

**Audit Report on Financial Statements
issued by an Independent Auditor**

**RED ELÉCTRICA FINANCIACIONES, S.A.U.
Financial Statements and Management Report
for the year ended
December 31, 2023**

AUDIT REPORT ON FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

Translation of a report and financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails (See Note 26)

To the Shareholders of Red Eléctrica Financiaciones, S.A.U.:

Opinion

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

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

Basis for opinion

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

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

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

Most relevant audit issues

Most relevant audit issues are those matters that, in our professional judgment, were the most significant assessed risks of material misstatements in our audit of the financial statements of the current period. These risks were addressed in the context of our audit of the financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate opinion on these risks.

Revenue recognition

Description The Company's main activities are the issuance of debt instruments and the granting of loans and credits to the various companies comprising the Redeia Group to which it belongs.

In relation to these activities, as of December 31, 2023, the Company has recorded €2,984,377 thousand under the heading "Bonds and other negotiable securities" of the liabilities on the balance sheet, mainly corresponding to debt issues, and under the headings "Investments in group companies and associates", both long-term and short-term, of assets, €2,967,058 thousand and €38,980 thousand, respectively, mainly corresponding to loans granted to another company of the Redeia Group.

We have considered this area to be the most relevant aspect of our audit due to the relevance of the amounts involved and the complexity of the recording and valuation of the financial assets and liabilities associated with the aforementioned activities.

Information related to the applied valuation standards and corresponding breakdowns can be found in Notes 4, 5, 6, 9 and 10 of the accompanying financial statements.

**Our
response**

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

- ▶ Understanding the Entity's process for issuing financial debt and granting loans to the various Redeia Group companies, as well as reviewing the design and operating effectiveness and implementation of key controls.
- ▶ Verification of the correct amortization, interest payment and classification of debt between long and short term for the debt instruments issued.
- ▶ Analysis of the loan contracts granted to another Redeia group company and verification of the correct amortization, interest collection and classification of the credits between long and short term.
- ▶ Verification of the reasonableness of the income recorded in relation to the interest accrued on loans granted and of the financial expenses recorded in relation to debt issues, taking into consideration the relevant contractual documentation.
- ▶ We reviewed the breakdowns included in the report and assessed their compliance with the applicable financial reporting regulatory framework.

Other matters

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

Other information: management report

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

Our audit opinion on the financial statements does not cover the management report. Our responsibility for the management report, in conformity with prevailing audit regulations in Spain, consists of assessing and reporting on the consistency of the management report with the annual accounts, based on the knowledge of the entity obtained from the audit of the aforementioned accounts, as well as assessing and reporting on whether the content and presentation of the management report are in accordance with the applicable regulations. 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 performed, as described above, the information contained in the management report is consistent with that in the financial statements for the year 2023 and its content and presentation are in accordance with the applicable standards.

Directors' responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of the 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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

From the significant risks communicated with the Company's Directors, we determine those that were of most significance in the audit of the financial statements of the current period and are therefore the most significant assessed risks.

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

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

(signed on the original version In Spanish)

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

February 27, 2024



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Financial statements

**for the year ended 31 December
2023**

Red Eléctrica Financiaciones, S.A.U.

Red Eléctrica Financiaciones, S.A.U.
Balance sheet at 31 December 2023

Thousands of euros	Note	31 Dec. 2023	31 Dec. 2022
Non-current assets		2,967,071	2,959,226
Non-current investments in group companies and associates	5	2,967,058	2,959,226
Deferred tax assets	15	13	-
Current assets		39,189	339,529
Current investments in group companies and associates	6	38,980	339,287
Prepayments for current assets	7	99	132
Cash and cash equivalents		110	110
Cash		110	110
Total assets		3,006,260	3,298,755
Equity	8	20,629	17,909
Capital and reserves		20,629	17,909
Capital		60	60
Reserves		17,849	15,433
Profit for the year		2,720	2,416
Non-current liabilities		2,967,115	2,959,297
Non-current payables	9	2,967,115	2,959,297
Bonds and other marketable securities		2,967,115	2,959,297
Current liabilities		18,516	321,549
Current payables	10	17,262	320,370
Current payables to group companies and associates	11	61	14
Trade and other payables	13	1,193	1,165
Payables to group companies		38	24
Other payables		1,143	1,141
Public entities, other		12	-
Total equity and liabilities		3,006,260	3,298,755

The accompanying notes 1 to 25 are an integral part of these financial statements.

