



**GRUPO RED**  
ELÉCTRICA

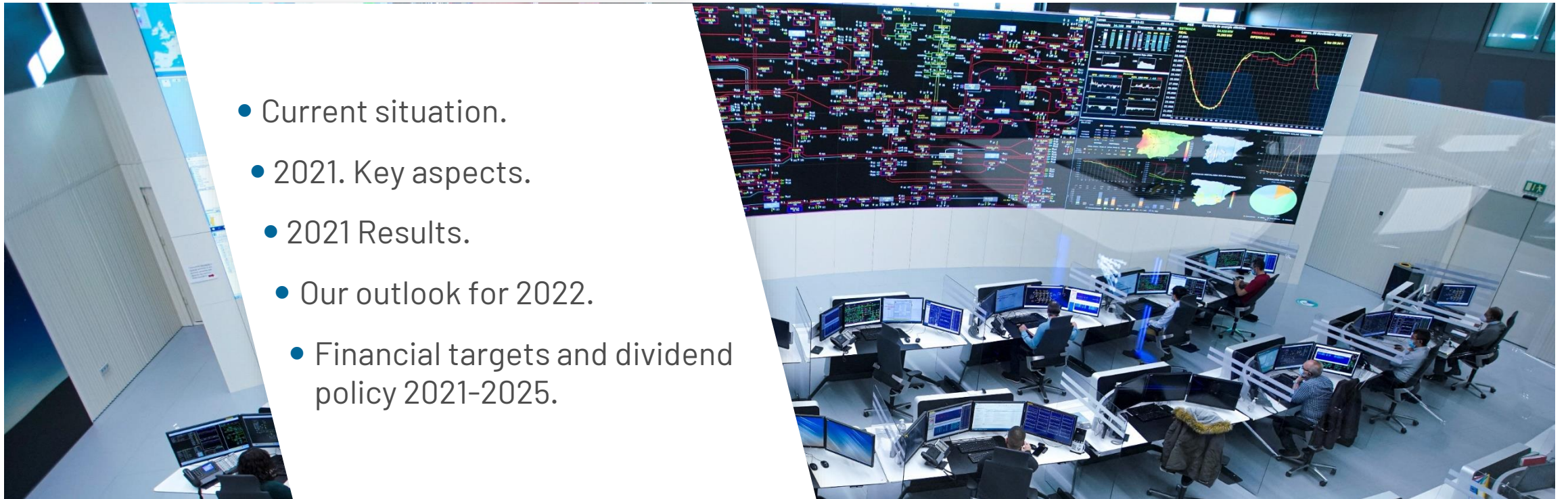
## 2021 Results

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23 February 2022

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- Current situation.
- 2021. Key aspects.
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- Our outlook for 2022.
- Financial targets and dividend policy 2021-2025.







## Current situation

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# Energy sector scenario

## Progressing steadily towards energy transition in a complex environment



- **Energy crisis** due to geopolitical tensions, Russian gas supply or supply problems related to the Maghreb gas pipeline.
- Electricity prices on the wholesale market at **record highs**.
- **Record electricity production using renewable energies**, reaching 46.7 % of the total electricity generation.
- **Wind power**, Spain's main source of electricity generation, and **photovoltaic**, the technology that will increase its production the most with respect to 2020.



Main initiatives to address climate change and sustainable development:

- **European Green Deal.**
- **"Fit for 55" package.**
- **National Integrated Energy and Climate Plan 2021-2030**, €8,975 M of investment in electricity transmission.
- **Transmission Network Plan 2021-2026**, €6,600 M of investment in transmission.



- **Need for large investments** in the transmission network in Brazil, where there is a growing dynamic in terms of auctions for electricity transmission.
- Changing **political-economic** situation in LatAm.



# Telecommunications scenario

## Moving towards global connectivity



- **Satellite Internet access services and connectivity applications** (backhaul and B2B) are positioned as a major growth opportunity.
- Good prospects for **mobility connectivity** and growth in **military and governmental needs**.
- **Video services. Relevant sector** in maturity phase.
- Intense construction and launch activity, mainly Non-GEOs.
- **Verticalization and concentration** of operators in the satellite sector.
- Interest in the satellite sector. Several corporate operations in the sector.



- Spain as one of Europe's telecommunications hubs, and consolidation of the Cloud for data storage, supporting the growth of **fibre optic**.
- Major disruption with **5G technology**, enabling massive use of communications by the Internet of Things (IoT), more bandwidth and more reliable communications with lower latency.





## 2021. Key aspects

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## Upcoming approval of the Transmission Network Plan, a starting point that will allow investment to be increased significantly...

