



Auditor's Report on Red Eléctrica Corporación, S.A.

**(Together with the annual accounts and
directors' report of Red Eléctrica Corporación,
S.A. for the year ended 31 December 2022)**

*(Translation from the original in Spanish. In the event
of discrepancy, the Spanish-language version prevails.)*



KPMG Auditores, S.L.
Paseo de la Castellana, 259 C
28046 Madrid

Independent Auditor's Report on the Annual Accounts

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

To the Shareholders of Red Eléctrica Corporación, S.A.

REPORT ON THE ANNUAL ACCOUNTS

Opinion

We have audited the annual accounts of Red Eléctrica Corporación, S.A. (the "Company"), which comprise the balance sheet at 31 December 2022, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes.

In our opinion, the accompanying annual accounts give a true and fair view, in all material respects, of the equity and financial position of the Company at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with the applicable financial reporting framework (specified in note 2 to the annual accounts) and, in particular, with the accounting principles and criteria set forth therein.

Basis for Opinion

We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Annual Accounts section of our report.

We are independent of the Company in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the annual accounts pursuant to the legislation regulating the audit of accounts in Spain. We have not provided any non-audit services, nor have any situations or circumstances arisen which, under the aforementioned regulations, have affected the required independence such that this has been compromised.

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



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Key Audit Matters

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

Recoverability of non-current and current investments in Group companies and associates: Euros 3,379,476 thousand and Euros 106,462 thousand, respectively

See notes 4 e), 4 g), 8 and 21 to the annual accounts.

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>As mentioned in notes 8 and 21 to the annual accounts, the Company holds investments in Group companies and has extended loans to these companies, Euros 3,379,476 thousand of which are recognised in the balance sheet under non-current investments in Group companies and associates, and Euros 106,462 thousand under current investments in Group companies and associates. As required by the applicable financial reporting framework, each year the Company assesses whether there are indications that these investments may be impaired, and if this is the case, calculates the recoverable amount of the investments.</p> <p>The Company calculates the recoverable amount by applying valuation techniques that often require the exercising of judgement by the Directors and the use of assumptions and estimates.</p> <p>Due to the uncertainty associated with these estimates, this has been considered a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none">- Evaluating the design and implementation of key controls related to the process of measuring investments;- Assessing the criteria used by the Company's Directors and management to identify indications of impairment of the investments;- Evaluating the methodology and reasonableness of the assumptions used by management and the Directors and considered in the analysis of impairment of investments in Group companies, with the involvement of our valuation specialists, and based on the reports drawn up by the independent experts engaged by the Company to contrast the reasonableness of the assumptions used. <p>We also assessed whether the disclosures in the annual accounts meet the requirements of the financial reporting framework applicable to the Company.</p>



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Other Information: Directors' Report

Other information solely comprises the 2022 directors' report, the preparation of which is the responsibility of the Company's Directors and which does not form an integral part of the annual accounts.

Our audit opinion on the annual accounts does not encompass the directors' report. Our responsibility as regards the content of the directors' report is defined in the legislation regulating the audit of accounts, which establishes two different levels:

- a) Determine, solely, whether the non-financial information statement and certain information included in the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration, as specified in the Spanish Audit Law, have been provided in the manner stipulated in the applicable legislation, and if not, to report on this matter.
- b) Assess and report on the consistency of the rest of the information included in the directors' report with the annual accounts, based on knowledge of the entity obtained during the audit of the aforementioned annual accounts. Also, assess and report on whether the content and presentation of this part of the directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described above, we have observed that the specific information mentioned in section a) above has been provided in the directors' report, that the rest of the information contained in the directors' report is consistent with that disclosed in the annual accounts for 2022, and that the content and presentation of the report are in accordance with applicable legislation.

Directors' and Audit Committee's Responsibility for the Annual Accounts

The Directors are responsible for the preparation of the accompanying annual accounts in such a way that they give a true and fair view of the equity, financial position and financial performance of the Company in accordance with the financial reporting framework applicable to the entity in Spain, and for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, 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 have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the preparation and presentation of the annual accounts.



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Auditor's Responsibilities for the Audit of the Annual Accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts 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 legislation regulating the audit of accounts 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 annual accounts.

As part of an audit in accordance with prevailing legislation regulating the audit of accounts in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, 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 entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' 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 annual accounts 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 annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the Audit Committee of Red Eléctrica Corporación, S.A. 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 entity's Audit Committee with a statement that we have complied with the applicable ethical requirements, including those regarding independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



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From the matters communicated to the Audit Committee of the entity, we determine those that were of most significance in the audit of the annual accounts of the current period and which 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 Red Eléctrica Corporación, S.A. for 2022 in European Single Electronic Format (ESEF) comprising an XHTML file with the annual accounts for the aforementioned year, which will form part of the annual financial report.

The Directors of Red Eléctrica Corporación, S.A. are responsible for the presentation of the 2022 annual report in accordance with the format requirements stipulated in Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 (hereinafter the "ESEF Regulation"). In this regard, they have incorporated the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration by means of a reference thereto in the directors' report.

Our responsibility consists of examining the digital file prepared by the Company's Directors, in accordance with prevailing legislation regulating the audit of accounts in Spain. This legislation requires that we plan and perform our audit procedures to determine whether the content of the annual accounts included in the aforementioned digital file fully corresponds to the annual accounts we have audited, and whether the annual accounts have been formatted, in all material respects, in accordance with the requirements of the ESEF Regulation.

In our opinion, the digital file examined fully corresponds to the audited annual accounts, and these are presented, in all material respects, in accordance with the requirements of the ESEF Regulation.

Additional Report to the Audit Committee

The opinion expressed in this report is consistent with our additional report to the Company's Audit Committee dated 27 February 2023.



(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Contract Period

We were appointed as auditor by the shareholders at the ordinary general meeting on 29 June 2021 for a period of two years, from the year commenced 1 January 2021.

Previously, we had been appointed for a period of three years, by consensus of the shareholders at their general meeting, and have been auditing the annual accounts since the year ended 31 December 2013.

KPMG Auditores, S.L.

On the Spanish Official Register of Auditors ("ROAC") with No. S0702

(Signed on original in Spanish)

Ana Fernández Poderós

On the Spanish Official Register of Auditors ("ROAC") with No. 15,547

27 February 2023



redeaia

Valuing the essentials

Annual Accounts

2022

Red Eléctrica Corporación, S.A.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Red Eléctrica Corporación, S.A.
Balance Sheet at 31 December 2022

Thousands of Euros	Note	31.12.2022	31.12.2021
Non-current assets		3,479,511	2,849,848
Intangible assets	5	12,807	7,786
Computer software		12,807	7,786
Property, plant and equipment	5	70,557	70,837
Land and buildings		61,806	63,381
Other installations, machinery, equipment, furniture and other items		2,453	895
Under construction and advances		6,298	6,561
Investment property	6	1,703	1,773
Land		558	558
Buildings		1,145	1,215
Non-current investments in Group companies and associates		3,379,476	2,754,283
Equity instruments	8	2,848,915	2,152,488
Loans to companies	21	530,561	601,795
Non-current investments	12	7,464	8,159
Equity instruments		6,603	1,050
Loans to third parties		839	988
Derivatives	11	-	6,099
Other financial assets		22	22
Deferred tax assets	17	7,504	7,010
Current assets		761,136	1,344,112
Trade and other receivables	13	193,248	2,915
Trade receivables from Group companies and associates	21	17,181	509
Other receivables		211	357
Personnel		325	316
Current tax assets		174,528	1,733
Public entities, other		1,003	-
Current investments in Group companies and associates	21	106,462	78,800
Loans to companies		106,462	78,800
Current investments	12	401,027	5
Other financial assets		401,027	5
Prepayments for current assets		1,891	1,127
Cash and cash equivalents		58,508	1,261,265
Cash		58,508	1,261,265
Total assets		4,240,647	4,193,960

Notes 1 to 29 form an integral part of the accompanying annual accounts.

Red Eléctrica Corporación, S.A.
Balance Sheet at 31 December 2022

Thousands of Euros	Note	31.12.2022	31.12.2021
Equity	14	3,329,963	2,913,334
Capital and reserves		3,310,964	2,894,335
Capital		270,540	270,540
Reserves		2,266,292	2,243,366
(Own shares)		(26,296)	(31,618)
Profit for the year		947,571	559,108
(Interim dividend)		(147,143)	(147,061)
Valuation adjustments		18,999	18,999
Non-current liabilities		488,461	577,333
Non-current provisions	15	20,394	19,876
Non-current payables	16	440,480	554,203
Bonds and other marketable securities		398,761	398,227
Loans and borrowings		39,494	155,960
Derivatives	11	2,209	-
Other liabilities		16	16
Group companies and associates, non-current payables	21	25,880	1,502
Deferred tax liabilities	17	1,707	1,752
Current liabilities		422,223	703,293
Current payables	16	283,347	669,303
Bonds and other marketable securities		2,512	2,512
Loans and borrowings		120,987	500,784
Other current payables		159,848	166,007
Current payables to Group companies and associates	21	97,339	13,165
Trade and other payables	18	41,537	20,825
Payables to Group companies	21	169	-
Other payables		30,724	10,950
Personnel		9,400	6,942
Public entities, other		1,244	2,933
Total equity and liabilities		4,240,647	4,193,960

Notes 1 to 29 form an integral part of the accompanying annual accounts.

Red Eléctrica Corporación, S.A.
Income Statement. 2022

Thousands of Euros	Note	2022	2021
Revenue	20.a	89,499	636,215
Services rendered		74,306	67,851
Finance income on investments in equity instruments		-	559,039
Group companies and associates		-	559,039
Finance income on securities and other financial instruments of Group companies and associates		15,193	9,325
Self-constructed assets	5	252	521
Supplies		(204)	(83)
Raw materials and other consumables used		(204)	(83)
Other operating income		355	337
Non-trading and other operating income		355	337
Personnel expenses	20.b	(48,105)	(43,390)
Salaries and wages		(37,541)	(33,183)
Employee benefits expense		(6,418)	(6,226)
Other items and employee benefits		(4,146)	(3,981)
Other operating expenses		(21,639)	(17,145)
External services		(20,975)	(16,658)
Taxes		(664)	(487)
Depreciation and amortisation	5 and 6	(4,740)	(3,023)
Impairment and gains on disposal of fixed assets	20.d	5	469
Impairment and gains		5	469
Impairment and gains on disposal of financial instruments	20.e	969,909	-
Gains on disposal and other		969,909	-
Results from operating activities		985,332	573,901
Finance income	20.c	4,631	3,262
Marketable securities and other financial instruments		4,631	3,262
Other		4,631	3,262
Finance costs	20.c	(11,298)	(9,464)
Group companies and associates		(319)	(5)
Other		(10,618)	(9,283)
Provision adjustments		(361)	(176)
Change in fair value of financial instruments	11	(113)	69
Trading portfolio and other		(113)	69
Exchange gains/(losses)		42	(244)
Net finance cost		(6,738)	(6,377)
Profit before tax		978,594	567,524
Income tax	17	(31,023)	(8,416)
Profit from continuing operations		947,571	559,108
Profit for the year		947,571	559,108

Notes 1 to 29 form an integral part of the accompanying annual accounts.

Red Eléctrica Corporación, S.A.
Statement of Total Changes in Equity at 31 December 2022

	Subscribed capital	Reserves	(Own shares)	Profit for the year	(Interim dividend)	Subtotal capital and reserves	Valuation adjustments	Total equity
Thousands of Euros								
Balance at 31 December 2020	270,540	2,050,203	(36,550)	730,263	(146,984)	2,867,472	18,999	2,886,471
Total recognised income and expense	-	1,763	-	559,108	-	560,871	-	560,871
Transactions with shareholders or owners								
(-) Distribution of dividends	-	1,516	-	(393,527)	(147,061)	(539,072)	-	(539,072)
Transactions with own shares (net)	-	132	4,932	-	-	5,064	-	5,064
Other changes in equity								
Distribution of prior year's profit	-	189,752	-	(336,736)	146,984	-	-	-
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 or owners								
(-) Distribution of dividends	-	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								
Distribution of prior year's 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

Notes 1 to 29 form an integral part of the accompanying annual accounts.

Red Eléctrica Corporación, S.A.
Statement of Recognised Income and Expense. 2022

Thousands of Euros	2022	2021
Profit for the year	947,571	559,108
Actuarial gains and losses and other adjustments	4,044	2,351
Tax effect	(1,011)	(588)
Income and expense recognised directly in equity	3,033	1,763
Amounts transferred to the income statement	-	-
Total recognised income and expense	950,604	560,871

Notes 1 to 29 form an integral part of the accompanying annual accounts.

Red Eléctrica Corporación, S.A.
Statement of Cash Flows. 2022

Thousands of Euros	2022	2021
Cash flows from (used in) operating activities	(170,334)	584,416
Profit for the year before tax	978,594	567,524
Adjustments to profit	(969,144)	(557,241)
Depreciation and amortisation	4,740	3,023
Impairment	-	(469)
Change in provisions	4,485	2,192
Gains on disposal	(969,914)	-
Finance income	(19,824)	(571,626)
Finance costs	11,298	9,464
Exchange (gains)/losses	(42)	244
Fair value measurement of financial instruments	113	(69)
Changes in operating assets and liabilities	(8,554)	1,852
Trade and other receivables	(17,529)	37
Other current assets	(758)	356
Trade and other payables	9,733	1,459
Other cash flows from (used in) operating activities	(171,230)	572,281
Interest paid	(7,509)	(8,371)
Dividends received	-	559,039
Interest received	3,809	4,874
Income tax paid/received	(167,248)	16,996
Other payments/receipts	(282)	(257)
Cash flows from (used in) investing activities	(93,579)	1,133,949
Payments for investments	(1,159,567)	(23,745)
Group companies and associates	(717,056)	(5,593)
Property, plant and equipment, intangible assets and investment property	(9,870)	(8,130)
Other financial assets	(432,479)	(9,872)
Other assets	(162)	(150)
Proceeds from sale of investments	1,065,988	1,157,694
Group companies and associates	1,063,967	1,156,652
Property, plant and equipment, intangible assets and investment property	41	-
Other assets	1,980	1,042
Cash flows used in financing activities	(938,854)	(753,016)
Proceeds from and payments for equity instruments	5,383	5,064
Acquisition and sale of own equity instruments	5,383	5,064
Proceeds from and payments for financial liability instruments	(404,960)	(219,085)
Loans and borrowings	(504,249)	(220,742)
Payables to Group companies and associates	99,289	1,657
Dividends and interest on other equity instruments paid	(539,277)	(538,995)
Dividends	(539,277)	(538,995)
Effect of exchange rate fluctuations	10	6
Net increase/(decrease) in cash and cash equivalents	(1,202,757)	965,355
Cash and cash equivalents at beginning of year	1,261,265	295,910
Cash and cash equivalents at year end	58,508	1,261,265

Notes 1 to 29 form an integral part of the accompanying annual accounts.

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1 Company Activity

Red Eléctrica Corporación, S.A. (hereinafter the Company) was incorporated in 1985 and its registered office is located in Alcobendas (Madrid). The Company's principal activities are as follows:

- Managing the corporate Group, which comprises investments in the share capital of its Group companies and investees.
- Rendering assistance and support services to its investees.
- Operating the buildings owned by the Company.

2 Basis of Presentation of the Annual Accounts

a) True and fair view

The accompanying annual accounts were authorised for issue by the Company's directors at their board meeting held on 27 February 2023 and have been prepared to give a true and fair view of the Company's equity and financial position at 31 December 2022, as well as the results of its operations, changes in equity and cash flows for the year then ended.

The figures disclosed in the annual accounts are expressed in thousands of Euros, the Company's functional and presentation currency, rounded off to the nearest thousand. The annual accounts have been prepared on the basis of the accounting records of the Company in accordance with prevailing legislation and the Spanish General Chart of Accounts approved by Royal Decree 1514/2007 and the amendments thereto contained in Royal Decree 1159/2010 and Royal Decree 1/2021, as well as the Spanish Accounting and Auditing Institute's Resolution of 10 February 2021.

The Company is the Parent of a group of companies called Redeia and has prepared its consolidated annual accounts, pursuant to prevailing legislation, in accordance with International Financial Reporting Standards as adopted by the European Union.

The Company files separate consolidated annual accounts in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) through Regulation (EC) No 1606/2002/EC of the European Parliament and of the Council, and the related interpretations (IFRIC) adopted by the European Union.

The annual accounts for 2021 were approved by the shareholders at their general meeting held on 7 June 2022. The annual accounts for 2022 are currently pending approval by the shareholders. However, the board of directors of the Company consider that these annual accounts will be approved with no changes.

b) Mandatory accounting principles

The Company has not omitted any mandatory accounting principle with a significant effect on the annual accounts.

c) Estimates and assumptions

The preparation of the annual accounts requires Company management to make judgements, estimates and assumptions that affect the application of accounting standards and the amounts of assets, liabilities, income and expenses. Estimates and assumptions are based on past experience and other factors that are considered reasonable under the circumstances. Actual results could differ from these estimates.

