

# Financial RESULTS

January - December 2021

23 February 2022



The Consolidated Financial Statements included in the financial information presented in this document have been audited. This information was drawn up in accordance with International Financial Reporting Standards (IFRS). To facilitate the understanding of the information provided in this document, certain alternative performance measures have been included. Their definitions can be found at [www.ree.es](http://www.ree.es).

**<https://www.ree.es/en/shareholders-and-investors/financial-information/alternative-performance-measures>.**

# Table of contents

1. Main highlights.....	5
2. Red Eléctrica: Main Aggregates.....	9
3. Profit performance .....	13
4. Investments.....	17
5. Cash flow and balance sheet performance .....	19
Schedule 1. Consolidated Financial Statements (RE Group).....	22
Consolidated income statement .....	22
Consolidated balance sheet .....	23
Financial calendar .....	24
Schedule 2. Sustainability certifications .....	25



# 1. Main highlights



## The Spanish electricity system and energy transition

Demand for electricity in 2021 in Spain stood at 256,058 GWh, 2.6% above the previous year. Nevertheless, this figure was 3% below that recorded in 2019, prior to the effects of the pandemic. Renewable energy accounted for 46.7% of total electricity generation, with wind energy standing out. In 2021, wind power generation was the technology that accounted for the largest share of electricity in Spain.

At the beginning of the winter season, some European countries raised the possibility of disruptions in the power supply. Red Eléctrica, as the system operator, indicated that there was no objective indication that such an event could occur in Spain. The electricity system on the Spanish peninsula has a high level of coverage and its generation capacity – with more than 107 GW of installed capacity – is more than double any peak demand recorded until now. In addition, Spain's system has proven highly resilient on numerous occasions, such as in early 2021 during Storm Filomena.

Electricity prices in the fourth quarter remained high. In December, the price on the day-ahead electricity market averaged EUR 239.16 per MWh, a new historic high in Spain. High natural gas prices, CO<sub>2</sub> emissions costs and the tense geopolitical situation triggered the increase in electricity prices throughout Europe, despite the mitigation measures taken by the countries.

This environment makes Red Eléctrica's role more important. The development of the national transmission grid is making it possible to integrate new power generated from renewable sources, resulting in greater energy independence for Spain and allowing the KWh cost for households and companies to be gradually lowered as the share relating to renewable power rises.

In addition, the larger number of international interconnections will make it possible to reduce price volatility, allowing countries to benefit from more competitive generation conditions at all times.

## TSO activity in Spain

Red Eléctrica continues to provide the electricity system with high **quality service**. The grid availability rate was 98.5% for all of Spain; 98.5% on the peninsula; 98.6% on the Balearic Islands; and 99.2% on the Canary Islands, in line with the previous year.

The TSO's **investment** stood at EUR 426 million, up 5.1% from the previous year and nearly 25% higher than initially expected, underscoring the Company's important efforts throughout 2021 to accelerate its investment plan. These efforts have resulted in initiatives to facilitate future procedures in the authorization process for new facilities. In addition, the Company has embarked on a process to restructure the areas involved in investment, which will allow it to push forward the investment projects it is developing..

As for the electricity-planning status report, steps are under way for its upcoming publication. In this regard, the 9 December 2021 Resolution of the Directorate General of Environmental Quality Assessment, formulating the strategic environmental statement of the "2021-2026 Power Transmission Grid Development Plan", was approved.

Because of its unique nature and its impact on our electricity system, we should stress the progress made at the Chira-Soria pumped storage power plant. In December, the Canary Islands government issued the administrative authorisation for the pumped-storage hydropower plant project at **Salto de Chira**. Red Eléctrica will invest more than EUR 400 million in its construction. The power plant will provide greater guarantee of supply, enhancing system security, increasing the penetration rate of renewable energy to an average annual coverage of 51% of demand on Gran Canaria in 2026 and reducing CO<sub>2</sub> emissions by a further 20%.

In addition, progress has been made in developing the new **interconnection** with France through the Bay of Biscay. The interconnection is in the early stages of development and work is expected to continue until mid-2023.

## International power transmission

In the international business, the performance of the Brazilian subsidiary **ARGO** was noteworthy, with revenues exceeding initial expectations.

Activity in **Chile** was impacted by the application of the new remuneration parameters. Last year, the Chilean regulator published the Final Technical Report (ITF), lowering the remuneration values of the power transmission regulated assets. The panel of Chilean experts, whose decision is required prior to the final approval of these remuneration values, commented on the report in January. The expert

panel improved certain aspects of the values. Pending the final decision, the RE Group adopted the remuneration values most closely in line with the information available until that time as a criterion to be considered. These changes imply a lower contribution to the Group by the two companies concerned, TEN and REDENOR 2, to the tune of EUR 10.9 million in EBITDA, of which EUR 7.0 million relates to 2020.