The primary actions and projects are mainly involve in integration of renewables, the islands and inter-island systems connection and the reinforcement of international interconnections



- **New grid developments** where it will benefit the system significantly, facilitating the use and integration of renewable energy.
- Intensive use of **existing corridors** by repowering grids and applying technology that enable them to operate at a higher transmission capacity.
- As a result of this, the **penetration of renewable energy** will improve, and it is expected that a high level of renewable installed capacity will be reached.

- La Mancha-Madrid Corridor.
- Corridors in Andalusia.
- Aragon-Levante Corridor.
- 2nd Peninsula-Balearic Islands link.
- Peninsula-Ceuta link.
- Tenerife-La Gomera link .
- Ibiza-Formentera link.
- Spain-France through the Bay of Biscay.
- Interconnection with Morocco.
- Interconnection with Andorra.
- Reinforcements and modifications.

New lines\*  
**2,704 km**  
Links between island systems  
**383 km**

**7,572 km**  
Networks in which transmission capacity will be increased

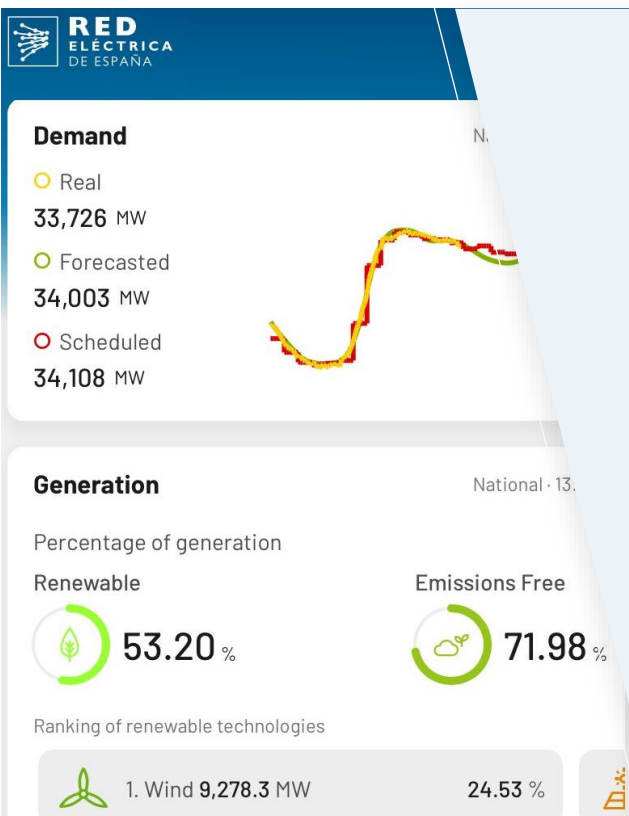
Renewable integration  
**67 % of the installed capacity in 2026**

The Plan is key to meeting the Integrated National Plan for Energy and Climate commitments for the electricity system: Decarbonisation, Efficiency and Strengthening of Interconnections

\*Latest Transmission Plan proposal information (23rd June 2021)

# ...moving steadily forward to drive the Energy Transition...

## Developing a more interconnected network



- The Government of the Canary Islands approves the Declaration of General Interest and issues the administrative authorisation for the Salto de Chira pumped hydroelectric power plant.
- Proposed Order approving the methodology for calculating the remuneration of the 200 MW reversible hydraulic installation of Chira-Soria in Gran Canaria.
- Start of work in Chira-Soria.
- Start of work to lay the cable for the new submarine link between Lanzarote and Fuerteventura.



- The President of the Government and the President of the European Commission visited CECRE on its 15th anniversary, on the occasion of approval of the Spanish Recovery, Transformation and Resilience Plan, highlighting Red Electrica Group's role as the "backbone of the energy transition and renewable integration".
- redOS distinction, recognised in the 9th enerTIC Awards in the 'Energy Transition & Sustainability' category.





## ...generating value with diversification businesses...

Promoting connectivity through the satellite business and consolidating the international energy business



- Excellent operational performance of **Hispasat**, **organic and inorganic growth**.
- Acquisition of Media Networks (MNLA), a signal transmission business, in May 2021.
- Hisdesat's extraordinary result from the sale of its stake in ExactEarth.
- The Hispasat Group now holds 100% of the capital of Hispamar Satélites after acquiring the remaining 19.04 %.



- Commissioning of the 220 kV **Centinela** substation in Chile.
- **Acquisition of Rialma Transmissora de Energia III**, 322 km of 500 kV lines in Brazil.
- Good evolution of the ongoing projects despite the restrictions by Covid-19.



## ... crystallising in the sale of a minority stake in the fibre-optics business...

### The sale of the 49 % stake in Reintel



- The sale price for the 49% was € 971 M and a valuation multiple of more than 22 times EBITDA 2021, valuing the company at € 2,3 Bn.
- The RE Group strengthens its position in the telecommunications sector with KKR as a long-term partner.
- Reintel's unique technical and commercial capabilities to position itself to **attract new opportunities to generate value**.
  - Context of society's growing demand for telecommunications services.
  - Transparent and neutral access for all industry agents.



