



## Results Presentation First Half-Year 2020

July 2020

# Contents

1. Significant Events 1H20.
2. Results 1H20.
3. Boost in Energy Transition. Horizon 2030.
4. Conclusions.

# Significant Events 1H20

# SIGNIFICANT EVENTS 1H20

## Covid 19

- Adoption of extraordinary measures to guarantee continuity and security of supply: (i) Isolation of independent teams of operators, (ii) deployment of a 3rd Control Centre in record time, (iii) identification of alternative operators and support operators (working remotely).
- The electricity system is operating normally despite the extraordinary circumstances: Availability index of 97.8% in the peninsula, 97.1% in Balearics and 99.5% in Canary Islands. Fall in electricity demand of 8% in the first half of the year in comparison with 1H19.
- Impact of Covid 1H20: investments delays in the transmission grid, depreciation of currencies in LatAm, especially the Brazilian Real, and impact on Hispasat's commercial activities.

**Guaranteeing System Operation activity  
and Maintenance of the Transmission Grid  
Moderate impact of Covid in 1H20**

- Passing of Royal Decree - law 11/2020, of 31 March, and Royal Decree-law 23/2020 of 23 June, of energy-related measures and to encourage economic recovery.
  - The maximum limit for annual investment in the electricity transmission grid for each year in the period 20-22 is raised to a top rate of 0.075% of Spain's GDP.
  - Approval of the use of surpluses from previous years to ensure the liquidity of the system and to offset deviations and imbalances between revenue and costs in the system in 2019 and 2020.
- Notification from the Supreme Court about the declaration of damages to the public interest in IET Order 981/2016.
- Rejection of the appeal for dismissal before the Supreme Court of the cassational appeal on extending the useful life of pre-1998 assets.
- Application of new regulatory parameters and benchmark unit values for the operation and maintenance of non-current assets, approved in November and December 2019.

# SIGNIFICANT EVENTS 1H20

## Others

- Reinforcement of liquidity and unrestricted access to capital markets: Emission of Bonds in the Euromarket worth €1,100M; new loans and bank credits amounting to €475M.
- 18 June, commissioning of the new submarine link between Menorca - Mallorca, investment of €84M.
- 25 March 2020 signing the acquisition of 50% of Argo Energía once the prior conditions established in the share purchase agreement have been met.
- 14 May, first ever remote GSM, to ratify the appointment of Beatriz Corredor as a Board Member, chairwoman of the Red Eléctrica Group, and that of Roberto García Merino as CEO.
- 1 July distribution of the dividend charged to year 2019, of €0.7792 per share. Total dividend for 2019 amount to €1.0519 per share.
- Innovation and digitalization. ELEWIT participates in the financing of projects related with hyperloop and cyber-security technology.

# Results 1H20

# RESULTS 1H20

## Main figures vs. 1H19

**977.9 M€**  
**Revenues**  
-1.5%

**766.2 M€**  
**EBITDA**  
-1.7%

**331.7 M€**  
**Net Profit**  
-8.4%

**646.5 M€**  
**FFO**  
-0.2%

**130.5 M€**  
**Transmission grid  
Investment**  
-2.0%

**567.3 M€**  
**Total Investment**  
-

**6,266.2 M€**  
**Net Financial Debt**  
+5.8%

**1.93%**  
**Cost of debt**  
2.3% in 1H19

**4.0x**  
**Net Debt/EBITDA**  
2.9x in 1H19

**Solid results  
in a new  
environment**

Figures at 30 June 2020



# RESULTS 1H20

## Key financial indicators

€M	1H2020	1H2019	Δ%
Revenues	977.9	993.1	-1.5
Operating expenses	257.3	250.8	2.6
Gross operating result (EBITDA)	766.2	779.4	-1.7
Provisions for amortization, subsidies & others	-257.0	-234.7	9.5
Net operating profit (EBIT)	509.3	544.7	-6.5
Financial results	69.5	63.8	-8.69
<b>Net profit</b>	<b>331.7</b>	<b>362.2</b>	<b>-8.4</b>
Total Group investments	567.3	166.1	-

