



Report on Limited Review of Red Eléctrica Corporación, S.A. and Subsidiaries

(Together with the condensed consolidated interim financial statements and the consolidated interim directors' report of Red Eléctrica Corporación, S.A. and subsidiaries for the six-month period ended 30 June 2022)

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



KPMG Auditores, S.L.
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28046 Madrid

Report on Limited Review of Condensed Consolidated Interim Financial Statements

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

To the Shareholders of Red Eléctrica Corporación, S.A., commissioned by management

REPORT ON THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Introduction

We have carried out a limited review of the accompanying condensed consolidated interim financial statements (the “interim financial statements”) of Red Eléctrica Corporación, S.A. (the “Company”) and subsidiaries (together the “Group”), which comprise the statement of financial position at 30 June 2022, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and explanatory notes (all condensed and consolidated). The Directors of the Company are responsible for the preparation of these interim financial statements in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting as adopted by the European Union, pursuant to article 12 of Royal Decree 1362/2007 as regards the preparation of condensed interim financial information. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of Review

We conducted our limited review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with prevailing legislation regulating the audit of accounts in Spain and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the accompanying interim financial statements.



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Conclusion

Based on our limited review, which can under no circumstances be considered an audit, nothing has come to our attention that causes us to believe that the accompanying interim financial statements for the six-month period ended 30 June 2022 have not been prepared, in all material respects, in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting as adopted by the European Union, pursuant to article 12 of Royal Decree 1362/2007 as regards the preparation of condensed interim financial statements.

Emphasis of Matter

We draw your attention to the accompanying note 2, which states that these interim financial statements do not include all the information that would be required in a complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The accompanying interim financial statements should therefore be read in conjunction with the Group's consolidated annual accounts for the year ended 31 December 2021. This matter does not modify our conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The accompanying consolidated interim directors' report for the six-month period ended 30 June 2022 contains such explanations as the Directors of the Company consider relevant with respect to the significant events that have taken place in this period and their effect on the interim financial statements, as well as the disclosures required by article 15 of Royal Decree 1362/2007. The consolidated interim directors' report is not an integral part of the interim financial statements. We have verified that the accounting information contained therein is consistent with that disclosed in the interim financial statements for the six-month period ended 30 June 2022. Our work is limited to the verification of the consolidated interim directors' report within the scope described in this paragraph and does not include a review of information other than that obtained from the accounting records of Red Eléctrica Corporación, S.A. and subsidiaries.



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Other Matter

This report has been prepared at the request of the Company's Directors in relation to the publication of the six-monthly financial report required by article 119 of the Revised Securities Market Law, approved by Royal Legislative Decree 4/2015 of 23 October 2015 and enacted by Royal Decree 1362/2007 of 19 October 2007.

KPMG Auditores, S.L.

(Signed on original in Spanish)

Ana Fernández Poderós
26 July 2022



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Condensed Consolidated Interim Financial Statements and Consolidated Interim Directors' report for the six-month period ended 30 June 2022

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

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Consolidated Statement of Financial Position at 30 June 2022

Thousands of Euros

Assets	Note	30.06.2022	31.12.2021
Intangible assets	6	751,780	720,619
Property, plant and equipment	6	9,591,113	9,575,848
Investment property	6	1,720	1,772
Equity-accounted investees	7	692,996	587,983
Non-current financial assets	12	131,465	114,689
At fair value through other comprehensive income		96,377	85,368
At fair value through profit or loss		11,205	5,379
At amortised cost		23,883	23,942
Non-current derivatives	12	90,972	23,592
Deferred tax assets	14	69,944	70,567
Other non-current assets		4,141	1,998
Total non-current assets		11,334,131	11,097,068
Inventories	8	31,831	26,535
Trade and other receivables	9	1,278,242	1,260,956
Trade receivables		74,328	59,709
Other receivables		1,195,977	1,193,686
Current tax assets		7,937	7,561
Other current financial assets	12	730,294	25,401
At amortised cost		730,294	25,401
Current derivatives	12	86	91
Cash and cash equivalents		1,207,516	1,574,427
Total current assets		3,247,969	2,887,410
Total assets		14,582,100	13,984,478

Notes 1 to 22 and Appendix I form an integral part of these condensed consolidated interim financial statements.

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Consolidated Statement of Financial Position at 30 June 2022

Thousands of Euros

Equity and Liabilities	Note	30.06.2022	31.12.2021
Capital and reserves		4,659,426	3,762,199
Capital		270,540	270,540
Reserves		4,057,478	2,989,711
Own shares (-)		(31,618)	(31,618)
Profit attributable to the Parent		363,026	680,627
Interim dividend (-)		-	(147,061)
Valuation adjustments		(18,136)	(131,117)
Financial assets at fair value through other comprehensive income		29,775	18,766
Hedging transactions		(10,620)	(62,170)
Translation differences		(37,291)	(87,713)
Equity attributable to the Parent		4,641,290	3,631,082
Non-controlling interests		90,392	54,049
Total equity	9	4,731,682	3,685,131
Grants and other		716,259	726,002
Non-current provisions		112,601	129,965
Non-current financial liabilities	12	5,960,907	5,953,434
Loans and borrowings, bonds and other marketable securities		5,905,854	5,896,170
Other non-current financial liabilities		55,053	57,264
Deferred tax liabilities	14	419,039	397,811
Non-current derivatives	12	29,086	16,436
Other non-current liabilities		107,101	102,288
Total non-current liabilities		7,344,993	7,325,936
Current provisions		30,258	21,202
Current financial liabilities	12	1,431,570	2,144,425
Loans and borrowings, bonds and other marketable securities		434,995	1,391,722
Other current financial liabilities		996,575	752,703
Trade and other payables	13	1,037,439	802,655
Suppliers		438,305	382,309
Other payables		510,691	409,459
Current tax liabilities		88,443	10,887
Current derivatives	12	6,158	5,129
Total current liabilities		2,505,425	2,973,411
Total equity and liabilities		14,582,100	13,984,478

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Consolidated Income Statement for the period ended 30 June 2022

Thousands of Euros

	Note	30.06.2022	30.06.2021
Revenue	15.a	1,003,224	975,853
Self-constructed assets	6	31,132	24,220
Share of profit of equity-accounted investees (with a similar activity to that of the Group)	7	27,774	15,528
Supplies	15.c	(11,803)	(10,989)
Other operating income	15.b	2,226	8,010
Personnel expenses	15.d	(91,649)	(88,213)
Other operating expenses	15.c	(176,300)	(153,140)
Depreciation and amortisation	6	(268,378)	(258,167)
Non-financial and other capital grants		7,755	14,112
Impairment and gains on disposal of fixed assets		110	324
Results from operating activities		524,091	527,538
Finance income		7,691	6,037
Finance costs		(52,711)	(56,365)
Exchange gains		261	702
Change in fair value of financial instruments		391	-
Net finance cost		(44,368)	(49,626)
Profit before tax		479,723	477,912
Income tax		(115,478)	(117,992)
Consolidated profit for the period		364,245	359,920
A) Consolidated profit for the period attributable to the Parent		363,026	358,170
B) Consolidated profit for the period attributable to non-controlling interests	2.e	1,219	1,750
Earnings per share in Euros			-
Basic earnings per share in Euros	20	0.67	0.66
Diluted earnings per share in Euros	20	0.67	0.66

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Consolidated Statement of Comprehensive Income at 30 June 2022
Thousands of Euros

	30.06.2022	30.06.2021
A) Consolidated profit for the period (income statement)	364,245	359,920
B) Other comprehensive income – Items that will not be reclassified to profit or loss:	19,608	3,493
Actuarial gains and losses	11,465	5,101
Equity instruments through other comprehensive income	11,009	(333)
Tax effect	(2,866)	(1,275)
C) Other comprehensive income – Items that could be reclassified to profit or loss:	103,114	37,987
Cash flow hedges:	52,126	10,091
a) Revaluation gains/(losses)	44,330	3,920
b) Amounts transferred to the income statement	7,796	6,171
Translation differences:	68,753	24,468
a) Revaluation gains/(losses)	68,753	24,468
Share of other comprehensive income from investments in joint ventures and associates:	12,455	12,067
a) Revaluation gains/(losses)	12,455	12,067
Tax effect	(30,220)	(8,639)
Total comprehensive income for the period (A + B + C)	486,967	401,400
a) Attributable to the Parent	484,605	399,227
b) Attributable to non-controlling interests	2,362	2,173

Notes 1 to 22 and Appendix I form an integral part of these condensed consolidated interim financial statements.

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Consolidated Statement of Changes in Equity at 30 June 2022

Thousands of Euros

Equity	Subscribed capital	Reserves and interim dividend	Own shares	Profit attributable to the Parent	Valuation adjustments	Non-controlling interests	Total equity
Balances at 1 January 2021	270,540	2,758,250	(36,550)	621,185	(177,823)	56,351	3,491,953
I. Comprehensive income for the period	-	3,826	-	358,170	37,231	2,173	401,400
II. Transactions with shareholders or owners	-	146,984	-	(540,511)	-	-	(393,527)
- Distribution of dividends	-	146,984	-	(540,511)	-	-	(393,527)
- Transactions with own shares	-	-	-	-	-	-	-
III. Other changes in equity	-	75,809	-	(80,674)	-	-	(4,865)
- Transfers between equity line items	-	80,674	-	(80,674)	-	-	-
- Other changes	-	(4,865)	-	-	-	-	(4,865)
Balances at 30 June 2021	270,540	2,984,869	(36,550)	358,170	(140,592)	58,524	3,494,961
Balances at 1 January 2022	270,540	2,842,650	(31,618)	680,627	(131,117)	54,049	3,685,131
I. Comprehensive income for the period	-	8,598	-	363,026	112,981	2,362	486,967
II. Transactions with shareholders or owners	-	1,065,987	-	(540,588)	-	33,961	559,360
- Distribution of dividends	-	147,061	-	(540,588)	-	(4,604)	(398,131)
- Transactions with own shares	-	-	-	-	-	-	-
Other transactions with shareholders or owners	-	918,926	-	-	-	38,565	957,491
III. Other changes in equity	-	140,243	-	(140,039)	-	20	224
- Transfers between equity line items	-	140,039	-	(140,039)	-	-	-
- Other changes	-	204	-	-	-	20	224
Balances at 30 June 2022	270,540	4,057,478	(31,618)	363,026	(18,136)	90,392	4,731,682

Notes 1 to 22 and Appendix I form an integral part of these condensed consolidated interim financial statements.

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Consolidated Statement of Cash Flows at 30 June 2022

Thousands of Euros

	Note	30.06.2022	30.06.2021
Cash flows from operating activities		765,309	788,505
Profit before tax		479,723	477,912
Adjustments to profit:		281,395	283,788
Depreciation and amortisation	6	268,378	258,167
Other adjustments		13,017	25,621
Equity-accounted investees		(27,774)	(15,528)
Gains on disposal/impairment of non-current assets and financial instruments		(501)	(324)
Accrued finance income		(7,691)	(6,037)
Accrued finance costs		52,711	56,365
Charge to/(surplus) provisions for liabilities and charges		8,743	5,257
Capital and other grants taken to income		(12,471)	(14,112)
Changes in operating assets and liabilities		144,787	156,176
Other cash flows used in operating activities:		(140,596)	(129,371)
Interest paid		(76,447)	(76,674)
Dividends received		4,672	4,848
Interest received		2,530	534
Income tax paid		(65,277)	(61,693)
Other proceeds from and payments for operating activities		(6,074)	3,614
Cash flows used in investing activities		(980,389)	(268,198)
Payments for investments		(987,116)	(274,702)
Property, plant and equipment, intangible assets and investment property		(271,453)	(263,544)
Other financial assets		(715,663)	(11,158)
Proceeds from sale of investments		(92)	(653)
Property, plant and equipment, intangible assets and investment property		-	586
Other financial assets		(92)	(1,239)
Other cash flows from investing activities		6,819	7,157
Other proceeds from investing activities		6,819	7,157
Cash flows from (used in) financing activities		(155,423)	146,941
Proceeds from and payments for equity instruments		989,959	-
Issue		3,619	-
Acquisition		(9,278)	-
Disposal		995,618	-
Proceeds from and payments for financial liability instruments	12	(988,727)	317,641
Issue and drawdowns		32,035	709,684
Redemption and repayment		(1,020,762)	(392,043)
Dividends and interest on other equity instruments paid	10	(151,665)	(146,984)
Other cash flows used in financing activities		(4,990)	(23,716)
Interest paid		-	(48)
Other proceeds from and payments for financing activities		(4,990)	(23,668)
Effect of exchange rate fluctuations on cash and cash equivalents		3,592	1,238
Net increase/(decrease) in cash and cash equivalents		(366,911)	668,486
Cash and cash equivalents at beginning of period		1,574,427	481,772
Cash and cash equivalents at end of period		1,207,516	1,150,258

Notes 1 to 22 and Appendix I form an integral part of these condensed consolidated interim financial statements.