# ...positively developing efficiency and innovation...

## Maintaining our commitments to the market



### Commitment to a solid and balanced financial structure:

- € 600 M of green bonds issued, leading the commitment to sustainable financing.
- Financing of Reintel € 325 M for 5 years, extendible to 7 years, at very competitive rates.
- Dividend of €1.00 per share proposed to the General Meeting, fulfilling our commitment to the market.
- We updated our green financial framework to adapt it to the European Union Taxonomy.



### We are committed to innovation:

- Rapid incorporation of new technologies thanks to active collaboration with more than 10 startups with strong strategic alignment.
- € 2.3 M of Venture Capital investment in early-stage technology companies.
- Pilot projects to reduce the digital divide in rural areas through the use of our infrastructures (5G connectivity, satellite).
- "DESPEGA" Program. Intra-entrepreneurship initiative to give our employees the chance to turn their ideas into real businesses.





# ... strengthening our commitment to sustainability..

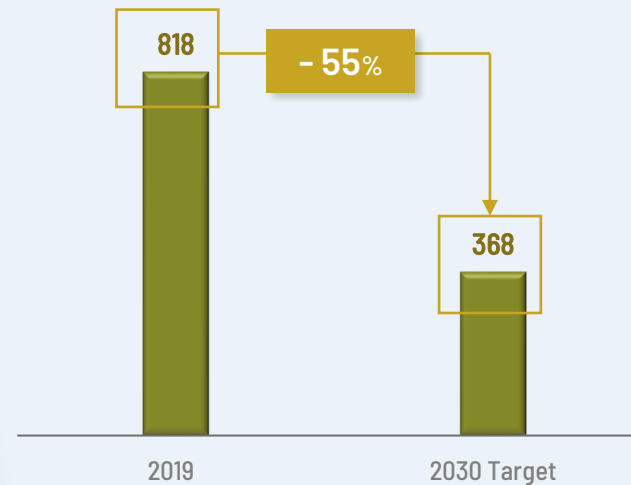
## Defining new, more stringent emission reduction targets

- Emissions reduction targets were increased to bring them in line with the goal of keeping the temperature increase to 1.5°. Scope 3 targets established for the first time.
- 55 % reduction in scope 1 and 2 emissions in 2030 compared to 2019.
- 28 % reduction in Scope 3 emissions by 2030 compared to 2019.
- Suppliers responsible for 2/3 of supply-chain emissions must have emission reduction targets validated by SBTi in 5 years.

Red Eléctrica's Climate Change Plan updated to include the actions needed to achieve the new targets.

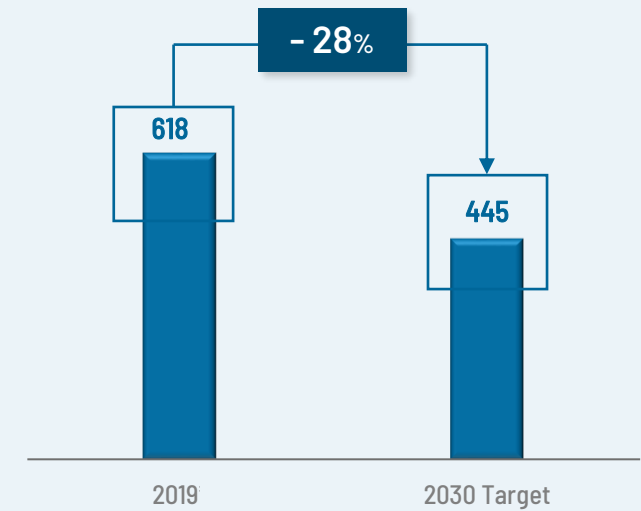
### Scope 1 and 2

Kt CO<sub>2</sub> equivalent



### Scope 3 new target

Kt CO<sub>2</sub> equivalent



Note: Scope 1, direct emissions, includes emissions related to SF6 leaks in electrical substations, refrigerant gas leaks in air conditioning equipment; emissions caused by fuel consumption by REE vehicles; and emissions caused by fuel consumption in generator sets. Scope 2, indirect emissions, includes emissions from electricity consumption and electricity losses in the transmission network. Scope 3, indirect emissions, includes losses in the supply chain.

# ...and with a strategic, transversal and long-term sustainable commitment.

Included in the main sustainability indexes



- Publication of the Group's new social innovation focus aimed at **fighting inequality**.
- **The Red Eléctrica Group held its Sustainability Conference under the heading "Recovering the sustainability perspective"**.
- The Red Eléctrica Group renews its presence in the **'Bloomberg Gender Equality Index'** and joins the new **"Ibex Gender Equality Index"**.
- Permanence in the sustainability indexes that recognise the company as one of the most sustainable Spanish companies in the world (**DJSI, Euronext VigeoEiris, FTSE4Good and MSCI**, among others).