Directors' signatures in compliance with article 253 of the Spanish Corporate Enterprises Act.

Fernando Frías Montejo

Tomás José Gallego Arjiz

Red Eléctrica Financiaciones, S.A.U.
Income statement for the year ended 31 December 2023

Thousands of euros	Note	2023	2022
Revenue	16	40,567	44,016
Services rendered		40,567	44,016
Other operating expenses	16	(169)	(184)
External services		(166)	(181)
Taxes		(3)	(3)
Results from operating activities		40,398	43,832
Finance costs	16	(36,851)	(40,694)
Other		(36,851)	(40,694)
Exchange gains/(losses)		-	-
Net finance cost		(36,851)	(40,694)
Profit before tax		3,547	3,138
Income tax	15	(827)	(722)
Profit from continuing operations		2,720	2,416
Profit for the year		2,720	2,416

The accompanying notes 1 to 25 are an integral part of these financial statements.

Directors' signatures in compliance with article 253 of the Spanish Corporate Enterprises Act.

Fernando Frías Montejo

Tomás José Gallego Arjiz

Red Eléctrica Financiaciones, S.A.U.

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

Thousands of euros	Subscribed capital	Reserves	(Own shares)	Prior years' profit/(loss)	Profit for the year	(Interim dividend)	Valuation adjustments	Total equity
Balance at 31 December 2021	60	12,903	-	-	2,530	-	-	15,493
Total recognised income and expense	-	-	-	-	2,416	-	-	2,416
Other changes in equity								
Distribution of prior year's profit	-	2,530	-	-	(2,530)	-	-	-
Balance at 31 December 2022	60	15,433	-	-	2,416	-	-	17,909
Total recognised income and expense					2,720			2,720
Other changes in equity								
Distribution of prior year's profit	-	2,416	-	-	(2,416)	-	-	-
Balance at 31 December 2023	60	17,849	-	-	2,720	-	-	20,629

The accompanying notes 1 to 25 are an integral part of these financial statements.

Directors' signatures in compliance with article 253 of the Spanish Corporate Enterprises Act.

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Tomás José Gallego Arjiz

Red Eléctrica Financiaciones, S.A.U.

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

Thousands of euros	2023	2022
Profit for the year	2,720	2,416
Income and expense recognised directly in equity	-	-
Amounts transferred to the income statement	-	-
Total recognised income and expense	2,720	2,416

The accompanying notes 1 to 25 are an integral part of these financial statements.

Directors' signatures in compliance with article 253 of the Spanish Corporate Enterprises Act.

Fernando Frías Montejo

Tomás José Gallego Arjiz

Red Eléctrica Financiaciones, S.A.U.

Statement of cash flows for the year ended 31 December 2023

Thousands of euros	2023	2022
Cash flows from operating activities	2,252	2,821
Profit for the year before tax	3,547	3,138
Adjustments to profit	(3,716)	(3,322)
Finance income	(40,567)	(44,016)
Finance costs	36,851	40,694
Changes in operating assets and liabilities	59	227
Other current assets	33	35
Trade and other payables	26	192
Other cash flows from operating activities	2,362	2,778
Interest paid	(32,140)	(47,161)
Interest received	35,295	50,727
Income tax paid/received	(793)	(788)
Cash flows from investing activities	297,748	397,230
Payments for investments	(2,252)	(2,770)
Group companies and associates	(2,252)	(2,770)
Proceeds from sale of investments	300,000	400,000
Group companies and associates	300,000	400,000
Cash flows used in financing activities	(300,000)	(400,000)
Proceeds from financial liability instruments	(300,000)	(400,000)
Bonds and other marketable securities	(300,000)	(400,000)
Net increase/(decrease) in cash and cash equivalents	-	51
Cash and cash equivalents at beginning of year	110	59
Cash and cash equivalents at year end	110	110

The accompanying notes 1 to 25 are an integral part of these financial statements.