## Telecommunications

### Optical fibre

On 16 December, Red Eléctrica announced the **sale of 49% of Reintel**, the Group company responsible for the optical fibre business, to the **KKR** fund, for EUR 971 million. Red Eléctrica will continue to be the majority shareholder and to consolidate Reintel's results.

The agreed value of the transaction represents an **enterprise value of EUR 2,300 million** for the entire business, which implies an EV/EBITDA multiple above 22x in 2021. The latent value within the Red Eléctrica Group was realised through the sale, highlighting Reintel's leadership within the Spanish dark optical fibre market.

The transaction is subject to the usual conditions, such as obtaining the mandatory regulatory approvals, and is scheduled to close in the second quarter of 2022.

### Satellite business

In 2021, Hispasat clearly began to recover, returning to a path of solid profits. After a complicated 2020 marked by COVID-19, the company updated its assets, opting for the most advanced technology. This allowed it to make data transmission compatible with its traditional video transfer business and to achieve the targets set in its strategic plan, which helped the Group meet its targets for the year.

Hispasat integrated the managed video services line of business in Latin America, through a business combination that took effect from 1 May. As of December, this new line of business had contributed an additional EUR 13.3 million in revenue and a further EUR 3.3 million in profit after tax. Moreover, through it, 40 people joined Hispasat.

This acquisition is part of the process of transforming and verticalising the company, with a focus on providing advanced satellite services. To this end, it has set forth a Transformation Plan that includes a review of its processes, systems, governance and organisational model.

The company also continues to implement the Rural Broadband project in Spain and to invest in the new **Nexus Amazonas satellite**, through which the Group generated an R&D&i deduction of EUR 19.5 million in the year.

Lastly, the company's investee Hisdesat sold its shares in the Canadian company ExactEarth, with the favourable impact on EBITDA of close to EUR 8 million. Moreover, it acquired 19.04% of the of Hispamar subsidiary from the Brazilian OI. With the 80.96% shareholding that Hispasat already owned, Hispamar became a wholly owned subsidiary of Hispasat.

## ESG

Red Eléctrica revised its **greenhouse gas emissions reduction targets** in line with the more ambitious scenario set forth in the Paris Agreement, intended to limit the increase in the rise in the planet's temperature to 1.5°C over preindustrial levels and to reach zero emissions by 2050. To this end, the Company has agreed to reduce its scopes 1 and 2 emissions by 55% in 2030 compared with 2019 and its scope 3 emissions by 28%. To achieve a 55% decrease in its direct emissions (scopes 1 and 2), Red Eléctrica will step up work mainly on sulphur hexafluoride (SF<sub>6</sub>) leaks. Among other actions in this area, it will renovate facilities and equipment and improve its methods for detecting and repairing leaks. As for scope 3 emissions, i.e. those in the supply chain and which account for the largest share within the Group. The Group has set a twofold target: reducing emissions by 28%, and ensuring that its suppliers who account for two-thirds of its emissions include objectives in line with the Science Based Targets initiative (SBTi) in their business practices.

The Company's efforts are reflected in the multiple ESG awards that it has received. In the fourth quarter of the year, it was once again recognised as one of the world's most sustainable companies by the **Dow Jones Sustainability Index** (DJSI), prepared by S&P Global Corporate Sustainability Assessment. The Company obtained an overall grade of 86 points (rating published on 12 November). Red Eléctrica had the highest score in the sector in six categories: materiality, business code of conduct, policy influence, innovation management, social reporting and environmental reporting.



## Interim dividend

The Board of Directors will propose, to the Shareholders' General Meeting, the distribution of a EUR 1 dividend against 2021 results. The EUR 0.2727 per share interim dividend paid on 7 January must be subtracted from this amount. The EUR 0.7273 final dividend is expected to be paid in early July.



## 2. Red Eléctrica: Main Aggregates

### Income statement

	January - December			October - December		
	2021	2020	Δ %	2021	2020	Δ %
<i>(thousands of euros)</i>						
Revenues	1,952,958	1,985,751	(1.65%)	487.377	519.901	(6.26%)
Share of profits of companies accounted for using the equity method	29,546	27,980	5.60%	11.657	8.500	37.14%
Gross operating profit (EBITDA)	1,498,637	1,568,518	(4.46%)	340.453	413.445	(17.65%)
Net operating profit (EBIT)	991,970	929,007	6.78%	200.118	158.920	25.92%
Profit before tax	888,077	805,991	10.18%	174.788	135.812	28.70%
Profit for the year	680,627	621,185	9.57%	129.816	114.178	13.70%