## 2021 Results

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# Main economic figures

Solid annual figures in line with our commitments looking forward...



## Excellent diversification performance

- The group's net profit grew 9.6 % in 2021, driven by Hispasat's and ARGO's positive performance, and improved financial results.
- The investments made are in line with the Strategic Plan.

**€1,983 M**

Income\*

€ 2,014 M in 2020

**€ 576 M**

Investments

€ 895 M in 2020

**€1,499 M**

EBITDA

€1,569 M in 2020

**€ 5,648 M**

Net Debt

€6,113 M in 2020

**€ 681 M**

Net Profit

€621 M in 2020

**€1,178 M**

FFO

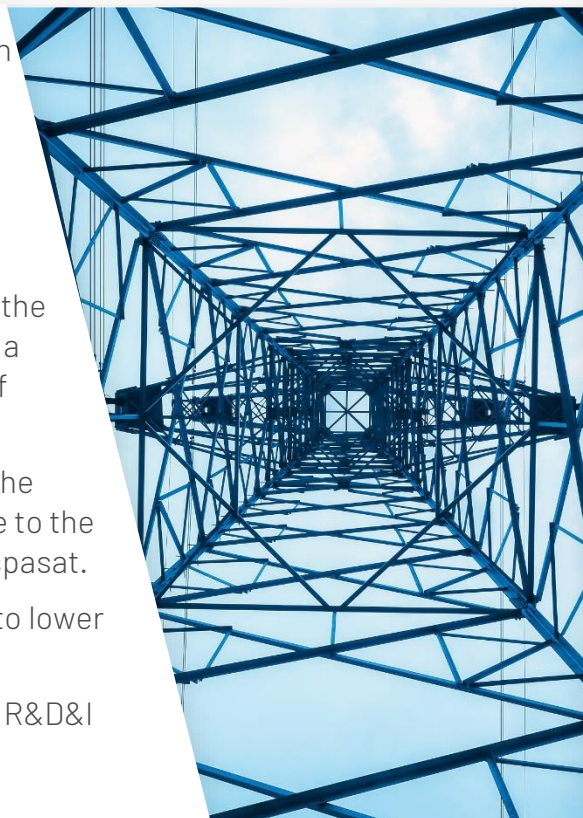
€1,232 M in 2020

*\* Includes turnover and profit share of companies accounted for by the equity method (TEN, Argo and Hisdesat).*

# Profit and loss statement

... and resulted in an increase in income of 9.6 %

- Decrease in income due to remuneration adjustments in the regulated business in Spain, offset by the greater contributions from the Hispasat and ARGO businesses.
- Operating expenses affected by the acceleration of maintenance expenses, the incorporation of Media Networks and by a cost plan associated with the new line of business in Hispasat.
- The improvement in EBIT compared to the trend presented by EBITDA is mainly due to the effect of the deterioration in 2020 in Hispasat.
- Financial results evolved positively due to lower financing costs.
- Lower income tax expense by recording R&D&I deductions for Hispasat's investment in Amazonas Nexus.