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

1 Activities of the Group Companies

Red Eléctrica Corporación, S.A. (hereinafter the Parent or the Company) is the Parent of a Group formed by subsidiaries. The Group is also involved in joint operations along with other operators. The Parent and its subsidiaries form Redeia (hereinafter the Group or Redeia). The Company's registered office is located in Alcobendas (Madrid) and its shares are traded on the Spanish automated quotation system as part of the selective IBEX 35 index.

The Group's main activity is guaranteeing electricity supply and connectivity. Thus, Red Eléctrica de España S.A.U. (hereinafter Red Eléctrica) carries out regulated activities of electricity transmission, system operation and management of the transmission network for the Spanish electricity system. The Group likewise conducts electricity transmission activities outside Spain through Red Eléctrica Internacional, S.A.U. and its subsidiaries (hereinafter Redinter).

The Group also provides telecommunications services to third parties through the HISPASAT subgroup (hereinafter Hispasat), by means of satellite infrastructure operation, and through Red Eléctrica Infraestructuras de Telecomunicación, S.A.U. (hereinafter Reintel), via dark fibre backbone network rental.

Moreover, the Group carries out activities aimed at driving and fostering technological innovation through its subsidiary Red Eléctrica y de Telecomunicaciones, Innovación y Tecnología, S.A.U. (Elewit).

In addition the Group carries out activities through its subsidiaries aimed at financing its operations and covering risks by reinsuring its assets and activities. It also develops and builds electricity infrastructure and facilities through its subsidiaries and/or investees, Red Eléctrica Infraestructuras en Canarias, S.A.U. (Reincan) and Interconexión Eléctrica Francia-España, S.A.S. (Inelfe).

Appendix I provides details of the activities and registered offices of the Parent and its subsidiaries, as well as the direct and indirect investments held by the Parent in the subsidiaries.

2 Basis of Presentation of the Condensed Consolidated Interim Financial Statements

a) General information

The accompanying condensed consolidated interim financial statements were authorised for issue by the directors of the Parent at their board meeting held on 26 July 2022 and have been prepared to give a true and fair view of the consolidated equity and consolidated financial position of the Company and its subsidiaries at 30 June 2022, as well as the consolidated results of operations and consolidated cash flows and changes in consolidated equity for the six-month period then ended.

The accompanying condensed consolidated interim financial statements have been prepared on the basis of the individual accounting records of the Company and the other Group companies, which together form Redeia (see Appendix I). Each company prepares its financial statements applying the accounting principles and criteria in force in its country of operations. Accordingly, the adjustments and reclassifications necessary to harmonise these principles and criteria with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) have been made on consolidation. The accounting policies of the consolidated companies are changed when necessary to ensure their consistency with the principles adopted by the Company.

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The accompanying condensed consolidated interim financial statements of Redeia for the six-month period ended 30 June 2022 have been prepared in accordance with IAS 34 Interim Financial Reporting and are presented in thousands of Euros (except where otherwise indicated).

Pursuant to IAS 34, interim financial reporting is only intended to provide an update on the content of the latest consolidated annual accounts drawn up by the Group, focusing on new activities, events and circumstances occurring during the six-month period, without repeating the information previously published in the consolidated annual accounts for the year.

Therefore, to enable an adequate understanding of the information disclosed in these condensed consolidated interim financial statements, they should be read in conjunction with the consolidated annual accounts of the Group for the year ended 31 December 2021, which were prepared in accordance with the International Financial Reporting Standards as adopted by the European Union (IFRS-EU) in force and were approved by the shareholders at their annual general meeting held on 7 June 2022.

The Group has not omitted any mandatory accounting principle with a significant effect on the condensed consolidated interim financial statements.

b) New standards and amendments to IFRS-EU

For the purposes of preparing these condensed consolidated interim financial statements the improvements to IFRS issued and approved for application in the European Union as of 1 January 2022 have been taken into account. These amendments have not had a significant impact on the Group's condensed consolidated interim financial statements. Details are as follows:

Effective from:	New amendments
1 January 2022	Amendment to IFRS 3 Business Combinations – Reference to the Conceptual Framework
	Amendment to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use
	Amendment to IAS 37 Provisions, Contingent Liabilities and Contingent – Onerous Contracts - Cost of Fulfilling a Contract
	Annual Improvements to IFRS. 2018-2020 Cycle

- Amendments to IFRS 3 Business Combinations: the references to the definitions of assets and liabilities in a business combination have been updated with reference to those contained in the Conceptual Framework. New requirements have been added in relation to the obligations included in IAS 37 Provisions, Contingent Liabilities and Contingent Assets, and it is explicitly stated that the acquirer shall not recognise a contingent asset acquired in a business combination.
- Amendment to IAS 16 Property, Plant and Equipment. This amendment prohibits the deduction from the acquisition cost of assets within the scope of this standard of any proceeds from the phase prior to their being brought into use.
- Amendment to IAS 37 Provisions, Contingent Liabilities and Contingent Assets clarifying the concept of the cost of fulfilling a contract to assess whether a contract is onerous.
- Annual Improvements to IFRS 2018-2020 cycle, establishing minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments and IFRS 16 Leases.

The Group is also analysing the impact of the new IFRS and improvements issued and approved for application in the European Union as of 1 January 2023, which are as follows:

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Effective from:	New standards and amendments
1 January 2023	New standard - IFRS 17 Insurance Contracts
	Amendment to IAS 1 Presentation of Financial Statements – Disclosure of Accounting Policies
	Amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates.

- IFRS 17 Insurance Contracts and amendments thereto. This replaces IFRS 4 and lays down the principles for the recognition, measurement, presentation and disclosure of insurance contracts so that an entity may provide relevant and reliable information that enables the users thereof to determine the effect that the contracts have on the financial statements.
- Amendment to IAS 1 Presentation of Financial Statements, to enable correct identification of the required material accounting policy disclosures in the financial statements.
- Amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. This includes amendments and clarifications as to what should be considered a change in accounting estimate.

The Group does not expect these standards to have a significant effect on the consolidated annual accounts at the date when their application becomes mandatory in the European Union.

Finally, there are amendments which, although pending approval for use in the European Union, are expected to be mandatory for periods beginning on or after 1 January 2023. These amendments are:

- Amendment to IAS 1 Presentation of Financial Statements – Classification of Liabilities as Current or Non-current, amending and clarifying certain aspects of the classification of liabilities as current or non-current.
- Amendment to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction, clarifying aspects of the recognition of deferred tax arising on transactions such as leases and decommissioning obligations.

The Group is analysing the impact of these amendments, although it does not expect them to have a significant effect on the consolidated annual accounts at the date when their application becomes mandatory in the European Union.

c) Estimates and assumptions

The preparation of the condensed consolidated interim financial statements in accordance with IFRS requires Group management to make judgements, estimates and assumptions that affect the application of accounting standards and the amounts of assets, liabilities, income and expenses. Estimates and assumptions made by the Group are based on past experience and other factors that are considered reasonable given the circumstances. It should be noted that actual results could differ from these estimates and that these condensed consolidated interim financial statements have been prepared on a going concern basis.

These estimates are based on the best information available as described in note 2c) to the consolidated annual accounts for 2021, Estimates and assumptions.

d) Consolidation principles

The same consolidation principles have been used in these condensed consolidated interim financial statements as in the consolidated annual accounts for 2021.

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e) Changes in the consolidated Group

- On 31 January 2022, the acquisition of all the ordinary registered shares representing 100% of the share capital of Rialma Transmissora de Energia III S.A. (“Rialma III”), which on the same date changed its name to “Argo IV Transmissão de Energia S.A.”, was completed. This acquisition was made following the fulfilment of the conditions precedent and after obtaining the approvals laid down in the agreement that Argo Energia Empreendimentos e Participações S.A. (“Argo”), in which Red Eléctrica Brazil holds a 50% stake, entered with Rialma Administração e Participações S.A. on 3 November 2021.
- On 29 June 2022, after the pertinent approvals had been obtained, the transfer of a minority stake of 49% in Red Eléctrica Infraestructuras de Telecomunicación, S.A.U. (REINTEL) was completed, in accordance with the agreement entered between Red Eléctrica Corporación, S.A. and Kohlberg Kravis Roberts & Co. L.P. (hereinafter KKR) through its subsidiary Rudolph Bidco S.À.R.L on 16 December 2021. Following this transaction, Redeia maintains control of REINTEL, with a 51% stake, and this company therefore continues to be consolidated as a subsidiary, with a change to the consolidated Group being recognised as of this date.

This transaction has no impact on the consolidated income statement because it is the sale of a minority stake, and the Group maintains control of the company. The impact of this sale led to an increase of Euros 918.9 million in equity attributable to the Parent under other reserves (see note 10.b), and Euros 34.9 million in non-controlling interests (see note 10.c).

f) Comparative information

Group management has included comparative information for 2021 in the accompanying condensed consolidated interim financial statements.

3 Sector Regulation

a) Electricity sector in Spain

As reflected in the consolidated annual accounts presented at 31 December 2021, the regulatory framework for the electricity sector currently in force is based on Electricity Industry Law 24/2013 of 26 December 2013.

The 2021 consolidated annual accounts also include the general remuneration framework for the regulated activities carried out by Red Eléctrica, i.e. electricity transmission and system operation in Spain. This remuneration framework, derived from Royal Decree-Law 1/2019 and the CNMC’s 2019 remuneration circulars, was not changed during the first half of 2022.

The main legislative developments in the first half of 2022 in the electricity sector include most notably the publication of several anti-crisis royal decree-laws whose main objective is to combat inflation, specifically the high prices of electricity and gas, and to protect consumers. The most noteworthy of these are the following:

- Royal Decree-Law 6/2022 of 29 March 2022, adopting urgent measures in the context of the national plan in response to the economic and social consequences of the war in Ukraine. It extended until 30 June 2022 the mechanism for reducing excess remuneration to negative emissions technologies, as well as tax cuts (VAT on electricity to 10%; IEE (the Special Tax on Electricity) to 0.5%; suspension of IVPEE (the Tax on the Value of Electricity Production). In addition, the decree-law amends the financing mechanism for the social tariff. Whereas it was previously borne by suppliers, it will now have to be borne by all agents involved in the electricity supply chain, including Red Eléctrica as transmission agent, according to their revenue; although in its ninth additional provision this regulation states that for entities that carry

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out activities with regulated remuneration, this financing will be recognised as a cost in the calculation of their remuneration.

Royal Decree-Law 10/2022 of 13 May 2022, introducing a temporary production cost adjustment mechanism to reduce electricity prices in the wholesale market. In simple terms, the aim of the mechanism is to reduce the price of bids from marginal fossil fuel power plants, establishing an adjustment in the price that these technologies can pass on in their bids based on a reference price for gas.

- Royal Decree-Law 11/2022 of 25 June, adopting and extending certain measures in response to the economic and social consequences of the war in Ukraine, to address social and economic vulnerability, and for the economic and social recovery of the island of La Palma. This decree-law, in addition to extending until 31 December 2022 some of the measures that were in force (suspension of the IVPEE, the 0.5% IEE tax rate and the reduction of the extraordinary profits obtained by electricity companies thanks to the repercussion of gas-fired power prices on infra-marginal generation), establishes an even greater reduction in VAT on electricity from 10% to 5%.

At the level of EU law, and directly applicable in Spain given that it is a regulation, the publication of Regulation (EU) 2022/869 on guidelines for trans-European energy infrastructure (the TEN-E Regulation) stands out. The Regulation identifies 11 priority corridors and three priority areas on which the future lists of EU projects of common interest (PCI) will be based. The new features of this updated version of the Regulation include most notably the new categories of PCI on offshore networks, hydrogen networks and electrolyzers. Another development is the establishment of projects of mutual interest (PMI) for infrastructure projects linking EU networks with networks in third countries, subject to a series of requirements being met.

b) International electricity sector

As regards the electricity sector in Chile, Peru and Brazil, there have been no significant legislative developments for the sector since the publication of the consolidated annual accounts at 31 December 2021.

In Chile, at the date of these condensed consolidated interim financial statements, in relation to the process for the valuation of transmission facilities by users subject to the price regulation for the 2020-2023 four-year period, the annual value of transmission facilities is still pending approval by decree of the Ministry of Energy.

c) Telecommunications Sector

Regarding the telecommunications sector, on 29 June 2022, the General Telecommunications Law 11/2022 of 28 June 2022 was published in the Official State Gazette (BOE). This law transposes into Spanish law Directive (EU) 2018/1972 establishing the European Electronic Communications Code.

The approval of such law replaces the hitherto in force General Telecommunications Law 9/2014. This law is one of the measures included in the Spanish economy Recovery, Transformation and Resilience Plan.

An important aspect of the law is the promotion of investment in networks with very high capacity, introducing features such as geographic studies, and joint investment and shared use of the public domain and private property, providing incentives for shared use of infrastructure and associated resources, as well as shared use of the final sections of the access networks. Among its main developments in the field of infrastructure, the legislation establishes specific provisions to organise the massive deployment of 5G networks. These networks will drive services based on the internet of things, and even autonomous vehicles.

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Finally, Royal Decree-Law 7/2022 of 29 March 2022, on requirements to ensure the security of fifth-generation electronic communications networks and services, was published in March. It lays down the security requirements for the installation, deployment and operation of electronic communications networks and the provision of electronic and wireless communications services based on 5G technology.