The annual accounts for 2022 occasionally include estimates calculated by management of the Company, and subsequently endorsed by its directors, to quantify certain assets, liabilities, income, expenses and commitments disclosed therein. These estimates are essentially as follows:

- Estimates and assumptions used to assess the recoverability of assets.
- Estimated useful lives of fixed assets.
- Assumptions used in the actuarial calculations.
- Assumptions and estimates used in measuring the fair value of derivative financial instruments.

Liabilities are generally recognised when it is probable that an obligation will give rise to an indemnity or a payment. The Company assesses and estimates amounts to be settled in the future, including additional amounts for income tax, contractual obligations, pending lawsuit settlements and other liabilities. These estimates are subject to the interpretation of existing facts and circumstances, projected future events and the estimated financial effect of those events.

To facilitate comprehension of the annual accounts, details of the different estimates and assumptions are provided in each separate note.

The Company has taken out insurance policies to cover the risk of possible claims that might be lodged by third parties in relation to its activities.

Although estimates are based on the best information available at 31 December 2022, future events may require increases or decreases in these estimates in subsequent years, which would be accounted for prospectively in the corresponding income statement as a change in accounting estimates, as required by the Spanish General Chart of Accounts.

d) Comparative information

The balance sheet, income statement, statement of changes in equity, statement of cash flows and the notes thereto for 2022 include comparative figures for the prior year, which formed part of the annual accounts for 2021.

All the accounting principles and measurement methods used to prepare these annual accounts are the same as those used in preparing the Company's annual accounts for 2021.

e) Considerations regarding the macroeconomic scenario

As a result of the tensions in recent years between Russia and Ukraine, an armed conflict broke out on 24 February 2022 and is still ongoing at the date of authorising these annual accounts for issue. In response to this military action, a number of countries have announced various economic sanctions against Russia and have suspended or interrupted the activities carried out by public and private companies in the country.

This has led to much uncertainty and significant global economic volatility, in turn resulting in higher prices, revaluation of various currencies against the Euro, disruption of current market conditions, suspension of trade relations with Russia, in some cases a disruption of the supply chain and, ultimately, increased interest rates both within and outside the European Union.

The Company has no direct or indirect commercial relations with Russia or Ukraine, nor does it have investments in investees or assets in either of these countries. Moreover, its financial risk policy ensures that all risks associated with this conflict are identified, analysed, managed and assessed.

3 Proposed Distribution of Profit

The proposed distribution of profit for the year ended 31 December 2022, prepared by the directors and pending approval by the shareholders at the general meeting, is as follows:

Thousands of Euros	
Profit for the year	947,571
Total	947,571

Distribution	
Voluntary reserves	388,215
Capitalisation reserve	18,685
Dividends:	
Interim dividend	147,143
Supplementary dividend	393,528
Total	947,571

This proposed distribution entails a supplementary dividend of Euros 0.7273 per share, which would result in a total dividend for the year of Euro 1 per share, calculated on the basis of total shares.

The interim dividend for the year is explained in note 14.

4 Significant Accounting Policies

The accounting principles used in preparing the accompanying annual accounts are as follows:

a) Intangible assets

Intangible assets are recognised at cost of acquisition or production, as appropriate, and their value is periodically reviewed and adjusted in the event of a decline in value. Intangible assets include the following:

- **Computer software:** computer software licences are capitalised at cost of acquisition or cost of preparation for use. Computer software maintenance costs are charged as expenses when incurred. Computer software is amortised on a straight-line basis over a period of three to five years from the date on which each program comes into use.

b) Property, plant and equipment

Property, plant and equipment primarily comprise land and buildings and are measured at cost of construction or acquisition, as appropriate, less accumulated depreciation and impairment. Cost of construction includes the following items, where applicable:

- Borrowing costs accrued on external financing during the construction period.
- Operating expenses directly related to property, plant and equipment constructed for projects executed under the supervision and management of the Company.

The Company transfers work in progress to property, plant and equipment in use provided that the assets are in working condition.

Costs incurred to enlarge or improve items of property, plant and equipment which increase capacity or productivity or extend the useful life of the asset are capitalised as an increase in the cost of the related asset.

Repair and maintenance costs on property, plant and equipment that do not increase productivity or capacity and which do not lengthen the useful life of the assets are charged as expenses when incurred.

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful life of the assets, which is the period during which the Company expects to use the assets, applying the following rates:

	Annual depreciation rate
Buildings	2%-10%
Other installations	4%-25%

The Company periodically assesses the depreciation criteria taking into account the useful life of its assets. There have been no significant changes in the depreciation criteria compared to the prior year.

The Company reviews the residual values and useful lives of assets and adjusts them, if necessary, at each reporting date.

c) Investment property

The Company measures its investment property at cost of acquisition. The market value of the Company's investment property is disclosed in note 6.

Investment property, except land, is depreciated on a straight-line basis over the estimated useful life, which is the period during which the Company expects to use the assets (annual depreciation rate of 2%).

d) Leases

The Company classifies leases on the basis of whether substantially all the risks and rewards incidental to ownership of the leased asset are transferred.

Leases under which the lessor retains a significant part of the risks and rewards of ownership are classified as operating leases.

e) Financial assets and financial liabilities

• Financial assets

The Company classifies its financial assets according to their measurement category, which is determined on the basis of the business model and the contractual cash flow characteristics, and reclassifies the financial assets only when it changes its business model for managing these assets.

Acquisitions and disposals of investments are accounted for at the date on which the Company undertakes to purchase or sell the asset, which is classified in one of the following categories:

- **Financial assets at amortised cost:** this category generally includes trade receivables, which are financial assets arising from the sale of goods and services in the ordinary course of business with deferred collection. It also includes non-trade receivables, which are financial assets other than equity or derivative instruments, which are non-commercial in nature and have fixed or determinable payments, deriving from loans or credit extended by the Company.

They are non-derivative financial assets that are 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 measured at fair value which, in the absence of evidence to the contrary, is the transaction price plus attributable transaction costs. They are subsequently measured at amortised cost using the effective interest 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 carrying amount of that financial instrument based on its contractual terms. Interest income from these financial assets is included in finance income, any gain or loss that arises upon derecognition is recognised directly in the Company's profit or loss and impairment losses are presented as a separate item in the income statement for the year.

- **Financial assets at cost:** These include equity investments in Group companies, jointly controlled entities and associates, as well as all other investments in equity instruments for which the fair value cannot be reliably estimated.

They are measured at cost of acquisition, which is equivalent to the fair value of the consideration given plus directly attributable transaction costs, less any accumulated impairment. The recoverable amount is determined as the higher of the fair value less costs to sell and the present value of estimated cash flows from the investment.

- **Financial assets at fair value through equity:** these include equity instruments for which the Company made an irrevocable decision upon initial recognition to account for them in this category.

They are measured at fair value and any fair value gains or losses are recognised in equity until the financial asset is derecognised or impaired, whereupon the amount recorded in equity is taken to the income statement. Dividends from such investments are recognised in profit or loss.

The criteria used by the Company to determine fair value are specified in section I).

In the case of share capital increases by a subsidiary that are fully subscribed through a non-monetary contribution consisting of a portfolio of securities classified under the erstwhile available-for sale financial assets category, the Company adopts the response to query 1, published in the Spanish Accounting and Auditing Institute's Official Gazette (BOICAC) no. 77/2009, and any gains or losses arising from changes in the fair value at the date of the non-monetary contribution therefore continue to be recognised in the Company's equity. As provided for in Recognition and Measurement Standard 9.2.4.3 of the Spanish General Chart of Accounts, when an investment was made in a Group company, jointly controlled entity or associate before it was classified as such, and valuation adjustments for the investment were recognised directly in equity prior to this classification, these adjustments shall be maintained after

classification until disposal or derecognition of the investment, at which point they shall be recognised in the income statement.

- **Financial assets at fair value through profit or loss:** This category includes the financial assets that do not meet the conditions for classification in the previous categories.

These financial assets are recognised at fair value both on initial recognition and on subsequent measurement and any changes in fair value or gains/losses on disposal are recognised in the income statement. They are initially recognised at fair value which, in the absence of evidence to the contrary, is the transaction price and equates to the fair value of the consideration given. Directly attributable transaction costs are recognised in the income statement.

The Company derecognises a financial asset when the contractual rights to receive cash flows from the asset expire or are transferred in a transaction in which 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 does not retain control of the transferred assets.

- **Financial liabilities**

The Company has classified its financial liabilities in the following category:

- **Financial liabilities at amortised cost:** this category generally includes trade payables, which are financial liabilities arising on the purchase of goods and services in the ordinary course of business with deferred payment. It also includes non-trade payables, which are financial liabilities other than derivative instruments, which are non-commercial in nature and derive from loans or credit received by the Company. Payables falling due in less than one year that have no contractual interest rate and are expected to be settled in the short term are measured at their nominal amount. Financial debt is classified under current liabilities unless the debt falls due more than 12 months after the reporting date, in which case it is classified under non-current liabilities.

Financial debt is initially measured at fair value which, in the absence of evidence to the contrary, is the transaction price and equates to the fair value of the consideration received, net of the costs incurred in the transaction. Such debt is subsequently measured at amortised cost, using the effective interest method.

The Company derecognises all or part of a financial liability when it either discharges the liability by paying the creditor, 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 include other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are 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

The Company analyses the recoverability of its assets at each reporting date and whenever events or changes in circumstances indicate that the carrying amount might not be recoverable. Impairment is deemed to exist when the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised immediately in the income statement. An impairment loss is the difference between the carrying amount of an asset and its recoverable amount.

Recoverable amount is the higher of:

- Fair value less costs to sell
- Value in use

Recoverable amount is calculated on the basis of expected cash flows. Impairment is calculated for individual assets. Where the recoverable amount of an individual asset cannot be determined, the recoverable amount of the cash-generating unit (CGU) to which that asset belongs is calculated. Any reversals are recognised in the income statement.

The analyses carried out by the Company in 2022 did not reveal any impairment losses on investment property (see note 6).

The amount of the impairment loss of financial assets carried at amortised cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. For variable income financial assets, the effective interest rate corresponding to the measurement date under the contractual conditions is used.

The impairment loss is recognised in profit and loss and may be reversed in subsequent periods if the decrease can be objectively related to an event occurring after the impairment has been recognised. The loss can only be reversed up to the limit of the amortised cost of the assets had the impairment loss not been recognised.

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

The Company has not identified any indications of impairment of equity instruments or loans extended to Group companies and associates in its analysis.

h) Capital and reserves

Share capital is represented by ordinary shares.

Interim dividends are recognised as a reduction in equity for the year in which the dividend is declared, based on the consensus of the board of directors. Supplementary dividends are not deducted from equity until approved by the shareholders at their general meeting.

Own shares are measured at cost of acquisition and recognised as a reduction in equity. Any gains or losses on the purchase, sale, issue or redemption of own shares are recognised directly in equity.

i) Provisions

• Employee benefits

○ Pension obligations

The Company has defined contribution plans, whereby the benefit receivable by an employee upon retirement – based on one or more factors such as age, fund returns, years of service or remuneration – is determined by the contributions made. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity, and will have 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

Other long-term employee benefits include defined benefit plans for benefits other than pensions (such as health insurance) for the Company's serving and former personnel. The expected costs of these benefits are recognised over the working life of the employees. These obligations are measured each year by independent qualified actuaries. Changes in actuarial assumptions are recognised, net of taxes, in reserves under equity in the year in which they arise, while the past service cost is recorded in the income statement.

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

This item also includes deferred remuneration schemes and the Structural Management Plan (hereinafter the "Plan"), which are measured each year.

• Other provisions

The Company makes provision for present obligations (legal or constructive) arising as a result of a past event whenever it is probable that an outflow of resources will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. Provision is made when the liability or obligation is recognised. No provision is made for proceedings with a probability of occurrence of less than 50% as it is considered that such proceedings will have a favourable outcome.

Provisions are measured at the present value of the estimated expenditure required to settle the obligation using a pre-tax interest rate that reflects the current market assessment of the time value of money and the specific risks of the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

j) Transactions in currency other than the Euro

Transactions in currency other than the Euro are translated by applying the exchange rate in force at the transaction date. Exchange gains and losses arising during the year due to balances being translated at the exchange rate at the transaction date rather than the exchange rate prevailing on the date of collection or payment are recognised as income or expenses in the income statement.

Fixed income securities and balances receivable and payable in currencies other than the Euro at 31 December each year are translated at the closing exchange rate. Any exchange differences arising are recognised under exchange gains/losses in profit or loss.

Transactions conducted in foreign currencies for which the Company has chosen to mitigate currency risk by arranging financial derivatives or other hedging instruments are recorded using the criteria for derivative financial instruments and hedging transactions.

k) Derivative financial instruments and hedging transactions

Derivative financial instruments are initially recognised in the balance sheet at their fair value on the date the arrangement is executed (acquisition cost) and this fair value is subsequently adjusted as necessary. The criterion used to recognise the resulting gain or loss depends on whether the derivative financial instrument is 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, whether that price is directly observable or estimated using another valuation technique.

The Company documents the relationship between the hedging instruments and the hedged assets or liabilities, its risk management objectives and its hedging strategy at the inception of the hedge. The Company also documents its assessment, at inception and on an ongoing basis, of whether the hedging derivatives used are highly effective in offsetting changes in the hedged item's fair value or cash flows.

Details of the fair value of the derivatives used to hedge currency risk are 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, whether that price is directly observable or estimated using another valuation technique.

The fair value measurements of financial assets and financial liabilities are classified on the basis of a hierarchy that reflects the relevance of the inputs used in measuring the fair value. The hierarchy comprises three levels:

- **Level 1:** measurement is based on quoted prices for identical instruments in active markets.
- **Level 2:** measurement is based on inputs that are observable for the asset or liability.
- **Level 3:** measurement is based on inputs derived from unobservable market data.

If there is no quoted price in an active market, the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. Specifically, the Company calculates the fair value of derivative financial instruments that are not traded on organised markets using valuation techniques, including recent arm's length transactions between knowledgeable, willing parties, reference to other instruments that are substantially the same, discounted cash flow analyses using the market interest rates and exchange rates in force at the reporting date, and option pricing models enhanced to reflect the particular circumstances of the issuer.

m) Income and expenses

Revenue from contracts with customers should be recognised based on satisfaction of the performance obligations with the customers.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised according to the pattern of transfer of goods and services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Interest income is recognised using the effective interest method. Dividends are recognised when the right to receive payment is established. The Company, as the Parent of Redeia, has adopted the Spanish Accounting and Auditing Institute's (ICAC) response to the query (Ref: 546/09) of 23 July 2009 regarding the classification for accounting purposes of a holding company's income and expenses in individual accounts and the determination of revenue. It thus classifies dividends from investments held in investees, interest on loans extended to these companies, and gains obtained on the disposal of such investments as revenue. This is not, however, the case for gains arising on the disposal of subsidiaries, for which this same ICAC resolution provides that a line item should be created within the operating margin for the purpose of reflecting changes in the fair value of financial instruments, impairment and gains or losses on disposal.

In addition, revenue also includes lease income and revenue from support services rendered, which form part of the Company's principal activities.

n) Taxation

The income tax expense or tax income for the year comprises current tax and deferred tax. Current and deferred taxes are recognised as income or an expense and included in profit or loss for the year, except to the extent that the tax arises from a transaction or event that is recognised in the same year, directly in equity, or from a business combination.

Current tax is the estimated tax payable for the year using the enacted tax rates applicable to the current year and to any adjustment to tax payable in respect of previous years.

Tax credits and deductions arising from economic events occurring in the year are deducted from the income tax expense, unless there are doubts as to whether they can be realised.

Deferred taxes and the income tax expense are calculated and recognised using the liability method, based on temporary differences arising between the balances recognised in the financial information and those used for tax purposes. This method entails calculating deferred tax assets and liabilities on the basis of the differences between the carrying amount of the assets and liabilities and their tax base, applying the tax rates that are objectively expected to apply to the years when the assets are realised and the liabilities settled.

Deferred tax assets are recognised provided that it is probable that sufficient taxable profits will be available against which the deductible temporary differences can be utilised.

As the parent of the tax group, the Company records the total consolidated income tax payable (recoverable) with a debit (credit) to receivables from (payables to) Group companies and associates.

o) Insurance

The Company has taken out various insurance policies to cover the risks to which it is exposed through its activities. These risks mainly comprise damage that could be caused to its facilities and possible claims that might be lodged by third parties due to the Company's activities. Insurance premium expenses are recognised in the income statement on an accruals basis. Payouts from insurance companies in respect of claims are recognised in the income statement applying the matching of income and expenses principle.

p) Share-based payments

The Company has implemented share purchase schemes whereby employees can opt to receive part of their annual remuneration in the form of shares in the Company. This remuneration is measured based on the closing quotation of these Company shares at the delivery date. The costs incurred on such schemes are recognised under personnel expenses in the income statement. All shares delivered as payment are taken from the own shares held by the Company.

q) Transactions between Group companies

Transactions between Group companies are recognised at the fair value of the consideration given or received. The difference between this value and the amount agreed is recognised in line with the underlying economic substance of the transaction.