## Results by business December 2021

(thousands of euros)	Management and Operation Electricity Infrastructures		Telecommunications		Other businesses, Corp. and Adjustments	<b>Total</b>
	Spain	Abroad	Satellite business	Optical Fibre		
<b>Revenues</b>	1,609,689	51,550	177,413	134,411	(20,104)	<b>1,952,958</b>
<b>Share of profits of companies accounted for using the equity method</b>	-	19,818	9,759	-	(31)	<b>29,546</b>
<b>Gross operating profit (EBITDA)</b>	1,197,489	50,752	133,396	103,299	13,701	<b>1,498,637</b>
<b>Net operating profit (EBIT)</b>	822,068	34,309	44,852	75,249	15,490	<b>991,970</b>
<b>Profit before tax</b>	735,359	21,892	39,593	74,159	17,074	<b>888,077</b>
<b>Profit for the year</b>	552,845	20,096	49,013	55,649	3,025	<b>680,627</b>

## Results by business December 2020

(thousands of euros)	Management and Operation Electricity Infrastructures		Telecommunications		Other businesses, Corp. and Adjustments	<b>Total</b>
	Spain	Abroad	Satellite business	Optical Fibre		
<b>Revenues</b>	1,668,263	50,926	154,994	137,312	(25,743)	<b>1,985,751</b>
<b>Share of profits of companies accounted for using the equity method</b>	-	25,311	2,669	-	-	<b>27,980</b>
<b>Gross operating profit (EBITDA)</b>	1,275,459	61,579	118,804	108,281	4,394	<b>1,568,518</b>
<b>Net operating profit (EBIT)</b>	915,474	45,592	(118,807)	80,500	6,245	<b>929,007</b>
<b>Profit before tax</b>	818,425	29,784	(129,949)	78,175	9,554	<b>805,991</b>
<b>Profit for the year</b>	612,779	27,954	(82,722)	60,017	3,155	<b>621,185</b>

## Other financial aggregates

<i>(thousands of euros)</i>	January - December			October - December		
	2021	2020	Δ %	2021	2020	Δ %
<i>Funds from operations (FFO)</i>	<b>1,178,408</b>	1,206,894	(2.36%)	<b>175,606</b>	254,521	(31.01%)
<i>Investments</i>	<b>575,807</b>	895,026	(35.67%)	<b>229,005</b>	218,225	4.94%
<i>Dividends paid</i>	<b>538,995</b>	566,773	(4.90%)	-	-	-

## Consolidated balance sheet

<i>(thousands of euros)</i>	December 2021	December 2020	Δ %
<i>Non-current assets</i>	<b>11,097,068</b>	10,929,540	1.53%
<i>Equity</i>	<b>3,685,131</b>	3,491,953	5.53%
<i>Net financial debt</i>	<b>5,647,879</b>	6,113,341	(7.61%)

## Credit rating

<i>Agency</i>	<i>Credit rating</i>	<i>Outlook</i>	<i>Date</i>
<i>Standard &amp; Poor's</i>	<b>A-</b>	<b>Stable</b>	<b>15/03/2021</b>
<i>Fitch Ratings</i>	<b>A-</b>	<b>Stable</b>	<b>31/03/2021</b>

## 3. Profit performance



### Income

The sum of **Revenues** plus **Results of investees** stood at EUR 1,982.5 million, 1.6% below the previous year. By activity, performance was as follows:

- **Management and operation of electricity infrastructures in Spain:** Revenues from this activity stood at EUR 1,609.7 million compared with EUR 1,668.3 million the previous year. The change was due to two fundamental causes. First, the financial remuneration rate applied to power transmission assets in Spain fell from 6% in 2020 to 5.58% in 2021, as set forth in CNMC Circular 5/2019. Second, the income associated with the System Operator for the 2014-2019 period was re-estimated. The best information available at the reporting date until the final settlement by the Ministry for Ecological Transition is made available was applied. In addition, in 2020 two adjustments were made to the estimated income of the system operator and the transmission operator, which generally offset each other.
- **International power transmission:** Revenues from this activity amounted to EUR 51.6 million (EUR 50.9 million in 2020), while the result of the investees stood at EUR 19.8 million (EUR 25.3 million the previous year). The sum of the two figures is 6.4% below that recorded in 2020.
  - The increase in revenues relates to the higher income from the Chilean companies Redenor and Redenor 2 and the Peruvian Tesur 3, which were partially offset by the negative impact of the new remuneration parameters proposed by the Chilean regulator in Redenor 2.
  - With respect to the results of the shareholdings of the international business, we should stress the strong performance of the Brazilian ARGO, outpacing the previous year's figure by EUR 3.6 million. In contrast, TEN posted a lower contribution from investees in the amount of EUR 9.1 million, mainly owing to the new remuneration parameters. Of this amount EUR 5.9 million stemmed from previous years.
- **Telecommunications:** This activity generated EUR 311.8 million in revenues in 2021, EUR 19.5 million higher than the previous year. By contrast, the share of profits from companies accounted for using the equity method amounted to EUR 9.8 million, compared with EUR 2.7 million in 2020. The sum of the two figures is 9.0% above the 2020 figure.