4 Significant Accounting Policies

The same accounting principles have been used in these condensed consolidated interim financial statements as in the consolidated annual accounts for 2021, with the exception of those arising from the amendments to IFRS-EU (see note 2 b), which have not had a significant impact on the condensed consolidated interim financial statements.

5 Considerations Regarding the Macroeconomic Scenario

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

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

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

Facilities operation and maintenance was conducted normally in 2022, as was work to build new infrastructure. Furthermore, no significant incidents occurred during the period that posed a risk as regards meeting electricity demand and keeping the system up and running correctly; neither were any transmission network incidents recorded that in any way compromised the operation of the Spanish electricity system.

Both the international electricity infrastructure business and the telecommunications business have been providing services with no incidents arising. Moreover, the availability of facilities has remained at normal levels, and no service quality incidents have been reported.

The electricity sector is currently impacted by tensions in the wholesale market stemming from the armed conflict mentioned above. In Spain, as in neighbouring countries, the average price of electricity hit record highs in the first half of the year. This situation has forced EU and domestic authorities to take steps to mitigate the impact (see note 3.a).

6 Intangible Assets, Property, Plant and Equipment and Investment Property

At 30 June 2022 intangible assets primarily comprise:

- Euros 362 million, net of accumulated amortisation, mainly reflecting the concessions of the Peruvian companies Redesur, Tesur, Tesur 2, Tesur 3, Tesur 4 and CCNCM. The concession facilities of Tesur 4 are under construction.
- Euros 232 million of goodwill arising from the business combinations of the Hispasat Subgroup and Concesionaria Línea de Transmisión CCNCM S.A.C. (hereinafter CCNCM). Euros 53 million for Chilean company Redenor 2's perpetual right to regulated tariffs (asset with indefinite useful life).
- Euros 36 million for Hispasat's different bandwidth licences for the use of orbital slots above Brazilian territory.
- Euros 11 million for the valuation of the HISPASAT trademark.

At 30 June 2022 property, plant and equipment primarily comprise:

- Euros 8,413 million, net, for technical electricity facilities.
- Euros 1,055 million, net, for technical telecommunications facilities.

Additions to intangible assets, property, plant and equipment and investment property, without considering the assets arising on the application of IFRS 16, totalled Euros 258.9 million in the first half of 2022 (Euros 250.9 million in the six-month period ended 30 June 2021). Asset additions during this half of the year due to the application of IFRS 16 amount to Euros 5.6 million (Euros 3.7 million in the six-month period ended 30 June 2021).

Depreciation and amortisation in the six-month period ended 30 June 2022 amounted to Euros 268,378 thousand (Euros 258,167 thousand in the six-month period ended 30 June 2021).

Operating expenses capitalised in the first half of 2022 totalled Euros 31,132 thousand (Euros 24,220 thousand in the first half of 2021).

Borrowing costs capitalised in the first half of 2022 amounted to Euros 4,508 thousand (Euros 3,768 thousand in the first half of 2021).

There were no significant suspensions of facilities under construction during the period (see note 11).

There have been no additions, disposals or significant changes to the contractual lease terms reflected in the 2021 consolidated annual accounts.

As disclosed in notes 6 and 7 to the 2021 consolidated annual accounts, at the reporting date for that year the Group tested intangible assets and property, plant and equipment for impairment by calculating the value in use of the CGUs associated with the assets, and has not identified the need for any write-downs as a result. The assumptions used in the calculation thereof are explained in notes 6 and 7 to the consolidated annual accounts. At 30 June 2022, the Group has analysed its non-financial assets for possible indications of impairment. Following this analysis, no significant indications of impairment were detected at 30 June 2022.

Investment property has a market value of approximately Euros 2.6 million (Euros 1.9 million in the six-month period ended 30 June 2021).

7 Equity-accounted Investees

Movement in equity-accounted investees during the period is as follows:

	31.12.2021	Profit on the investment	Dividends	Translation differences and other	Valuation adjustments	30.06.2022
Thousands of Euros						
Transmisora Eléctrica del Norte S.A. (TEN)	209,931	29	-	16,035	12,455	238,450
Argo Energia Empreendimentos e Participações S.A.	300,937	27,275	(306)	49,055	-	376,961
Hisodesat Servicios Estratégicos, S.A.	72,877	470	-	-	-	73,347
Grupo de Navegación Sistemas y Servicios S.L.	119	-	-	-	-	119
Interests constituting significant influence Elewit	4,119	-	-	-	-	4,119
Total	587,983	27,774	(306)	65,090	12,455	692,996

8 Inventories

Details of inventories at 30 June 2022 and 31 December 2021 are as follows:

Thousands of Euros	30.06.2022	31.12.2021
Inventories	67,260	63,175
Write-downs	(35,429)	(36,640)
Total	31,831	26,535

Inventories primarily comprise the equipment, materials and spare parts used in the maintenance of electricity transmission facilities.

The Group companies perform periodic analysis to calculate the write-downs to be recognised on inventories based on assumptions of impairment of old inventories and excess stock. They have not had a significant impact at 30 June 2022.

9 Trade and Other Receivables

Details of trade and other receivables at 30 June 2022 and 31 December 2021 are as follows:

Thousands of Euros	30.06.2022	31.12.2021
Trade receivables	74,328	59,709
Other receivables	1,195,977	1,193,686
Current tax assets	7,937	7,561
Total	1,278,242	1,260,956

Trade receivables primarily comprise balances receivable on the lease of satellite capacity and related services. This item also includes assets arising from contracts with customers

Other receivables mostly reflect amounts pending collection for regulated transmission and system operation activities performed in Spain.

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At 30 June 2022 there are no significant amounts over 12 months past due.

Fair value estimates reflect the assumptions of market participants based on the information available and market conditions at the estimation date.

10 Equity

a) Capital risk management

The Group's capital management is aimed at safeguarding its capacity to continue operating as a going concern, so as to provide shareholder remuneration while maintaining an optimum capital structure to reduce the cost of capital.

To maintain and adjust the capital structure, the Group can adjust the amount of dividends payable to shareholders, reimburse capital or issue shares.

The Group controls its capital structure on a gearing ratio basis, in line with sector practice. This ratio is calculated as net financial debt divided by the sum of the Group's equity and net financial debt. Net financial debt is calculated as follows:

Thousands of Euros	30.06.2022	31.12.2021
Non-current payables (*)	5,905,590	5,896,053
Current payables (*)	408,357	1,341,053
Foreign currency derivatives	(31,779)	(14,800)
Current money market investments (**)	(700,000)	-
Cash and cash equivalents	(1,207,516)	(1,574,427)
Net financial debt (A)	4,374,652	5,647,879
Equity (B)	4,731,682	3,685,131
Gearing ratio = A/(A+B)	48%	61%

(*) In both 2022 and 2021 interest payable has been excluded.

(**) These are fixed-term deposits and similar financial assets recorded under other current financial assets at amortised cost that do not meet the accounting criteria for classification as cash and cash equivalents but are identical in nature to cash and cash equivalents.

During the first half of 2022 the rating agency Standard & Poor's issued a new report, maintaining the Company's long-term rating of 'A-' with a stable outlook and short-term rating of 'A-2'. The rating agency Fitch Ratings maintained the long-term rating of 'A-' with a stable outlook and short-term rating of 'F1'.

Equity attributable to the Parent

- Capital and reserves

- Share capital

At 30 June 2022 the Company's share capital is divided into 541,080,000 shares each represented by book entries, all subscribed and fully paid-in, and carrying the same voting and profit-sharing rights (notwithstanding the limits stipulated in the following paragraph). The shares are quoted on the four Spanish stock exchanges and traded through the SIBE (Spanish Stock Exchange Interlinking System).

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

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Pursuant to this legislation, any individual or entity may hold investments in the Company, provided that the sum of their direct or indirect interests in its share capital does not exceed 5% and their voting rights do not surpass 3%. These shares may not be syndicated for any purpose. Voting rights at the Parent are limited to 1% in the case of entities that carry out activities in the electricity sector, and individuals and entities that hold direct or indirect interests exceeding 5% of the share capital of such companies, without prejudice to the limitations for generators and suppliers set forth in article 30 of Law 24/2013. The shareholder limitations with regard to the Parent's share capital are not applicable to Sociedad Estatal de Participaciones Industriales (SEPI), which in any event will continue to hold an interest of no less than 10%. At 30 June 2022 and 31 December 2021 SEPI holds a 20% interest in the Company's share capital.

o Reserves

This item comprises the following:

◆ Legal reserve

Spanish companies are obliged to transfer 10% of the profits for the year to a legal reserve until such reserve reaches an amount equal to 20% of the share capital. Until this reserve exceeds this limit, it is not distributable to shareholders and may only be used to offset losses, provided no other reserves are available. Under certain circumstances, it may also be used to increase share capital. At 30 June 2022 the legal reserve amounts to Euros 54,199 thousand, which is 20% of the Parent's share capital.

◆ Other reserves

This heading includes voluntary reserves of the Parent, reserves in consolidated companies and first-time application reserves, all of which are freely distributable. At 30 June 2022 these reserves amount to Euros 4,003 million.

As a consequence of the transfer of a 49% stake in Reintel (see note 2.e) the amount of this item has increased by Euros 918.9 thousand, obtained as a result of the gain, net of taxes, on the transaction.

◆ Own shares

At 30 June 2022 the Parent holds 1,803,403 own shares representing 0.33% of its share capital, with a total par value of Euros 902 thousand and an average acquisition price of Euros 17.53 per share.

These shares have been recognised as a reduction in the Group's equity in an amount of Euros 31,618 thousand at 30 June 2022.

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

o Profit for the period attributable to the Parent

Profit for 2022 totals Euros 363,026 thousand (Euros 358,170 thousand at 30 June 2021).

o Interim dividends and proposed distribution of dividends by the Parent

Dividends paid in the first half of 2022 and 2021, in thousands of Euros, are as follows:

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	30.06.2022			30.06.2021		
	% of par value	Euros per share	Amount	% of par value	Euros per share	Amount
Thousands of Euros						
Ordinary shares	54.54%	0.2727	147,061	54.54%	0.2727	146,984
Total dividends paid	54.54%	0.2727	147,061	54.54%	0.2727	146,984
Dividends charged to profit	54.54%	0.2727	147,061	54.54%	0.2727	146,984

At their general meeting held on 7 June, the shareholders approved the distribution of a supplementary dividend for 2021 of Euros 0.7273 per share, resulting in a total dividend of Euros 1 per share for that year. The supplementary dividend was paid on 1 July 2022.

• Valuation adjustments

This item essentially comprises the changes in financial assets at fair value through other comprehensive income derived from equity instruments, hedging derivatives and translation differences deriving from subsidiaries with a different functional currency to that of the Group.

At 30 June 2022 this item has a negative balance of Euros 18,136 thousand, primarily reflecting negative valuation adjustments to hedges and translation differences due to the depreciation of the Brazilian Real, partly offset by positive valuation adjustments to financial assets at fair value through other comprehensive income arising from fluctuations in the listed share price of the Portuguese company REN. During the first half of 2022 there was an increase in this item, mainly due to trends in the Brazilian Real and the US dollar, coupled with interest rate trends.

Non-controlling interests

The balance included in non-controlling interests under equity in the accompanying consolidated statement of financial position reflects the non-controlling interests in the Hispasat subgroup companies and the Chilean company Redenor. In 2022 it also includes the entry of non-controlling interests in Reintel (see note 2.e) in an amount of Euros 34.9 million.

In the first half of 2022, Redeia, through Hispasat S.A., distributed a dividend of Euros 4.6 million to non-controlling shareholders.

11 Financial Risk Management Policy

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

The Group has continued to apply the financial risk management policies disclosed in note 17 to the consolidated annual accounts for 2021. The principal guidelines of this policy can be summarised 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), the cost and the resources required to reduce it.
- Financial risk management should be focused on avoiding undesirable variations in the Group's value, rather than generating extraordinary profits.

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

The methodology for identifying, measuring, monitoring and controlling risk, as well as the management indicators and measurement and control tools specific to each risk, follow the guidelines and criteria laid down in the Comprehensive Risk Management Policy and the Financial-Economic Policy.

At 30 June 2022, there have been no significant changes in the financial risk management policy since the previous reporting date. Furthermore, in 2022 there have been no major changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities.

Redeia's financial position remains robust and the measures aimed at bolstering its liquidity have continued to be applied. In the first half of 2022, the Group entered into credit facility agreements amounting to Euros 1,150 million and US Dollars 95 million. Following these transactions, and having already settled due debts and the payments arising from the Group's activity, the Group's liquidity position at June 2022 stands at Euros 3,688 million, specifically Euros 1,908 million in available cash, fixed-term deposits and financial assets and Euros 1,781 million in undrawn credit facilities. This position ensures the Group's ability to meet its operating cash flow requirements and to honour debt maturities for the next 24 months.