5 Intangible Assets and Property, Plant and Equipment

5.1 Intangible assets

Movement in intangible assets in 2022 and 2021 and details of accumulated amortisation and impairment are as follows:

	31 December 2020	Additions	Transfers	31 December 2021	Additions	Transfers	31 December 2022
Thousands of Euros							
Cost							
Computer software	5,541	-	-	5,541	-	5,648	11,189
Computer software under development	-	5,640	-	5,640	7,394	(5,648)	7,386
Total cost	5,541	5,640	-	11,181	7,394	-	18,575
Accumulated amortisation							
Computer software	(2,229)	(1,166)	-	(3,395)	(2,373)	-	(5,768)
Total accumulated amortisation	(2,229)	(1,166)	-	(3,395)	(2,373)	-	(5,768)
Carrying amount	3,312	4,474	-	7,786	5,021	-	12,807

In 2022 and 2021 computer software additions reflect development and acquisitions from third parties of the Company's corporate software.

At 31 December 2022 the Company has fully amortised intangible assets amounting to Euros 2,306 thousand (Euros 1,662 thousand at 31 December 2021).

In 2022 operating expenses of Euros 252 thousand directly related to intangible assets were capitalised (Euros 438 thousand in 2021).

5.2 Property, plant and equipment

Movement in property, plant and equipment in 2022 and 2021 and details of accumulated depreciation and impairment are as follows:

	31 December 2020	Additions	Transfers	31 December 2021	Additions	Transfers	31 December 2022
Thousands of Euros							
Cost							
Land and buildings	88,144	-	-	88,144	-	-	88,144
Other installations, machinery, equipment, furniture and other items	17,568	-	-	17,568	-	2,318	19,886
Under construction and advances	3,947	2,614	-	6,561	2,055	(2,318)	6,298
Total cost	109,659	2,614	-	112,273	2,055	-	114,328
Accumulated depreciation							
Buildings	(23,189)	(1,574)	-	(24,763)	(1,575)	-	(26,338)
Other installations, machinery, equipment, furniture and other items	(16,411)	(262)	-	(16,673)	(760)	-	(17,433)
Total accumulated depreciation	(39,600)	(1,836)	-	(41,436)	(2,335)	-	(43,771)
Carrying amount	70,059	778	-	70,837	(280)	-	70,557

Land and buildings comprise buildings owned by the Company and used essentially for its principal activity as detailed in note 1.

Additions to property, plant and equipment under construction in 2022 and 2021 primarily reflect the purchase and assembly of equipment.

At 31 December 2022 the Company has fully depreciated property, plant and equipment amounting to Euros 17,266 thousand (Euros 17,036 thousand in 2021), of which Euros 14,683 thousand comprise other installations (Euros 14,683 thousand in 2021).

In 2022 no operating expenses directly related to property, plant and equipment were capitalised (Euros 83 thousand in 2021).

Law 16/2012, which introduced several tax measures to consolidate public finances and boost economic activity, provided for the revaluation of property, plant and equipment and/or investment property using the ratios set forth in this Law, with a credit to a revaluation reserve under equity. According to the Spanish Accounting and Auditing Institute Resolution of 31 January 2013, any revaluation of balances should be recognised in the annual accounts for 2013. Pursuant to this Law, the Company revalued its property, plant and equipment on 1 January 2013, making a single tax payment of 5% of the revalued amount.

The amount resulting from the revaluation, net of the single tax payment of 5%, was credited to reserves (see note 14). The revalued assets, with no changes to the accumulated depreciation recorded at that date, are land and buildings in an amount of Euros 6,304 thousand and other installations in an amount of Euros 60 thousand.

The net increase in value deriving from the revaluation is depreciated over the remaining useful life of the revalued assets. The revaluation has led to an increase of Euros 176 thousand in the depreciation charge for 2022 (Euros 176 thousand in 2021).

6 Investment Property

Movement in investment property in 2022 and 2021 and details of accumulated depreciation and impairment are as follows:

Thousands of Euros	31 December 2020	Additions	Disposals	31 December 2021	Additions	Disposals	31 December 2022
Investment property	2,398	-	-	2,398	-	(161)	2,237
Total cost	2,398	-	-	2,398	-	(161)	2,237
Accumulated depreciation	(520)	(21)	-	(541)	(32)	39	(534)
Total accumulated depreciation	(520)	(21)	-	(541)	(32)	39	(534)
Impairment of investment property	(553)	-	469	(84)	-	84	-
Total impairment	(553)	-	469	(84)	-	84	-
Carrying amount	1,325	(21)	469	1,773	(32)	(38)	1,703

Disposals of investment property in 2022 reflect the sale of premises in Oviedo (see note 20-d).

At the 2022 year end, an analysis of the market value of investment property revealed no impairment losses. In 2021 impairment of Euros 469 thousand was reversed in the income statement (see note 20-d).

Investment property has a market value of approximately Euros 2.7 million in 2022 (Euros 2.6 million in 2021) and does not generate or incur significant operating income or expenses.

7 Operating Leases

The Company has leased certain assets to Group companies. The types of assets fully or partially leased under operating leases are as follows:

Thousands of Euros	31 December 2022	31 December 2021
Cost		
Land and buildings	86,358	86,358
Other installations, machinery, equipment, furniture and other items	19,886	17,568
Total cost	106,244	103,926
Accumulated depreciation		
Buildings	(26,338)	(24,763)
Other installations, machinery, equipment, furniture and other items	(17,433)	(16,673)
Total accumulated depreciation	(43,771)	(41,436)
Carrying amount	62,473	62,490

The Company has entered into operating lease contracts with Red Eléctrica de España, S.A.U., Red Eléctrica Infraestructuras de Telecomunicación, S.A., Red Eléctrica Infraestructuras en Canarias, S.A.U., Red Eléctrica y de Telecomunicaciones, Innovación y Tecnología, S.A.U. and Hispasat, S.A., whereby it leases areas inside the buildings it owns to these Group companies.

These lease contracts are renewed periodically and generated lease income of Euros 10,383 thousand in 2022 (Euros 9,875 thousand in 2021). In 2022, approximately 86% of this lease income is from Red Eléctrica de España, S.A.U. and 14% is from the rest of the Group companies (in 2021, approximately 87% was from Red Eléctrica de España, S.A.U. and 13% was from the other Group companies).

8 Investments in Group Companies and Associates

At 31 December 2022 and 2021, none of the Group companies in which the Company holds a direct or indirect interest are listed on the stock exchange. Movement in equity instruments at 31 December 2022 and 2021 is as follows:

Thousands of Euros	31 December 2020	Additions or capital increases	Disposals	31 December 2021	Additions or capital increases	Disposals	31 December 2022
Equity instruments	2,196,905	-	(44,417)	2,152,488	711,127	(14,700)	2,848,915

Details of the main transactions performed in 2022 are as follows:

- In 2022, Red Eléctrica increased its capital by a total of Euros 515 million, by issuing one share with a par value of Euros 2 and a share premium of Euros 515,000 thousand. This increase was subscribed and paid in full by the Company, through a partial debt-for-equity swap on the loan mentioned in note 21.
- In 2022, Red Eléctrica Internacional increased its capital by Euros 196.1 million, including a share premium, in order to subscribe the capital increase carried out by its investee Argo Energia Empreendimentos e Participações S.A. (Argo Energia). This increase was subscribed and paid in full by the Company. On 30 November 2022, Argo Energia acquired 62.5% of the share capital of five electricity transmission concessions (Argo V, VI, VII, VIII and IX). This was a joint investment alongside Grupo de Energía Bogotá (GEB) (37.5%) on a co-governance basis. The purchase price attributable to the Group was BRL 1,045 million (Euros 200.7 million).

- On 29 June 2022, after the pertinent approvals had been obtained, the transfer of a minority stake of 49% in Red Eléctrica Infraestructuras de Telecomunicación, S.A.U., amounting to Euros 995,618 thousand, was completed, in accordance with the agreement entered into between Red Eléctrica Corporación, S.A. and Kohlberg Kravis Roberts & Co. L.P. (hereinafter KKR) through its subsidiary Rudolph Bidco S.à r.l. on 16 December 2021. The Company's interest following this transaction is 51%. The transaction generated a gain of Euros 969,909 thousand (see note 20-e).

Details of investments in Group companies and associates at 31 December 2022 are as follows:

Red Eléctrica Corporación, S.A.**Details of equity investments at 31 December 2022**

- Company
- Registered office
- Principal activity

	Percentage ownership (1)		Carrying amount	Equity of investees (2)			Other items	Profit/(loss) for the year (3)	Results from operating activities (3)
	Direct	Indirect		Paid-in share capital	Share premium	Reserves			
Thousands of Euros									
Red Eléctrica de España, S.A.U. (Red Eléctrica) - Paseo Conde de los Gaitanes, 177. Alcobendas. Madrid. (Spain). - Transmission, 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. Rendering 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
Red Eléctrica Infraestructuras de Telecomunicación, S.A. (Reintel) - Paseo Conde de los Gaitanes, 177. Alcobendas. Madrid. (Spain). - Rendering of advisory, engineering, construction and telecommunications 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 de Gran Canaria. (Spain). - Management of the construction of energy storage facilities and the water cycle.	100%	-	5,000	5,000	-	185	-	12	13
Red Eléctrica de España Finance, S.L.U. (4) - 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)
Red Eléctrica Sistemas de Telecomunicaciones, S.A.U. - 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)
Red Eléctrica y de Telecomunicaciones, Innovación y Tecnología, S.A.U. (Elewit) - 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 international reinsurance markets.	100%	-	4,500	4,500	-	56,088	-	7,855	9,141
Red Eléctrica Andina, S.A.C. (REA) - Av. Javier Prado Este Nº 492 Int. 1001 Urb. Jardín San Isidro. Lima. (Peru). - Rendering of line and substation maintenance services.	-	100% (a)	-	1,622	-	4,412	-	385	4,675

	Percentage ownership (1)		Carrying amount	Equity of investees (2)			Other items	Profit/(loss) for the year (3)	Results from operating activities (3)
	Direct	Indirect		Paid-in share capital	Share premium	Reserves			
Thousands of Euros									
Red Eléctrica del Sur, S.A. (Redesur) - Av. Javier Prado Este N° 492 Int. 1001 Urb. Jardín San Isidro. Lima. (Peru). - Electricity transmission and operation and maintenance of electricity transmission networks.	-	100% (a)	-	12,187	-	43,175	-	3,417	10,907
Red Eléctrica del Norte Perú, S.A.C. (Redelnor) - Av. Javier Prado Este N° 492 Int. 1001 Urb. Jardín San Isidro. Lima. (Peru). - Acquisition, holding, management and administration of securities.	-	100% (a)	-	32,815	-	(177)	-	56	75
Red Eléctrica Chile S.P.A. (RECH) - Isidora Goyenechea 3000, oficina 1602, Las Condes, Santiago (Chile). - Acquisition, holding, management and administration of securities.	-	100% (a)	-	132,913	-	(24,267)	-	(10,971)	(1,549)
Red Eléctrica Brasil Holding Ltda. (REB) - Avda. Brigadeiro Faria Lima, 3729 5º 04538-905, Sao Paulo (Brazil). - Acquisition, holding, management and administration of securities.	-	100% (a)	-	491,834	-	(1,124)	-	(226)	(1,204)
Argo Energia Empreendimentos e Participações S.A. - Calle Tabapuã, 841 – 5º andar – Itaim Bibi – São Paulo/SP (Brazil) - Acquisition, holding, management and administration of securities.	-	50% (b)	-	470,155	-	288,991	-	106,294	113,733
Hispasat, S.A. (5) - Calle de Anabel Segura, 11. Alcobendas. Madrid. (Spain). - Parent of the Hispasat Group. Operation of the satellite communications system and rendering of space segment services for the geostationary orbital slots allocated to the Spanish state.	-	89.68% (c)	-	121,946	76,265	194,321	18,469	(4,609)	9,725
Axess Networks Solutions, S.L. (6) Calle Beethoven 15, 2º 1ª, 08021 Barcelona (Spain) - Management and administration of equity securities in companies not resident in Spanish territory.	-	89.68%(d)	-	2,802	-	24,411	(1,229)	177	401

(1) Equivalent to voting rights.

(2) As per the audited financial statements harmonised with the Company's accounting criteria and translated to Euros at the closing exchange rate.

(3) As per the audited financial statements harmonised with the Company's accounting criteria and translated to Euros at the average exchange rate.

(4) Company changed its registered office and company name in 2021. Formerly, Red Eléctrica de España Finance, B.V. with registered office in Amsterdam (Netherlands).

(5) Parent of the Hispasat subgroup.

(6) Company merged with Axess Networks Solutions Holding, S.L. in 2022.

(a) Investment through Red Eléctrica Internacional, S.A.U.

(b) Investment through Red Eléctrica Brasil Holding Ltda.

(c) Investment through Red Eléctrica Sistemas de Telecomunicaciones, S.A.U.

(d) Investment through Hispasat, S.A.

The Company holds a direct interest in the following companies:

- Red Eléctrica de España, the company that performs the functions of transmission agent, system operator and transmission network manager of the Spanish electricity system subject to the provisions of Electricity Industry Law 24/2013 and related provisions having regard to the system operator, transmission network manager and transmission agent. The Company may not transfer the shares of this subsidiary, which conducts regulated activities in Spain, to third parties.
- Hispasat, S.A., in which it holds an 89.68% stake through the subsidiary Red Eléctrica Sistemas de Telecomunicaciones. Hispasat, S.A.'s statutory and principal activity consists of commercialising and rendering satellite telecommunications services.
- Red Eléctrica Infraestructuras de Telecomunicación, which renders telecommunications services to third parties in Spain, essentially through the rental of the dark fibre backbone network. In 2021 Red Eléctrica Infraestructuras de Telecomunicación distributed 100% of the share premium, amounting to Euros 44,417 thousand, to the Company.
- Red Eléctrica Internacional, the company through which international activity is conducted, specifically in Peru, Chile and Brazil.
- Red Eléctrica Infraestructuras en Canarias, which updated its statutory activity in 2021 to that of management of the construction of energy storage facilities and the water cycle.
- Red Eléctrica de España Finance and Red Eléctrica Financiaciones, the companies through which the Group carries out financing activities.
- Redcor Reaseguros, which engages in reinsurance activities.
- Red Eléctrica y de Telecomunicaciones, Innovación y Tecnología, a subsidiary through which the drive for technological innovation is channelled.

The Company received no dividends from its investees in 2022 (see note 20-a).

The Company performs an impairment test each year to verify the recoverability of its investments for which there are indications of impairment. When testing for impairment, the Company considers projections of future cash flows. Impairment tests were performed in 2022 and 2021 and in all instances the recoverable amount exceeded the carrying amount. Thus, the Company concluded that no impairment of investments exists.

Regarding the recoverable amount in Redinter of equity investments in international companies, given the presence of indications of impairment due to the macroeconomic scenario, these investments were tested for impairment, with no significant impairment losses being recognised as a result.

The most representative assumptions for the calculation of value in use included in the business projections, based on business forecasts and own past experience, are as follows:

- Regulated remuneration: estimated taking into account the updating mechanisms provided in international legislation.
- Investment: the best information available on the asset investment and maintenance plans for the infrastructure throughout the estimated time period has been used.
- Operating and maintenance costs: projected in line with the growth expected to derive from the investment plan.
- Other costs: projected based on knowledge of the sector and past experience and in line with the growth expected to derive from the investment plan.

In order to calculate present value, the projected cash flows are discounted using a post-tax rate that considers the weighted average cost of capital (WACC) of the business and the geographical area in which it is carried out.

The estimate performed reveals that the recoverable amount exceeds the value of Redinter's international investments, including the loan granted to TEN.

Moreover, in 2022 the investment held by Red Eléctrica Sistemas de Telecomunicaciones in Hispasat was tested for impairment, and the recoverable amount exceeded the carrying amount of the investment. It was thus concluded that Red Eléctrica Sistemas de Telecomunicaciones' investment, plus the loan granted, is not impaired.

The key assumptions used in the calculations for the impairment test of the investment in Hispasat are as follows:

- The test was performed estimating the fair value less costs to sell, taking an income approach for the purpose of determining the recoverable amount of the satellite business.

The income approach indicates the recoverable amount of a business based on the present value of the future cash flows it is expected to generate, calculated using a discounted cash flow (DCF) methodology. The DCF method is used to discount the future free cash flow (FCF) to its estimated present value, applying a discount rate (weighted average cost of capital or WACC) that reflects the time value of money and the risks associated with the expected cash flows.