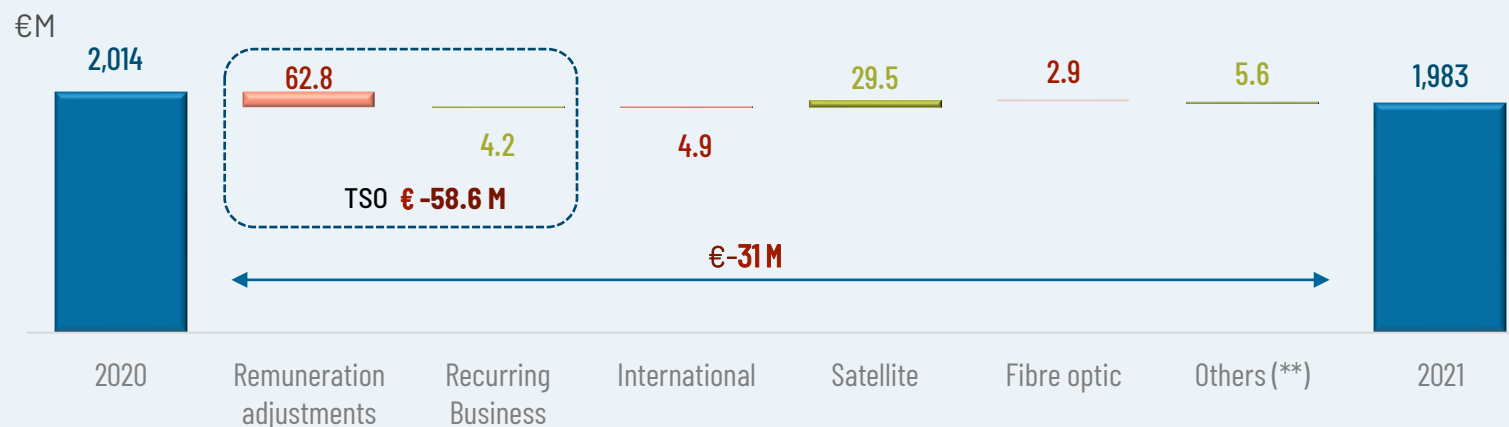
€M	2021	2020	Δ €M	Δ%
Income*	1,982.5	2,013.7	-31.2	-1.6%
Other income and Work performed by the company for fixed assets	66.4	74.9	-8.5	-11.3%
Operating expenses	-550.2	-520.1	-30.1	+5.8%
<b>Gross operating profit (EBITDA)</b>	<b>1,498.6</b>	<b>1,568.5</b>	<b>-69.9</b>	<b>-4.5%</b>
Allocation for amortisation	-507.4	-517.9	+10.5	-2.0%
Impairment of assets	0.7	-121.6	+122.3	-
<b>Net operating profit (EBIT)</b>	<b>992.0</b>	<b>929.0</b>	<b>+63.0</b>	<b>+6.8%</b>
Financial result	-103.9	-123.0	+19.1	-15.5%
<b>Pre-tax earnings</b>	<b>888.1</b>	<b>806.0</b>	<b>+82.1</b>	<b>+10.2%</b>
Income tax expense	-201.8	-194.8	-7.0	+3.6%
Non-controlling interests	-5.7	9.9	-15.6	-
<b>Earnings for the year</b>	<b>680.6</b>	<b>621.2</b>	<b>+59.4</b>	<b>+9.6%</b>

\* Includes turnover and profit share of companies accounted for by the equity method (TEN, Argo and Hisdesat).

## Income decreased by €31 M (-1.6 %), affected by €63 M of remuneration adjustments in the TSO

These adjustments were partially offset by the increase in income as a result of the Group's diversification

### Evolution of income\*



- Decrease in the TSO's income due to a reduction in the financial remuneration rate (5.58 % vs. 6 %) and a re-estimation of Operation of the System income in the period 2014-2019.
- Solid evolution of income from the satellite business, as a result of its good organic performance, along with inorganic growth (acquisition of business of Media Networks in Peru).
- International business was affected by the tariff review process by the Chilean assets, but was partially offset by the good performance of the business in Brazil.

\* Includes turnover and profit share of companies accounted for by the equity method (TEN, Argo and Hisdesat).

\*\* Others includes: Other adjustments, corporate and consolidation adjustments.

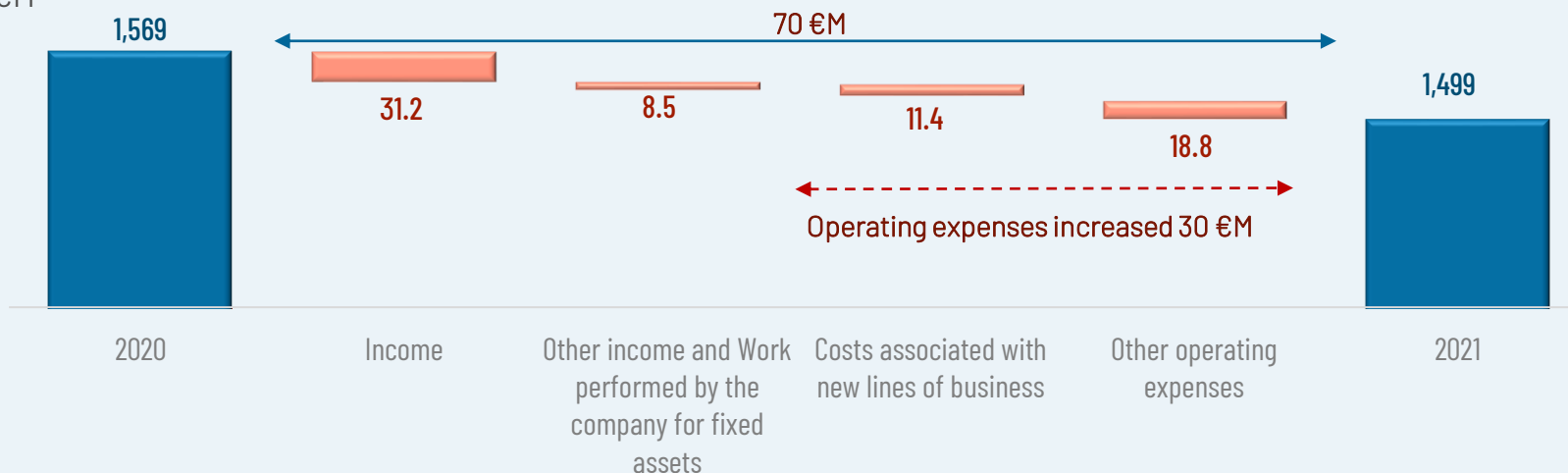


## The Group's EBITDA decreased by € 70 M because of these adjustments and other non-recurring items

Comparable operating expenses increased by € 19 M (+3.6 %), reflecting efforts to improve efficiency in a high-inflation setting.