12 Financial Assets, Financial Liabilities and Derivatives

a) Financial assets

Details of Redeia's current and non-current financial assets at 30 June 2022 and 31 December 2021, in thousands of Euros, are as follows:

	30.06.2022				
	At fair value through other comprehensive income	At fair value through profit or loss	At amortised cost	Hedging derivatives	Total
Thousands of Euros					
Equity instruments	96,377	5,875	-	-	102,252
Derivatives	-	-	-	90,972	90,972
Other financial assets	-	5,330	23,883	-	29,213
Non-current	96,377	11,205	23,883	90,972	222,437
Other financial assets	-	-	730,294	-	730,294
Derivatives	-	-	-	86	86
Current	-	-	730,294	86	730,380
Total	96,377	11,205	754,177	91,058	952,817

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Thousands of Euros	31.12.2021				
	At fair value through other comprehensive income	At fair value through profit or loss	At amortised cost	Hedging derivatives	Total
Equity instruments	85,368	4,329	-	-	89,697
Derivatives	-	-	-	23,592	23,592
Other financial assets	-	1,050	23,942	-	24,992
Non-current	85,368	5,379	23,942	23,592	138,281
Other financial assets	-	-	25,401	-	25,401
Derivatives	-	-	-	91	91
Current	-	-	25,401	91	25,492
Total	85,368	5,379	49,343	23,683	163,773

Equity instruments at fair value through other comprehensive income essentially comprise the 5% interest held by the Group in REN, a holding company that encompasses the operation and use of electricity transmission assets and various gas infrastructure in Portugal. At 30 June 2022 this investment amounts to Euros 95,909 thousand.

This interest was acquired in 2007 for Euros 98,822 thousand. The value of the investment is subject to the listed share price. In 2022 the value of this investment has increased and the corresponding valuation adjustment has been recognised directly in the Group's equity.

Equity instruments at fair value through profit or loss reflect the investments made by Red Eléctrica de Telecomunicaciones, Innovación y Tecnología, S.A.U. (Elewit) in various innovative investment funds and companies. In the first half of the year, the Group made disbursements of Euros 1,155 thousand, and profit associated with these investments in the amount of Euros 391 thousand has been recognised in the consolidated income statement.

Other financial assets at fair value through profit or loss include the investment in economic interest groups (EIGs). These EIGs engage in the lease of assets operated by an unrelated party, which retains most of the risks and rewards of the activity, while the Group only avails of the tax benefits pursuant to Spanish legislation. The Group recognises the tax losses incurred by these EIGs against the investments. The difference between the amount of the tax losses and the value of the investments is recognised as finance income.

Derivatives reflect hedging instruments at fair value related to outstanding transactions with a positive value. During the first half of 2022 their fair value increased due to both interest and exchange rates.

Other non-current financial assets at amortised cost essentially include the Euros 13,484 thousand loan extended to TEN. The remaining balance of current and non-current financial assets at amortised cost primarily reflects other loans and security and other deposits.

Details of the Group's financial assets measured at fair value using the inputs defined for this calculation at 30 June 2022 and 31 December 2021 are as follows:

Thousands of Euros	30.06.2022			
	Level 1	Level 2	Level 3	Total balance
Equity instruments	95,909	-	6,343	102,252
Derivatives	-	91,058	-	91,058
Other financial assets	-	5,330	-	5,330

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Thousands of Euros	31.12.2021			Total balance
	Level 1	Level 2	Level 3	
Equity instruments	84,900	-	4,797	89,697
Derivatives	-	23,683	-	23,683
Other financial assets	-	1,050	-	1,050

Level 1 equity instruments reflect the interest held in REN. Level 2 essentially comprises foreign currency and interest rate derivatives. Level 3 mainly includes the investments made by Elewit in innovative companies.

b) Financial liabilities

Details of Redeia's current and non-current financial liabilities at 30 June 2022 and 31 December 2021, in thousands of Euros, are as follows:

Thousands of Euros	30.06.2022		
	Financial liabilities	Hedging derivatives	Total
Loans and borrowings	1,876,313	-	1,876,313
Bonds and other marketable securities	4,029,541	-	4,029,541
Derivatives	-	29,086	29,086
Other financial liabilities ⁽¹⁾	55,053	-	55,053
Non-current	5,960,907	29,086	5,989,993
Loans and borrowings	411,241	-	411,241
Bonds and other marketable securities	23,754	-	23,754
Derivatives	-	6,158	6,158
Other financial liabilities	996,575	-	996,575
Current	1,431,570	6,158	1,437,728
Total	7,392,477	35,244	7,427,721

Thousands of Euros	31.12.2021		
	Financial liabilities	Hedging derivatives	Total
Loans and borrowings	1,899,560	-	1,899,560
Bonds and other marketable securities	3,996,610	-	3,996,610
Derivatives	-	16,436	16,436
Other financial liabilities ⁽¹⁾	57,264	-	57,264
Non-current	5,953,434	16,436	5,969,870
Loans and borrowings	945,757	-	945,757
Bonds and other marketable securities	445,965	-	445,965
Derivatives	-	5,129	5,129
Other financial liabilities	752,703	-	752,703
Current	2,144,425	5,129	2,149,554
Total	8,097,859	21,565	8,119,424

(1) Mainly reflects non-current payables to suppliers of fixed assets and non-current lease payables.

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Loans and borrowings and bonds and other marketable securities include both the principal and the accrued interest payable at the dates indicated.

Derivatives reflect hedging instruments related to outstanding transactions.

The carrying amount and fair value of loans and borrowings and bonds and other marketable securities, excluding the accrued interest payable, at 30 June 2022 and 31 December 2021 are as follows:

Thousands of Euros	Carrying amount		Fair value	
	30.06.2022	31.12.2021	30.06.2022	31.12.2021
Issues in Euros	3,634,119	4,026,747	3,327,832	4,172,723
Issues in US Dollars	401,057	374,890	432,996	471,183
Bank borrowings in Euros	1,849,013	2,439,008	1,737,319	2,463,081
Bank borrowings in foreign currency	429,758	396,461	438,844	421,014
Total	6,313,947	7,237,106	5,936,991	7,528,001

Movement in issues, repurchases or redemptions of debt securities in the six-month period ended 30 June 2022 and the year ended 31 December 2021, expressed in thousands of Euros, is as follows:

Thousands of Euros	30.06.2022				
	Opening outstanding balance at 31.12.2021	Issues	(-) Repurchases or redemptions	(+/-) Exchange rate and other adjustments	Closing outstanding balance at 30.06.2022
Debt securities issued in an EU member state requiring a prospectus to be filed	4,026,747	-	(400,000)	7,372	3,634,119
Other debt securities issued outside EU member states	374,890	-	(2,613)	28,780	401,057
Total	4,401,637	-	(402,613)	36,152	4,035,176

Thousands of Euros	31.12.2021				
	Opening outstanding balance at 31.12.2020	Issues	(-) Repurchases or redemptions	(+/-) Exchange rate and other adjustments	Closing outstanding balance at 31.12.2021
Debt securities issued in an EU member state requiring a prospectus to be filed	3,422,760	600,000	-	3,987	4,026,747
Other debt securities issued outside EU member states	350,324	-	(4,586)	29,152	374,890
Total	3,773,084	600,000	(4,586)	33,139	4,401,637

The outstanding balance at 30 June 2022 and 31 December 2021 of debt securities requiring a prospectus to be filed relates to issues registered in Luxembourg.

Repurchases or redemptions at 30 June 2022 reflect the redemption of a debt issue under the Euro Medium Term Note (EMTN) Programme in the Euromarket amounting to Euros 400 million.

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At 30 June 2022 the accrued interest payable on these issues amounts to Euros 26,902 thousand (Euros 33,080 thousand in the first half of 2021).

The fair value of all loans and borrowings and issues of bonds and other marketable securities has been estimated using valuation techniques based on discounting future cash flows at the market rates in force at each date.

Details of the carrying amounts of the Group's financial liabilities measured at fair value using the inputs defined for this calculation at 30 June 2022 and 31 December 2021 are as follows:

Thousands of Euros	30.06.2022			
	Level 1	Level 2	Level 3	Total balance
Loans and borrowings	-	2,278,771	-	2,278,771
Bonds and other marketable securities	-	4,035,176	-	4,035,176
Derivatives	-	35,244	-	35,244
Total	-	6,349,191	-	6,349,191

Thousands of Euros	31.12.2021			
	Level 1	Level 2	Level 3	Total balance
Loans and borrowings	-	2,835,469	-	2,835,469
Bonds and other marketable securities	-	4,401,637	-	4,401,637
Derivatives	-	21,565	-	21,565
Total	-	7,258,671	-	7,258,671

Loans and borrowings, bonds and other issuances, and exchange rate and interest rate derivatives are all categorised within Level 2. There are no significant differences between the fair value and the carrying amount at 30 June 2022 and 31 December 2021.

The Group's fair value estimates reflect the assumptions of market participants based on the information available and market conditions at the date these financial statements were drawn up, incorporating the estimates for own and counterparty credit risk and taking into consideration the fact that unobservable inputs have become significant.

13 Trade and Other Payables

Details at 30 June 2022 and 31 December 2021 are as follows:

Thousands of Euros	30.06.2022	31.12.2021
Suppliers	438,305	382,309
Other payables	510,691	409,459
Current tax liabilities	88,443	10,887
Total	1,037,439	802,655

Suppliers comprise amounts not yet due for the purchase of goods and services in the course of trade operations, essentially arising from repairs, maintenance work and modifications to facilities.

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Other payables mainly reflect items pending reimbursement in respect of provisional tariffs, which have arisen due to the difference between the amount settled and collected and the revenue accrued from 2016 to 2022. This item also includes VAT payable to the taxation authorities, salaries payable and other amounts not yet due for the purchase of goods and services.

In 2022 and 2021 current tax liabilities reflect income tax payable.

14 Taxation

At 30 June 2022 the tax group headed by Red Eléctrica Corporación, S.A. has filed consolidated tax returns in Spain since 2002 and comprises, in addition to the Parent, the following companies: Red Eléctrica, Redinter, REF, Reincan, Restel, Elewit, REEF, Hispasat S.A., Hispamar Exterior, S.L.U. and Hispasat Canarias S.L.

In 2022 Hispamar Exterior, S.L.U. has been added to the tax group headed by Red Eléctrica Corporación, S.A. In addition, as a result of the transfer of a 49% stake held by Red Eléctrica Corporación, S.A. in Reintel (see note 2.e), Reintel is no longer included in the consolidated tax group in Spain.

The balance of deferred taxes is as follows:

Thousands of Euros	30.06.2022	31.12.2021
Deferred tax assets	69,944	70,567
Deferred tax liabilities	(419,039)	(397,811)
Total	(349,095)	(327,244)

No significant movements were recorded in deferred tax assets and liabilities in the first half of 2022. At 30 June 2022 and 2021 deferred tax liabilities mainly arise from accelerated depreciation for tax purposes of certain fixed assets.

In March 2022 notice was received of the commencement of general inspections of consolidated income tax for 2017 to 2020 as regards Red Eléctrica Corporación, S.A. and Red Eléctrica de España, S.A.U., as well as limited inspections of 2012 in the case of Red Eléctrica Internacional, S.A.U. General verification procedures are also underway with respect to value added tax, personal income tax withholdings and non-resident tax of REC and REE for 2018 to 2020.

The Group does not consider there to be any tax risks or uncertainties that would significantly affect the taxes recognised.

15 Income and Expenses

a) Revenue

Details for the six-month periods ended 30 June 2022 and 2021, by geographical area, are as follows:

Thousands of Euros	30.06.2022	30.06.2021
Spain	912,041	906,028
Other	91,183	69,825
Total	1,003,224	975,853

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

Spain essentially includes the revenue from transmission and electricity system operation services in Spain, which represents 81% of the Group's revenue at June 2022. This item also includes the revenue from telecommunications services rendered in Spain, which represents 10% of the Group's revenue at June 2022.

Other primarily includes revenue from reinsurance services within the European Union, and revenue from electricity transmission and telecommunications services rendered by the Group companies in Latin America.

Both revenue from the performance obligations of transmission and system operation services and revenue from telecommunications services are recognised over time.

b) Other operating income

This item mostly includes insurance payouts for accidents and breakdowns covered by the policies arranged, other non-trading income, and government operating grants taken to the income statement.

c) Supplies and other operating expenses

Supplies and other operating expenses mainly comprise repair and maintenance costs incurred for technical electricity facilities and telecommunications networks, as well as IT and advisory services, leases, taxes and other services.

d) Personnel expenses

Details for the six-month periods ended 30 June 2022 and 2021 are as follows:

Thousands of Euros	30.06.2022	30.06.2021
Salaries, wages and other remuneration	70,345	67,536
Social Security	15,715	15,060
Contributions to pension funds and similar obligations	1,200	1,168
Other items and employee benefits	4,389	4,450
Total	91,649	88,213

• Workforce

The distribution by gender of the average workforce of Redeia and the Parent for the six-month periods ended 30 June 2022 and 2021 is as follows:

	Redeia		Red Eléctrica Corporación S.A.	
	30.06.2022	30.06.2021	30.06.2022	30.06.2021
Male	1,570	1,514	184	187
Female	572	548	204	204
Total	2,142	2,062	388	391

e) Income tax

The tax rate was 24.1%, compared to 24.7% in the same period of the prior year.