Directors' signatures in compliance with article 253 of the Spanish Corporate Enterprises Act.

Fernando Frías Montejo

Tomás José Gallego Arjiz

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1 Company information

Red Eléctrica Financiaciones, S.A.U. (hereinafter, the Company) was incorporated on 17 June 2009 and began operating in 2010. It has its registered office in Alcobendas (Madrid).

The Company's sole object and core business entails issuing ordinary or unsubordinated, subordinated or any other kind of debt instrument and preference shares, or other hybrid instruments secured by other Redeia companies, where appropriate, and granting loans and credit facilities to Redeia companies, all in accordance with additional provision one of Law 10/2014 of 26 June 2014 on the regulation, supervision and solvency of credit institutions and any implementing legislation or legislation that replaces that law. It carries out this object in accordance with and to the extent permitted by the applicable legislation in force for each type of instrument.

2 Basis of preparation

a) True and fair view

The financial statements were authorised for issue by the Company's joint directors on 22 February 2024 to give a true and fair view of the Company's equity and financial position at 31 December 2023, and the results of its operations and the changes in its equity and cash flows during the year then ended.

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

The Company belongs to a Spanish group of companies, Redeia which, in accordance with article 43.2 of Spain's Code of Commerce, prepares consolidated financial statements and places them on file at the Madrid Companies Register. The consolidated financial statements will be authorised for issue on 27 February 2024. The Group's parent is Redeia Corporación, S.A. (hereinafter, Redeia Corporación, S.A.) with registered office in Alcobendas (Madrid).

Prevailing company law requires certain disclosures in financial statements regarding contracts entered into with the sole shareholder (Redeia Corporación). These contracts are described in note 17.

The 2022 financial statements were approved by the Redeia Corporación on 2 June 2023. The 2023 financial statements are pending ratification. However, the Company's joint directors expects them to be approved without any changes.

b) Mandatory accounting policies not applied

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

c) Use of estimates and assumptions

Preparation of the financial statements has not required the Company's management to use significant judgement and make estimates and assumptions that affect application of its accounting policies and the recognised amounts of assets, liabilities, income and expenses.

d) Comparative information

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

The accounting policies and measurement rules used to prepare these annual financial statements are identical to those used to prepare the Company's 2022 financial statements except for the change in accounting policy on the presentation of amounts of finance income accrued on financial instruments in group companies, which are included under revenue since they derive from the Company's ordinary activities. These amounts were included in finance income in prior periods' statements of profit or loss (note 16).

3 Proposed distribution of profit

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

Thousands of euros

Profit for the year	2,720
Total	2,720

Distribution:

Voluntary reserves	2,720
Total	2,720

4 Significant accounting policies

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

a) Financial assets and financial liabilities

Financial assets

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

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

- **Financial assets at amortised cost:** in general this category includes loans and receivables. They are non-derivative financial assets held to collect contractual cash flows and whose contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. 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.

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

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

Financial liabilities

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

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

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

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

Loans, bonds and similar are jointly and severally guaranteed by Red Eléctrica de España, S.A.U. (hereinafter, Red Eléctrica) and Redeia Corporación (notes 9 and 10).

b) Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand deposits in financial institutions. This heading also includes other short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

c) Impairment of assets

At each reporting date, the Company recognises impairment losses provided there is objective evidence that the value of a financial asset is impaired as a result of one or more events that occurred after the initial recognition of the asset that result in a reduction or delay in the estimated future cash flows due to debtor insolvency.

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

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

The Company's impairment tests did not detect any indications of impairment in loans to group companies.

d) Capital and reserves

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

Start-up expenses and costs of share capital increases are not recognised in profit or loss, but rather in reserves under equity.

Interim dividends are deducted from equity for the year to which the dividend relates on the basis of the directors' corresponding resolution. The final dividend is not deducted from equity until it is approved by the sole shareholder.

e) Transactions in currency other than the euro

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

f) Income and expenses

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

Interest income and expense is recognised using for the effective interest method.