Costs to sell have been estimated considering the costs incurred on previous transactions carried out by the Group.

The value of the equity-accounted investees of the Hispasat subgroup has been added to this fair value less cost to sell.

- The cash flow projections used for existing satellites are for the 2022-2040 period, which is consistent with their useful life, as well as that of the new satellite assets expected to be launched in the coming years and the Hispasat subgroup's expected adoption of new business models and technologies.

Cash flows estimated beyond five years are deemed to be reliable on the basis of the Group's experience of investments with a considerable technological component that entail long-term contracts and commitments. The satellite business gives rise to long-term contractual commitments with customers and it is commonplace for contracts covering a substantial portion of the useful life of the satellites to be signed, with a view to obtaining a minimum return before the new satellites are launched, which then serves as a solid foundation on which to secure the return expected from the satellite according to the estimates made before undertaking the project.

The terminal value associated with the traditional technology is zero, given that the infrastructure supporting this business will cease to generate revenue and expenses once it reaches the end of its useful life. For infrastructure with new technology, and for new business and services, a terminal value with a perpetuity growth rate of 0% and 1.25%, respectively, has been applied.

- The EBITDA margin considered for traditional business, as well as for new technology and for new business and services, is in line with the prior year and averages 59% overall.
- The main exchange rates considered for foreign currency cash flows were based on estimates of the US Dollar (USD), Brazilian Real (BRL) and Mexican Peso (MXN) for future years.
- A discount rate based on the weighted average cost of capital (WACC) obtained from a report drawn up by an independent expert has been used to discount the cash flows. Specifically, a pre-tax rate of 8.58% has been applied for the traditional satellite business (7.60% in 2021) and for infrastructure with new technology, while a pre-tax rate of 12.3% has been used for new business and services.

In addition, the fair value less costs to sell plus the value of the Hispasat subgroup's equity-accounted investees has been reduced by the fair value of the net financial position of the Hispasat subgroup to calculate the equity value of the investment in Red Eléctrica Sistemas de Telecomunicaciones.

9 Financial Risk Management Policy

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

A summary of the main guidelines that comprise this policy is 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 required to reduce it.
- Financial risk management should be focused on avoiding undesirable variations in the Company's core value, rather than generating extraordinary profits.

The Company's finance management is responsible for managing financial risk, ensuring consistency with the strategy and coordinating the risk management process, by 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 risk, as well as the management indicators and measurement and control tools specific to each risk, are implemented through the Group's Comprehensive Risk Management System, which is set forth in the General Comprehensive Risk Management Policy and in the General Comprehensive Risk Management and Control Procedure.

The financial risks to which the Company is exposed are as follows:

a) Market risk

Market risk reflects variations in the financial markets in terms of prices, interest and exchange rates, credit conditions and other variables that could affect short-, medium- and long-term finance costs.

Market risk is managed on the borrowings to be arranged (the currency, maturity and interest rates), and through the use of hedging instruments that allow the financial structure to be modified. Market risk specifically includes:

- **Interest rate risk**

The interest rate risk to which the Company is exposed at 31 December 2022 and 2021 mostly affects profit for the year.

Interest rate fluctuations change the fair value of assets and liabilities that accrue interest at fixed rates and the future cash flows from assets and liabilities indexed to floating interest rates. A rise or decline of 0.10% in 2022 interest rates would have increased or decreased profit by Euros 1,147 thousand (Euros 607 thousand in 2021).

- **Currency risk**

Currency risk management considers transaction risk arising on cash inflows and outflows in currencies other than the Euro.

The Company has arranged derivative financial instruments (cross-currency swaps) to reduce the currency risk on loans extended to the Group company RECH. These instruments allow floating-rate debt in Euros to be exchanged for floating-rate debt in US Dollars, thereby hedging future receipts in US Dollars.

- **Credit risk**

The main risk to which the Company is exposed is credit risk, inasmuch as its main debt transactions are carried out by the other Group companies, which assume the market and liquidity risks. Credit risk is managed through policies that contain certain requirements regarding counterparty credit quality, and further guarantees are requested when necessary. At 31 December 2022 the Company does not consider there to be any risk as regards the recoverability of receivables.

10 Analysis of Financial Instruments

a) Analysis by category

At 31 December 2022 and 2021 the carrying amounts of each category of financial instruments, except investments in Group companies, are as follows:

- **Financial assets**

	Financial instruments by category at 31.12.2022			
	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Hedging derivatives	Total
Thousands of Euros				
Loans to third parties	-	839	-	839
Loans to Group companies and associates	-	530,561	-	530,561
Equity instruments of a special nature	6,603	-	-	6,603
Derivative financial instruments	-	-	-	-
Other financial assets	-	22	-	22
Non-current	6,603	531,422	-	538,025
Trade receivables and loans to Group companies and associates	-	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 instruments by category at 31.12.2021			
	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Hedging derivatives	Total
Thousands of Euros				
Loans to third parties	-	988	-	988
Loans to Group companies and associates	-	601,795	-	601,795
Equity instruments of a special nature	1,050	-	-	1,050
Derivative financial instruments	-	-	6,099	6,099
Other financial assets	-	22	-	22
Non-current	1,050	602,805	6,099	609,954
Trade receivables and loans to Group companies and associates	-	79,309	-	79,309
Other financial assets	-	5	-	5
Trade and other receivables	-	673	-	673
Current	-	79,987	-	79,987
Total	1,050	682,792	6,099	689,941

- Financial liabilities

	Financial instruments by category at 31.12.2022		
	Financial liabilities at amortised cost	Hedging derivatives	Total
Thousands of Euros			
Bonds and other marketable securities	398,761	-	398,761
Loans and borrowings	39,494	-	39,494
Payables to 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
Bonds and other marketable securities	2,512	-	2,512
Loans and borrowings	120,987	-	120,987
Payables to Group companies and associates	97,508	-	97,508
Current payables	159,848	-	159,848
Trade and other payables	40,124	-	40,124
Current	420,979	-	420,979
Total	885,130	2,209	887,339

Thousands of Euros	Financial instruments by category at 31.12.2021		
	Financial liabilities at amortised cost	Hedging derivatives	Total
Bonds and other marketable securities	398,227	-	398,227
Loans and borrowings	155,960	-	155,960
Payables to Group companies and associates	1,502	-	1,502
Derivative financial instruments	-	-	-
Other financial liabilities	16	-	16
Non-current	555,705	-	555,705
Bonds and other marketable securities	2,512	-	2,512
Loans and borrowings	500,784	-	500,784
Payables to Group companies and associates	13,165	-	13,165
Current payables	166,007	-	166,007
Trade and other payables	17,892	-	17,892
Current	700,360	-	700,360
Total	1,256,065	-	1,256,065

b) Analysis by maturity

• Financial assets

Thousands of Euros	31.12.2022						
	Maturity of financial assets						
	2023	2024	2025	2026	2027	Thereafter	Total
Loans to third parties	-	-	-	-	-	839	839
Loans to Group companies and associates	123,643	345,000	-	185,561	-	-	654,204
Equity instruments of a special nature	-	-	-	-	-	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

Thousands of Euros	31.12.2021						
	Maturity of financial assets						
	2022	2023	2024	2025	2026	Thereafter	Total
Loans to third parties	-	-	-	-	-	988	988
Loans to Group companies and associates	79,309	50,032	384,000	-	167,763	-	681,104
Equity instruments of a special nature	-	-	-	-	-	1,050	1,050
Other financial assets	5	-	-	-	-	22	27
Trade and other receivables	673	-	-	-	-	-	673
Total	79,987	50,032	384,000	-	167,763	2,060	683,842

- Financial liabilities

Thousands of Euros	31.12.2022								
	Maturity of financial liabilities							Valuation adjustments	Total
	2023	2024	2025	2026	2027	Thereafter			
Bonds and other marketable securities	2,512	-	400,000	-	-	-	(1,239)	401,273	
Loans and borrowings in Euros	75,587	-	-	-	-	-	(10)	75,577	
Loans and borrowings in foreign currency	45,410	39,494	-	-	-	-	-	84,904	
Payables to Group companies and associates	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	

Thousands of Euros	31.12.2021								
	Maturity of financial liabilities							Valuation adjustments	Total
	2022	2023	2024	2025	2026	Thereafter			
Bonds and other marketable securities	2,512	-	-	400,000	-	-	(1,773)	400,739	
Loans and borrowings in Euros	500,519	75,000	-	-	-	-	(48)	575,471	
Loans and borrowings in foreign currency	265	40,614	40,394	-	-	-	-	81,273	
Payables to Group companies and associates	13,165	-	-	-	-	1,502	-	14,667	
Trade and other payables	183,899	-	-	-	-	-	-	183,899	
Other financial liabilities	-	-	-	-	-	16	-	16	
Total	700,360	115,614	40,394	400,000	-	1,518	(1,821)	1,256,065	

An analysis by maturity of derivative financial instruments is provided in note 11.

11 Derivative Financial Instruments

In line with its financial risk management policy, the Company has arranged derivative financial instruments (cross-currency swaps). These instruments allow floating-rate debt in Euros to be exchanged for floating-rate debt in US Dollars, thereby hedging future receipts in US Dollars. The Company has no formal hedging relationships reflected in the balance sheet. Variations due to exchange rate fluctuations in derivative financial instruments are offset in the income statement against the corresponding variations arising from the non-current loan extended to the Group company Red Eléctrica Chile (see note 21). However, the formal hedging

relationship is disclosed in the Group's consolidated annual accounts as hedges of net investments in US Dollars.

The Company has incorporated a credit risk adjustment to reflect own and counterparty risk in the fair value of derivatives using generally accepted measurement models.

When determining the credit risk adjustment, the Company applied a technique based on calculating total expected exposure (which considers current and potential exposure) through the use of simulations, adjusted for the probability of default over time and for loss given default allocable to the Company and to each counterparty.

The total expected exposure of derivative financial instruments is determined using observable market inputs, such as interest rate curves, exchange rates and volatilities based on market conditions at the measurement date.

The inputs used to determine own and counterparty credit risk (probability of default) are mostly based on own credit spreads and those of comparable companies currently traded on the market (credit default swap (CDS) curves, IRR of debt issues, etc.).

Furthermore, adjustments of fair value for credit risk take into account credit enhancements for guarantees and collateral when determining the loss given default to be used for each position. Loss given default is considered to be constant over time. A minimum recovery rate of 40% has been used in cases where there is no credit enhancement for guarantees or collateral.

As regards observable inputs, the Company uses mid-market prices obtained from reputable external information sources in the financial markets.

Details of derivative financial instruments by type at 31 December 2022 and 2021 are as follows:

	31.12.2022		Non-current		Current	
	Hedged principal	Term to expiry	Assets	Liabilities	Assets	Liabilities
Thousands of Euros						
Exchange rate hedges						
- Hedges of a net investment:						
Cross-currency swap	US Dollars 150,000 thousand	Up to 2026	-	2,209	-	-

	31.12.2021		Non-current		Current	
	Hedged principal	Term to expiry	Assets	Liabilities	Assets	Liabilities
Thousands of Euros						
Exchange rate hedges						
- Hedges of a net investment:						
Cross-currency swap	US Dollars 150,000 thousand	Up to 2026	6,099	-	-	-

Details of these derivative financial instruments by expiry date are as follows:

		31.12.2022							
Thousands of Euros		Hedged principal	Term to expiry	2023	2024	2025	2026	2027 and thereafter	Total
Exchange rate hedges									
- Hedges of a net investment:									
Cross-currency swap	US Dollars 150,000 thousand	Up to 2026	-	-	-	(2,209)	-	-	(2,209)

		31.12.2021							
Thousands of Euros		Hedged principal	Term to expiry	2022	2023	2024	2025	2026 and thereafter	Total
Exchange rate hedges									
- Hedges of a net investment:									
Cross-currency swap	US Dollars 150,000 thousand	Up to 2026	-	-	-	-	-	6,099	6,099

In 2022, the Company recognised an expense of Euros 113 thousand (income of Euros 70 thousand in 2021).

12 Non-current and Current Investments

Details of investments at 31 December 2022 and 2021 are as follows:

Thousands of Euros	31 December 2022	31 December 2021
Equity instruments	6,603	1,050
Loans to third parties	839	988
Derivative financial instruments	-	6,099
Other financial assets	22	22
Total non-current investments	7,464	8,159

Thousands of Euros	31 December 2022	31 December 2021
Other financial assets	401,027	5
Total current investments	401,027	5

Equity instruments reflect the Euros 6,603 thousand investment in economic interest groups (EIGs) (Euros 1,050 thousand in 2021) engaged in the lease of assets managed by an unrelated company, which retains most of the risks and rewards of the activity, while the Company only avails of the tax incentives regulated in Spanish legislation. The Company recognises the finance income generated due to the difference between income tax payable to the taxation authorities in respect of recognised tax losses incurred by the EIGs and the investments in those EIGs (see notes 17 and 20-c).

These investments in EIGs are classed within Level 2 of the fair value hierarchy.

At 31 December 2022 and 2021, loans to third parties reflect those extended by the Company to its personnel, which fall due in the long term. These loans earn interest at floating rates indexed to Euribor plus a spread, in accordance with the conditions laid down in the collective bargaining agreement.

At 31 December 2021 the balance presented in non-current derivative financial instruments reflected the value of these instruments. Their value at 31 December 2022 is presented in note 16, while details thereof and an analysis by expiry date are provided in note 11.

At 31 December 2022 other current financial assets reflect current investments in the form of fixed-term deposits and private equity securities under reverse repurchase agreements. This item also includes interest accrued but not yet receivable.

13 Trade and Other Receivables

Details at 31 December 2022 and 2021 are as follows:

Thousands of Euros	31 December 2022	31 December 2021
Trade receivables from Group companies and associates	17,181	509
Other receivables	211	357
Personnel	325	316
Current tax assets	174,528	1,733
Public entities, other	1,003	-
Total	193,248	2,915

At 31 December 2022 and 2021 trade receivables from Group companies and associates comprise the balances receivable in relation to the Company's ordinary activities in managing the Group (see note 1).

At 31 December 2022 and 2021 other receivables reflect property lease receivables and other operating income vis-à-vis third parties.

At 31 December 2022 and 2021, personnel primarily reflects the loans extended by the Company to its personnel, which fall due in the short term (see note 12).

At 31 December 2022 and 2021 current tax assets reflect the balance receivable in respect of income tax payments on account, which has been recognised by the Company as parent of the tax group.

At 31 December 2022 public entities, other comprise the value added tax (VAT) recoverable by the Company.

14 Equity

a) Capital risk management

The Group's management of its companies' capital is aimed at safeguarding their capacity to continue operating as a going concern, so as to provide shareholder remuneration while maintaining 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 shares.

Given the Company's activity and its investees' capacity to generate funds, the Company is not significantly exposed to capital risk.

b) Capital and reserves

• Share capital

At 31 December 2022 and 2021 the Company's share capital is divided into 541,080,000 shares of Euros 0.50 par value each represented by book entries, all subscribed and fully paid-in, and carrying the same voting and profit-sharing rights (notwithstanding the limits stipulated in the following paragraph). The shares are quoted on the four Spanish stock exchanges and traded through the SIBE (Spanish Stock Exchange Interlinking System).

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

Pursuant to this legislation, any individual or entity may hold investments 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%. These shares may not be syndicated for any purpose. Voting rights at the Parent 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, without prejudice to the limitations for generators and suppliers set forth in article 30 of Electricity Industry Law 24/2013 of 26 December 2013. The shareholder limitations with regard to the Parent's share capital are not applicable to Sociedad Estatal de Participaciones Industriales (SEPI), which in any event will continue to hold an interest of no less than 10%. At 31 December 2022 and 2021 SEPI holds a 20% interest in the Company's share capital.

• Reserves

This item comprises the following:

○ Legal reserve

Spanish companies are obliged to transfer 10% of the profits for the year to a legal reserve until such reserve reaches an amount equal to 20% of the share capital. Until this reserve exceeds this limit, it is not distributable to shareholders and may only be used to offset losses, provided no other reserves are available. Under certain circumstances, it may also be used to increase share capital. At 31 December 2022 and 2021 the legal reserve amounts to 20% of share capital (Euros 54,199 thousand).

○ Revaluation reserve under Law 16/2012 of 27 December 2012

In accordance with Law 16/2012 of 27 December 2012, which introduced several tax measures to consolidate public finances and boost economic activity, the Company revalued its property, plant and equipment. The associated revaluation reserve amounted to Euros 6,042 thousand, net of the 5% capital gains tax. There were no movements in the revaluation reserve during 2022.

The revaluation is open to inspection by the Spanish taxation authorities for a three-year period from the date of filing the 2012 income tax return. Once this three-year period has elapsed, the balance may be used to offset losses or increase the Company's capital. Once a period of 10 years has elapsed this balance may be released to freely distributable reserves. Nonetheless, this balance may only be distributed, indirectly or directly, when the revalued assets have been fully depreciated, transferred or derecognised.