- **Satellite business:** Revenues for the satellite business, to which Hispasat belongs, improved significantly to EUR 177.4 million in 2021, a 14.5% higher. This increase is largely explained by the EUR 13.3 million contribution of the video management business acquired in Latin America, with the rest of the increase relating to new organic-business contracts, which grew by 6.5% year-on-year. The results at the investees, including Hisdesat, stood at EUR 2.7 million in 2020 compared with EUR 9.8 million in 2021, as a result of the sale of a non-controlling stake in the Canadian company Exact-Earth, which contributed a result of nearly EUR 8 million.
- **Optical fibre:** The optical fibre business, to which Reintel belongs, posted revenues of EUR 134.4 million, EUR 2.9 million below the previous year. The linking of some contracts to inflation, which was negative in 2020, was the main reason for this performance.

## Operating expenses

Operating expenses						
	January - December			October - December		
(thousands of euros)	2021	2020	Δ %	2021	2020	Δ %
Supplies and other operating expenses	362,907	344,177	5.44%	120,565	94,142	28.07%
Staff costs	187,341	175,915	6.50%	55,327	45,840	20.70%
<b>TOTAL OPERATING EXPENSES</b>	<b>550,248</b>	<b>520,092</b>	<b>5.80%</b>	<b>175,892</b>	<b>139,982</b>	<b>25.65%</b>

Operating costs stood at EUR 550.2 million in 2021, for a 5.8% year-on-year increase, owing to changes in these costs in the fourth quarter of the year and certain non-recurring adjustments. In like-on-like annual terms, operating expenses would have increased by 3.6%. This performance is explained by:

- **Costs of supplies and other operating expenses**, which stood at EUR 326.9 million, 5.4% higher than the previous year. This performance is largely explained by higher maintenance costs associated with regulated activities relating to the moving forward of certain actions involving maintenance on assets critical for enhancing the security of supply, higher insurance premiums and Hispasat's higher costs as a result of the acquisition of the inorganic business in Peru. Stripping out these effects, these expenses would have increased by 4.0% in 2021 over the previous year.



- **Staff costs** stood at EUR 187.3 million, a 6.5% increase over 2020 and 20.7% higher in the fourth quarter in year-on-year terms. In 2021, the higher staff costs associated with the incorporation of the workforce of the business acquired in Peru and the effect of the transformation plan at Hispasat were included. The cost of this plan, EUR 5.8 million, was fully recognised in the fourth quarter of the year. In like-on-like terms, and stripping out these items, staff costs would have risen by 2.9% in 2021.

The **higher operating expenses in the fourth quarter** reflect some of the impacts referred to above, such as the transformation plan and the acceleration of maintenance. The performance of these items explains 50% of the increase in costs posted in the quarter.

The **final headcount** at 31 December stood at 2,117, compared with 2,051 in the previous year. In addition, average headcount for the year stood at 2,075, versus 2,041 in 2020. This change is explained mainly by the inclusion into the Group of 40 persons from the satellite business line acquired in Peru.

## Results

Consequently, **Gross operating profit (EBITDA)** fell to EUR 1,498.6 million, a 4.5% decline from the previous year. The Group's EBITDA includes, as noted above, the results of the investees of the power transmission company of Chile, TEN, of the Brazilian ARGO, and of Hisdesat, which is an investee through Hispasat. By activity, the performance of EBITDA is explained by:

- **Management and operation of electricity infrastructures in Spain:** EUR 78.0 million lower contribution to EBITDA. This change was due to the remuneration adjustments referred to above, amounting to EUR 62.8 million, less "other income" relating to insurance compensation and other non-recurring income received in 2020 in the amount of EUR 5.9 million, and a EUR 9.3 million decrease in operating income. Operating income was determined by moderately higher despite high inflation and higher insurance premiums in a difficult insurance market environment as well as by the moving forward of certain asset-maintenance actions critical to reducing risks and enhancing the security of supply.
- **International power transmission:** the lower contribution of the international business to EBITDA, in the amount of EUR 10.8 million, relates primarily to two factors. First, the income adjustment in Chile noted above, of which EUR 7.0 million relates to adjustments for 2020. In addition, in 2020, a non-recurring EUR 3.3 million item from Peru's Ministry of Energy and Mines was included under other Operating income following an arbitration ruling in favour of Tesur.
- **Telecommunications:** The improvements in the satellite business led to a EUR 14.6 million higher contribution to EBITDA. By contrast, the drop in revenues in the fibre optic business resulted in a EUR 5.0 million lower contribution to EBITDA.