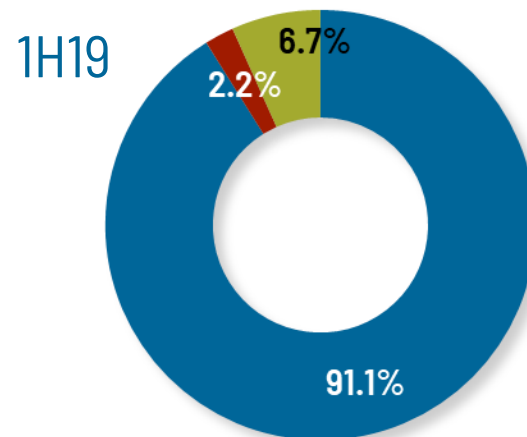
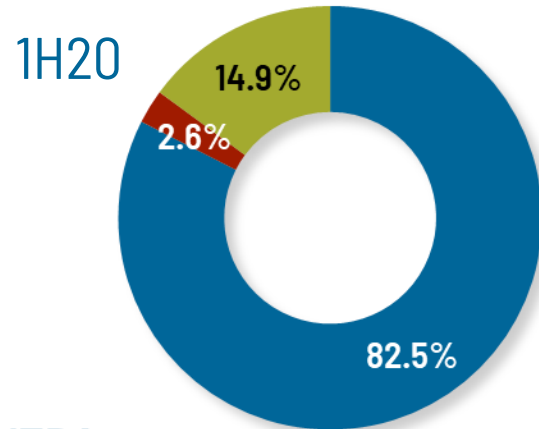
- Lower transmission revenue arising from the application of new remuneration parameters:
  - Financial return reduced by 50 bp.
  - Accrual adjustments for commissioned to the new financial return.
  - New O&M standard values.
- Revenue partially offset by higher regulated income from OS, from International activity after the incorporation of CCNCM\* and Tesur 3, and incorporation of Hispasat.
- Operating expenses containment.
- Amortization, adapting the useful life of older assets and incorporation of amortization associated with Hispasat.
- Financial results affected by the increase of average gross financial debt.

\* CCNCM: Line Carhuaquero - Cajamarca, Norte - Cállic - Moyobamba.

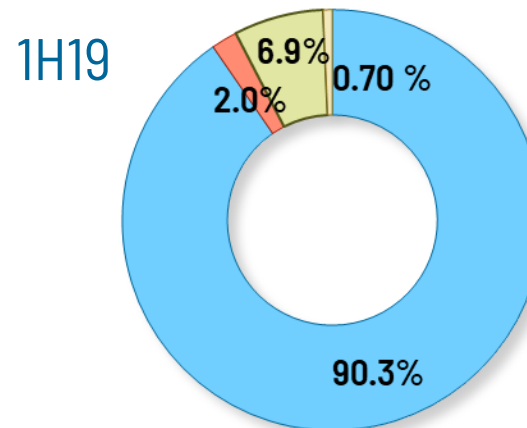
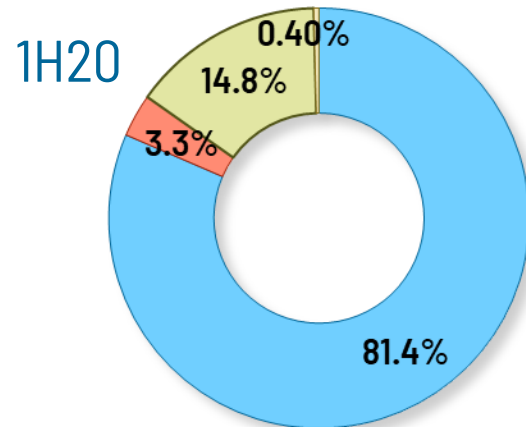
# RESULTS 1H20