### EBITDA evolution

€M



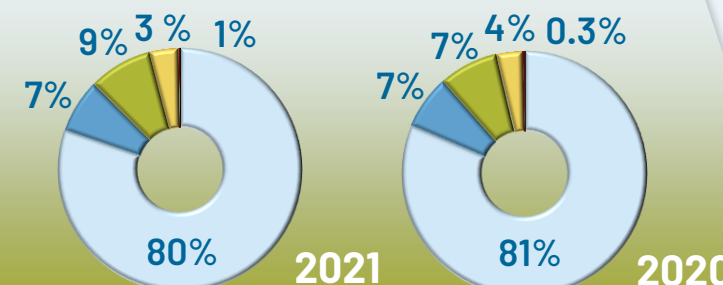
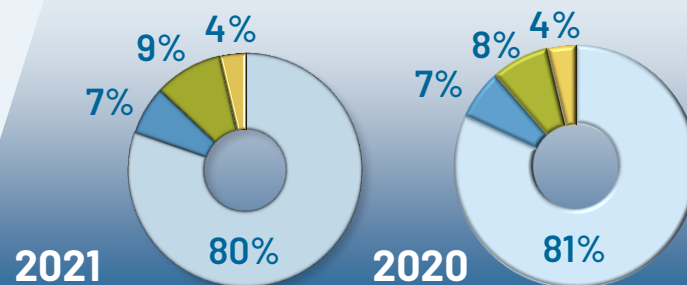
- "Other income and work performed by the company for fixed assets" decreased € 8.5 M as a result of insurance indemnities and other non-recurring income received in 2020.
- Increase of € 11.4 M due to the costs associated with new lines of business linked to the implementation of the Hispasat plan aimed at transforming the business and capturing opportunities in the sector, in line with what is included in the Strategic Plan.
- The moderate increase in "Other OPEX" reflects the Group's efforts in a high-inflation setting, and it was affected by rising insurance premiums in a difficult situation for the insurance market, as well as by the anticipation of certain actions in the maintenance of critical assets, in order to reduce risks and improve security of supply.

# Evolution of the Group's main businesses

The satellite business as growth driver, partially offsetting the evolution of the TSO



	INCOME				EBITDA			
	2021	2020	Δ€M	Δ%	2021	2020	Δ€M	Δ%
TSO	1,609.7	1,668.3	-58.6	-3.5	1,197.5	1,275.5	-78.0	-6.1
International	71.4	76.2	-4.9	-6.4	50.8	61.6	-10.8	-17.5
Satellite	187.2	157.7	29.5	+18.7	133.4	118.6	14.6	+12.3
Fibre Optics	134.4	137.3	-2.9	-2.1	103.3	108.3	-5.0	-4.6
Other and consolidation adjustments	-20.1	-25.7	5.6	-21.8	13.7	4.4	9.3	-
<b>Total Group</b>	<b>1,982.5</b>	<b>2,013.7</b>	<b>-31.2</b>	<b>-1.6</b>	<b>1,498.6</b>	<b>1,568.5</b>	<b>-69.9</b>	<b>-4.5</b>



■ TSO ■ FO ■ SATELLITE ■ INTERNATIONAL ■ OTROS

# Investments

Red Eléctrica Group investments in 2021 totalled € 576 M



## TSO

- Transmission Network investment € 391 M. Progress on the Ibiza-Formentera and Majorca-Menorca links, and Western link with France, among others. Investment acceleration plan.
- S.O. € 17.6 M and Storage in the Canary Islands € 17.2 M. Start of construction of desalination plant.

**€ 425.8 M**  
€M invested  
vs. €405.2 M in 2020



## INTERNATIONAL

- Investment in Chile € 35.8 M in Redenor and Redenor 2.
- Investment in Peru € 8.7M in progress on Tesur 4.

**€ 44.5M**  
€M invested  
vs. € 417.5(\*) M in 2020



## TELECOMMUNICATIONS (Fibre + Satellites)

- Hispasat investment € 73.2 M, € 59.8 M related to Amazonas Nexus.
- Includes acquisition of managed video services business in LATAM.
- Reintel investment € 1.6 M.