**Net operating profit (EBIT)** stood at EUR 992.0 million, a 6.8% improvement over 2020. This largely stemmed from the absence in 2021 of items relating to impairment, which totalled EUR 121.7 million the previous year.

The **Financial result** stood at -EUR 103.9 million versus -EUR 123.0 million in 2020. The lower average cost of debt, 1.74% in 2020 versus 1.52% in 2021, largely explained this improvement. The average gross financial debt stood at EUR 6,844 million, compared with EUR 6,953 million for the same period the previous year.

The Group's **effective income tax rate** fell to 22.7% from 24.2% the previous year. This lower tax rate was due primarily to the recognition of EUR 19.5 million in R&D&i deductions for the investment in the Amazonas Nexus satellite.

Lastly, **Profit for the year** amounted to EUR 680.6 million, 9.6% higher than in 2020. By line of business, this item performed as follows:

- **Management and operation of electricity infrastructures in Spain:** The net profit attributable to this activity stood at EUR 552.8 million, EUR 59.9 million less than in 2020. The main reason for this decrease was the decline in EBITDA noted above.
- **International power transmission:** Profit attributable to this activity stood at EUR 20.1 million compared with EUR 28.0 million the previous year, primarily as a result of the negative impact sustained by Chilean investees.
- **Telecommunications:** The net result attributable to this activity turned around, standing at EUR 104.7 million versus -EUR 22.7 million the previous year. This change is largely explained by Hispasat, its improved businesses, the tax rebates and tax deductions for R&D&i recorded in 2021 and the inclusion of the impairment of assets in 2020, as noted above.



## 4. Investments

	January - December			October - December		
	2021	2020	Δ %	2021	2020	Δ %
<i>(thousands of euros)</i>						
Management and operation of electricity infrastructures in Spain	425,763	405,188	5.08%	176,679	176,135	0.31%
Management and operation of electricity infrastructures abroad	44,496	417,452	(89.34%)	19,032	12,965	46.80%
Satellite business	73,153	58,500	25.05%	26,553	25,093	5.82%
Optical fibre	1,645	1,602	2.68%	122	855	(85.73%)
Other investments	30,750	12,283	150.33%	6,618	3,175	108.42%
<b>TOTAL</b>	<b>575,807</b>	<b>895,026</b>	<b>(35.67%)</b>	<b>229,005</b>	<b>218,225</b>	<b>4.94%</b>

In 2021, the Group's **investment** stood at EUR 575.8 million, up 10.6% from the previous year if the EUR 374.3 million for the acquisition of the Brazilian ARGO is stripped out.

Investments relating to the **management and operation of electricity infrastructures in Spain** activity stood at EUR 425.8 million, up EUR 5.1% from the previous year. The launch of the work relating to storage in the Canary Islands, referred to above, and the favourable progress of the Ibiza-Formentera interconnection stand out.

Investment linked to the **management and operation of electricity infrastructures abroad** edged up to EUR 44.5 million from EUR 43.2 million the previous year, if the acquisition of ARGO is again disregarded. Of this amount, 80% was used for the Redenor and Redenor 2 projects in Chile, and the rest to develop Tesur 4 in Peru.

As for telecommunication activity in the **satellite business**, investment stood at EUR 73.2 million, of which EUR 59.8 million relates to the investment in the Amazonas Nexus satellite. This investment includes the acquisition of the assets relating to the managed video services line of business in Latin America. **Investment** in the **optical fibre** business amounted to EUR 1.6 million, in line with the previous year.

In addition, EUR 30.8 million was earmarked for **other investments**, relating primarily to infrastructures and buildings for the Group. This heading also includes the investments made by Elewit, the Red Eléctrica Group's venture capital investment vehicle, amounting to EUR 4 million, similar to the 2020 figure.

# 5. Cash flow and balance sheet performance



## Cash Flow Performance

### Cash flows

(thousands of euros)	January - December			October - December		
	2021	2020	Δ %	2021	2020	Δ %
Profit before tax	888,077	805,991	10.18%	174,787	135,814	28.70%
Adjustments to profit (*)	584,630	745,792	(21.61%)	148,346	273,190	(45.70%)
Other cash flows from operating activities (**)	(294,299)	(344,889)	(14.67%)	(147,526)	(154,483)	(4.50%)
<b>Operating cash flow after taxes</b>	<b>1,178,408</b>	<b>1,206,894</b>	<b>(2.36%)</b>	<b>175,606</b>	<b>254,521</b>	<b>(31.01%)</b>
Changes in working capital	426,768	173,528	-	336,831	265,571	26.83%
<b>Cash flows from operating activities</b>	<b>1,605,176</b>	<b>1,380,422</b>	<b>16.28%</b>	<b>512,437</b>	<b>520,092</b>	<b>(1.47%)</b>
Investments	(575,807)	(895,026)	(35.67%)	(229,005)	(218,224)	4.94%
Changes to suppliers of fixed assets	(5,628)	(30,353)	(81.46%)	70,639	61,293	15.25%
Changes in other assets and liabilities	20,608	(11,163)	-	17,307	(8,135)	-
<b>Free cash flow for shareholders</b>	<b>1,044,349</b>	<b>443,880</b>	<b>135.28%</b>	<b>371,378</b>	<b>355,026</b>	<b>4.61%</b>
Dividends paid	(538,995)	(566,773)	(4.90%)	-	-	-
Movements not entailing cash flows (***)	(39,892)	47,622	-	(20,866)	20,529	-
<b>Change in net financial debt (*)</b>	<b>(465,462)</b>	<b>75,271</b>	<b>-</b>	<b>(350,512)</b>	<b>(375,555)</b>	<b>(6.67%)</b>

