and functional mobility as a lever for growth and professional development.

b) Diversity

The Company's commitment to diversity, inclusion and non-discrimination is articulated in its new 2023-2025 Comprehensive Diversity Plan, which is aligned with both the Strategic Plan and the 2030 Sustainability Commitment. The purpose of the plan is to inspire and be a benchmark, both within the organization itself and the wider social, labour and human environment, through the commitment to talent diversity, social inclusion, employment and non-discrimination, breaking down stereotypes and cultural barriers. The goals of the Comprehensive Diversity Plan are to:

- Embed diversity across all Redeia processes, especially people management, taking account of everything that this implies (gender, age, disability, etc.) and thus instilling a culture of diversity, equal opportunities, equity, inclusion and non-discrimination.
- Extend the diversity, equity and inclusion strategy across the entire value chain.
- Partner up with official organisations, academic institutions, stakeholders and other social agents in campaigns, observatories and projects that will allow the Company to become a benchmark as a social agent that helps to create a more diverse society.
- Reduce any inequalities that may arise (corporate and wage or digital gaps).
- Put mechanisms in place to prevent discriminatory bias.
- Support the inclusion of socially excluded and/or vulnerable people within the job market.

Gender equality is a key topic under the new Comprehensive Diversity Plan and includes the principles of equal employment opportunities, the promotion of women to positions of responsibility, equal pay between men and women, the promotion of shared family responsibility, the prevention of harassment on moral, sexual and gender grounds and the prevention of gender-based violence. Performance in these areas is monitored using indicators to measure progress towards achieving stated objectives.

c) Talent management

In 2023, the Company continued to work on the talent management model, an essential part of the People and Culture Department's Operational Plan, which uses a systematic approach to attract, discover, develop, train, transform and retain talent and exchange knowledge. The model pursues excellence to ensure that the Company remains a national and international benchmark. This is to be achieved through five lines of action:

- Attracting, selecting and integrating talent: commitment to the future.
- Identifying talent: engagement.
- Professional training and development plans: virtual campus.
- Knowledge management: transfer plan.
- Transformational leadership.

Learning is provided through Campus, which serves as a springboard for rolling out the organization's strategy, values and culture. It is a meeting place and a space for learning and development, helping to manage stakeholder knowledge and covering the various areas targeted for learning.

d) Management-employee relations

In 2023, the role of the management team as the main channel for internal communication with the teams was further consolidated and specific leadership targets were added to improve matters further.

The Company also designed a methodology for listening to its employees by "taking pulses". This method allows the Company to gauge the opinions of various segments on specific and relevant issues that affect the day-to-day work of the workforce. For example, employees were asked to assess the implementation of the hybrid work model in the Company, which started up in February.

On the subject of collective bargaining, the 1st Collective Bargaining Agreement, which was published in the Official State Gazette, was signed, marking an end to the bargaining process that began in 2022.

Following the signing of this agreement, which was unanimously agreed by each negotiating committee, close employer-employee dialogue was struck up through the various committees set up under the terms of the agreements, comprising representatives of the employer and of the employees and which were called upon to address working conditions.

e) Occupational health and safety

Through the engagement and leadership of the management team, the Company promotes best practices in safety, health and wellness. Its healthy company management model has evolved with the new AENOR standard towards a healthy organisation model and is fully aligned with the Strategic Plan, the People Operational Plan and the 2030 Sustainability Commitment.

This system seeks to provide guidelines, not only for people in the organization to view working conditions in a positive light, thereby fostering a safe and healthy workplace, but also so that the various groups of the wider society (e.g. users, customers, suppliers, families) can share and reap these benefits, thereby giving rise to a new wellness- and sustainability-driven leadership strategy.

Therefore, with the primary aim of building prevention into the Company's processes and culture on the path to achieving the “zero accidents” objective, the new 2024-2025 Workplace Safety and Well-being Plan was drawn up in 2023. The plan is divided into four main areas of action: culture and leadership, innovation and digitalisation, well-being, and collaboration with stakeholders.

f) Work-life balance management

True to its commitment to ensuring a healthy work-life balance, the Company continues to build to a work-life balance management model based on continuous improvement.

Achievement of the objectives set for 2023 came to 80%, with the work-life balance officer playing a key role by delivering personalised responses to 100% of the personal situations raised by workers.

The work-life balance management model also happens to be one of the central pillars of the Healthy Organisation model and the Diversity model, and includes over 70 work-life balance measures and related actions.

9 Excellence

Redeia has a Policy of Excellence, which was updated in 2021. It sets out the Company’s principles and commitment to excellence in management, which is focused on the creation of sustainable value that meets or surpasses the requirements and expectations of the stakeholders present within Redeia’s ecosystem, acting as a lever for achieving truly excellent results both now and down the line.

In 1999, the Company adopted the EFQM (European Foundation for Quality Management) excellence management model as a tool to improve management, under which external assessments are performed on a regular basis. In 2022, Redeia performed an assessment of the Company and Red Eléctrica de España, S.A.U. in accordance with the EFQM 2020 model, obtaining a score of above 700 points and earning, in the process, the EFQM 700+ Seal of Innovation and Sustainability Excellence. Following this assessment, the model will be expanded to cover Redeia’s other business activities.