16 Guarantees and Other Commitments with Third Parties and Other Contingent Assets and Liabilities

In the first half of 2022, Redeia came to an agreement, through Hispasat S.A., in which the Group holds an 89.68% stake, to acquire 100% of Axess Networks Solutions Holdings, S.L. for US Dollars 96 million. At 30 June the transaction is subject to the pertinent authorisations being obtained and other conditions precedent.

17 Transactions with Equity-accounted Investees and Related Parties

Related party transactions, as defined in IAS 24, are carried out under normal market conditions. Details in thousands of Euros are as follows:

Thousands of Euros	30.06.2022	
	Other related parties	Total
Expenses and income:		
Other expenses	93	93
Expenses	93	93
Services rendered	1,028	1,028
Finance income	199	199
Income	1,227	1,227
Other transactions:		
Financing agreements, loans and capital contributions (lender)	13,484	13,484
Suppliers and trade payables	40	40
Other transactions	13,524	13,524

Thousands of Euros	31.12.2021	
	Other related parties	Total
Expenses and income:		
Other expenses	138	138
Expenses	138	138
Services rendered	2,170	2,170
Finance income	368	368
Income	2,538	2,538
Other transactions:		
Financing agreements, loans and capital contributions (lender)	12,338	12,338
Other transactions	12,338	12,338

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At both 30 June 2022 and 31 December 2021, financing agreements, loans and capital contributions for which the Group acts as the lender vis-à-vis other related parties reflect the loan extended to the Group company TEN. Expenses, income and balances vis-à-vis other related parties mainly relate to the Group companies TEN and Hisdesat. Inasmuch as TEN and Hisdesat are accounted for using the equity method, these transactions are not eliminated on consolidation of the Group.

18 Remuneration of the Board of Directors

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

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

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

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

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

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

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

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

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

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

In line with market practices in such cases, as a result of the appointment of the CEO, the pre-existing employment contract has been suspended. Should the employment contract be terminated, he would accrue the remuneration due at the date of suspension as an indemnity. For this purpose, his tenure at the Group up to the date he was appointed CEO (15 years), plus the period in which

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he rendered services – if any – following his termination as CEO, would be taken into consideration, in accordance with employment legislation in force.

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

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

The total amounts accrued by the members of the Parent's board of directors at 30 June 2022 and 2021 are as follows:

Thousands of Euros	30.06.2022	30.06.2021
Total remuneration of the board of directors	1,243	1,260
Directors' remuneration in respect of executive duties ⁽¹⁾	371	371
Total	1,614	1,631

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

The remuneration accrued by the members of the Company's board of directors at 30 June 2022 and 2021, broken down by components, is as follows:

Thousands of Euros	30.06.2022	30.06.2021
Fixed remuneration	1,146	1,159
Variable remuneration	131	131
Allowances	107	108
Committee work ⁽¹⁾	165	168
Other remuneration	65	65
Total	1,614	1,631

(1) Includes the remuneration of the chairs of the committees and the coordinating independent director.

The decrease, with respect to the prior period, in fixed remuneration, allowances and committee work included under total remuneration of the board of directors is because during a certain period in 2022 a director's position was vacant.

At 30 June 2022 and 2021 no loans or advances have been granted to the members of the board of directors, nor have any guarantees been extended on their behalf. The Group has no pension or life insurance obligations with the members of the board of directors at those dates, other than those previously mentioned, nor have any loans or advances been extended to board members.

At 30 June 2022 and 2021 the Group has taken out public liability insurance to cover claims from third parties in respect of possible damage and loss caused by actions or omissions in performing duties as Group directors. These policies cover the Group's directors and senior management and the annual premiums amount to Euros 583 thousand, inclusive of tax, in 2022 (Euros 519 thousand at 31 December 2021). These premiums are calculated based on the nature of the Group's activity and its financial indicators, thus they cannot be broken down individually or allocated to directors and senior management separately.

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

19 Remuneration of Senior Management

The senior management personnel who have rendered services for the Group during 2022 and 2021, and the positions they hold at 30 June 2022, are as follows:

Name	Position
Ms. Concepción María Sánchez Pérez ⁽¹⁾	General Manager of Operations
Mr. Miguel Duvison García ⁽¹⁾	Deputy General Manager of Operations
Mr. Ángel Luis Mahou Fernández	General Manager of Transmission
Mr. Mariano Aparicio Bueno	General Manager of Telecommunications Business
Ms. Eva Pagán Díaz	General Manager of International Business
Mr. Emilio Cerezo Díez	Chief Financial Officer
Mr. José Antonio Vernia Peris	Corporate Director of Transformation and Resources
Ms. Fátima Rojas Cimadevila	Corporate Director of Sustainability and Research
Ms. Miryam Aguilar Muñoz	Corporate Director of External Relations, Communication and Territory
Ms. Laura de Rivera García de Leániz	Manager of Regulatory Affairs and Legal Services
Ms. Silvia María Bruno De la Cruz	Chief Innovation and Technology Officer
Mr. Carlos Puente Pérez	Manager of Corporate Development
Ms. Eva Rodicio González	Manager of Internal Audit and Risk Control

⁽¹⁾ As of 29 June 2022, Ms. Concepción María Sánchez Pérez replaced Mr. Miguel Duvison García as General Manager of Operations and the latter now holds the position of Deputy General Manager of Operations.

Total remuneration accrued by senior management personnel up to 30 June 2022 amounted to Euros 1,602 thousand and is recognised as personnel expenses in the consolidated income statement. Total remuneration accrued by senior management personnel up to 30 June 2021 amounted to Euros 1,553 thousand. These amounts include the accrual of variable annual remuneration, on the assumption that the objectives set each year will be met. After the fulfilment of these objectives has been assessed, the variable remuneration, adjusted to the actual fulfilment rate, is paid in the first few months of the following period.

Euros 18 thousand of the total remuneration accrued by these executives in 2022 consisted of contributions to life insurance and pension plans.

No advances or loans have been extended to these executives at 30 June 2022 and 2021. At 30 June 2022, the Group has life insurance commitments vis-à-vis these executives with annual premiums totalling approximately Euros 24 thousand (Euros 19 thousand in 2021).

The top-level managers participate in the Long-Term Incentive Plan for Promoting the Energy Transition, Reducing the Digital Divide and for Diversification. The objectives of this Plan are linked to those contained in the Group's new Strategic Plan and are consistent with the guidelines laid down in the Directors' Remuneration Policy. This Long-Term Incentive Plan covers a period of six years, until 31 December 2025.

In order to strengthen the commitment to the independence of the System Operator, specific objectives have been laid down for the General Management of Operations of Red Eléctrica de España, S.A.U., which exclude those aspects that are not related to the activity of the Electricity System Operator.

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

In 2022 the Group began to roll out a Structural Management Plan, which applies to part of its senior management personnel. Inclusion in this Plan is subject to certain conditions being met and it may be amended or revoked by the Group under certain circumstances.

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At 30 June 2022 and 2021 the Group has taken out public liability insurance to cover claims from third parties in respect of possible damage and loss caused by actions or omissions in performing duties as senior management of the Group. These policies cover all the Group's directors and senior management and the annual premiums amount to Euros 583 thousand, inclusive of tax, in 2022 (Euros 519 thousand in 2021). These premiums are calculated based on the nature of the Group's activity and its financial indicators, thus they cannot be broken down individually or allocated to directors and senior management separately.

20 Segment Reporting

Redeia segments its business activities based on their nature, reflecting the main branches of activity used by the Group in its management and decision-making.

At 30 June 2022, the Group's operating segments and their main products, services and operations are as follows:

- **Management and operation of domestic electricity infrastructure:**

This segment comprises the Group's principal activity, as sole transmission agent and system operator for the Spanish electricity system (TSO). Its mission is to guarantee the security and continuity of the electricity supply at all times and manage high-voltage electricity transmission.

The Group engages in the high-voltage transmission of electricity, through Red Eléctrica. To this end, it manages the electricity transmission network infrastructure that connects the power plants to the consumer distribution points. As transmission network manager, Red Eléctrica is responsible for the development and expansion of the network, its maintenance, managing the transfer of electricity between external systems and the mainland, and guaranteeing third-party access to the transmission network under equal conditions.

In addition, Red Eléctrica operates the mainland Spanish electricity system and the non-mainland systems in the Canary Islands, Balearic Islands, Ceuta and Melilla, guaranteeing the security and continuity of the electricity supply at all times. Operation of the system encompasses the necessary activities to guarantee such security and continuity, as well as proper coordination between the generation system and transmission network, ensuring that the energy produced by generators is transmitted to the distribution networks with the requisite quality under applicable legislation.

- **Telecommunications (satellites and fibre optics)**

The telecommunications segment comprises the operation of satellite infrastructure and rendering of satellite services in Spain, Portugal and South America, as well as the lease in Spain of a broad dark fibre backbone network, and technical sites and spaces for housing customers' telecommunications equipment. The main services rendered are the provision of satellite capacity and telecommunications services in the wholesale satellite internet services market, as well as the lease and concession of fibre optics, the lease of sites, maintenance of telecommunications facilities, and integrated telecommunications infrastructure solutions (towers, fibre optics, technical spaces and electricity supply) for telecom operators to render mobile telephone voice and data services on high-speed train (AVE) lines.

- **Management and operation of international electricity infrastructure**

This segment comprises activities related to international business development as a natural form of growth, mainly focused on the construction and operation of electricity transmission networks outside Spain; at 30 June 2022, in Peru, Chile and Brazil specifically.

The Group also carries out reinsurance activities and fosters innovation in the electricity and telecommunications sectors. These activities do not meet the quantitative thresholds to be presented separately.

Inter-segment sales prices are established based on the normal commercial terms and conditions with unrelated third parties.

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The key indicators of the operating segments identified are as follows:

Business segments at 30 June 2022

Thousands of Euros	Management and operation of domestic electricity infrastructure	Management and operation of international electricity infrastructure	Telecommunications		Other, corporate and adjustments	Total
			Satellites	Fibre optics		
Revenue	815,409	30,359	95,542	73,038	(11,124)	1,003,224
External customers	814,282	30,359	95,434	50,936	12,213	1,003,224
Inter-segment revenue	1,127	-	108	22,102	(23,337)	-
Investments in equity-accounted associates (similar activity)	-	27,304	470	-	-	27,774
Depreciation and amortisation	(194,091)	(8,974)	(50,970)	(11,893)	(2,450)	(268,378)
Impairment and gains/(losses) on disposal of fixed assets	106	-	-	-	4	110
Results from operating activities	413,975	38,487	20,420	42,564	8,645	524,091
Interest income	139	5,793	123	-	1,636	7,691
Interest expense	(36,131)	(10,752)	(4,124)	(229)	(1,475)	(52,711)
Income tax	(93,883)	(1,425)	(5,755)	(10,584)	(3,831)	(115,478)
Profit/(loss) attributable to non-controlling interests	-	150	(1,369)	-	-	(1,219)
Profit of the Parent after tax	284,103	31,948	9,802	31,752	5,421	363,026
Segment assets	10,290,347	1,454,624	1,336,719	357,547	1,142,863	14,582,100
Equity-accounted investees	-	615,411	73,466	-	4,119	692,996
Segment liabilities	7,714,892	791,390	783,265	301,516	259,355	9,850,418

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Business segments at 30 June 2021

Thousands of Euros	Management and operation of domestic electricity infrastructure	Management and operation of international electricity infrastructure	Telecommunications		Other, corporate and adjustments	Total
			Satellites	Fibre optics		
Revenue	809,022	24,479	83,272	69,362	(10,282)	975,853
External customers	808,145	24,317	83,199	48,665	11,454	975,853
Inter-segment revenue	877	162	73	20,697	(21,809)	-
Investments in equity-accounted associates (similar activity)	-	13,277	2,251	-	-	15,528
Depreciation and amortisation	(191,746)	(8,020)	(44,631)	(11,782)	(1,988)	(258,167)
Impairment and gains/(losses) on disposal of fixed assets	28	-	297	-	(1)	324
Results from operating activities	436,244	21,446	22,300	41,702	5,846	527,538
Interest income	25	6,008	32	-	(28)	6,037
Interest expense	(42,432)	(9,349)	(3,201)	(582)	(801)	(56,365)
Income tax	(97,978)	(1,112)	(3,797)	(10,280)	(4,825)	(117,992)
Profit/(loss) attributable to non-controlling interests	-	27	(1,777)	-	-	(1,750)
Profit of the Parent after tax	295,838	16,864	14,415	30,841	212	358,170
Segment assets	9,797,340	1,238,430	1,325,521	432,053	627,142	13,420,486
Equity-accounted investees	-	501,432	65,488	-	-	566,920
Segment liabilities	7,536,217	694,180	797,728	314,316	583,084	9,925,525

Details of revenue and non-current assets, by geographical area, at 30 June 2022 and 2021 are as follows:

Revenue

Thousands of Euros	30.06.2022	30.06.2021
Spain	912,041	906,028
Other	91,183	69,825
Total	1,003,224	975,853

Fixed assets (*)

Thousands of Euros	30.06.2022	31.12.2021
Spain	9,783,780	9,791,652
Other	1,253,829	1,111,082
Total	11,037,609	10,902,734

(*) Excludes non-current investments, deferred tax assets, and non-current trade and other receivables.