(\*) Basically, depreciation of non-current assets, grants relating to non-financial assets and share of profits of companies accounted for using the equity method.

(\*\*) Primarily includes inflows or outflows of cash relating to corporation tax, interest and dividends received.

(\*\*\*) Mainly includes variations in the exchange rate and adjustments for amortised cost.



The **Operating cash flow after taxes (funds from operation – FFO)** fell to EUR 1,178.4 million, a 2.4% decline from the previous year. The growth in profit before tax and the better performance of other cash flows, mainly owing to lower income tax payments, were offset by lower adjustments to results, which in 2020 included the impairment of Hispasat assets.

The **changes in working capital** at December 2021 accounted for a contribution of EUR 426.8 million versus EUR 173.5 million the previous year, mainly as a result of higher charges from the transmission tariff and from items on which payment to the system was pending. These higher charges will be reversed in coming quarters.

Consequently, **cash flow from operating activities** grew at a rate of 16.3%, from EUR 1,380.4 million in 2020 to EUR 1605.2 million in 2021. The performance of this item together with lower investments (in 2020, 50% of ARGO was acquired) are the main reasons for which **free cash flow for shareholders** stood at EUR 1,044.3 million, compared with EUR 443.9 million in 2020.

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

The performance of these items has allowed **net financial debt to decrease** by EUR 465.5 million, compared with a EUR 75.3 million increase in 2020.

## Performance of Net Financial Debt

**Net financial debt** at 31 December stood at EUR 5,647.8 million, 7.6% lower than the EUR 6,113.3 million posted at year-end 2020.

<b>Net financial debt (*)</b>			
<i>(thousands of euros)</i>	<i>Euros</i>	<i>Foreign currency</i>	<i>Total</i>
<i>Non-current debt securities</i>	4,026,747	360,090	<b>4,386,837</b>
<i>Long-term loans</i>	2,439,008	396,461	<b>2,835,469</b>
<b><i>Total gross financial debt</i></b>	<b>6,465,755</b>	<b>756,551</b>	<b>7,222,306</b>
<i>Cash and cash equivalents</i>	(1,513,111)	(61,316)	(1,574,427)
<b><i>Total net financial debt</i></b>	<b>4,952,644</b>	<b>695,235</b>	<b>5,647,879</b>

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

At 31 December 2021, all of the Group's total financial debt was **long term**. As regards interest rates, **81%** of the Group's debt is **fixed rate**, while the remaining **19%** is **floating rate**.

The **average cost** of the Group's financial debt in 2021 was **1.52%**, compared with 1.74% the previous year.

The **average balance of gross debt** stood at EUR 6,843 million in 2021, compared with EUR 6,953 million the previous year.

The Red Eléctrica Group has set a goal of 100% of its financial debt in 2030 being contracted according to ESG criteria. In line with this objective, at 31 December the Group's financing that incorporates ESG criteria rose to 35% from 23% at 31 December of the previous year.

## Performance of equity

At 31 December 2021, the Red Eléctrica Group's **Equity** rose to EUR 3,685 million, a 5.5% increase over December 2020. The main reason for this increase is the positive contribution of profit for the year and the change in valuation adjustments owing to a more favourable performance of interest rates and exchange rates.