## Breakdown by business

### Cifra de negocio



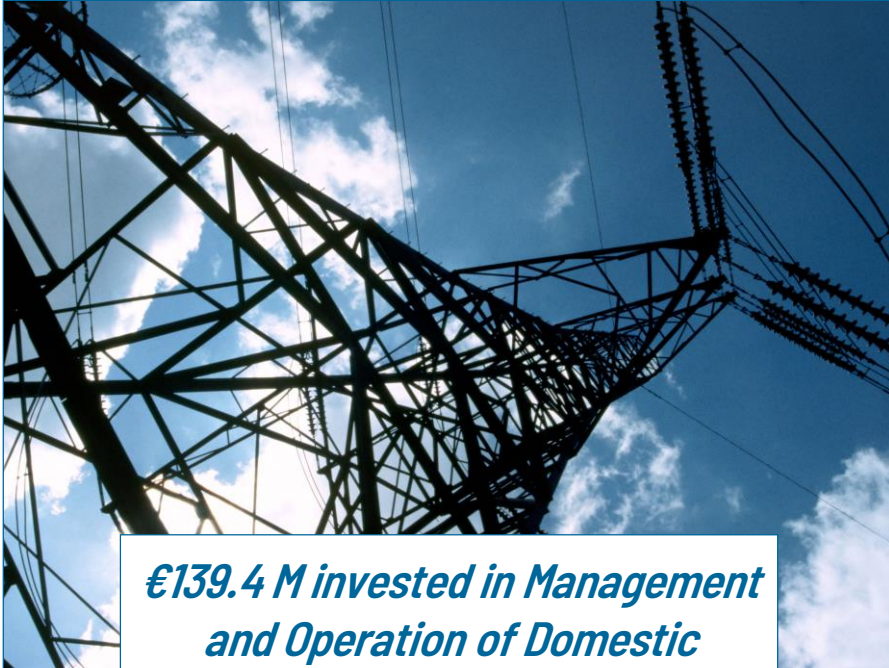
### EBITDA



**Diversification of results in line with the Strategic Plan**

- Management & Operation of Domestic Electricity Infrastructure
- Management & Operation of International Electricity Infrastructure
- Telecommunications (fibre optic + satelites)

- Management & Operation of Domestic Electricity Infrastructure
- Management & Operation of International Electricity Infrastructure
- Telecommunications (fibre optic & satelites)
- Other businesses, corporation & adjustments

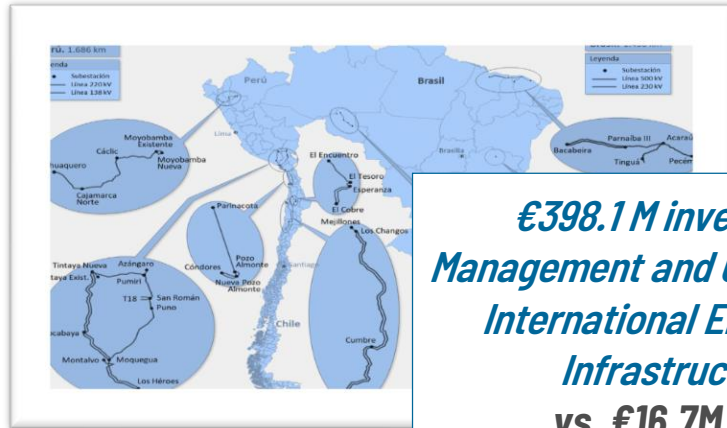


***€139.4 M invested in Management and Operation of Domestic Electricity Infrastructure vs. €139.8 M in 1H19***

### Management and Operation of Domestic Electricity Infrastructure

- Investment in transmission grid slightly lower in period for accumulated delays in construction during the state of alarm for Covid-19.
- Commissioning of the submarine link Menorca - Mallorca, €84M investment.
- Investment in Control Systems and applications for Operation for the Peninsular System.

### Management and Operation of International Electricity Infrastructure



**€398.1 M invested in Management and Operation of International Electricity Infrastructure vs. €16.7M 1H19**

- Investment in Peru €6M: end of Tesur 3 and commissioning in March. Environmental submission Tesur 4.
- Investment Chile €17.8M in the axis Nueva Pozo Almonte - Parinacota (Redenor) and the Centinela axis (Redenor 2).
- Investment Brazil, acquisition Argo €374M.
- Temporary delay in infrastructure works due to Covid-19.