○ Other reserves

Other reserves primarily include voluntary reserves of the Company and first-time application reserves, amounting to Euros 1,791,069 thousand and Euros 19,895 thousand, respectively, at 31 December 2022 (Euros 1,772,691 thousand and Euros 19,895 thousand, respectively, at 31 December 2021). Both of these reserves are freely distributable.

At 31 December 2022 and 2021 this item also comprises statutory reserves totalling Euros 264,547 thousand, notably including the property, plant and equipment revaluation reserve amounting to Euros 247,022 thousand created by the Parent in 1996. This reserve may be used, free of taxation, to offset accounting losses and increase share capital or, 10 years after its creation and when the associated assets have been fully depreciated, it may be transferred to freely distributable reserves. Nonetheless, this balance may only be distributed, indirectly or directly, when the revalued assets have been fully depreciated, transferred or derecognised.

Moreover, following the spin-off of the Telecommunications activity from Red Eléctrica Internacional to Red Eléctrica Infraestructuras de Telecomunicación, a reserve was generated in an amount of Euros 74,407 thousand in 2015, reflecting the difference between the value of the net assets spun off to the latter company (Euros 74,417 thousand) and the value of the Company's investment in this business through Red Eléctrica Internacional. There was no change in the balance of this reserve in 2022.

Reserves also include the capitalisation reserve of Euros 56,133 thousand at 31 December 2022 (Euros 51,585 thousand at 31 December 2021), generated with a charge to profit for 2016, 2017, 2018, 2020 and 2021. As provided for by article 25 of Law 27/2014 of 27 November 2014, in 2022 the tax group headed by the Company created a capitalisation reserve of Euros 4,548 thousand, corresponding to 2021, pursuant to article 62.1 d) of the aforementioned Law. This reserve will be restricted for a period of five years. Accordingly, each tax group company adjusted income tax for the year in connection with this reserve. In 2023 the Company will appropriate Euros 18,685 thousand to the capitalisation reserve for 2022. The capitalisation reserve for 2019 was appropriated in 2020 in the Group company Red Eléctrica de España S.A.U.

● Own shares

At 31 December 2022, the Company held 1,499,900 own shares representing 0.28% of its share capital with a total par value of Euros 750 thousand and an average acquisition price of Euros 17.53 per share. At 31 December 2021, the Company held 1,803,433 own shares representing 0.33% of its share capital with a total par value of Euros 902 thousand and an average acquisition price of Euros 17.53 per share.

These shares have been recognised as a reduction in equity for an amount of Euros 26,296 thousand at 31 December 2022 (Euros 31,618 thousand in 2021).

The Company has complied with the requirements of article 509 of the Spanish Companies Act, which provides, except in the case of freely acquired own shares, that in listed companies the par value of own shares acquired directly or indirectly by the Company, plus the par value of the shares already held by the Parent and its subsidiaries, must not exceed 10% of subscribed share capital. The subsidiaries do not hold own shares or shares in the Company.

● Profit for the year

Profit for the year totals Euros 947,571 thousand (Euros 559,108 thousand in 2021).

- **Interim dividends and proposed distribution of dividends by the Company**

The interim dividend authorised by the board of directors in 2022 has been recognised as a Euros 147,143 thousand reduction in equity at 31 December 2022 (Euros 147,061 thousand at 31 December 2021).

On 25 October 2022, the Company's board of directors agreed to pay an interim dividend of Euros 0.2727 (gross) per share with a charge to 2022 profit, payable on 9 January 2023.

The cash flow forecast for the period from 30 September 2022 to 9 January 2023 indicated sufficient liquidity to allow the distribution of this dividend. The amount to be distributed did not exceed the profits generated by the Company since the end of the previous reporting period, after deducting the estimated income tax payable on these profits, as required by article 277 of the Revised Spanish Companies Act.

As such, the following provisional liquidity statement was drawn up pursuant to article 277 section a) of the Spanish Companies Act:

Liquidity statement of Red Eléctrica Corporación, S.A.		Thousands of Euros
Available funds at 30.09.2022:		
Non-current credit facilities available		239,190
Current credit facilities available		125,000
Current investments and cash		16,914
Forecast receipts:		
Current transactions		-
Financial transactions		348,281
Forecast payments:		
Current transactions		(324,273)
Financial transactions		(208,176)
Forecast available funds at 09.01.2023:		196,936

Based on the cash flow forecast at the approval date, no limitation on the availability of funds was or is expected to arise. In addition, given the Company's cash generation capacity and undrawn credit facilities, it will have sufficient liquidity within one year after the interim dividend distribution has been agreed.

Furthermore, as reflected in the accompanying annual accounts, and as foreseen at the distribution date, profit for 2022 allows for the distribution of this interim dividend.

c) Valuation adjustments

At 31 December 2022 and 2021 this item reflects the gains arising from the increase in the fair value of the investment held by the Company in Redes Energéticas Nacionales, SGPS, S.A. (REN) until 2015, when it transferred this investment as a non-monetary contribution to subscribe the capital increase in the Group company Red Eléctrica Internacional, S.A.U.

These gains are recorded in equity until the disposal or derecognition of the investment, whereupon they are taken to profit or loss (see note 4-e).

15 Non-current Provisions

Movement in 2022 and 2021 is as follows:

	31.12.2020	Additions	Applications	Actuarial gains and losses	31.12.2021	Additions	Applications	Actuarial gains and losses	31.12.2022
Thousands of Euros									
Provisions for employee benefits	15,126	1,975	(259)	(2,351)	14,491	4,730	(283)	(4,044)	14,894
Other provisions	4,992	393	-	-	5,385	115	-	-	5,500
Total	20,118	2,368	(259)	(2,351)	19,876	4,845	(283)	(4,044)	20,394

Provisions for employee benefits include future commitments (health insurance) undertaken by the Company on behalf of its employees for their retirement, calculated based on actuarial studies conducted by an independent expert. The following assumptions were used for 2022 and 2021:

	Actuarial assumptions	
	2022	2021
Discount rate	2.87%	1.21%
Cost increase	3.00%	3.00%
Mortality table	PERM/F 2020 1st rank	PERM/F 2020 1st rank

The effect of a one percentage point increase or decrease in the health insurance cost variation is as follows:

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

Thousands of Euros	2021					
	Health insurance cost (+1%)		Sensitivity	Health insurance cost (-1%)		Sensitivity
	4%	3%		2%	3%	
Current service cost	537	407	130	312	407	(95)
Interest cost of net post-employment health insurance costs	177	176	1	175	176	(1)
Accumulated post-employment benefit obligation for health insurance	16,225	12,551	3,674	9,809	12,551	(2,742)

Meanwhile, the effect of a decrease of half a percentage point in the discount rate used in the actuarial assumption for health insurance costs from 2.87% to 2.37% in 2022 is as follows:

Thousands of Euros	2022			2021		
	Discount rate		Sensitivity	Discount rate		Sensitivity
	2.87%	2.37%		1.21%	0.71%	
Current service cost	252	285	33	407	467	60
Interest cost of net post-employment health insurance costs	361	299	(62)	176	104	(72)
Accumulated post-employment benefit obligation for health insurance	8,946	9,988	1,042	12,551	14,260	1,709

The accrued amounts are recognised as personnel expenses or finance costs, depending on their nature. Personnel expenses and finance costs recognised in the income statement for 2022 amount to Euros 252 thousand and Euros 361 thousand, respectively (Euros 407 thousand and Euros 176 thousand, respectively, in 2021). Any variations in the calculation of the present value of these obligations due to actuarial gains and losses are recognised as reserves under equity. The gross amount recognised during the year in this connection totals a negative amount of Euros 4,044 thousand (negative amount of Euros 2,351 thousand in 2021), which has been recorded under actuarial gains and losses in the statement of changes in equity.

Provisions for employee benefits also include commitments undertaken by the Company as part of the deferred remuneration scheme for employees.

Other provisions reflect the amounts recorded by the Company every year to cover potential unfavourable rulings handed down in relation to third-party claims.

16 Non-current and Current Payables

Details at 31 December 2022 and 2021 are as follows:

Thousands of Euros	31 December 2022	31 December 2021
Bonds and other marketable securities	398,761	398,227
Loans and borrowings	39,494	155,960
Derivative financial instruments	2,209	-
Other liabilities	16	16
Non-current payables	440,480	554,203

Thousands of Euros	31 December 2022	31 December 2021
Bonds and other marketable securities	2,512	2,512
Loans and borrowings	120,987	500,784
Other current payables	159,848	166,007
Current payables	283,347	669,303

At 31 December 2022 and 2021, bonds and other marketable securities reflect the Euros 400 million bond issue carried out by the Company in 2020 on the Euromarket in accordance with a specific stand-alone issuance prospectus registered on the Luxembourg Stock Exchange. This bond issue matures in 2025. The fair value of these payables is Euros 376,107 thousand at 31 December 2022 (Euros 409,691 thousand in 2021). The average interest rate accrued on these payables in the year was 1.01% (1.01% in 2021).

At 31 December 2022 and 2021, the accrued interest payable on this bond issue amounts to Euros 2,512 thousand, which is recognised under current bonds and other marketable securities.

Non-current loans and borrowings at 31 December 2022 reflect the Euros 39,494 thousand drawn down from credit facilities arranged by the Company in US Dollars, which expire in 2024 (Euros 81,008 thousand at 31 December 2021). In 2021 this item also included non-current loans and credit facilities arranged in Euros, totalling Euros 74,952 thousand, which have been recognised as current at 31 December 2022.

At 31 December 2022 the balance presented in non-current derivative financial instruments reflects the value of these instruments. Their value at 31 December 2021 is presented in note 12, given that the amount is positive and has thus been recognised as an investment. Details thereof and an analysis by expiry date are provided in note 11.

At 31 December 2022 and 2021 other liabilities comprise non-current security deposits received amounting to Euros 16 thousand.

Current loans and borrowings at 31 December 2022 reflect loans and credit facilities in Euros totalling Euros 74,990 thousand (Euros 500,000 thousand at 31 December 2021). In 2022 they also include Euros 43,128 thousand drawn down from credit facilities arranged by the Company in US Dollars, which were recognised as non-current at 31 December 2022.

At 31 December 2022 the accrued interest payable amounts to Euros 758 thousand (Euros 542 thousand in 2021) and has been recognised under current loans and borrowings. This item also reflects the interest accrued but not yet payable on derivative financial instruments.

These loans and borrowings have a fair value of Euros 157,309 thousand at 31 December 2022 (Euros 657,253 thousand in 2021) and accrued interest at an average rate of 1.50% in 2022 (0.22% in 2021).

The fair value of all non-current and current payables has been estimated using valuation techniques based on discounting future cash flows at the market rates in force at each date. This debt is classified within Level 2 of the fair value hierarchy.

Details of other current payables are as follows:

Thousands of Euros	31 December 2022	31 December 2021
Dividends	147,144	147,061
Suppliers of fixed assets and other payables	12,704	18,946
Total	159,848	166,007

17 Taxation

The Company files consolidated tax returns as the parent of the tax group 57/2002.

a) Reconciliation of accounting profit and taxable income/tax loss

Due to the treatment permitted by fiscal legislation of certain transactions, accounting profit differs from the tax base. A reconciliation of accounting profit for 2022 and 2021 with the taxable income/tax loss that the Company expects to declare after approval of the annual accounts is as follows:

Thousands of Euros	2022	2021
Accounting profit for the year before tax	978,594	567,524
Permanent differences	(856,738)	(533,863)
Taxable accounting income	121,856	33,661
Temporary differences:		
Originating in current year	7,051	2,692
Reversals during the year	(1,315)	(481)
Total	5,736	2,211
EIG charges	(90,658)	(89,512)
Taxable income/(Tax loss)	36,934	(53,640)

In 2022 and 2021, adjustments were made to the tax base to reflect recognition of the EIGs in which the Company has interests, amounting to Euros 90,658 thousand and Euros 89,512 thousand, respectively (see note 12).

b) Effective income tax rate and reconciliation of accounting profit with the income tax expense

The income tax expense for the year is calculated as follows:

Thousands of Euros	2022	2021
Accounting profit for the year before tax	978,594	567,524
Permanent differences	(856,738)	(533,863)
Taxable accounting income	121,856	33,661
Tax rate	25%	25%
Tax at the current rate	30,464	8,415
Deductions	(28)	-
Expense for the year	30,436	8,415
Foreign income tax	31	-
Other adjustments	556	1
Income tax expense	31,023	8,416
Effective income tax rate	3.17%	1.48%
Breakdown of income tax:		
Current income tax	31,898	8,965
Deferred income tax	(1,431)	(550)
Other adjustments	556	1
Income tax expense	31,023	8,416

The effective rate of income tax is influenced by permanent differences and by deductions in tax payable. The difference between the effective tax rate and the nominal tax rate is primarily due to application of the exemption to prevent double taxation of dividends and capital gains from significant interests in resident entities, as regulated in article 21 of Law 27/2014.

In 2022, permanent differences are mainly due to the application of the exemption for capital gains obtained in the transfer of the 49% stake in Red Eléctrica Infraestructuras de Telecomunicación, while in 2021 they arise from the application of the exemption for dividends received from subsidiaries (essentially from Red Eléctrica de España and Red Eléctrica Infraestructuras de Telecomunicación).

In both years, permanent differences also reflect the capitalisation reserve adjustment, as a result of the increase in equity, in accordance with article 25 of Income Tax Law 27/2014 of 27 November 2014.

As permitted by article 62.1 d) of Law 27/2014, the capitalisation reserve for 2022 will be held in the Company, as head of the tax group (see note 14).

c) Deferred tax assets and liabilities

Temporary differences in the recognition of income and expenses for accounting and tax purposes at 31 December 2022 and 2021, and the corresponding cumulative tax effect (assets and liabilities), are as follows:

Thousands of Euros	2022		2021	
	Income statement	Income and expense recognised directly in equity	Income statement	Income and expense recognised directly in equity
Deferred tax assets:				
Originating in prior years	3,397	3,613	2,818	4,201
Originating in current year	1,763	-	707	-
Reversals of prior years	(378)	(1,011)	(169)	(588)
Adjustment of prior years	120	-	41	-
Total deferred tax assets	4,902	2,602	3,397	3,613
Deferred tax liabilities:				
Originating in prior years	(1,752)	-	(1,765)	-
Originating in current year	-	-	(33)	-
Reversals of prior years	45	-	46	-
Total deferred tax liabilities	(1,707)	-	(1,752)	-

In 2022 and 2021, deferred tax assets include reversals of tax prepaid in 2013 and 2014 as a result of applying the limitation on the tax deductibility of depreciation and amortisation charges stipulated in article 7 of Law 16/2012 of 27 December 2012, which introduced several fiscal measures to consolidate public finances and boost economic activity, and as a result of the commencement, in 2015, of depreciation and amortisation for tax purposes of the net increase in value resulting from the revaluations applied to the balance sheet at 31 December 2012, pursuant to article 9 of the same Law, as well as long-term employee benefits.

Deferred tax liabilities essentially relate to the accelerated depreciation for tax purposes of certain fixed assets.

The notes to the Company's annual accounts for 2006 contained disclosures on the merger by absorption of Red de Alta Tensión, S.A.U. (REDALTA) and Infraestructuras de Alta Tensión S.A.U. (INALTA), as required by article 86 of Law 27/2014. The notes to the 2008 annual accounts included disclosures on the contribution to Red Eléctrica de España of the branch of activities encompassing the duties of the system operator, transmission network manager and transmission agent of the Spanish electricity system. The notes to the annual accounts for 2015 included disclosures regarding the spin-off of the telecommunications services business to Red Eléctrica Infraestructuras de Telecomunicación, and the non-monetary contribution to Red Eléctrica Internacional of shares in REN.

d) Years open to inspection

In accordance with current legislation, taxes cannot be considered definitive until they have been inspected and agreed by the taxation authorities or before the inspection period has elapsed.

In 2022, general inspection proceedings commenced in relation to VAT, personal income tax withholdings and non-resident withholdings for the Company for tax periods from February 2018 to December 2020. The tax periods open to general inspection with respect to income tax (under the consolidated tax regime) encompass 2017 to 2020, while the 2012 and 2014 tax periods are subject to partial inspection.

The court proceedings associated with the subject matter of the aforementioned partial inspections drew to a close in 2022, with the Spanish High Court ruling in favour of the tax group. The inspection proceedings are thus likewise expected to have a favourable outcome.

The Company has certain tax proceedings ongoing in respect of income tax for 2011 to 2015, which are currently being heard either at economic-administrative level or in court proceedings. The Company considers that its conduct was lawful based on reasonable interpretations of the applicable legislation, and that no penalties will be imposed and no significant tax liabilities will arise for the Company.

In addition, in 2020 the tax group applied for rectification of the instalments for 2016 to 2020. At the end of that year, the taxation authorities resolved to uphold the rectification applied for in respect of 2016 and 2017, while the decision received with regard to the remaining years is being appealed.