Income from the Company's financing activity is an integral part of the Company's revenue provided that activity is considered an ordinary activity. Revenue also includes income from the provision of financial services to Group companies (note 16).

g) Taxation

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

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

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

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

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

The amount of the debt (credit) with the Parent (Red Eléctrica Corporación) is recognised with a credit (debit) to payables to (receivables from) Group companies and associates.

h) Insurance

The Company has a number of insurance policies to cover the risks to which its activities expose it. The cost of the related insurance premiums is accrued in profit or loss. The income due from insurance companies as a result of claims is recognised in the income statement in keeping with the revenue and expense matching principle.

i) Transactions between group companies

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

5 Non-current investments in group companies and associates

Non-current investments in group companies and associates included the loans arranged with Red Eléctrica since 2014, with a nominal amount of 2,990 million euros at year-end 2023 and 2022. These loans were taken

out simultaneously and under the same terms as the bonds issued on the euromarket by the Company (notes 9 and 17).

The interest on these investments in group companies accrued at an average rate of 1.32% in 2023 (2022: 1.32%).

6 Current investments in group companies and associates

Current investments in group companies and associates at 31 December 2023 included a short-term credit facility for 50 million euros with Redeia Corporación, which was drawn down by 19,582 thousand euros at 31 December 2023 at an average interest rate of 4.34% at that date (2022: a short-term credit facility for 25 million euros with Red Eléctrica, which was drawn down by 16,778 thousand euros at 31 December 2022 at an average interest rate of 0.78%).

This heading also includes interest accrued and receivable on the loans extended to Red Eléctrica and Redeia Corporación amount to 19,398 thousand euros at 31 December 2023 (2022: 22,648 thousand euros).

The balance at 31 December 2022 also included loans maturing in 2023. There were no loans maturing in the short term at 31 December 2023.

The credit facility arranged with Red Eléctrica, for 1,000 million euros, had no amounts drawn down at either year end.

7 Prepayments for current assets

At 31 December 2023 and 2022 prepayments for current assets include advance payments for the insurance policies taken out by the Company.

8 Equity

a) Capital risk management

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

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

b) Capital and reserves

• Share capital

At 31 December 2023 and 2022, the Company's share capital comprised 602 bearer shares, all fully subscribed and paid in by the sole shareholder, Redeia Corporación, carrying the same voting and dividend rights, with a unit par value of 100 euros.

• Reserves

This heading includes:

- Legal reserve

Spanish companies must transfer 10% of profit for the year to a legal reserve until this reserve is equivalent to at least 20% of share capital. This reserve cannot be distributed to the sole shareholder and may only be used to offset losses, provided no other reserves are available. Under certain conditions, this reserve may also be used to increase share capital. At 31 December 2023 and 2022, the legal reserve was equal to 20% of share capital (12 thousand euros).

- **Other reserves**

This heading relates to the Company's voluntary reserves, which at 31 December 2023 had a balance of 17,837 thousand euros (2022: 15,421 thousand euros). These reserves are freely distributable.

- **Profit for the year**

The Company's profit amounted to 2,720 thousand euros in 2023 (2022: 2,416 thousand euros).

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

No interim dividend was approved at 31 December 2023 and 2022.

- **Own shares**

The Company does not hold, nor has it held, own shares or shares of the Parent.

9 Non-current payables

Non-current payables reflect the bonds issued by the Company on the euromarket since 2014. The long-term outstanding balance at 31 December was 2,967 million euros (2022: 2,959 million euros). Red Eléctrica and Redeia Corporación are joint and several guarantors of these issues, made under the scope of the Guaranteed Euro Medium Term Note (EMTN) Programme). The bonds mature out to 2033.

The bonds accrued interest at an average rate of 1.16% in 2023 (2022: 1.22%).

10 Current payables

Current payables at both year-ends reflected interest accrued and payable on these non-current payables.

Current payables at 31 December 2022 reflected the bonds issued that fall due in 2023, for 300 million euros (note 9).

No commercial paper was issued on the euromarket in 2023 and 2022.

11 Current payables to group companies and associates

Payables to group companies and associates at 31 December 2023 and 2022 reflect the tax payable to the sole shareholder, Redeia Corporación, for corporate income tax, as Redeia Corporación is the parent of the Tax Group (note 15).