In 2023, Redeia earned the Ambassador of European Excellence award from Club de Excelencia en Gestión, EFQM’s main partner in Spain, for scoring more than 700 points in the latest EFQM assessment and demonstrating a firm commitment to excellent, innovative and sustainable management.

Redeia's commitment to excellence is evidenced by the external certifications awards from renowned certification entities testifying that the organization implements certifiable management systems successfully in carrying on its business. Redeia has quality assurance systems certified under ISO 9001 in place at the Company and the main subsidiaries.

Elsewhere, Redeia's criminal and anti-bribery compliance system is also certified under the UNE 19601 criminal compliance management system and UNE 37001 anti-bribery management system standards.

10 Disclosures regarding average supplier payment term. Additional Provision Three - "Disclosure requirements" under Law 15/2010 of 5 July.

In accordance with the Spanish Accounting and Auditing Institute (ICAC) resolution of 29 January 2016 regarding disclosures that must be included in the notes to financial statements regarding average supplier payment period in commercial transactions, as amended by Law 18/2022 of 28 September, the average supplier payment period in 2023 was 36 days.

The disclosures required by this resolution are provided in note 19 to the Company's 2023 financial statements.

11 Events after the reporting date

On 3 January 2024, Redeia, through its subsidiary Red Eléctrica Financiaciones, S.A.U., and under the scope of the Euro Medium Term Note (EMTN) Programme of the latter, issued 500 million euros of green bonds on the euromarket that are secured by Redeia Corporación, S.A. and Red Eléctrica de España, S.A.U.

The proceeds will be used to finance and/or refinance eligible assets under the umbrella of Red Eléctrica de España, S.A.U.'s green finance framework.

The notes, which were paid in on 17 January 2024, mature in 10 years and carry an annual coupon of 3.00%; they were issued at a price of 99.405%, implying a yield of 3.07%.

12 Dividend policy

Redeia will follow the dividend policy described in its 2021–2025 Strategic Plan, which initially envisioned a dividend payment of 1 euro per share until 2022, and a floor of 0.80 euros per share as of 2023. The Group's stronger financial situation —largely due to the sale of the stake held in Redeia Infraestructuras de Telecomunicación— allowed it to raise the shareholder return to 1 euro per share in 2023.

Dividend paid in 2023 out of prior-year profit amounted to 539.6 million euros.

The dividend paid out of 2023 earnings proposed by the Board of Directors and pending approval by the shareholders at their Annual General Meeting amounts to 1 euro per share.

The dividend will be paid in two instalments – an interim dividend already paid in January 2024 and a final dividend halfway through the year once the financial statements have been approved by shareholders at the Annual General Meeting.

13 Outlook

As regards the management of the different businesses, the Company, as the Parent of Redeia, will continue to undertake its activities, implementing a model encompassing two major lines of action in equal proportion: operations subject to market risk which offset the concentration of regulatory risk, and regulated operations which offset market risk. Along these lines, it will continue to perform the role of Spanish TSO, helping to make the energy transition in Spain a reality; continue to foster connectivity as a leading operator of both fibre optic and satellite telecommunications infrastructure; consolidate its international business; and invest in technological acceleration and innovation.

Executing the strategy, underpinned by efficiency, digital transformation and personnel development, will enable the Redeia to adapt to the new, stricter regulatory and remuneration environment, and to generate more ways of creating value.

The Company will work of guaranteeing electricity supply and connectivity and upholding its commitment to maximising value for its shareholders, offering an attractive dividend yield and generating value through efficient management of its activities, weighing up alternatives for growing the business and maintaining a sound capital structure. To do so, it will continue to pursue long-term value creation, promoting a fair ecological transition based on sustainability principles and contributing to social and regional cohesion.

The Company continues to make inroads on delivering its 2030 Sustainability Commitment and maximise its contribution to the achievement of global targets, chief of which are the United Nations Sustainable Development Goals (SDGs). It will increase its social and environmental contributions across all the geographical and business areas in which it deploys its infrastructures, maximising the positive impact beyond its investment projects and providing solutions to the structural challenges that perpetuate territorial, generational, gender and digital inequality.

14 Non-financial statement in compliance with Law 11/2018 of 28 December 2018

Regarding Spanish Law 11/2018 of December 28, amending Spain's Code of Commerce, the consolidated text of the Corporate Enterprises Act enacted by Royal Legislative Decree 1/2010 of July 2, and Spain's Audit Act (Law 22/2015 of 20 July 2015) regarding non-financial and diversity information, this information is included in the 2023 consolidated management report placed on file at the Madrid Companies Register.

15 Annual Corporate Governance Report

The annual corporate governance report is an integral part of the management report and is available at:

http://www.cnmv.es/Portal/consultas/EE/InformacionGobCorp.aspx?nif=A-78003662

16 Annual Report on Director Remuneration

The annual report on director remuneration is an integral part of the management report and is available at:

https://www.cnmv.es/Portal/Consultas/EE/InformacionGobCorp.aspx?TipoInforme=6&nif=A-78003662