In general, and pursuant to Spanish tax legislation, at the date of authorising these annual accounts for issue, the Company has open to inspection by the taxation authorities all the main applicable taxes for the last four years that are not subject to the proceedings referred to in the preceding paragraphs.

Due to the different possible interpretations of tax legislation, additional tax liabilities could arise as a result of inspections, which cannot be objectively quantified at present. Nevertheless, the Company's board of directors does not expect that any additional liabilities that could eventually arise in the event of inspection would significantly affect the Company's future results.

18 Trade and Other Payables

Details at 31 December 2022 and 2021 are as follows:

Thousands of Euros	31 December 2022	31 December 2021
Payables to Group companies	169	-
Other payables	30,724	10,950
Personnel	9,400	6,942
Public entities	1,244	2,933
Total	41,537	20,825

In 2022 and 2021 other payables comprise the balances payable in relation to the Company's ordinary activities in managing the Group.

Personnel reflects the amounts payable to the Company's staff.

At 31 December 2022 and 2021 payables to public entities mostly comprise personal income tax withholdings and social security contributions payable by the Company. At 31 December 2021 this item also included value added tax (VAT) payable by the Company.

19 Average Supplier Payment Period. "Reporting Requirement". Additional Provision Three of Law 15/2010 of 5 July 2010

On 29 September 2022, Law 18/2022 of 28 September 2022 on the creation and growth of companies was published in the Official State Gazette (BOE). The objectives of this law include reducing commercial delinquency and improving access to financing.

Law 18/2022 of 28 September 2022 amends, among other legislation, Law 15/2010 of 5 July 2010, which amended Law 3/2004 of 29 December 2004, containing measures to combat late payments in commercial transactions, which, inter alia, regulates payment periods in commercial relations between companies or between companies and public entities. Specifically, it amends additional provision three.

With regard to the amendments to additional provision three, Law 18/2022 states that:

- All trading companies shall expressly disclose their average supplier payment period in the notes to the annual accounts.
- Listed trading companies, and unlisted companies that do not present abbreviated annual accounts, shall publish their average supplier payment period, the monetary volume and number of invoices paid within the maximum period stipulated by legislation on late payments, and the percentage they represent with respect to the total number of invoices and the total monetary payments to their suppliers. This information shall be disclosed in the notes to their annual accounts, and published on their website if they have one.

The Spanish Accounting and Auditing Institute (ICAC) has published the Spanish Accounting and Auditing Institute's Official Gazette (BOICAC) no. 132/2022, which states that Law 18/2022 of 28 September 2022 extends the information that trading companies must disclose in the notes to their annual accounts, and which they must also publish on their website, if they have one. However, it does not modify the methodology for calculating the average supplier payment period. Therefore, its previous resolution of 29 January 2016, which clarified and systematised the information that trading companies must disclose in the notes to individual and consolidated annual accounts, in compliance with the reporting requirement of additional provision three of Law 15/2010 of 5 July 2010, which amended Law 3/2004 of 29 December 2004 establishing measures to combat late payments in commercial transactions, remains unchanged.

Pursuant to the legislation, the information on the average supplier payment period for 2022 and 2021 is as follows:

Days	2022	2021
Average supplier payment period	35	38
Transactions paid ratio	35	38
Transactions payable ratio	30	34

Thousands of Euros	2022	2021
Total payments made	32,961	21,719
Total payments outstanding	1,793	1,748

Thousands of Euros	2022	2021
Amount of invoices paid within the maximum period stipulated	29,293	19,886
Total payments made	32,961	21,719
Amount of invoices paid within the maximum period stipulated as a % of total payments made	88.9%	91.6%

2022	2021
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Number of invoices paid within the maximum period stipulated	1,623	2,313
Total number of invoices paid	1,889	2,549
Number of invoices paid within the maximum period stipulated as a % of total invoices	85.9%	90.7%

20 Income and Expenses

a) Revenue

Details at 31 December 2022 and 2021 are as follows:

Thousands of Euros	31 December 2022	31 December 2021
Services rendered	74,306	67,851
Finance income on investments in equity instruments of Group companies and associates	-	559,039
Finance income on securities and other financial instruments of Group companies and associates	15,193	9,325
Total	89,499	636,215

Services rendered essentially comprise management support services provided to the Group companies Red Eléctrica de España, Red Eléctrica Internacional, Red Eléctrica Infraestructuras de Telecomunicación, Red Eléctrica Infraestructuras en Canarias, Red Eléctrica de España Finance, Red Eléctrica Financiaciones, Red Eléctrica Sistemas de Telecomunicaciones, Red Eléctrica y de Telecomunicaciones, Innovación y Tecnología, and Hispasat, as well as property lease income, also primarily from Group companies (see note 7).

In 2021, finance income on investments in equity instruments of Group companies and associates reflects the dividends received from Red Eléctrica de España, Red Eléctrica Infraestructuras de Telecomunicación and Red Eléctrica de España Finance.

At 31 December 2022 and 2021 finance income on securities and other financial instruments of Group companies and associates comprises income from loan and credit facility agreements entered into with Red Eléctrica de España, Red Eléctrica Infraestructuras de Telecomunicación, Red Eléctrica Sistemas de Telecomunicaciones, Red Eléctrica Internacional, Red Eléctrica Chile and Red Eléctrica y de Telecomunicaciones, Innovación y Tecnología (see note 21).

Details of this item in 2022 and 2021, by geographical area, are as follows:

Thousands of Euros	2022	2021
Domestic market	81,293	631,358
European Union	-	-
Other countries	8,206	4,857
Total	89,499	636,215

In 2021 the Group company Red Eléctrica de España Finance relocated its registered office from the Netherlands to Spain (see note 8).

b) Personnel expenses

In 2022 and 2021 this item comprises the following:

Thousands of Euros	31 December 2022	31 December 2021
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Salaries and wages	37,541	33,183
Social security	5,994	5,810
Contributions to pension funds and similar obligations	424	416
Other items and employee benefits	4,146	3,981
Total	48,105	43,390

Personnel expenses include the remuneration of the board of directors (see note 22).

Workforce

The average headcount of the Company in 2022 and 2021, distributed by professional category, is as follows:

	2022	2021
Management team	68	71
Senior technicians and middle management	226	220
Technicians	34	37
Specialist and administrative staff	60	62
Total	388	390

The distribution of the Company's employees at 31 December 2022 and 2021, by gender and category, is as follows:

	2022			2021		
	Men	Women	Total	Men	Women	Total
Management team	37	34	71	40	33	73
Senior technicians and middle management	115	112	227	112	105	217
Technicians	20	17	37	20	16	36
Specialist and administrative staff	11	47	58	13	49	62
Total	183	210	393	185	203	388

At 31 December 2022 and 2021, the breakdown of the Company's employees with a disability rating of 33% or more is as follows:

	2022			2021		
	Men	Women	Total	Men	Women	Total
Senior technicians and middle management	-	-	-	-	2	2
Technicians	-	4	4	1	1	2
Specialist and administrative staff	-	-	-	-	1	1
Total	-	4	4	1	4	5

At 31 December 2022 and 2021 there are 12 directors, of whom 6 are men and 6 are women.

c) Finance income and costs

In 2022 and 2021 finance costs primarily reflect those incurred on bonds and other marketable securities, loans and borrowings and derivative financial instruments.

In 2022 and 2021 finance income essentially comprises returns on investments in EIGs, and also reflects returns on current investments in 2022 (see note 12).

d) Impairment and gains on disposal of fixed assets

In 2022 this item reflects the gain obtained on the sale mentioned in note 6, while in 2021 it comprises the reversal of impairment likewise mentioned in that same note.

e) Impairment and gains on disposal of financial instruments

In 2022 this item reflects the gain obtained on the sale of the 49% stake in Red Eléctrica Infraestructuras de Telecomunicación, mentioned in note 8.

21 Balances and Transactions with Group Companies, Associates and Related Parties

• Balances and transactions with Group companies and associates

All transactions with Group companies and associates have been carried out at market prices.

Details of receivables from and payables to Group companies and associates in 2022 and 2021 are as follows:

Thousands of Euros	2022			2021		
	Receivables	Security deposits received	Payables	Receivables	Security deposits received	Payables
Red Eléctrica de España, S.A.U.	54,796	1,401	10,335	67,790	1,401	-
Red Eléctrica Internacional, S.A.U.	50,810	-	418	50,168	-	228
Red Eléctrica Financiaciones, S.A.U.	38	-	-	79	-	-
Red Eléctrica Infraestructuras de Telecomunicación, S.A.	580	67	24,517	1,879	67	-
Red Eléctrica Infraestructuras en Canarias, S.A.U.	140	15	3	32	15	-
Red Eléctrica Sistemas de Telecomunicaciones, S.A.U.	351,914	-	396	387,658	-	80
Red Eléctrica y de Telecomunicaciones, Innovación y Tecnología, S.A.U.	9,859	18	23	5,570	18	-
Redcor Reaseguros, S.A.	-	-	75,167	-	-	-
Red Eléctrica de España Finance, S.L.U.	24	-	1,595	-	-	1,665
Red Eléctrica Chile SpA	185,561	-	-	167,763	-	-
Red Eléctrica Andina, S.A.	-	-	5	-	-	-
Transmisora Eléctrica del Sur 4, S.A.C.	61	-	-	30	-	-
Red Eléctrica Brasil Holding Ltda.	-	-	6	-	-	-
Red Eléctrica del Norte 2, S.A.	76	-	-	-	-	-
Transmisora Eléctrica del Norte, S.A.	60	-	-	-	-	-
Hispatat, S.A.	281	-	11	135	-	661
Hispamar Exterior, S.L.U.	4	-	-	-	-	-
Hispatat Canarias, S.L.U.	-	-	9,411	-	-	10,532
Total Group companies	654,204	1,501	121,887	681,104	1,501	13,166

Receivables from Red Eléctrica de España essentially include the short-term credit facility arranged with this company amounting to Euros 850 million, of which Euros 38,311 thousand had been drawn down at 31 December 2022 (Euros 62,906 thousand at 31 December 2021). The average interest rate for the period was 0.78% (0.41% in 2021). This item also includes other balances and accrued interest receivable.

Receivables from Red Eléctrica Internacional primarily include the credit facility arranged with this company in 2018 for an amount of US Dollars 215 million, of which Euros 49,359 thousand had been drawn down at 31 December 2022 (Euros 50,032 thousand at 31 December 2021). This facility expires in 2023 and the average interest rate for the period was 2.77% (1.11% in 2021). This item also includes other balances and accrued interest receivable.

Receivables from Red Eléctrica Sistemas de Telecomunicaciones include the credit facility arranged with this company in 2019 for an amount of Euros 435 million, of which a non-current amount of Euros 345,000 thousand and a current amount of Euros 5,106 thousand had been drawn down at 31 December 2022 (Euros 384,000 thousand and Euros 3,305 thousand, respectively, at 31 December 2021). This facility expires in 2024 and the average interest rate for the period was 0.87% (0.36% in 2021). The fair value of this credit facility is Euros 353,088 thousand at 31 December 2022 (Euros 393,541 thousand at 31 December 2021). This item also includes accrued interest receivable.

Receivables from Red Eléctrica y de Telecomunicaciones, Innovación y Tecnología at 31 December 2022 include the credit facility arranged with this company in 2019 amounting to Euros 25 million, of which Euros 9,655 thousand had been drawn down at 31 December 2022 (Euros 5,528 thousand at 31 December 2021). The average interest rate for the period was 0.84% (0.41% in 2021). This item also includes other balances and accrued interest receivable.

Receivables from RECH essentially include the US Dollars 185 million loan arranged with this company in 2021, which falls due in 2026 and had been fully drawn down in an amount of Euros 173,705 thousand at 31 December 2022 (Euros 163,582 thousand at 31 December 2021). The average interest rate for the period was 2.98% (2.34% in 2021). With a view to mitigating the currency risk on this US Dollar loan, the Company has arranged US Dollar/Euro cross-currency swaps on the principal and interest (see note 11). The fair value of this loan is Euros 187,543 thousand (Euros 177,183 thousand at 31 December 2021). This item also includes accrued interest receivable.

Payables to Red Eléctrica de España reflect the income tax payable by the Company, as the parent of the tax group (see note 17), to this subsidiary.

Payables to Red Eléctrica Infraestructuras de Telecomunicación primarily include the credit facility arranged with this company in 2022 amounting to Euros 76 million, of which Euros 24,378 thousand had been drawn down at 31 December 2022. The average interest rate for the period was 5.22%. This item also includes accrued interest payable.

Payables to REDCOR Reaseguros include the credit facility arranged with this company in 2022 amounting to Euros 150 million, of which Euros 75,000 thousand had been drawn down at 31 December 2022. The average interest rate for the period was 2.40%. This item also includes accrued interest payable.

Payables to Red Eléctrica de España Finance include the credit facility arranged with this company in 2021 amounting to Euros 2 million, of which Euros 1,579 thousand had been drawn down at 31 December 2022 (Euros 1,660 thousand at 31 December 2021). The average interest rate for the period was 0.75% (0.41% in 2021). This item also includes accrued interest payable.

There are no significant differences between the fair value and the carrying amount of these facilities with Group companies at 31 December 2022 and 2021.

In addition, balances receivable from and payable to Hispasat, S.A., Hispamar Exterior, S.L. and Hispasat Canarias, S.L. essentially reflect income tax receivable from or payable to these subsidiaries.

These receivables and payables are classified within Level 2 of the fair value hierarchy.

Transactions with Group companies and associates are as follows:

Thousands of Euros	2022				2021			
	Services rendered	Finance income	Operating expenses	Finance costs	Services rendered	Finance income	Operating expenses	Finance costs
Red Eléctrica de España, S.A.U.	65,056	2,779	-	-	59,787	501,490	-	-
Red Eléctrica Internacional, S.A.U.	2,676	1,499	-	-	2,366	672	-	-
Red Eléctrica Infraestructuras de Telecomunicación, S.A.	2,488	-	-	140	2,255	59,970	-	-
Red Eléctrica de España Finance, S.L.U.	69	-	-	12	47	94	-	5
Red Eléctrica Infraestructuras en Canarias, S.A.U.	673	-	-	-	638	-	-	-
Red Eléctrica Financiaciones, S.A.U.	69	-	-	-	56	-	-	-
Red Eléctrica Sistemas de Telecomunicaciones, S.A.U.	473	3,184	-	-	790	1,406	-	-
Red Eléctrica y de Telecomunicaciones, Innovación y Tecnología, S.A.U.	894	56	860	-	874	13	725	-
Redcor Reaseguros, S.A.	-	-	-	167	-	-	-	-
Red Eléctrica del Norte, S.A.	61	-	-	-	-	-	-	-
Red Eléctrica del Norte 2, S.A.	322	-	-	-	-	-	-	-
Red Eléctrica Chile SpA	-	7,675	-	-	-	4,719	-	-
Red Eléctrica Andina, S.A.	-	-	5	-	-	-	-	-
Transmisora Eléctrica del Sur 4, S.A.C.	36	-	-	-	30	-	-	-
Red Eléctrica Brasil Holding Ltda.	111	-	-	-	108	-	-	-
Hispatat, S.A.	1,068	-	-	-	729	-	-	-
Total Group companies	73,996	15,193	865	319	67,680	568,364	725	5

At 31 December 2022 and 2021, services rendered mainly reflect the provision of management support services to Group companies.

At 31 December 2022 and 2021, services rendered also comprise the lease contracts entered into with Red Eléctrica de España, Red Eléctrica Infraestructuras de Telecomunicación, Red Eléctrica Infraestructuras en Canarias, Red Eléctrica y de Telecomunicaciones, Innovación y Tecnología and Hispatat (see note 7).

Finance income in 2022 essentially comprises interest accrued on the loans and credit facilities arranged with Red Eléctrica de España, Red Eléctrica Chile, Red Eléctrica Internacional, Red Eléctrica Sistemas de Telecomunicaciones and Red Eléctrica y de Telecomunicaciones, Innovación y Tecnología. In 2021 this item reflects dividends received from Red Eléctrica de España, Red Eléctrica Infraestructuras de Telecomunicación and Red Eléctrica de España Finance.

- **Related party balances and transactions**

In 2022 and 2021 no balances or transactions with related parties were identified.

22 Remuneration of the Board of Directors

On 29 June 2021, the remuneration policy for directors of Red Eléctrica Corporación, S.A. for 2022, 2023 and 2024 was approved by the shareholders at their general meeting (the previous remuneration policy for 2019-2021 was approved in 2019).

The current remuneration policy is a continuation of the previous one and does not introduce significant changes. However, certain items have been reinforced, such as the directors' contribution to the corporate strategy and to the interests and sustainability of the Company over the long term, greater transparency as to how the policy is determined, information on the management of possible remuneration-related risks and their alignment with the remuneration policy for Company employees as a whole, pursuant to the requirements of the Spanish Companies Act.