12 Analysis of financial instruments

a) Analysis by category

The carrying amounts of the Company's financial instruments by category at 31 December 2023 and 2022:

- Financial assets

Thousands of euros	Financial instruments by category	
	31 Dec. 2023	31 Dec. 2022
	Financial assets at amortised cost	Financial assets at amortised cost
Loans to group companies and associates	2,967,058	2,959,226
Non-current financial assets	2,967,058	2,959,226
Loans to group companies and associates	38,980	339,287
Current financial assets	38,980	339,287
Total	3,006,038	3,298,513

- Financial liabilities

Thousands of euros	Financial instruments by category	
	31 Dec. 2023	31 Dec. 2022
	Financial liabilities at amortised cost or cost	Financial liabilities at amortised cost or cost
Bonds and other marketable securities	2,967,115	2,959,297
Non-current financial liabilities	2,967,115	2,959,297
Bonds and other marketable securities	17,262	320,370
Payables to group companies and associates	99	38
Trade and other payables	1,143	1,141
Current financial liabilities	18,504	321,549
Total	2,985,619	3,280,846

b) Analysis by maturity

- Financial assets

2023

Thousands of euros	Maturity of financial assets						
	2024	2025	2026	2027	Thereafter	Valuation adjustments	Total
Loans to group companies and associates	38,980	500,000	500,000	675,000	1,315,000	(22,942)	3,006,038
Total	38,980	500,000	500,000	675,000	1,315,000	(22,942)	3,006,038

Thousands of euros	2022						
	Maturity of financial assets						
	2023	2024	2025	2026	Thereafter	Valuation adjustments	Total
Loans to group companies and associates	339,426	-	500,000	500,000	1,990,000	(30,913)	3,298,513
Total	339,426	-	500,000	500,000	1,990,000	(30,913)	3,298,513

• Financial liabilities

Thousands of euros	2023						
	Maturity of financial liabilities						
	2024	2025	2026	2027	Thereafter	Valuation adjustments	Total
Bonds and other marketable securities	17,262	500,000	500,000	675,000	1,315,000	(22,885)	2,984,377
Payables to group companies and associates	99	-	-	-	-	-	99
Trade and other payables	1,143	-	-	-	-	-	1,143
Total	18,504	500,000	500,000	675,000	1,315,000	(22,885)	2,985,619

Thousands of euros	2022						
	Maturity of financial liabilities						
	2023	2024	2025	2026	Thereafter	Valuation adjustments	Total
Bonds and other marketable securities	320,508	-	500,000	500,000	1,990,000	(30,841)	3,279,667
Payables to group companies and associates	38	-	-	-	-	-	38
Trade and other payables	1,141	-	-	-	-	-	1,141
Total	321,687	-	500,000	500,000	1,990,000	(30,841)	3,280,846

13 Trade and other payables

This heading at 31 December 2023 and 2022 reflects the amounts pending invoice or payment to several creditors, primarily for payables related to the Company's bonds and commercial paper issues. The balance at 31 December 2023 was 1,193 thousand euros (2022: 1,165 thousand euros).

Thousands of euros	31 December 2023	31 December 2022
Payables to group companies	38	24

Other payables	1,143	1,141
Public entities, other	12	-
Total	1,193	1,165

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

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

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

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

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

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

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

Days	2023	2022
Average supplier payment term	27	26
Paid transactions ratio	27	26
Outstanding transactions ratio	-	-

Thousands of euros	2023	2022
Total payments made	401	276
Total payments outstanding	-	-

Thousands of euros	2023	2022
Amount of invoices paid within the maximum period stipulated	401	275
Total payments made	401	276
Amount of invoices paid within the maximum period stipulated as a % of total payments made	100.0%	99.6%

	2023	2022
Number of invoices paid within the maximum period stipulated	24	37
Total number of invoices paid	24	38
Number of invoices paid within the maximum period stipulated as a % of total invoices paid	100.0%	97.4%