### Telecommunications (Fibre + Satellites)



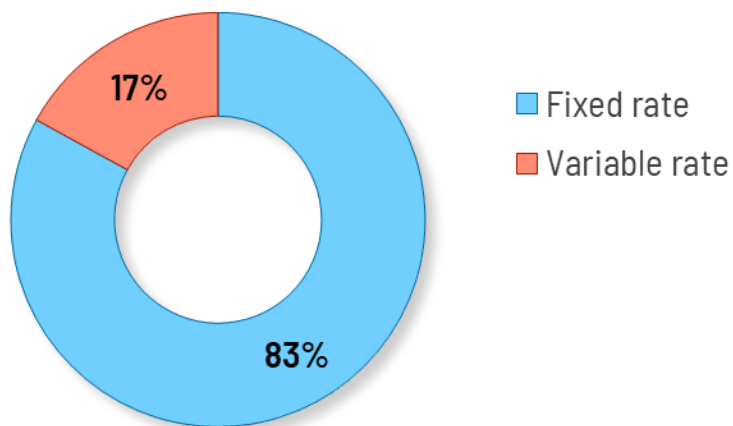
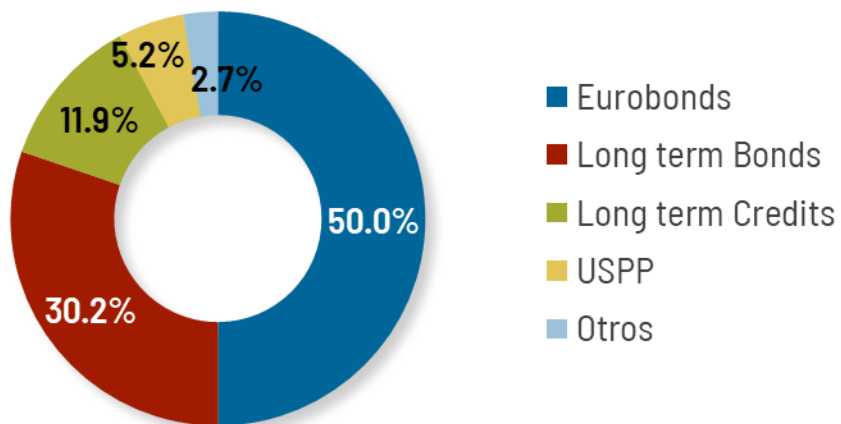
**€23.2M invested in telecommunications infrastructure vs. €1M 1H19**

- €21.5M Investment in new Amazonas Nexus satellite to replace the AMZ 2, expanding its capacities.
- Launch planned for the middle of 2022.
- Coverage of the American continent, North Atlantic corridor and Greenland.
- Investment in Reintel €0.7M mainly in work to connect the backbone network of railway optical fibre.