21 Earnings per Share

Details of earnings per share in the first half of 2022 and 2021 are as follows:

	30.06.2022	30.06.2021
Net profit attributable to the Parent (thousands of Euros)	363,026	358,170
Number of shares	541,080,000	541,080,000
Average number of own shares	1,803,403	2,084,729
Basic earnings per share (Euros)	0.67	0.66
Diluted earnings per share (Euros)	0.67	0.66

At 30 June 2022 and 2021 the Group has not conducted any operations that would result in any difference between basic earnings per share and diluted earnings per share.

22 Events after 30 June 2022

No significant events have occurred between the reporting date and the date on which these condensed consolidated interim financial statements were authorised for issue.

Appendix I: Details of equity investments at 30 June 2022

Redeia

Details of equity investments at 30 June 2022

	2022	
	Percentage ownership ⁽¹⁾	
	Direct	Indirect
Red Eléctrica Corporación, S.A. , Parent, incorporated in 1985. - Paseo Conde de los Gaitanes, 177. Alcobendas. Madrid. (Spain). - Management of the business group, rendering of assistance or support services to investees and operation of the property owned by the Company.		
A) Fully consolidated subsidiaries		
Red Eléctrica de España, S.A.U. (Red Eléctrica) - Paseo Conde de los Gaitanes, 177. Alcobendas. Madrid. (Spain). - Transmission, operation of the Spanish electricity system and management of the transmission network.	100%	-
Red Eléctrica Internacional, S.A.U. (Redinter) - Paseo Conde de los Gaitanes, 177. Alcobendas. Madrid. (Spain). - Acquisition and holding of international equity investments. Rendering of advisory, engineering and construction services. Performance of electricity activities outside the Spanish electricity system.	100%	-
Red Eléctrica Infraestructuras de Telecomunicación, S.A.U. (Reintel) - Paseo Conde de los Gaitanes, 177. Alcobendas. Madrid. (Spain). - Rendering of advisory, engineering, construction and telecommunications services.	51%	-
Red Eléctrica Infraestructuras en Canarias, S.A.U (Reincan) - Calle Juan de Quesada, 9. Las Palmas de Gran Canaria. (Spain). - Management of the construction of energy storage facilities and the water cycle.	100%	-
Red Eléctrica de España Finance, S.L. ⁽²⁾ (REEF) - Paseo Conde de los Gaitanes, 177. Alcobendas. Madrid. (Spain). - Financing activities.	100%	-
Red Eléctrica Financiaciones, S.A.U. (REF) - Paseo Conde de los Gaitanes, 177. Alcobendas. Madrid. (Spain). - Financing activities.	100%	-
Red Eléctrica Sistemas de Telecomunicaciones, S.A.U. (Restel) - Paseo Conde de los Gaitanes, 177. Alcobendas. Madrid. (Spain). - Acquisition, holding, management and administration of Spanish and foreign equity securities.	100%	-
Red Eléctrica y de Telecomunicaciones, Innovación y Tecnología, S.A.U. (Elewit) - Paseo Conde de los Gaitanes, 177. Alcobendas. Madrid. (Spain). - Activities geared towards driving and accelerating technological innovation.	100%	-
Redcor Reaseguros, S.A (Redcor) - 26, Rue Louvigny. (Luxembourg). - Reinsurance activities. Incorporated in 2010 in Luxembourg in order to reinsure the risks of the Group companies, thereby guaranteeing better access to international reinsurance markets.	100%	-
Red Eléctrica Andina, S.A.C. (REA) -Av. Javier Prado Este 492 Int. 1001 Urb. Jardín San Isidro. Lima (Peru) - Rendering of line and substation maintenance services.	-	100%(a)

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	2022	
	Percentage ownership ⁽¹⁾	
	Direct	Indirect
Red Eléctrica del Sur, S.A. (Redesur) - Av. Javier Prado Este 492 Int. 1001 Urb. Jardín San Isidro. Lima (Peru) - Electricity transmission and operation and maintenance of electricity transmission networks.	-	100%(a)
Transmisora Eléctrica del Sur, S.A.C. (Tesur) - Av. Javier Prado Este 492 Int. 1001 Urb. Jardín San Isidro. Lima (Peru) - Electricity transmission and operation and maintenance of electricity transmission networks.	-	100%(c)
Transmisora Eléctrica del Sur 2, S.A.C. (Tesur 2) - Av. Javier Prado Este 492 Int. 1001 Urb. Jardín San Isidro. Lima (Peru) - Electricity transmission and operation and maintenance of electricity transmission networks.	-	100%(c)
Transmisora Eléctrica del Sur 3, S.A.C. (Tesur 3) - Av. Javier Prado Este 492 Int. 1001 Urb. Jardín San Isidro. Lima (Peru) - Electricity transmission and operation and maintenance of electricity transmission networks.	-	100%(c)
Transmisora Eléctrica del Sur 4, S.A.C. (Tesur 4) - Av. Javier Prado Este 492 Int. 1001 Urb. Jardín San Isidro. Lima (Peru) - Electricity transmission and operation and maintenance of electricity transmission networks.	-	100%(j)
Red Eléctrica del Norte Perú, S.A.C. (Redelnor) - Av. Javier Prado Este 492 Int. 1001 Urb. Jardín San Isidro. Lima (Peru) - Electricity transmission and operation and maintenance of electricity transmission networks.	-	100%(a)
Concesionaria Línea de Transmisión CCNCM, S.A.C. (CCNCM) - Av. Javier Prado Este 492 Int. 1001 Urb. Jardín San Isidro. Lima (Peru) - Electricity transmission and operation and maintenance of electricity transmission networks.	-	100%(d)
Red Eléctrica Chile S.P.A. (RECH) - Isidora Goyenechea 3000, Oficina 1602 Las Condes, Santiago (Chile) - Acquisition, holding, management and administration of securities.	-	100%(a)
Red Eléctrica del Norte S.A. (Redenor) - Isidora Goyenechea 3000, Oficina 1602 Las Condes, Santiago (Chile) - Electricity transmission and operation and maintenance of electricity transmission networks.	-	69.9%(e)
Red Eléctrica del Norte 2 S.A. (Redenor 2) - Isidora Goyenechea 3000, Oficina 1602 Las Condes, Santiago (Chile) - Electricity transmission and operation and maintenance of electricity transmission networks.	-	100%(e)
Red Eléctrica Brasil Holding Ltda. (REB) - Calle Libero Badaró, 293. Sao Paulo. (Brazil) - Acquisition, holding, management and administration of securities.		100%(a)
Hispat S.A. - Calle de Anabel Segura, 11. Alcobendas. Madrid. (Spain). - Parent of the Hispat Subgroup. Operation of the satellite communications system and rendering of space segment services for the geostationary orbital slots allocated to the Spanish state.	-	89.68%(f) (3)
Hispat Canarias, S.L.U. -Calle Practicante Ignacio Rodriguez s/n Edificio Polivalente IV. Las Palmas de Gran Canaria (Spain) - Sale and lease of satellites and spatial capacity.	-	89.68%(g) (3)

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

- Company

- Registered office

- Principal activity

	2022	
	Percentage ownership ⁽¹⁾	
	Direct	Indirect
Hispasat Brasil, Ltda. - Praia do Flamengo, 200 Rio de Janeiro (Brazil) - Commercialisation of satellite capacity.	-	89.68%(g)(3)
Hispamar Satélites, S.A. - Praia do Flamengo, 200 Rio de Janeiro (Brazil) - Commercialisation of satellite capacity.	-	89.68%(h)(3)
Hispamar Exterior, S.L.U. - Paseo de la Castellana 39, 28046 Madrid (Spain). - Commercialisation of satellite capacity.	-	89.68%(i)(3)
Hispasat de México, S.A. de C.V. - Agustín Manuel Chávez 1-001 Col. Centro de Ciudad Santa Fe, México D.F. (Mexico) - Use of radio spectrum, telecommunications networks and satellite communication.	-	89.68%(g)(3)
Consultek Inc. - 1036 Country Club Drive, Suite 202, Moraga, CA 94556. (United States of America) - Technical consultancy services.	-	89.68%(g)(3)
Hispamar Satélites, S.A. (Venezuela) - Torre Phelps, piso 10 ofic. 10, Caracas (Venezuela) - Commercialisation and rendering of satellite telecommunications services.	-	89.68%(i)(3)
Hispasat UK, LTD. 30 Finsbury Square, London. (England) - Commercialisation and rendering of satellite telecommunications services.	-	89.68%(g)(3)
Hispasat Perú, S.A.C. Jr. Baca Flor N° 307, Dpto. N° 701, distrito de Magdalena del Mar. Lima (Peru) - Commercialisation and rendering of satellite telecommunications services.	-	89.68%(g)(3)
B) Proportionately consolidated companies		
Interconexión Eléctrica Francia-España, S.A.S. (Inelfe) - Inmueble Window, 7 C Place du Dôme. Paris. (France) - Study and execution of Spain-France interconnections.	-	50%(b)
C) Equity-accounted investees		
Transmisora Eléctrica del Norte S.A. (TEN) - Avenida Apoquindo N°3721, piso 6, Las Condes, Santiago (Chile) - Electricity transmission and operation and maintenance of electricity transmission networks.	-	50%(e)
Argo Energía Empreendimentos y Participações S.A. - Calle Tabapuã, 841 – 5º andar – Itaim Bibi – São Paulo/SP (Brazil) - Acquisition, holding, management and administration of securities.	-	50% (k)
Argo Transmissão de Energia S.A. (“Argo I”) - Calle Tabapuã, 841 – 5º andar – Itaim Bibi – São Paulo/SP (Brazil) - Electricity transmission and operation and maintenance of electricity transmission networks.	-	50% (l)

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- Company

- Registered office

- Principal activity

	2022	
	Percentage ownership ⁽¹⁾	
	Direct	Indirect
Argo II Transmissão de Energia S.A. (“Argo II”) - Calle Tabapuã, 841 – 5º andar – Itaim Bibi – São Paulo/SP (Brazil) - Electricity transmission and operation and maintenance of electricity transmission networks.	-	50% (l)
Argo III T Transmissão de Energia S.A. (“Argo III”) - Calle Tabapuã, 841 – 5º andar – Itaim Bibi – São Paulo/SP (Brazil) - Electricity transmission and operation and maintenance of electricity transmission networks.	-	50% (l)
Argo IV Transmissão de Energia S.A. (“Argo IV”) - Calle Tabapuã, 841 – 5º andar – Itaim Bibi – São Paulo/SP (Brazil) - Electricity transmission and operation and maintenance of electricity transmission networks.	-	50% (l)
Hisodesat Servicios Estratégicos, S.A. - Paseo de la Castellana 143, 28046 Madrid (Spain) - Commercialisation of spatial systems for government use.	-	38.56%(g) (3)
Grupo de Navegación Sistemas y Servicios, S.L. - Calle Isaac Newton 1, Madrid (Spain) - Operation of satellite systems.	-	12.82%(g) (3)
Zeleros Global, S.L. - Muelle de la Aduana s/n, Edificio Lanzadera, 46024, Valencia - Research and development of new technologies applied to the transport sector	-	5.91%(m)
Nearby Computing, S.L. - Travessera de Gràcia 18, 3r, 3a, 08021 Barcelona - Development of software and/or IT applications	-	11.71%(m)
Hybrid Energy Storage Solutions, S.L. - Av. Benjamín Franklin, 12, Mód. Nº 24, 46980 Paterna, Valencia - Design, production and sale of technological energy storage solutions for the new generation of electricity grids	-	19.61%(m)
Aerolaser System, S.L. - Av. José Mesa y López, 45, L. D4, 35010 Las Palmas de Gran Canaria. - Development and commercialisation of sensory technological solutions for geospatial technology	-	15.79%(m)

(1) Equivalent to voting rights.

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

(3) Company forming part of the Hispasat Subgroup.

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

(b) Investment through Red Eléctrica de España S.A.U.

(c) Investment through Red Eléctrica del Sur, S.A.

(d) Investment through Red Eléctrica del Norte Perú, S.A.C.

(e) Investment through Red Eléctrica Chile SpA.

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

(g) Investment through Hispasat, S.A.

(h) Investment through Hispasat, S.A. and Hispasat Brasil, Ltda.

(i) Investment through Hispamar Satélites, S.A.

(j) Investment through Red Eléctrica del Sur, S.A. and Red Eléctrica Internacional, S.A.U.

(k) Investment through Red Eléctrica Brasil Holding Ltda.

(l) Investment through Argo Energia Empreendimentos e Participações S.A.

(m) Investment through Red Eléctrica y de Telecomunicaciones, Innovación y Tecnología, S.A.U.

redeia

El valor de lo esencial



Consolidated Interim Directors' Report for the six-month period ended 30 June 2022

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

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

While the Group considers the expectations reflected in those statements to be reasonable, investors and holders of shares in the Parent are advised that the information and statements containing future projections are subject to risks and uncertainties, many of which are difficult to foresee and generally beyond the Group's control. As a result of such risks, actual results and developments could differ substantially from those expressed, implied or forecast in the information and statements containing future projections.