15 Taxation

Since its incorporation in 2009, the Company files its taxes under the tax consolidation regime as part of Tax Group 57/02, of which it is a subsidiary. The Parent of the Tax Group is Redeia Corporación.

a) Reconciliation of accounting profit and taxable income

Accounting profit differs from taxable income due to the different treatment afforded certain transactions for tax versus accounting purposes. Below is a reconciliation of accounting profit for 2023 and 2022 and the taxable income the Company expects to report when its annual financial statements have been approved:

Thousands of euros	2023	2022
Accounting profit for the year before tax	3,547	3,138
Permanent differences	(238)	(248)
Taxable accounting income	3,309	2,890
Temporary differences:		
Originating in the current year	-	-
Reversals during the year	-	-
Taxable income	3,309	2,890

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

Income tax expense each year was calculated as follows:

Thousands of euros	2023	2022
Accounting profit for the year before tax	3,547	3,138
Permanent differences	(238)	(248)
Taxable accounting income	3,309	2,890
Tax rate	25%	25%
Tax at the current rate	827	722
Income tax expense	827	722
Effective income tax rate	23.32%	23.01%
Current income tax	840	722
Deferred income tax	(13)	-
Income tax expense	827	722

The effective corporate tax rate is shaped by permanent differences. Permanent differences in 2023 and 2022 related to the adjustment for capitalisation reserve arising from the increase in equity, as provided for in article 25 of Spain's Corporate Income Tax Act (Law 27/ 2014 of 27 November 2014).

The capitalisation reserve endowment for 2023 will be made by Red Eléctrica, as a subsidiary of the same Tax Group, as allowed in article 62.1 d) of Law 27/2014.

c) Deferred tax assets and liabilities

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

Thousands of euros	2023	2022
Deferred tax assets		
Originated in the current year	13	-
Total deferred tax assets	13	-

In 2023, a deferred tax asset arose in relation with the amount of the capitalisation reserve that cannot be utilised in the year and is carried forward for future periods.

d) Years open to inspection

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

In 2022, Spain's tax authorities notified the Parent of the Tax Group of which the Company is a subsidiary that they were initiating general inspection proceedings covering the period from 2017 to 2020 in respect of corporate income tax, and in 2023 that it was commencing partial proceedings covering 2021 for other companies within the Tax Group. In 2023, the inspection of 2017 concluded, with no adjustments required by the Company.

In keeping with prevailing Spanish tax legislation, in general, the Company has its books open to inspection for the main taxes applicable to it for the last four years.

Since existing tax law and regulations are subject to interpretation, tax inspections initiated in the future for years open to inspection could give rise to tax liabilities that are currently not possible to quantify objectively.

However, the Company's directors estimate that any liabilities that could arise as a result of any such inspections would not have a material impact on its future earnings.

16 Income and expenses

At 31 2023 and 2022, expenses in the income statement reflect primarily interest and expenses on the bonds issued under the scope of the Guaranteed Euro Medium Term Note (EMTN) Programme.

Income relates primarily to interest earned on the loans granted to Red Eléctrica and Redeia Corporación (notes 5 and 6).

17 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 were arranged on an arm's length basis.

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

Thousands of euros	2023			2022		
	Receivables	Payables	Debts	Receivables	Payables	Debts
Red Eléctrica ⁽²⁾	2,986,230	-	-	3,298,513	-	-
Redeia Corporación ⁽¹⁾	19,808	38	61	-	24	14
Total group companies	3,006,038	38	61	3,298,513	24	14

(1) Parent

(2) Other group companies

Credits with Red Eléctrica at 31 December 2023 and 2022 included the loans granted to that company (notes 5 and 6).

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

Thousands of euros	2023		2022	
	Finance income	Operating expenses	Finance income	Operating expenses
Red Eléctrica ⁽²⁾	40,141	-	44,016	-
Red Eléctrica Corporación ⁽¹⁾	426	79	-	69
Total group companies	40,567	79	44,016	69

(1) Parent

(2) Other group companies

Finance income from Red Eléctrica and Redeia Corporación in 2023 and 2022 reflected interest on the loans granted to those companies.

Operating expenses in both years reflects the provision of management support services received from Redeia Corporación.