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

**Consolidated income statement**

<i>(thousands of euros)</i>	<b>31/12/2021</b>	31/12/2020	2021/2020
Revenue	1,952,958	1,985,751	(1.65%)
Own work performed on company assets	55,737	57,690	(3.38%)
Share of profits of companies accounted for using the equity method (with activities similar to those of the Group)	29,546	27,980	5.60%
Supplies	(18,655)	(27,307)	(31.68%)
Other operating income	10,644	17,189	(38.07%)
Staff costs	(187,341)	(175,915)	6.50%
Other operating expenses	(344,252)	(316,870)	8.64%
<b>Gross operating result (EBITDA)</b>	<b>1,498,637</b>	<b>1,568,518</b>	<b>(4.46%)</b>
Depreciation and amortisation charge for non-current assets	(522,114)	(548,184)	(4.76%)
Allocation to profit or loss of grants relating to non-financial assets	14,717	30,248	(51.34%)
Change in fair value of financial instruments	730	(121,575)	-
<b>Net operating profit</b>	<b>991,970</b>	<b>929,007</b>	<b>6.78%</b>
Finance income	10,488	16,014	(34.51%)
Finance costs	(115,453)	(133,613)	(13.59%)
Changes in fair value of financial instruments	376	-	-
Exchange differences	696	(5,417)	-
<b>Financial loss</b>	<b>(103,893)</b>	<b>(123,016)</b>	<b>(15.54%)</b>
<b>Profit before tax</b>	<b>888,077</b>	<b>805,991</b>	<b>10.18%</b>
Income tax expense	(201,793)	(194,751)	3.62%
<b>Consolidated profit for the period</b>	<b>686,284</b>	<b>611,240</b>	<b>12.28%</b>
<b>A) Consolidated profit attributable to the parent</b>	<b>680,627</b>	<b>621,185</b>	<b>9.57%</b>
<b>B) Consolidated profit attributable to non-controlling interests</b>	<b>5,657</b>	<b>(9,945)</b>	-

## Consolidated balance sheet

(thousands of euros)

<b>ASSETS (thousands of euros)</b>	<b>31/12/2021</b>	<b>31/12/2020</b>
Intangible assets	720,619	690,850
Property, plant and equipment	9,575,848	9,511,245
Investment properties	1,772	1,325
Investments accounted for using the equity method	587,983	519,312
Non-current financial assets and derivatives	138,281	116,351
Deferred tax assets	70,567	88,015
Other non-current assets	1,998	2,442
<b>Non-current assets</b>	<b>11,097,068</b>	<b>10,929,540</b>
Inventories	26,535	34,875
Trade and other receivables	1,260,956	1,342,099
Current financial assets and derivatives	25,492	55,803
Cash and cash equivalents	1,574,427	481,772
<b>Current assets</b>	<b>2,887,410</b>	<b>1,914,549</b>
<b>Total assets</b>	<b>13,984,478</b>	<b>12,844,089</b>
<b>LIABILITIES (in thousands of euros)</b>	<b>31/12/2021</b>	<b>31/12/2020</b>
Shareholders' equity	3,762,199	3,613,425
Capital	270,540	270,540
Reserves	2,989,711	2,905,234
Treasury shares and own equity instruments (-)	(31,618)	(36,550)
Profit for the year attributable to the Parent	680,627	621,185
Interim dividend	(147,061)	(146,984)
Adjustments due to changes in value	(131,117)	(177,823)
Non-controlling interests	54,049	56,351
<b>Equity</b>	<b>3,685,131</b>	<b>3,491,953</b>
Grants and other	726,002	707,920
Non-current provisions	129,965	135,986
Non-current financial liabilities and derivatives	5,969,870	6,535,754
Deferred tax liabilities	397,811	417,353
Other non-current liabilities	102,288	96,233
<b>Non-current liabilities</b>	<b>7,325,936</b>	<b>7,893,246</b>
Current financial liabilities and derivatives	2,149,554	823,987
Trade and other payables	802,655	577,720
Current provisions	21,202	57,183
<b>Current liabilities</b>	<b>2,973,411</b>	<b>1,458,890</b>
<b>Total liabilities</b>	<b>13,984,478</b>	<b>12,844,089</b>

**Consolidated Cash Flow Statement**

<i>(thousands of euros)</i>	<b>31/12/2021</b>	<b>31/12/2020</b>
<b>Cash flows from operating activities</b>	1,605,176	1,380,422
<i>Profit before tax</i>	888,077	805,991
<i>Adjustments to profit</i>	584,630	745,792
<i>Changes in working capital</i>	426,768	173,528
<i>Other cash flows from operating activities</i>	(294,299)	(344,889)
<b>Cash flows from investing activities</b>	<b>(537,638)</b>	<b>(905,547)</b>
<i>Payments from investments</i>	(581,435)	(925,379)
<i>Proceeds from disposals</i>	11,031	(1,641)
<i>Other cash flows from investing activities</i>	32,766	21,473
<b>Cash flows from financing activities</b>	<b>22,323</b>	<b>(314,666)</b>
<i>Proceeds/(payments) relating to equity instruments</i>	6,075	(376)
<i>Proceeds/(payments) relating to financial liability instruments</i>	587,301	276,095
<i>Dividend payments</i>	(538,995)	(566,773)
<i>Other cash flows from financing activities</i>	(32,058)	(23,612)
<b>Effect of variations in exchange rates</b>	<b>2,794</b>	<b>(7,007)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1,092,655</b>	<b>153,202</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>481,772</b>	<b>328,570</b>
<b>Cash and cash equivalents at end of period</b>	<b>1,574,427</b>	<b>481,772</b>