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

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

1 Relevant events occurring during the six-month period and outlook

Red Eléctrica Corporación, S.A. (hereinafter the Parent or the Company) is the Parent of a Group formed by subsidiaries. The Group is also involved in joint operations along with other operators. The Parent and its subsidiaries form Redeia (hereinafter also referred to as the Group).

The Group's principal activities are the management and operation of electricity infrastructure in Spain, through Red Eléctrica de España, S.A.U. (Red Eléctrica), and abroad, through Red Eléctrica Internacional, S.A.U. and its investees (Redinter). The Group also provides satellite telecommunications services through Hispasat, S.A. and its subsidiaries (Hispasat) and fibre optic telecommunications services to third parties in Spain through Red Eléctrica Infraestructuras de Telecomunicación, S.A.U. (Reintel).

Redeia drives innovation, entrepreneurship and technological development, which are the cornerstones of sustainability, through its subsidiary Red Eléctrica y de Telecomunicaciones, Innovación y Tecnología, S.A.U. (Elewit). Through its subsidiary Red Eléctrica Sistemas de Telecomunicaciones, S.A.U. (Restel), it is promoting the development of mobile communications sites to enable operators to deploy their 5G telecommunications networks.

On 7 June the launch of the new commercial brand Redeia was announced, replacing Red Eléctrica Group. Redeia clearly and unequivocally defines and conveys the essence of the Group:

- A robust and diverse group, a benchmark in the energy and telecommunications sectors.
- A group that, after successfully completing its corporatisation procedure, is moving forward, buttressed by its five reference companies (Red Eléctrica, Reintel, Hispasat, Redinter and Elewit).
- An international group, present in Spain and Latin America, which is firmly committed to progressing.

This new identity further strengthens its cohesion as a group, with separate and distinct businesses which exercise responsible and ethical leadership, changing the Group's image without changing its pillars:

- Red Eléctrica will continue to be the flagship of the Group, the backbone of the electricity system and energy transition.
- Reintel, Spain's largest provider of dark fibre optics and a core component in the deployment of a new generation of universal connectivity.
- Hispasat, which, with its satellite capacity to bridge the digital divide, is expected to be one of the key players in digital transformation in Spain and Latin America.
- Redinter, the new brand of the international business, through which knowledge in the energy and telecommunications sectors is shared with Latin America.
- The technology platform, Elewit, a benchmark for the innovation ecosystem in Spain.

On 29 June 2022, after the pertinent approvals had been obtained, the transfer of a minority stake of 49% in Reintel was completed, in accordance with the agreement entered into between Red Eléctrica Corporación, S.A. and Kohlberg Kravis Roberts & Co. L.P. (hereinafter KKR) through its subsidiary Rudolph Bidco S.À R.L. on 16 December 2021. Following this transaction, Redeia maintains control of Reintel, with a 51% stake, and this company therefore continues to be fully consolidated, with a change to the consolidated group being recognised as of this date.

Management and operation of domestic electricity infrastructure

The mission of Red Eléctrica, as transmission agent and system operator for the Spanish electricity system, is that of ensuring that the Spanish electricity system functions correctly and guaranteeing the continuity and security of the electricity supply at all times. To this end, it oversees and coordinates the high-voltage electricity system and manages the development of the transmission network. The Company seeks to fulfil its mission while adhering to the principles of neutrality, transparency, independence and economic efficiency, so as to offer a secure, efficient and high quality electricity service to society as a whole.

Redeia has invested Euros 185.1 million up to June 2022 to develop the national transmission network in Spain.

In the first half of 2022 the Group continued its commitment to efficient development of the transmission network by bringing facilities into service that contribute to the energy transition, with the aim of integrating as much renewable generation as possible and furthering electrification, thus ensuring security of supply and service quality. New facilities brought into service in the first half of 2022 notably include the Lanzarote-Fuerteventura interconnection (16.9 km), various bays for renewable energy evacuation (seven bays), the Torrent substation (Valencia) (six bays) and the Chucena substation (Huelva) (four bays).

Also, in the first half of 2022, the Council of Ministers, at the behest of the Ministry for the Ecological Transition and Demographic Challenge, approved the 2021-2026 Electricity Planning, on the basis of which the transmission network will be prepared so that in the coming years it will be able to connect and integrate more renewable energy, bolster the reliability of supply where needed, promote the development of new demand and rail axes and strengthen isolated systems and our international connections. The Planning will serve as a catalyst for economic and social progress in our country and will contribute strongly to recovery from the pandemic.

Mainland electricity system

The most notable events in the first half of 2022 were as follows:

Mainland electricity demand amounted to 118,284 GWh, down 1.8% on the first half of 2021. Adjusted for calendar and temperature effects, the decline was 2.7%.

Demand for hourly average power and daily electricity peaked on 20 January at 37,524 MW and 770 GWh, respectively, down 9.5% and 7.7%, respectively, on the maximum levels recorded in the first half of 2021.

Notably, 45.6% of demand was covered with renewable power generation, 7.5% down on the same period in 2021, mainly due to lower generation with hydro technology.

Maximum instantaneous power and daily electricity from wind power were recorded on 14 March and 9 January, at 18,104 MW and 393 GWh, respectively, down 6.2% and 4.5%, respectively, on the maximum levels recorded in the first half of 2021.

In contrast to the same period of the previous year, international electricity exchanges resulted in a net export balance, amounting to 6,887 GWh in the first half of 2022.

The performance of Red Eléctrica's mainland transmission network has once again been excellent, with provisional total availability of the network to June at 98.4%, below the 98.6% achieved in the same period of the prior year. The continuity of supply indicators were below the thresholds set out in Royal Decree 1955/2000, with an accumulated ENS (energy not supplied) and AIT (average interruption time) at June 2022 of 51.08 MWh and 0.113 minutes, respectively (126.12 MWh and 0.273 minutes at June 2021), highlighting the continuing high degree of security and quality provided by Red Eléctrica facilities.

Non-mainland electricity systems

Within the Balearic Islands system, demand to June 2022 was up 13.1% on the same period of the prior year. Temperatures have had an impact of 0.3% on demand. The 250 kV Morvedre-Santa Ponsa HDVC link-up has continued to contribute towards the security and quality of supply. Electricity from the mainland covered just 6.8% of the demand in this system in the first half of 2022 (27.1%

in 2021), due to the difference in generation costs between the Balearic Islands and mainland electricity systems.

Demand in the Canary Islands system was up 10.2% in the first half of 2022 compared to the same period of the prior year. Moreover, accumulated renewable power generation (wind, photovoltaic, other renewables and wind-hydro power) accounted for 19.9% of total output in the first half of 2022 (19.8% in 2021).

Management and operation of international electricity infrastructure (Redinter)

The Group's international business is conducted through its subsidiary Red Eléctrica Internacional, S.A.U. (hereinafter REI), which currently has a presence in Peru, Chile, Brazil and Portugal.

The Group manages a network spanning 5,182 km in Peru, Chile and Brazil (1,686 km in Peru, 1,749 km in Chile and 1,747 km in Brazil), of which 4,776 km are up and running at present.

Redinter's workforce currently comprises 112 employees, of whom 77 are in Peru, 31 in Chile and four in Brazil. This figure does not include the personnel of TEN (Chile) or Argo (Brazil) in which a 50% interest is held; neither does it include REN.

Activities in Peru

The Group is the main transmission agent in the south of Peru and has carried out operations in the north of the country since 2019 through CCNCM (a wholly owned subsidiary of REDELNOR).

The subsidiaries REDESUR, TESUR, TESUR 2, TESUR 3 and CCNCM are concessions under commercial operation for a period of 30 years, and TESUR 4 is at the final construction stage.

During the first half of the year, the average voltage levels remained within the limits set out in the Technical Standard for Quality of Electricity Services, no incidents were recorded in quality of service during the period, and network availability stood at 99.894% in REDESUR, 100% in TESUR, TESUR 2 and TESUR 3 and 99.841% in CCNCM, in line with the first half of 2021.

Activities in Chile

In Chile, the Group acquired a 50% interest in TEN in 2016. This company is responsible for the construction and maintenance of the Mejillones-Cardones line, which was brought into service in November 2017. During the first half of 2022, TEN maintained a high availability rate of 99.87% among its facilities (99.96% in the first half of 2021).

REDENOR is engaged in the design, construction and subsequent operation and maintenance of a substation and three lines close to the border with Peru, which are currently at the construction stage and are expected to be brought into service in the last quarter of 2022.

REDENOR 2 is engaged in the commercial operation of 265 km of power lines linking the El Cobre – Esperanza – El Tesoro – Encuentro substations. During the first half of 2022, it maintained a 99.63% availability rate among its facilities (100% in the first half of 2021). REDENOR 2 is also carrying out the extension works at the Centinela substation, and is building the line connecting to the Sierra Gorda photovoltaic farm. A number of connection requests have been made for the future integration of new renewable energy generation and nearby large consumers such as mining companies.

Activities in Brazil

In Brazil, in March 2020 the Group acquired a 50% interest in the holding company Argo, which in turn holds the Argo I, Argo II and Argo III concessions. This acquisition was made through the Group's main company in that country, Red Eléctrica Brasil (REB).

The primary concession, Argo I, has been operating since the end of 2019, running 1,115 km of lines and five substations in the Northeast Region of Brazil. During the first half of 2022, it maintained a high availability rate of 99.96% among its facilities (98.97% in the first half of 2021).

Argo II is a project to expand a substation in the state of Minas Gerais, which entered into commercial service on 8 February 2022. The availability rate of these facilities in the first half of 2022 was 97.94%.

Argo III operates 320 km of 230 kV power lines and five substations in the state of Rondônia. Most of these facilities came into commercial service in 2020, with the last two substations having been energised in March and December 2021. The availability rate of these facilities in the first half of 2022 was 100%.

On 31 January 2022, the acquisition and takeover of control of the Rialma Transmissora de Energia III S.A. facilities, comprising 312 km of 500 kV power lines, were formalised. Since that date, the Group has held a 50% stake in this new concession, which is in commercial service, and has been integrated as Argo IV. The availability rate of these facilities in the first half of 2022 was 100%.

Telecommunications

Satellite business

Redeia operates its satellite telecommunications business through Hispasat.

Red Eléctrica Sistemas de Telecomunicaciones, S.A. (RESTEL) holds an 89.68% interest in Hispasat. The other Hispasat shareholders are SEPI, with a 7.41% interest, and the CDTI, which holds 2.91%.

Hispasat is the leading satellite operator in Spain and Latin America, while at the same time playing an important role as a driver of innovation in the aerospace industry. It has a fleet of nine satellites in six orbital slots. It also provides advanced satellite communications services.

It is the primary bridge for communications between Europe and the Americas, providing broadband and connectivity services in the Americas, Europe and North Africa through companies in Spain and Latin America. It is also the leading broadcaster and distributor of Spanish and Portuguese audio-visual content for major direct-to-home (DTH) digital platforms, which offer high-definition television (HDTV) in their programming. These business lines make it one of the largest companies in its sector worldwide in terms of revenue.

Hispasat's activities are conducted through its parent, Hispasat, S.A., which operates and commercialises the satellites that are not located in orbit over Brazilian territory, and through Hispasat Canarias, Hispamar Satélites, Hispamar Exterior and Hispasat México, which jointly operate and commercialise the satellites that are in orbit over Brazilian territory. Hispasat Peru, from its ground station in Lurín, manages and transmits the signals of the DTH wholesale business for the Latin American region.

In the first half of 2022 work continued on the manufacture of the new Amazonas Nexus satellite, which comes with a next-generation HTS payload, mainly aimed at providing connectivity services in the mobility sector in Latin America, including coverage for the North and South Atlantic air corridors.

In 2022, Hispasat S.A. has reached an agreement to acquire 100% of Axxess Networks Solutions Holdings, S.L., "Axxess Networks", for US Dollars 96 million (share price), plus US Dollars 27.5 million of financial debt, representing an enterprise value of approximately US Dollars 123.5 million.

The acquisition will be financed through a combination of Hispasat, S.A. cash and financing facilities, without financial recourse to its shareholders.

Axess Networks is a telecommunications company specialising in satellite services and solutions for the corporate market (telcos and large companies) and public entities. It is present in Latin America (Colombia, Mexico, Peru, Ecuador and Chile) and EMEA (mainly Africa and the Middle East).

The aim in acquiring Axess Networks is to position Hispasat as a provider of advanced satellite solutions and services in the markets in which it operates. This transaction will lead to Hispasat having greater involvement in the managed services value chain, providing proximity to customers, adaptation capacity and rapid development of its service offering.

It is subject to the pertinent authorisations being obtained and other conditions precedent.

Fibre optics business

The fibre optic telecommunications activities conducted by Redeia are centred on the commercial operation in Spain of the surplus capacity of the fibre optic networks and infrastructure associated with the electricity transmission network and the railway network owned by ADIF-Alta Velocidad, to which the Group holds the rights of use and exploitation.