At the proposal of the board of directors and in accordance with the articles of association, the Annual Report on Directors' Remuneration, which includes, inter alia, the remuneration of the board of directors for 2022, was approved by the shareholders at their general meeting on 7 June 2022.

The approved remuneration of the board of directors, including the remuneration of the board members, the chairwoman and the CEO, has not changed vis-à-vis 2021.

The chairwoman receives fixed annual remuneration in respect of the non-executive chair duties associated with this position, in addition to remuneration for being a member of the board of directors. The remuneration scheme for this position consists solely of fixed amounts, with no annual or multi-year variable remuneration and no termination benefit. In 2022 both remuneration components are under the same terms as in 2021.

The remuneration allocated to the CEO includes the fixed and variable annual and multi-year components corresponding to executive duties and the fixed remuneration for being a member of the board of directors. Employee benefits form part of the remuneration for this position. A portion of the annual and multi-year variable remuneration is paid through the delivery of Company shares.

Moreover, the CEO has been included in a defined contribution benefit scheme. This scheme covers the retirement, death and permanent disability contingencies. Red Eléctrica Corporación, S.A.'s obligation is limited to an annual contribution equal to 20% of the CEO's fixed annual remuneration.

The annual variable remuneration of the CEO is set by the Appointments and Remuneration Committee of the Parent at the start of each year, using predetermined quantifiable and objective criteria. The targets are in line with the strategies and actions established in the Group's Strategic Plan and the degree of fulfilment is assessed by the Committee.

The CEO participates in the Long-Term Incentive Plan for Promoting the Energy Transition, Reducing the Digital Divide and for Diversification. The objectives of this Plan are linked to those contained in the Group's Strategic Plan and are consistent with the guidelines laid down in the directors' remuneration policy. This Long-Term Incentive Plan covers a period of six years, until 31 December 2025.

Pursuant to the directors' remuneration policy and in line with standard market practices, the CEO's contract provides for a termination benefit equal to one year's salary in the event that labour relations are terminated at the discretion of the Parent or due to changes of control.

In line with market practices in such cases, as a result of the appointment of the CEO, the existing employment contract has been suspended. Should the employment contract be terminated, he would accrue the remuneration due at the date of suspension as an indemnity. For this purpose, his tenure at Redeia up to the date he was appointed CEO (15 years), plus the period in which he rendered services – if any – following his termination as CEO, would be taken into consideration, in accordance with employment legislation in force.

The remuneration of the board of directors includes fixed annual remuneration, remuneration for attending board meetings, remuneration for work on the board of directors' committees and specific annual remuneration both for the chairs of the committees and the coordinating independent director. The components and amounts of this remuneration have not changed in 2022.

Reasonable and duly supported expenses incurred as a result of their attendance at meetings and other tasks directly related to carrying out their duties, such as travel expenses, accommodation, meals and any other such costs as may be incurred, will also be paid or reimbursed to the directors.

The total amounts accrued by the members of the Company's board of directors in 2022 and 2021 are as follows:

Thousands of Euros	2022	2021
Total remuneration of the board of directors	2,485	2,502
Directors' remuneration in respect of executive duties ⁽¹⁾	743	743
Total	3,228	3,245

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

The decrease in total remuneration of the board of directors with respect to the prior year is because during a certain period in 2022 a director's position was vacant.

A breakdown of remuneration by type of director at 31 December 2022 and 2021 is as follows:

Thousands of Euros	2022	2021
Executive directors	890	890
External proprietary directors	507	524
External independent directors	1,285	1,285
Other external directors	546	546
Total remuneration	3,228	3,245

The remuneration accrued by individual members of the Company's board of directors in 2022 and 2021, by components and director, is as follows:

Thousands of Euros	Fixed remuneration	Variable remuneration	Allowances for attending board meetings	Committee work	Chair of committee/board	Coordinating independent director	Other remuneration ⁽⁵⁾	Total 2022	Total 2021
Ms. Beatriz Corredor Sierra	530	-	16	-	-	-	-	546	546
Mr. Roberto García Merino	481	263	16	-	-	-	130	890	890
Ms. Mercedes Real Rodrigálvarez ⁽¹⁾	131	-	16	28	-	-	-	175	175
Mr. Ricardo García Herrera	131	-	16	28	-	-	-	175	174
Ms. Esther María Rituerto Martínez ⁽²⁾	86	-	11	16	-	-	-	113	-
Ms. Carmen Gómez de Barreda Tous de Monsalve	131	-	16	28	15	15	-	205	205
Ms. Socorro Fernández Larrea	131	-	16	28	15	-	-	190	190
Mr. Antonio Gómez Ciria	131	-	16	28	15	-	-	190	176
Mr. José Juan Ruiz Gómez	131	-	16	28	-	-	-	175	189
Mr. Marcos Vaquer Caballería	131	-	16	28	-	-	-	175	89
Ms. Elisenda Malaret García	131	-	16	28	-	-	-	175	89
Mr. José María Abad Hernández	131	-	16	28	-	-	-	175	89
Ms. María Teresa Costa Campi ⁽³⁾	32	-	5	7	-	-	-	44	175
Other board members ⁽⁴⁾	-	-	-	-	-	-	-	-	258
Total remuneration accrued	2,308	263	192	275	45	15	130	3,228	3,245

⁽¹⁾ Amounts received by Sociedad Estatal de Participaciones Industriales (SEPI).

⁽²⁾ New director since the board meeting held on 5 May 2022.

⁽³⁾ Stepped down from the board of directors after the board meeting held on 29 March 2022.

⁽⁴⁾ Board members who stepped down in 2021.

⁽⁵⁾ Includes the employee benefits that form part of the CEO's remuneration.

At 31 December 2022 and 2021 no loans or advances have been granted to the members of the board of directors, nor have any guarantees been extended on their behalf. The Company has no pension or life insurance obligations with the members of the board of directors at those dates, other than those previously mentioned, nor have any loans or advances been extended to board members.

At 31 December 2022 and 2021 the Company has taken out public liability insurance to cover claims from third parties in respect of possible damage or loss caused by actions or omissions in performing duties as directors of the Company. These policies cover the Company's directors and senior management and the annual premiums amount to Euros 245 thousand, inclusive of tax, in 2022 (Euros 217 thousand at 31 December 2021). These premiums are calculated based on the nature of the Company's activity and its financial indicators, thus they cannot be broken down individually or allocated to directors and senior management separately.

In 2022 and 2021 the members of the board of directors did not engage in transactions with the Company, either directly or through intermediaries, other than ordinary operations under market conditions.

23 Remuneration of Senior Management

The senior management personnel who have rendered services for the Company during 2022 and 2021, and the positions they hold at the 2022 reporting date, are as follows:

Name	Position
Mr. Mariano Aparicio Bueno	General Manager of Telecommunications Business
Mr. Emilio Cerezo Díez	Chief Financial Officer
Mr. José Antonio Vernia Peris	Corporate Director of Transformation and Resources
Ms. Miryam Aguilar Muñoz	Corporate Director of External Relations, Communication and Territory
Ms. Eva Pagán Díaz ⁽¹⁾	Corporate Director of Sustainability and Research
Ms. Laura de Rivera García de Leániz	Manager of Regulatory Affairs and Legal Services
Ms. Silvia Bruno de la Cruz	Chief Innovation and Technology Officer
Mr. Carlos Puente Pérez	Manager of Corporate Development
Ms. Eva Rodicio González	Manager of Internal Audit and Risk Control Management Area

⁽¹⁾ As of 1 December 2022, Ms. Eva Pagán Díaz is no longer General Manager of International Business Management Division and has replaced Ms. Fátima Rojas Cimadevila as Corporate Director of Sustainability and Research.

In 2022, total remuneration accrued by senior management personnel amounted to Euros 2,540 thousand and is recognised as personnel expenses in the Company's income statement. In 2021, total remuneration accrued by senior management personnel amounted to Euros 2,461 thousand. These amounts include the accrual of variable annual remuneration, on the assumption that the objectives set each year will be met. After the fulfilment of these objectives has been assessed, the variable remuneration, adjusted to the actual fulfilment rate, is paid in the first few months of the following year.

Euros 10 thousand of the total remuneration accrued by these executives in 2022 consisted of contributions to life insurance and pension plans (Euros 29 thousand in 2021).

No advances or loans have been extended to these executives at 31 December 2022 and 2021. At the 2022 and 2021 reporting dates, the Group has life insurance commitments vis-à-vis these executives with annual premiums totalling approximately Euros 15 thousand (Euros 13 thousand in 2021).

Senior management personnel participate in the Long-Term Incentive Plan for Promoting the Energy Transition, Reducing the Digital Divide and for Diversification. The objectives of this Plan are linked to those contained in the Group's Strategic Plan and are consistent with the guidelines laid down in the directors' remuneration policy. This Long-Term Incentive Plan covers a period of six years, until 31 December 2025.

The contracts in place with serving senior management personnel do not include guarantee or golden parachute clauses in the event of dismissal. Were the employment relationship to be terminated, the indemnity to which senior management personnel would be entitled would be calculated in accordance with applicable legislation.

In 2015 the Company began to roll out a Structural Management Plan, which applies to part of its senior management personnel. Inclusion in this Plan is subject to certain conditions being met and it may be amended or revoked by the Group under certain circumstances.

At 31 December 2022 and 2021 the Company has taken out public liability insurance to cover claims from third parties in respect of possible damage and loss caused by actions or omissions in performing duties as senior management of the Group. These policies cover all the Company's directors and senior management and the annual premiums amount to Euros 245 thousand, inclusive of tax, in 2022 (Euros 217 thousand in 2021). These premiums are calculated based on the nature of the Group's activity and its financial indicators, thus they cannot be broken down individually or allocated to directors and senior management separately.

24 Segment Reporting

The Company does not consider it relevant to disclose the distribution of revenue by category of activity, given that such categories are not structured very differently from the Company's activities on the basis of which it renders its services. Following the contribution of the branch of activities in 2008 pursuant to Law 17/2007, these activities are not regulated electricity activities. As such, the Company is not subject to the requirement

to give separate disclosures by activity provided for in Royal Decree 437/1998 of 20 March 1998, which approves the standards adapting the Spanish General Chart of Accounts to electricity sector companies.

25 Guarantees and Other Commitments with Third Parties and Other Contingent Liabilities

In 2022 and 2021, together with Red Eléctrica de España, the Company has jointly and severally guaranteed the private issue in the United States of bonds totalling US Dollars 250 million carried out by the Group company Red Eléctrica de España Finance, and Red Eléctrica Financiaciones' Eurobonds programme for an amount of up to Euros 5,000 million at 31 December 2022 and 2021. At 31 December 2022, Eurobonds issued under this programme total Euros 3,290 million (Euros 3,690 million in 2021).

Furthermore, at 31 December 2022 and 2021 the Company and Red Eléctrica de España have jointly and severally guaranteed the promissory notes issued under the Euro Commercial Paper Programme (ECP Programme) by Red Eléctrica Financiaciones for an amount of up to Euros 1,000 million. At 31 December 2022 and 2021 no amounts have been drawn down under this programme.

At 31 December 2022 the Company has extended bank guarantees to third parties in an amount of Euros 3,537 thousand (Euros 3,624 thousand in 2021).

26 Environmental Information

At 31 December 2022 and 2021 the Company has no assets for the protection and improvement of the environment, nor did it incur any environmental costs during the year.

The Company is not involved in any litigation relating to environmental protection or improvement that could give rise to significant contingencies. No environment-related grants were received in the year.

27 Other Information

KPMG Auditores, S.L., the auditor of the Company's annual accounts, accrued the following fees and expenses for professional services during the years ended 31 December 2022 and 2021:

Thousands of Euros	2022	2021
Audit services	146	116
Audit-related services	104	99
Other services	4	-
Total	254	215

Audit services include the fees for the audit of the individual and consolidated annual accounts of Red Eléctrica Corporación.

Audit-related services include the limited review of the Group's consolidated interim financial statements, the reasonable assurance audit report on the effectiveness of the Group's ICOFR under ISAE 3000 and translations of the accounts. Other services include the special report on the capital increase through a debt-for-equity swap mentioned in note 8.

The amounts detailed in the above table include the total fees for services rendered in 2022 and 2021, irrespective of the date of invoice.

No other fees were accrued in 2022 and 2021 by companies directly or indirectly related to the audit firm in respect of professional services other than the audit of the annual accounts.

28 Share-based Payments

In 2022, a total of 62,993 Parent shares with a fair value of Euros 17.735 each were delivered to employees, resulting in an expense for the year of Euros 1,117 thousand. Of these shares, 5,549 correspond to senior management personnel.

In 2021, a total of 58,615 Parent shares with a fair value of Euros 18.000 each were delivered to employees, resulting in an expense for the year of Euros 1,055 thousand. Of these shares, 5,339 corresponded to senior management personnel.

This remuneration is measured based on the quotation of these shares on the day they were delivered.

The shares delivered were approved by the Company's shareholders at their general meeting, and the related costs incurred have been recognised under personnel expenses in the income statement.

29 Events after 31 December 2022

On 24 January, i.e. after the reporting date of these annual accounts, the Company issued perpetual subordinated bonds qualifying as green bonds, totalling Euros 500 million and structured in a single tranche. The unit face value of each bond is Euros 100,000, and they have been issued at a price of 99.67% of their face value.

The bonds bear interest at a fixed annual coupon of 4.625% (with an IRR of 4.70%) from 7 February 2023 to 7 August 2028 and thereafter at an interest rate equal to the applicable 5-year swap rate plus a spread.

The issuer will have the option to defer the payment of interest on the bonds without incurring a breach. Such deferred interest will accrue and must be paid under certain circumstances defined in the terms and conditions of the bonds.

The issue was closed and disbursed on 7 February 2023 following the fulfilment of the conditions precedent customary in such transactions.



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Valuing the essentials

Directors' Report

2022

Red Eléctrica Corporación, S.A.

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

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The various sections of this directors' report contain certain prospective information that reflects projections and estimates based on underlying assumptions, statements referring to plans, objectives and expectations associated with future transactions, investments, synergies, products and services, as well as statements concerning results or future dividends, or estimates calculated by the directors and based on assumptions that those directors consider reasonable.

While the Company considers the expectations reflected in those statements to be reasonable, investors and holders of shares in the Company are advised that the information and statements containing future projections 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 results and developments could differ substantially from those expressed, implied or forecast in the information and statements containing future projections.

The affirmations and statements containing future projections do not provide any guarantee as to future results and have not been reviewed by auditors outside the Company or by other independent third parties. It is recommended that no decisions be made on the basis of the affirmations and statements containing future projections that refer exclusively to the information available at the date of this report. All of the affirmations and statements containing future projections that are reflected in this report are expressly subject to the warnings given. The affirmations and statements containing future projections included in this document are based on the information available at the date of this directors' report. Except as required by applicable legislation, the Company is not obligated to publicly update its statements or review the information containing future projections, even where new data is published or new events arise.

In order to facilitate comprehension of the information provided in this document, certain alternative performance measures have been included. A definition of these is available at <https://www.redeia.com/es/accionistas-e-inversores/informacion-financiera/medidas-alternativas-rendimiento>

1 Business performance. Most significant events

Since July 2008, Red Eléctrica Corporación, S.A. (hereinafter the Company) has been operating as the Parent of the Redeia Group of companies. The Company's principal activities are as follows:

- Managing the corporate Group, which comprises investments in the share capital of its Group companies and investees.
- Rendering assistance and support services to its investees.
- Operating the buildings owned by the Company.

The commitments that the Company undertakes in carrying out these activities drive it towards the ongoing generation of value for its shareholders and stakeholders.

2 Key financial indicators

In 2022, the Company posted profit after tax of Euros 947.6 million, up 69% compared to 2021. Details of the key components are as follows:

Revenue amounted to Euros 89.5 million, down 86% on 2021. No dividends from Group companies were received in 2022. On this front, in 2022 the Company, as sole shareholder, subscribed and paid in a capital increase of Euros 515 million in its investee Red Eléctrica de España, S.A.U.

Gross operating profit (EBITDA)¹ totalled Euros 20.2 million, a fall of 97% vis-à-vis 2021.

Results from operating activities (EBIT)² amounted to Euros 985.3 million, up 72% on 2021, primarily driven by the Euros 970 million gain on the sale of the 49% stake in Red Eléctrica Infraestructuras de Telecomunicación, S.A.

The dividends paid in 2022 amounted to Euros 539 million, the same as in 2021.

The Company's equity was Euros 3,330.0 million, up 14% on 2021.

3 Stock market performance and shareholder returns

All of the shares in the Company, the Group's listed company, are quoted on the four Spanish stock exchanges and are traded through the Spanish automated quotation system.