## Schedule 2. Sustainability certifications

 <p>Member of <b>Dow Jones Sustainability Indices</b> Powered by the S&amp;P Global CSA</p>	<p>The Company was again included in the DJSI World Index.</p>	 <p><b>Sustainability Award</b> Silver Class 2022 S&amp;P Global</p>	<p>"Silver Class" classification in The Sustainability Yearbook 2022 of S&amp;P Global.</p>
 <p><b>FTSE4Good</b></p>	<p>Continued inclusion in the FTSE4Good index (*).</p>	 <p>Member 2018-2019 <b>STOXX</b> ESG LEADERS INDICES</p>	<p>Continued inclusion in the STOXX Global ESG Leaders indexes.</p>
 <p><b>MSCI</b></p>	<p>Continued inclusion in the MSCI ESG index with a maximum rating of "AAA".</p>	 <p>NYSE EURONEXT <b>vigeo</b></p>	<p>Renewed presence in the Euronext-Vigeo indexes (Eurozone 120, Europe 120 and Global 120).</p>
 <p><b>Ethibel</b> SUSTAINABILITY INDEX EXCELLENCE EUROPE</p>	<p>Continued inclusion in the Ethibel Sustainability Index Excellence Europe.</p>	 <p>Corporate Responsibility Prime rated by <b>oekom research</b></p>	<p>Obtained the Prime status granted by Oekom to leading companies in the sector.</p>
 <p><b>Bloomberg</b> Gender-Equality Index 2022</p>	<p>Continued inclusion in the Bloomberg Gender Equality Index.</p>	 <p><b>CDP</b> DISCLOSURE INSIGHT ACTION</p>	<p>Included in CDP's A- list for its commitment to combating climate change.</p>
 <p><b>BME</b> BOLSA Y MERCADOS ESPAÑOLES a SIX company</p>	<p>The Company was included in the Ibex Gender Equality Index.</p>		

(\* ) FTSE Group confirms that Red Eléctrica Corporation has been independently assessed in accordance with FTSE4Good criteria and meets the requirements to be ranked in the FTSE4Good indices, the global index created by the FTSE Group. FTSE4Good is a stock market index designed to facilitate investment in companies that comply with the social responsibility standards recognised around the world. Companies included in the FTSE4Good index have met strict environmental, social and corporate governance criteria, and they are positioned to take advantage of the benefits of responsible business practice.



## UPCOMING EVENTS

### Estimated dates

2021 final dividend	July 2022
Presentation of 1Q 2022 results	April 2022

### For more information

Visit our website:  
[www.ree.es](http://www.ree.es)

or contact us at:

#### Investor relations

Paseo del Conde de los Gaitanes, 177  
28109 Alcobendas (Madrid)  
Telephone (34) 91 650 20 12

[relacioninversores@ree.es](mailto:relacioninversores@ree.es)



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

## Disclaimer

*This document was produced by Red Eléctrica Corporación, S.A. for the sole purpose expressed in it. It should not in any event be construed as an offer of sale, exchange or acquisition, or as an invitation to make any kind of offer, in particular for the purchase of securities issued by Red Eléctrica Corporación, S.A.*

*Its content is provisional and purely for information purposes and the statements it contains reflect the intentions, expectations and forecasts of Red Eléctrica Corporación, S.A. and its management. The content has not necessarily been verified by independent third parties and is, in any event, subject to negotiation, changes and modifications.*

*In this respect, neither Red Eléctrica Corporación, S.A. nor its directors, executives, staff, consultants or advisors or the companies belonging to its group (referred to collectively as its "Representatives") may be held liable for the precision, accuracy or integrity of the information or statements included in this document, and no form of explicit or implicit declaration or guarantee on the part of Red Eléctrica Corporación, S.A. or its Representatives may be construed from its content. In addition, neither Red Eléctrica Corporación, S.A. nor any of its Representatives may be held liable in any way (including for negligence) for any damage that may arise from the use of this document or any information contained in it.*

*Furthermore, Red Eléctrica Corporación, S.A. does not assume any commitment to publish potential modifications or revisions to the information, data or statements contained in the document in the event of changes in strategy or intention, or any unforeseen events that may affect them.*

*This disclaimer should be taken into consideration by all individuals or entities for whom this document is intended and by those who consider that they have to make decisions or issue opinions related to securities issued by Red Eléctrica Corporación, S.A., especially analysts, notwithstanding the option to consult the public documentation and disclosures notified or registered with the Spanish stock market authority (CNMV), which Red Eléctrica Corporación, S.A. recommends that all interested parties do.*