These transactions are based on contract in writing and on file in the register of contracts between the Company and its sole shareholder, Redeia Corporación, as required by company law under article 16 of the Corporate Enterprises Act.

Related party balances and transactions

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

18 Director remuneration

The Company's directors did not accrue any amounts in respect of salaries, attendance fees or other remuneration in 2022 or 2023.

The Company did not recognise any loans, advances or guarantees extended to directors on its balance sheet at either 31 December 2023 or 31 December 2022.

Neither the directors nor any related parties performed any transactions with the Company or its Group companies, either directly or through persons acting on their behalf, outside of the ordinary course of business or other than on an arm's length basis in either reporting period.

The Company's directors and parties related to them were not involved in any of the situations of conflict of interest requiring disclosure described in Article 229 of the consolidated text of the Spanish Corporate Enterprises Act (*Texto Refundido Ley de Sociedades de Capital*).

At 31 December 2023 and 2022, the Company had arranged civil liability insurance to cover claims from third parties in respect of possible damage or loss caused by actions or omissions in performing duties as the directors of the Company. These premiums are calculated based the nature of the Company's activities and as a function of its financial metrics.

The Company is managed by its directors. The Parent of the Group provides the corporate services. The Company did not have any senior management at 31 December 2023 or 31 December 2022.

19 Financial risk management policy

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

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

- Risk management should be fundamentally proactive and directed towards the medium and long term, taking into account possible scenarios in an increasingly global environment.
- Risk should generally be managed in accordance with consistent criteria, distinguishing between the importance of the risk (probability/impact) and the investment and resources needed to mitigate it.
- Financial risk management should be designed to avoid undesirable movements in the Group's fundamental value, rather than generating extraordinary gains.

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

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

The financial risks to which the Company is exposed are:

a) Market risk

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

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 2023 and 2022 mostly affects profit for the year.

Movements in interest rates affect both the fair value of the assets and liabilities that carry interest at a fixed rate and the future cash flows of assets and liabilities benchmarked to floating rates. A change of 0.10% in either direction in interest rates on in 2023 would have increased or decreased profit by 18 thousand euros (2022: 18 thousand euros).

- **Currency risk**

The is not exposed to currency risk as it does not carry out any transactions in foreign currency.

- **Credit risk**

The exposure of the Company's core activities to credit risk is not material given the nature of revenues from its financing activities with Red Eléctrica de España. Considering the solvency of the counterparty to which the Company provides services, it is not considered to have any credit risk. At 31 December 2023 and 2022, there were no balances past due with any risk regarding recoverability.

b) **Liquidity risk**

Liquidity risk arises from differences between the amounts and timing of receipts and payments of the Company's various assets and liabilities.

The liquidity policy is designed to guarantee that the Company meets its short-term payment obligations. The liquidity position shows a cash surplus of 110 thousand euros.

20 Segment reporting

The Company does not consider disclosing segment information by categories of activities or geographical markets in the financial statements to be relevant information since its activity entails only issuing debt instruments and granting loans and credit facilities to Group companies.

21 Guarantees and other commitments with third parties and other contingent liabilities

At 31 December 2023 and 2022, the Company did not have any guarantees and other contingent liabilities than those disclosed in these annual financial statements.

22 Environmental information

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

The Company is not party to any environmental lawsuits and did not receive any environmental grants during the year.

23 Applicability of international accounting standards

Article 537 of Royal Legislative Decree Legislative 1/2010, of 2 July, approving the consolidated text of the Capital Enterprises Act states that companies issuing securities traded on a regulated market of any EU Member State and which, pursuant to prevailing legislation, only publish separate financial statements are obliged to disclose in the notes thereto the main changes that application of International Financial Reporting Standards as endorsed by the European Union (IFRS-EU) would have on their equity and statement of profit or loss and specify which measurement rules they have applied. There would not have been any differences in equity or in the statement of profit or loss had the Company applied IFRS-EU.