Reintel is the largest neutral operator of dark fibre infrastructure in Spain. Its principal activity is the lease of dark fibre and sites. Reintel has a fibre optic network of 52,366 km rolled out over the electricity transmission network and the railway network and its main customers are telecommunications operators present in Spain. Reintel also provides Red Eléctrica with the telecommunications services needed for its activity, i.e., maintenance services for fibre optic cables and telecommunications equipment.

Throughout the first half of 2022, Reintel continued to implement its commercial plan as a telecommunications infrastructure supplier, developing its customer portfolio and undertaking investments where requested by customers, thereby generating greater revenues for the Group.

Incidents on the fibre optic network have been addressed and resolved within the timescales established with customers, thus no claims involving financial penalties have been raised.

Commercial activity and proactive collections management in this first half of 2022 have been sustained, and therefore no negative impact is expected on defaults or the key financial-economic indicators in 2022.

2 Business performance

Revenues

Total amalgamated revenues and profits of the investees amounted to Euros 1,031.0 million, up 4.0% on the first half of 2021. Details by activity are as follows:

- Management and operation of domestic electricity infrastructure: This activity generated revenues of Euros 815.4 million, slightly higher than in the previous year.
- International electricity transmission: the revenues and profits of the investees from this activity amounted to Euros 57.7 million, 52.7% higher than the figure posted at June 2021, which stood at Euros 37.8 million. In detail, this variation is due to the following:
 - Revenues from international activity increased from Euros 24.5 million in the first half of 2021 to Euros 30.4 million in the same period of this year. This 24.0% increase in revenues compared to the previous year is related to higher revenues of the investees in Chile and Peru and a favourable exchange rate effect, estimated at Euros 2.4 million.
 - The profits of investees in the international business amounted to Euros 27.3 million, 106% higher than in the same period of the prior year. This positive performance can be attributed to greater activity associated with ARGO's Brazilian subsidiary, due to the entry into service of part of ARGO II (2022) and ARGO III (end of 2021) and the acquisition of ARGO IV (Rialma) for Euros 7.3 million, a favourable exchange rate, the estimated effect of which was Euros 1.9 million, and the updating of regulatory parameters in Brazil.

- Telecommunications: this activity generated revenues and profits in the investees of Euros 169.0 million in the first half of 2022, 9.1% more than in the same period of 2021.
 - Satellite business: revenues of the satellite business, of which Hispasat forms part, improved by 14.7% in the first half of the year compared to the same period of the previous year to stand at Euros 95.5 million. Higher sales, the full half-year effect of the acquisitions made in the prior year in Peru and favourable exchange rates, estimated at Euros 4.2 million, are the reasons for this positive performance. The share in the profits of investees amounted to Euros 0.5 million.
 - Fibre optics: the fibre optics business, which encompasses Reintel, generated revenues of Euros 73.0 million, up Euros 3.7 million on the first six months of 2021. This trend was mainly because certain contracts are indexed to inflation.

Operating expenses

Operating expenses amounted to Euros 279.8 million in the first half of 2022, which represents an increase of 10.9%. Comparable operating expenses, excluding the impact of non-comparable expenses (the execution of a specific maintenance programme and costs associated with new lines of business in Peru), grew by a mere 2.1%, which is testament to the proactive and efficient measures implemented to contain the effects of inflation.

- The cost of supplies and other operating expenses have increased from Euros 164.1 million in the first half of 2021 to Euros 188.1 million in the six-month period just ended. This figure includes around Euros 20 million associated with a specific critical asset maintenance programme which will end in 2023, and Euros 2.4 million mainly resulting from expenses related to the acquisitions made by Hispasat in Peru in May 2021.
- Personnel expenses totalled Euros 91.6 million, a climb of 3.9% on the first half of 2021. This is due to a higher average headcount and a contained salary increase.

The headcount at 30 June was 2,157 employees, compared with 2,085 in the prior year. The average headcount was 2,142 employees, and 2,062 in the first half of 2021. This variation is mainly due to the addition to the Group of 34 employees from the satellite business acquired in Peru, 20 employees as a result of the transformation plan implemented by Hispasat and 21 new employees in the regulated business, associated with the larger investment plans being undertaken.

Profit

As a result, **gross operating profit (EBITDA)** totalled Euros 784.6 million, up by 1.7% on the figure for the first six months of the prior year. EBITDA trends broken down by activity are as follows:

- Management and operation of domestic electricity infrastructure: EBITDA generated stood at Euros 602.1 million versus Euros 615.3 million in the same period of the prior year. This difference is largely due to the higher expenses associated with the regulated activity related to the critical asset maintenance plans.
- International electricity transmission: EBITDA generated grew by 61.1% compared to the first half of 2021 to stand at Euros 47.5 million. This variation can be attributed to the good performance of revenues and profits of the investees, combined with contained operating expenses.
- Telecommunications: EBITDA in the telecommunications business amounted to Euros 126.5 million, up Euros 5.4 million year-on-year. In the satellite business, EBITDA increased by Euros 4.5 million, with higher revenues being partially offset by higher operating and personnel expenses associated with the increase in the average headcount. The increase in EBITDA in the fibre optics business stood at Euros 1 million, 1.7% higher than in the same period of the prior year.

Results from operating activities (EBIT) totalled Euros 524.1 million, down 0.7% on the same period of 2021. This drop is due to the variation in depreciation and amortisation, grants taken to income and impairment, the amount of which rose from Euros 243.7 million in the first half of 2021 to Euros 260.5 million in the first half of the current year. Of particular note in this regard are the

increases in these items in the regulated business (over Euros 9 million) and in the satellite business (more than Euros 6 million).

The **net finance cost** was Euros 44.4 million, compared to Euros 49.6 million in 2021. This improvement is largely due to the lower average cost of debt, which went from 1.53% in the first half of 2021 to 1.46% in 2022, and a lower average gross financial debt balance, which slid from Euros 6,705 million in the January-June 2021 period to Euros 6,431 million in the same period of this year.

The effective **income tax** rate applicable to the Group was 24.1%, whereas in the first half of the previous year it was 24.7%. This slight fall in the tax rate is mainly due to the higher contribution to profits by equity-accounted investees.

Lastly, **profit for the year** totalled Euros 363.0 million, up 1.4% on the first half of 2021. Performance of this item by line of business is as follows:

- Management and operation of domestic electricity infrastructure: the net profit attributable to this activity amounted to Euros 284.1 million in the first half of the year, which is Euros 11.7 million less than in the first half of 2021. The decline is mainly due to lower EBITDA, as explained above.
- International electricity transmission: net profit of Euros 31.9 million was attributed to this activity, compared with Euros 16.9 million in the prior year. The good performance of the Brazilian subsidiary, Argo, was largely responsible for this improvement.
- Telecommunications: net profit attributed to this activity dropped from Euros 45.3 million in the first six months of 2021 to Euros 41.6 million in the same period of this year. The improvement in the fibre optics business has been offset by a worse performance of Hispasat in the first half of the year.

Investments

The investments undertaken by the Group in the first half of 2022 amounted to Euros 273.4 million, which is 8.2% higher than the investments made in the prior year. This figure does not include the Euros 32.4 million set aside by the Brazilian company, Argo, for the acquisition of Rialma.

Euros 202.8 million were channelled into investments associated with the management and operation of domestic electricity infrastructure, 10.8% more than in the same period of the previous year. In this regard, the greater investment associated with the entry into service of the Lanzarote-Fuerteventura interconnection, storage-related facilities in the Canary Islands and the headway made on the Ibiza-Formentera interconnection are particularly noteworthy.

Investments related with the management and operation of international electricity infrastructure notably include the increased investment in the Tesur 4 project in Peru, which is expected to start operating at the end of this year.

As regards the telecommunications activity in the satellite segment, the lower investments are due to the lesser accumulation of payment milestones in the Amazonas Nexus project during the first half of 2022 compared with the same period of the prior year. Investment in fibre optics in the first half of 2022 was slightly higher than in the same period of the prior year.

In addition, Euros 19.1 million have been set aside for other investments including, among other infrastructure, buildings for the Group and investments made by Elewit, Redeia's venture capital investment vehicle.

3 Main risks and uncertainties in the second half of the year

Redeia is exposed to the different risks inherent in the activities and geographical markets in which it operates, which could have an impact on its results.

The Group's risk management system works on a comprehensive and ongoing basis, and risk management is further consolidated at corporate level by business unit, subsidiary and support area. This Comprehensive Risk Management System aims to ensure that any risks that might affect the Group's strategies and objectives are systematically identified, analysed, assessed, managed and controlled, according to uniform criteria and within the established risk levels, in order to facilitate compliance with the strategies and objectives of the Group. Redeia's comprehensive risk management policy and general comprehensive risk management and control procedures are based on the COSO II (Committee of Sponsoring Organizations of the Treadway Commission) Enterprise Risk Management Integrated Framework and on ISO 31000.

This process of risk identification, analysis, assessment and control sets out the actions required to reduce risk to an acceptable level. For risk monitoring purposes, the existing risk management system contains numerous management plans to mitigate these risks and a large number of indicators to monitor changes therein. The Internal Audit and Risk Control Department reviews the progress and impact of the previously established risk management plans in conjunction with the organisational units on a half-yearly basis for high-level and other significant risks, annually for other risks, and whenever circumstances so advise in the case of specific risks. The Audit Committee supervises this process at least twice a year and reports thereon to the board of directors.

Moreover, the Group's processes have been designed so as to incorporate elements to mitigate or reduce the associated risks. These processes have been integrated within the management systems established under international standards (including ISO 9001, ISO 14001 and ISO 45001), which are subject to systematic internal and external audits on the suitability of design and compliance, and incorporate the control aspects specific to the objectives to be met.

Redeia has also drawn up contingency plans to manage the various crisis situations that could arise in the event of an incident that might affect service continuity or the environment, people, business operations, system availability, business results or any other event that could impact the Group's reputation. Redeia likewise has a guide for managing cyber incidents, which sets out the criteria and guidelines for managing any cyber security incident, irrespective of the area concerned.

In addition, the Group has an Internal Control over Financial Reporting (ICOFR) system, so as to ensure efficiency and security in the preparation of its economic and financial information, for which it has adopted international best practices.

The Group has drawn up a note on the economic scenario in the first half of 2022 and its effect on the Group's financial-economic indicators, which has been included in the notes to the condensed consolidated interim financial statements at 30 June 2022. No significant impacts have been identified in this respect.

The main risks to which Redeia is exposed and that could affect achievement of its objectives are strategic risk, notably regulatory risk inasmuch as the Group's principal business lines are subject to regulations, operational risk, arising from the activities carried out in the electricity and telecommunications sectors, and financial risk.

Regulatory risks

The fact that the activities are regulated affects revenue and the conditions under which the principal activities must be carried out. In this respect, regulatory risks could arise from the possibility of changes to the legal framework applicable to the activities in the different geographical areas in which the Group carries out its activities, which could affect both revenue and costs, either directly or because new requirements are introduced.

Business risks, which derive from the Group's increased diversification in different activities and geographic areas, are also worth highlighting.

Operational risks

Redeia's activities are exposed to different operational risks, such as faults in the electricity transmission network, the fibre optic network or satellite infrastructure, fires at facilities, adverse meteorological conditions, accidents within the transmission network, incidents that could affect physical/logical security, as well as other events that could result in damage to the Group's facilities or harm to people and/or materials. To this end, the Group has established control systems that, to date, have worked satisfactorily.

Furthermore, Redeia has arranged corporate insurance policies to shield its equity and limit the potential impact of such events on its results.

Financial risks

The Group is exposed to volatility in interest and exchange rates, which could affect its financial position.

In terms of exchange rate fluctuations, any adverse changes in exchange rates that could affect the Group's forecast results are considered.

Currency risk management considers transaction risk, arising on cash inflows and outflows in currencies other than the Euro, and translation risk, i.e. the Group's exposure when consolidating its subsidiaries and/or assets located in countries whose functional currency is not the Euro. With a view to reducing the currency risk on issues in the US private placements (USPP) market, the Group has arranged cash flow hedges through US Dollar/Euro cross-currency swaps on the principal and interest, which cover the amount and total term of the issue up to 2035. Forward cash flow hedges in the form of Euro/US Dollar cross-currency swaps (up to 2031) and currency forwards (up to 2025) have also been arranged to hedge highly probable cash flows relating to certain income in Brazilian Reals and US Dollars. In order to mitigate the translation risk on assets located in countries whose functional currency is not the Euro, the Group finances a portion of such investments in the functional currency of those countries. The Group has also arranged hedges of net investments in US Dollars using cross-currency swaps up to 2026.

At 30 June 2022, the Group has a low-risk debt structure with moderate exposure to fluctuations in interest rates. As a result of the debt policy implemented, which aims to bring the cost of debt into line with the financial rate of return applied to the Group's regulated assets, among other objectives, 85% of the Group's borrowings have been arranged at fixed rates. The interest rate risk to which the Group is exposed derives from changes in the fair value of derivative financial instruments and mostly affects equity. The interest rate benchmark reform is not having a significant impact on the Group's financial statements.

4 Events after 30 June 2022

No significant events have occurred between the reporting date and the date on which these condensed consolidated interim financial statements were authorised for issue.