**74.8 M€**  
€M invested  
vs. €60.1 M in 2020



## OTHER INVESTMENTS

- Investment in corporate projects, financial investments and investments in *startups* and VC funds.

**30.8 M€**  
€M invested  
vs. €12.3 M in 2020

(\*) includes acquisition of Argo (Brazil) for €374.3 M€.

# Financial debt

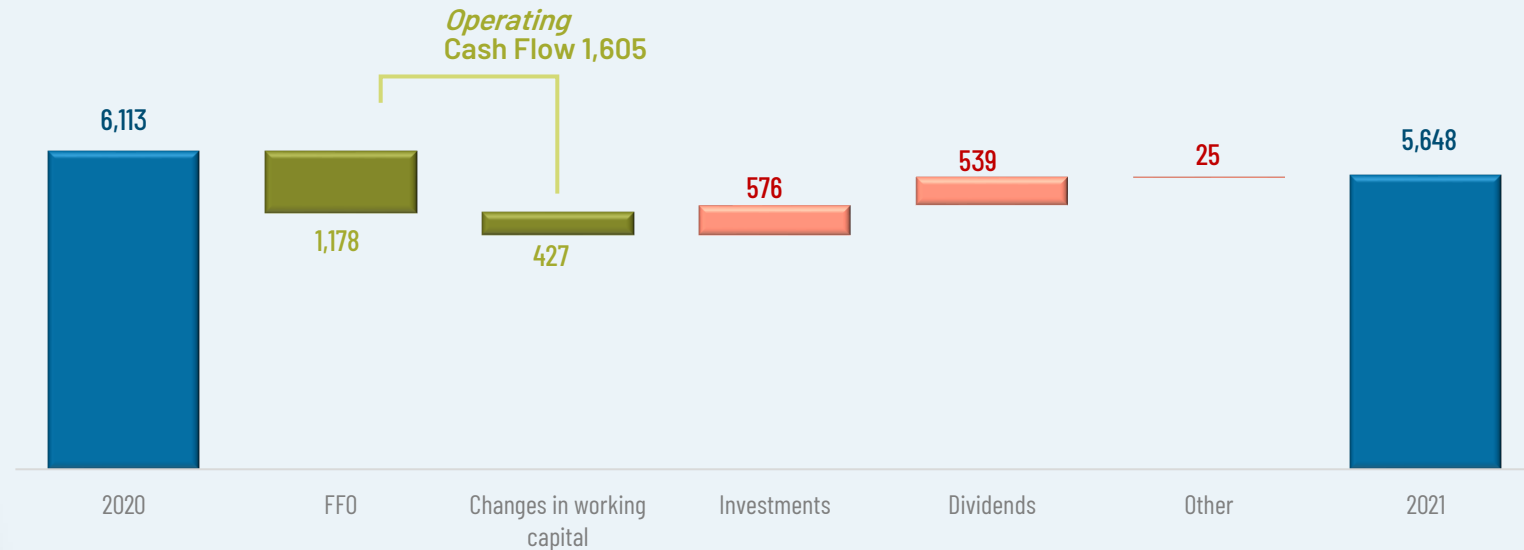
The financial debt of the Red Eléctrica Group totals € 5,648 M

## Commitment to solid credit

- Strong cash flow generation, which has made considerable reduction in the volume of financial debt possible.
- Improvement in working capital due to items pending settlement to the system.
- The Group's financial ratios reflect its strong commitment to solid credit.

## Debt Evolution

€M



**3.8x**  
ND/EBITDA  
3.9x in 2020

**20.9%**  
FFO/ND  
19.7% by 2020

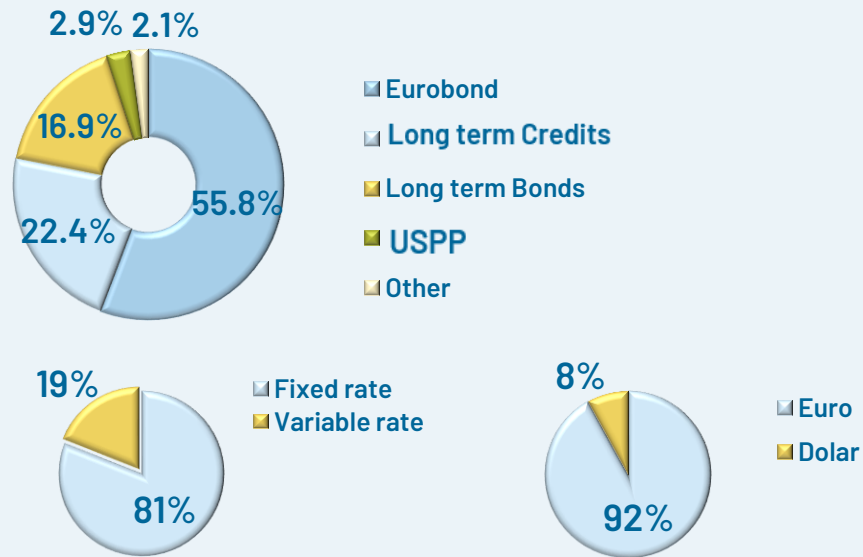
**'A-'**  
stable outlook,  
Fitch and S&P