# COMPANY DEBT

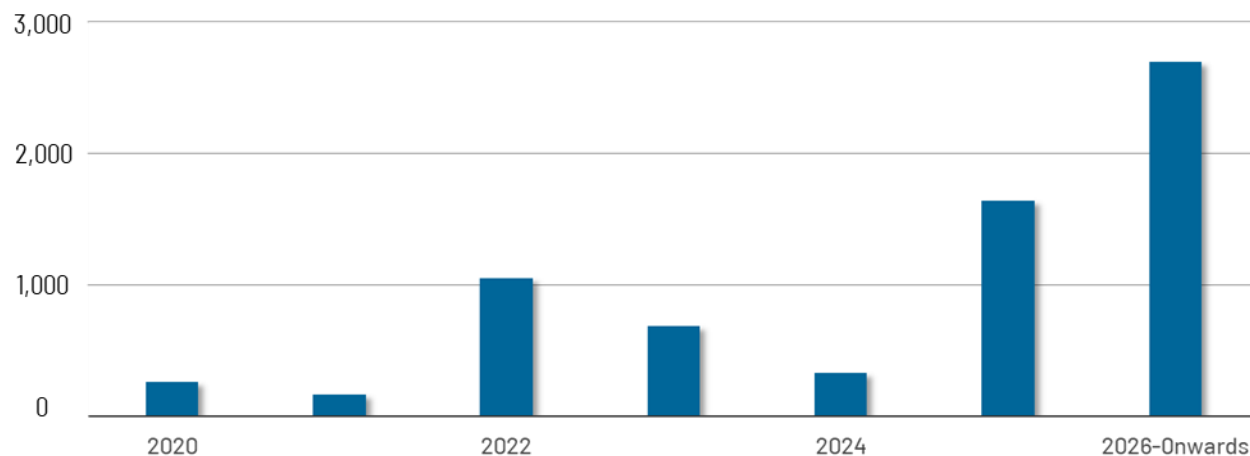
## Balance strength I

### Debt Structure



Gross debt: €6.834M at 30/06/2020

### Maturities



€6.266,2M  
Net debt

5.6 years  
Average debt  
life

1.93 %  
Cost of debt

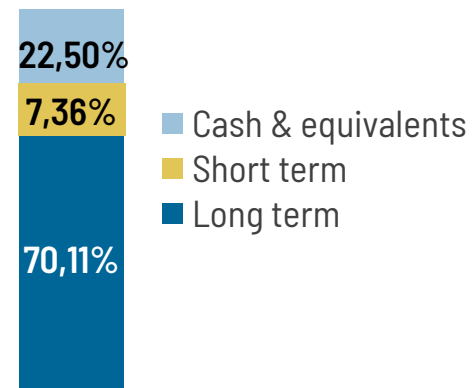
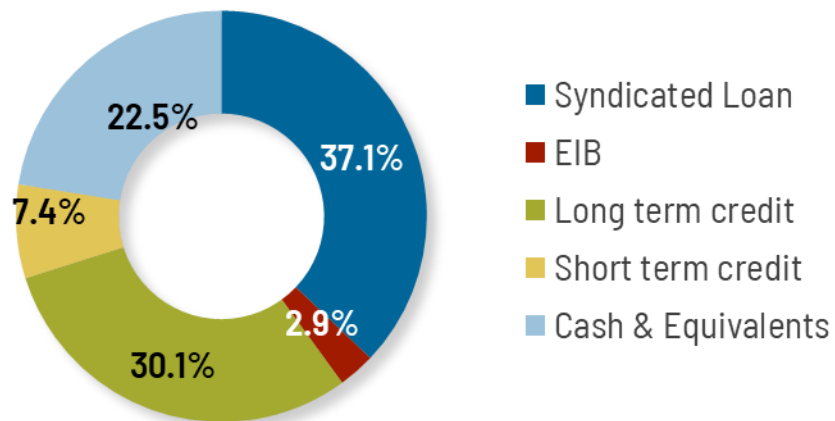
4x  
Net  
debt/EBITDA

20.1 %  
FFO/Debt

# COMPANY DEBT

## Balance strength II

### Liquidity



Liquidity on 30 June 2020 amounts to €2,523M

- Reinforcement of liquidity and unrestricted access to capital markets: Emission of Bonds in the Euromarket worth €1,100M; new loans and bank credits amounting to €475M.
- Credit rating A- with stable outlook, in S&P and Fitch.

# Boosting the Energy Transition. Horizon 2030

## Energy Transition and Climate Crisis

- European Union Recovery Plan to address the effects of Covid 19 –Next Generation EU– whose central axis is recovery is the European Green Deal.
- Integration European market: Last 8 July, the European Commission presented the Strategy for the Integration of Energy Sectors.
- It has designed a route plan for energy transition at national level:
  - 19 May submission to Parliament of the Draft Bill on Climate Change and Energy Transition Act.
  - Submission to the European Commission of the 'Integrated National Plan for Energy and Climate' (PNIEC) 2021-2030.
    - Total investment in grids and electrification to achieve the targets of the Plan amount to €58,579M.
    - €8,975M investment in transmission grids, €3,500M investment in interconnections during this period.
  - Start of the Electricity Transmission Infrastructure Planning Process 2021-2026.



# BOOSTING THE ENERGY TRANSITION. HORIZON 2030

## Electricity planning 2021-2026

- The initial proposal for developing the Electricity Transmission Infrastructure Planning 2021-2026 considers the route to energy transition as defined in the Integrated National Plan for Energy and Climate.
- Estimated volume of investment for the initial proposal is €6,443M, which includes €759M in international interconnections (Spain - France by the Bay of Biscay and Northern Spain - Portugal).
- Over 60% of the proposed investments related to the integration of renewables, links between systems and international interconnections, with 18% of the previous round of investment pending execution.
- The CNMC has issued a favorable report on the initial proposal that includes a series of recommendations mainly associated with providing more details on certain aspects of the methodology and evaluation.
- The planning process is currently awaiting the start of the consultation stage.

**€6,443M proposed investment for the 2021-26 period**

# Conclusions

# CONCLUSIONS

## Conclusions

- Moderate impact of Covid 19 in the financial results of 1H20.
- Results that reflect the application of new regulatory parameters for the 2020-2025 period. Stable and highly visible regulatory framework.
- Incorporation of the results of Hispasat, Argo and CCNCM into the period for the first time.
- Solid balance structure, with FF0/Net Debt ratios of 20.1%.
- Total 2019 Dividend: €1.519 per share in line with the proposal in the Strategic Plan.
- Firm progress in the Energy Transition Roadmap: Progress in electricity planning 2021-2026.

**GRUPO**  **RED**  
E L É C T R I C A

*Comprometidos con la energía inteligente*

**Thanks for your attention**

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