24 Other information

Ernst & Young, S.L. audited the Company's financial statements in 2023, while KPMG Auditores S.L. was its auditor in 2022. Fees for financial statement audit and other audit-related services are itemised below:

Thousands of euros	2023	2022
Audit services	36	44
Other audit-related services	34	34
Total	70	78

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

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

25 Events after the reporting date

On 3 January 2024, the Company, under the scope of its Euro Medium Term Note (EMTN) Programme, issued 500 million euros of green bonds on the euromarket that are secured by Redeia Corporación and Red Eléctrica.

The proceeds will be used to finance and/or refinance eligible projects under the umbrella of Red Eléctrica's green finance framework.

The bonds, which were paid in on 17 January 2024, mature in 10 years and carry an annual coupon of 3.000%; they were issued at a price of 99.405%, implying a yield of 3.070%.

26 Explanation added for translation to english

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

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

Directors' signatures in compliance with article 253 of the Spanish Corporate Enterprises Act.

Fernando Frías Montejo

Tomás José Gallego Arjiz

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Management report

**for the year ended 31 December
2023**

Red Eléctrica Financiaciones, S.A.U.

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

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

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

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



1 Business performance. Significant developments.

Red Eléctrica Financiaciones, S.A.U. (hereinafter, Red Eléctrica Financiaciones) was incorporated on 17 June 2009 and began operating in 2010. It has its registered office in Alcobendas (Madrid).

The Company's object entails issuing ordinary or unsubordinated, subordinated or any other kind of debt instrument and preference shares, or other hybrid instruments secured by other Redeia companies, where appropriate, and granting loans and credit facilities to Redeia companies, all in accordance with additional provision one of Law 10/2014 of 26 June 2014 on the regulation, supervision and solvency of credit institutions and any implementation legislation or legislation that replaces that law. It carries out this object in accordance with and to the extent permitted by the application legislation in force for each type of instrument.

2 Key financial figures

The Company's profit after tax amounted to 2,720 thousand euros in 2023 (2022: 2,416 thousand euros).

This figure comprised mainly finance income on loans granted by the Company to Red Eléctrica de España, S.A.U. and Redeia Corporación, S.A. and finance costs on the bond issues carried out.

3 Own shares

Red Eléctrica Financiaciones does not hold any own shares or any Parent shares.

4 Risk management

Red Eléctrica Financiaciones, as part of Redeia, has assumed the Group's risk management objectives.

The Company has a Comprehensive Risk Management System in place designed to ensure that any risks that could affect the achievement of its strategies and objectives are systematically identified, analysed, assessed, managed and controlled, framed by uniform criteria and within the established risk levels, in order to facilitate compliance with the strategies and objectives of the Company. The Comprehensive Risk Management Policy was approved by Redeia's Board of Directors. The Comprehensive Risk Management System, the Policy and the General Procedure regulating it are based on the COSO ERM (Committee of Sponsoring Organizations of the Treadway Commission) Enterprise Risk Management - Integrated Framework.

5 Environment

Red Eléctrica Financiaciones had no assets of an environmental nature at 31 December 2023 and 2022, nor did it incur any environmental-related expenses in either year.

Red Eléctrica Financiaciones is not party to any environmental lawsuits that could result in significant contingencies and did not receive any environmental grants in 2023.

6 Research, development and innovation (RDI)

Red Eléctrica Financiaciones is not involved in any research, development and innovation (RDI) activities.

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

In accordance with the Spanish Accounting and Auditing Institute (ICAC) resolution of 29 January 2016 regarding disclosures that must be included in the notes to financial statements regarding average supplier payment period in trade transactions, as amended by Law 18/2022 of 28 September, the average supplier payment period in 2023 was 27 days.

The disclosures required by this resolution are provided in note 14 to the Company's 2023 financial statements.

8 Events after the reporting date

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

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

The bonds, which were paid in on 17 January 2024, mature in 10 years and carry an annual coupon of 3.000%; they were issued at a price of 99.405%, implying a yield of 3.070%.

9 Outlook

Red Eléctrica Financiaciones, as part of Redeia, will continue to gear its activity towards evaluating and arranging new transactions to raise funding for the activities carried out by the Group's various companies.

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

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

Directors' signatures in compliance with article 253 of the Spanish Corporate Enterprises Act.

Fernando Frias Montejo

Tomás José Gallego Arjiz

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