# Financial debt

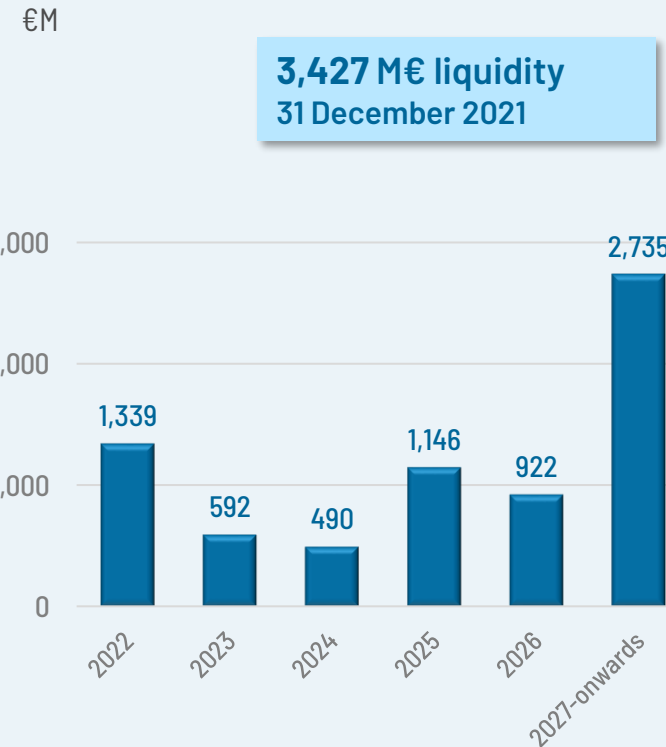
Committed to a sound capital structure, while maintaining investment grade status

## Debt Structure



Gross debt: **€7,222M** as of 31/12/2021  
 Net debt: **€ 5,648** as of 31/12/2021

## Maturities



**35%**  
ESG financing  
23% in 2020

**5 years**  
Average life  
5.3 years in 2020

**1.52%**  
Cost of Debt  
1.74 % in 2020



## Our vision for 2022

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# Making the energy transition a reality...

## 2022: the year of the acceleration of the Strategic Plan



### TSO

- Approval of the **Transmission Network Plan 2021-26**, with actions expected to total more than €6,600 M.
- **Acceleration initiatives to boost investment** continue, which will accelerate the deployment of the actions included in the 2021-26 Plan.
- The TSO's investment is expected to exceed € 500 M in 2022.
- Approval of the **remuneration model for the Chira Soria storage facility**.
- Slight decrease in estimated EBITDA in 2022 compared to 2021, conditioned by the occasional works to contain the risk associated with the maturity of certain critical installations of the national transmission network.

### International Business

- Organic growth in **Peru, Chile and Brazil**, expanding our international footprint. Estimated EBITDA 2022 slightly higher than 2021.



# ... driving mobility and connectivity

2022: key to bridging the digital divide



## Satellite Business

- Estimated investment close to € 110 M and expected
- Forecast organic EBITDA higher than 2021 in the satellite business.
- The transformation process to reposition Hispasat as a services company continues, considering different M&A opportunities that are in line with our Strategic Plan and would boost EBITDA growth.

## Fibre optics and 5G

- Investment to renovate the railway's **fibre-optic** backbone network and increase capacity in the Madrid South area.
- Start of the modification of supports to roll out **5G** initiatives with mobile operators and TowerCos.







## Financial targets and dividend policy 2021-2025

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# Significant progress in the 2021-25 Strategic Plan



Commissioning of assets in line with what is expected in the Plan.



Progress in the approval process of the Transmission Network Plan.



Enhancement of Reintel's business, after the incorporation of minority partners to promote its development.



Good evolution of the satellite business.



€600 M bond issue within the Green Framework, aligned with the European Taxonomy.



Distribution of a dividend of 1 euro per share, in line with our dividend policy.

# Targets 2021-2025

Sustainable dividend policy in line with a demanding growth profile



## Total investment



€ **4,400 M**

~**75%**

*This will be in the transmission network, international interconnections, storage and system operation.*

## Dividend policy



2021-2022

**1.0**€/share

2023-2025

Floor of **0.8**€/share

## Financial efficiency 2025



MARGIN

**EBITDA**

**70%**



RATIO

**FFO/DEBT**

**> 15%**



NET DEBT /

**EBITDA**

RATIO

**< 5x**



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