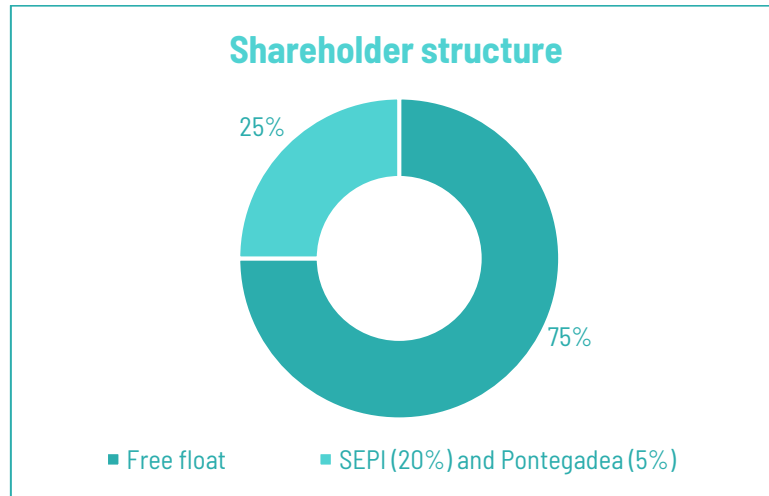
It also forms part of the IBEX 35 index, of which it represented 2.01% at the end of 2022.

At 31 December 2022 and 2021, the share capital of the Company amounted to Euros 270.5 million and was represented by 541,080,000 shares with a par value of Euros 0.50 each, subscribed and fully paid.

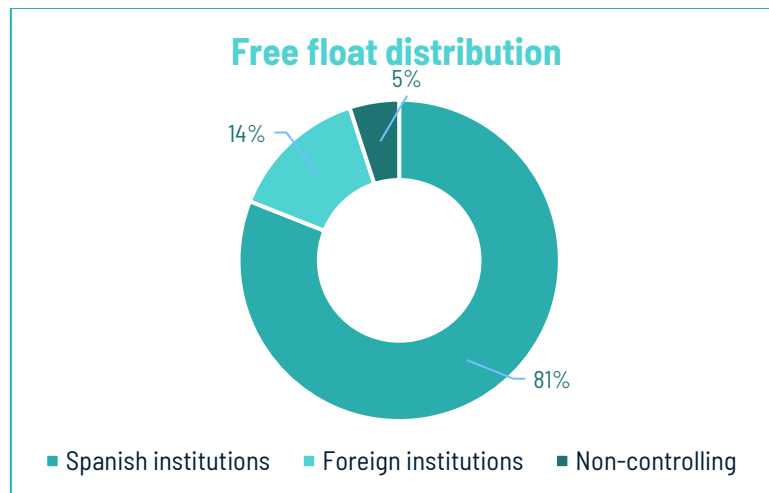
¹ Gross operating profit or EBITDA is calculated as the sum of revenue, self-constructed assets and other operating income less personnel expenses, supplies and other operating expenses.

² Results from operating activities or EBIT is calculated as EBITDA plus any non-financial capital grants recognised and gains/losses or impairment on asset disposals, less depreciation and amortisation, changes in the fair value of financial instruments, impairment and gains/losses on disposals of equity instruments.

At year end the Company's free float was 75%, following Pontegadea's acquisition of a 5% stake.



At the date of the last shareholders' meeting – 7 June 2022 – the free float comprised 405,810,000 shares, of which an estimated 14% is held by non-controlling shareholders, 5% by Spanish institutional investors and 81% by foreign institutional investors, primarily in the United Kingdom and the United States.



In 2022 there was a widespread drop in the world's most significant stock markets. The MSCI World index, which captures stock market value across 23 developed and emerging countries, was down 19.8% over the course of the year. Higher inflation, which sent interest rates soaring, and fears regarding economic growth made equities less appealing to investors.

Equities are down in all regions. On Wall Street the Standard & Poor's 500 fell more than 19% during the year, whilst the Nasdaq, blighted by the disastrous performance of tech shares, lost 33% of its value over the past 12 months. As for Asia, the Nikkei in Japan fell by over 9% and the Hang Seng in China by 18%. The major European stock exchanges also suffered widespread losses, from 13.3% in Italy (MIB) to 5.6% in Spain (IBEX), the latter mitigated by the high proportion of banks on the index. The exception among major European markets was the UK stock exchange. The FTSE achieved modest gains of 0.9% over the course of the year, in this case supported by the major energy companies listed there.

Redeia's stock price fell by 14.5% in 2022, in line with similar shares in Europe. The general increase in interest rates has driven investors to fixed-income instruments, rather than shares such as Redeia, as they offer attractive returns. The share price ranged from Euros 20.05 on 25 May, before the interest rate hikes, to Euros 14.505 on 13 October, when the outlook for inflation in Europe was at its worst. The stock price at the end of 2022 was Euros 16.26.

A total of 348.9 million shares were traded on the Madrid Stock Exchange during the year as a whole, which is equivalent to 64% of the number of shares comprising its share capital. Cash transactions amounted to Euros 6,251.7 million.

4 Own shares

At their meeting on 31 March 2020, the Board of Directors of Red Eléctrica decided to suspend own share transactions as of 14 April 2020, except where such transactions are associated with employee remuneration.

Consequently, in 2022 only one transaction took place, for the sale of 303,533 own shares associated with Group employee remuneration, with a par value of Euros 0.15 million and a cash value of Euros 5.4 million.

At 31 December 2022 the Company held 1,499,900 own shares, with a par value of Euros 0.50 per share, representing 0.28% of its share capital. These shares had an overall par value of Euros 0.75 million and an acquisition price of Euros 17.53 per share (see note 14 to the consolidated annual accounts), and the market value was Euros 24.39 million.

The Company has complied with the requirements of article 509 of the Spanish Companies Act, which provides that the par value of acquired shares listed on official secondary markets, together with those already held by the Parent and its subsidiaries, must not exceed 10% of the share capital. The subsidiaries do not hold own shares or shares in the Parent.

5 Risk management

Red Eléctrica Corporación, S.A. is the Parent of the Group and has implemented a Comprehensive Risk Management System, which aims to ensure that any risks that might affect its strategies and objectives are systematically identified, analysed, assessed, managed and controlled, according to uniform criteria and within the established risk levels, in order to facilitate compliance with the strategies and objectives of the Group. The current Comprehensive Risk Management Policy of the Group was approved on 27 July 2021 by the Board of Directors of the Company, as its Parent.

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 most significant risks, including those of the Company, and is prepared applying a bottom-up methodology, whereby the risks are identified, analysed and assessed by the different organisational units before being escalated for validation by Directors, General Managers and Corporate Directors, until their final presentation to the Chair's Office of the Group, the Executive Committee, the Audit Committee and the Board of Directors.

The Board of Directors is responsible for approving the Comprehensive Risk Management Policy and an acceptable level of risk of the Group, while the Audit Committee is tasked with overseeing the effectiveness of the Comprehensive Risk Management System. The Executive Committee is responsible for implementing adequate monitoring of the Group's significant risks and the action plans to mitigate these risks.

The Comprehensive Risk Management Policy also covers financial risk management, as detailed in the note to the annual accounts on the Financial Risk Management Policy. 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, as Parent of the Group, is exposed and that could affect achievement of its objectives are regulatory risk, including tax risks, inasmuch as the Group's principal business lines are subject to regulations, operational risk, primarily arising from the activity carried out in the electricity and telecommunications sectors, financial risk, market risk and environmental risk.

6 Environment

At 31 December 2022, the Company has no assets specifically for the protection and improvement of the environment. In 2022 the Company incurred no expenses in protecting and improving the environment.

The Company is not involved in any litigation relating to environmental protection or improvement that could give rise to significant contingencies. No environment-related grants were received in the year.

7 Research, development and innovation (R&D&i)

The Company does not carry out research, development or innovation activities (R&D&i).

8 Our people

In 2022 work continued on the sustainable management 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. Through the deployment of the following six lines of action, this work pursues excellence in these processes, thus ensuring that the Company retains a foremost position both at home and abroad:

- Attraction
- Learning
- Development
- Knowledge Management
- Differentiation
- Transformative Leadership

Supported by 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 galvanise, motivate and inspire within the Company and beyond.

This transformation is evidenced through the Leadership Model and the Skills Model. On this front, in 2022 efforts were made to:

- Position leaders as model agents of transformation in order to develop self-leadership habits in people that promote responsibility, self-management and self-learning.

- Plan talent needs, identifying new profiles and positions, considering diversity and inclusion as a competitive advantage that brings opportunities and benefits to the organisation and society and creating specific programmes to hire and develop the new profiles identified.
- Develop the organisation's talent, promoting internal mobility and training people for them to maintain employability in the current environment of change.
- Implement the Development Recommendations, which include internal mobility applicable to the entire organisation through temporary work stays, vacancy-filling and international mobility, or assignment to projects and training actions.
- The efficiency and effectiveness of the people management processes deployed are continuously monitored through key indicators, thus enabling the Company to marry its short-term objectives with its long-term goals and driving improvements in the processes.

a) A stable, committed and highly qualified team

At the end of 2022, the Company's workforce consisted of 393 professionals. The Company's commitment to developing its professionals by maintaining their internal employability skills throughout their life as professionals is reflected in the high levels of permanent employment contracts (nearly 100%), prioritising employability and functional mobility as levers for growth and professional development.

b) Diversity

The Company's commitment to diversity, inclusion and non-discrimination is materialised in the form of its 2018-2022 Comprehensive Diversity Plan, which is aligned with the Strategic Plan and the 2030 Sustainability Commitment. It seeks to inspire and become a benchmark for the organisation itself and in 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:

- Create a corporate culture that encourages diversity among employees and other stakeholders.
- Integrate diversity into all processes, especially people management.
- Involve, raise awareness and promote the Company's mission and approach to diversity among collaborators and suppliers.
- Participate with official organisations, academic institutions and other social agents in campaigns and projects that enable the Company to become a leading social agent that will contribute to building a more diverse society.

Gender equality is one of the facets included in the Comprehensive Diversity Plan and refers to 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 violence. These aspects are monitored through indicators that enable the Company to measure the progress of the objectives defined.

c) Talent management

In 2022 work continued 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. Through the deployment of the following five lines of action, the model pursues excellence in these processes, thus ensuring that the Company retains a foremost position both at home and abroad:

- Attracting, Selecting and Integrating Talent: Commitment to the future.
- Identifying Talent: Bonding.
- Professional Training and Development Plans: Virtual campus.
- Knowledge Management: Transfer plan.

- Transformative Leadership.

Learning is coordinated through the Campus, which serves as a platform to deploy the organisation's strategy, values and culture and as a meeting place and catalyst for learning and development, helping to manage stakeholder knowledge by covering the various areas on which learning is focused.

d) Labour relations

In 2022, we continued to explore new internal communication channels to reinforce and complement the messages and scope of the corporate intranet (NuestraRED), such as the Company Communicator, which complements and reinforces the existing mix of channels and provides information in an agile and direct manner. It offers full accessibility, as messages are delivered directly to the Teams chat application, which has become the main working tool.

The main focus of internal communications was as an adjunct to the Company's transformation and the introduction of new, more agile, flexible and collaborative ways of working that enable the Company to achieve the challenges set out in the new Strategic Plan.

e) Health and safety

Through the commitment and leadership of the management team, the Company promotes best practices in safety, health and well-being. Its healthy company management model has evolved with the new AENOR standard towards a healthy organisation management system and is aligned with the Strategic Plan, the People Department's Operational Plan and the 2030 Sustainability Commitment.

This system focuses on creating a reference framework, not only so that the people in the organisation perceive working conditions in a positive way, generating a safe and healthy work environment, but also so that the numerous groups that make up society (users, customers, suppliers, families, etc.) can share and participate in these benefits, thus establishing a new leadership strategy focused on well-being and sustainability.

f) Management of work-life balance

2022 has been characterised by the integration of the work-life balance in diversity, which has become part of the Comprehensive Diversity Plan. 2022 also stood out for the achievement of the objectives identified for the year in the 3rd Comprehensive Work-Life Balance Plan 2018-2022, with 90% achievement of these objectives. Of particular importance was the work-life balance survey, which evaluated people's perception of the work-life balance management model and existing measures.

9 Excellence and corporate responsibility

One of the cornerstones of the Redeia's corporate culture is its commitment to management excellence. The Company has a Policy of Excellence, which was reviewed in 2022. This policy sets out the organisation's principles in relation to its commitment to management excellence, which is focused on the creation of sustainable value that meets or surpasses the requirements and expectations of the stakeholders within Redeia's ecosystem, acting as a lever for achieving excellent results in both the present and future.

In 1999 the Company adopted the EFQM (European Foundation for Quality Management) excellence management model as a tool to improve management, to which end external assessments are performed periodically in accordance with the model. In 2022 Redeia arranged an external assessment of the Company and Red Eléctrica de España, in accordance with the EFQM 2020 model, obtaining a score of above 700 points and, with it, the EFQM 700+ Seal of Innovation and Sustainability Excellence. Following this assessment, the model will be expanded to the other Redeia companies.

Redeia's commitment to excellence is corroborated through external certifications from prestigious certifying entities, which guarantee that the organisation successfully implements certifiable management systems in

the performance of its activities. Redeia has quality systems in place in the Company and its main subsidiaries that are certified in accordance with the ISO 9001 standard.

Also noteworthy is the certification of Red Eléctrica's criminal and anti-bribery compliance system, in accordance with the standards UNE 19601 for criminal compliance management systems and UNE 37001 for anti-bribery management systems.

10 Average Supplier Payment Period. "Reporting Requirement". Additional Provision Three of Law 15/2010 of 5 July 2010

In accordance with the Spanish Accounting and Auditing Institute (ICAC) resolution of 29 January 2016 regarding the information that must be disclosed in the notes to annual accounts on average payment periods to suppliers in commercial transactions, and the amendments thereto in Law 18/2022 of 28 September 2022, the average supplier payment period is 35 days at the 2022 year end.

The disclosures required by this resolution are contained in note 19 to the Company's annual accounts for 2022.

11 Events after 31 December 2022

On 24 January, i.e. after the reporting date of these annual accounts, the Company issued perpetual subordinated bonds qualifying as green bonds, totalling Euros 500 million and structured in a single tranche. The unit face value of each bond is Euros 100,000, and they have been issued at a price of 99.67% of their face value.

The bonds bear interest at a fixed annual coupon of 4.625 % (with an IRR of 4.70%) from 7 February 2023 to 7 August 2028 and thereafter at an interest rate equal to the applicable 5-year swap rate plus a spread.

The issuer will have the option to defer the payment of interest on the bonds without incurring a breach. Such deferred interest will accrue and must be paid under certain circumstances defined in the terms and conditions of the bonds.

The issue was closed and disbursed on 7 February 2023 following the fulfilment of the conditions precedent customary in such transactions.

12 Dividend policy

Redeia will apply the dividend policy described in its 2021-2025 Strategic Plan, which sets out a dividend payment of Euro 1 per share for 2022.

The dividend paid in 2022 with a charge to the prior year's profit amounted to Euros 539.3 million.

The dividend with a charge to 2022 profit proposed by the Board of Directors and pending approval by the shareholders at their annual general meeting is Euro 1 per share.

The dividend will be paid in two instalments – an interim dividend in January and a supplementary dividend halfway through the year following approval of the annual accounts by the shareholders at their general meeting.

13 Outlook

As regards the management of the different businesses, the Company, as 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. To this end, the Group will continue to carry out 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 Group to adapt to the new, stricter regulatory and remuneration environment, and to generate more ways of creating value.

The Company will uphold its commitment to maximising value for its shareholders, offering an attractive return in the form of dividends and generating value through efficient management of its activities, analysing alternatives for expanding its core business, maintaining a robust capital structure and working to guarantee supply with the utmost level of quality.

The Company will therefore continue to seek the generation of long-term value, creating lasting, competitive advantages and improving our corporate reputation, whilst focusing on providing optimum service to society – the differentiating feature of the Company's management.

Likewise, the Company will concentrate on unlocking shared value by working in collaboration with stakeholders and combatting inequality in territorial and digital areas and with regard to gender.

The Group is determined to forge ahead with its fulfilment of the 2030 Sustainability Commitment and to leverage the contribution of all Redeia companies in order to meet the global targets, noteworthy among which are the United Nations Sustainable Development Goals (SDGs).

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

In relation to Law 11/2018 of 28 December 2018, amending the Spanish Code of Commerce, the Revised Spanish Companies Act approved by Royal Legislative Decree 1/2010 of 2 July 2010, and Audit Law 22/2015 of 20 July 2015, as regards non-financial information and diversity, the information relating to the Company's non-financial information statement is included in the Consolidated Director's Report of the Group for 2022, which is filed at the Madrid Mercantile Registry.

15 Annual Corporate Governance Report

The Annual Corporate Governance Report forms an integral part of the directors' report and can be viewed at the following address:

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

16 Annual Report on Directors' Remuneration

The Annual Report on Directors' Remuneration forms an integral part of the directors' report and can be viewed at the following address:

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